The Unemployment Subsidy Program in Colombia: An Assessment

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We assess the effects of the Colombian Unemployment Subsidy (US) program on future labor participation, unemployment, formality, school attendance and earnings of its beneficiaries, on household earnings and school attendance of the household members, and on weight and height of their children at birth. In addition to providing benefits, the program also provides training to some recipients. We use regression discontinuity and matching differences-in-differences estimators and find that both approaches indicate that participation in the labor market, the earnings of beneficiaries, and household income, do not increase, and for some populations decrease during the 18 months after leaving from the Unemployment Subsidy program. Enrollment in formal health insurance falls. The effects on male household heads include larger reductions in their earnings, larger decreases in their labor participation, and greater increases in their unemployment rates. We also find a small though statistically significant positive effect of the program on school attendance of the beneficiaries, but none on their children's weight or height at birth. The results also are sensitive to the type of training that beneficiaries receive in the Unemployment Subsidy program. Overall, the program serves as a mechanism for smoothing consumption and providing social assistance rather than as a mechanism for promoting a more efficient labor market.

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