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## In-Work Benefits and Unemployment

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### Abstract:

In-work benefits are becoming an increasingly relevant labour market policy, gradually expanding in scope and geographical coverage. This paper investigates the equilibrium impact of in-work benefits and contrasts it with the traditional partial equilibrium analysis. We find under which conditions accounting for equilibrium wage adjustments amplifies the impact of in-work benefits on search intensity, participation, employment, and unemployment, compared to a framework in which wages are fixed. We also account for the financing of these benefits and determine the level of benefits necessary to achieve efficiency in a labour market characterized by search externalities.

**Text:** See [Discussion Paper No. 5473](#)



[Back](#)