

# “Does Extending Unemployment Benefits Improve Job Quality?”

*American Economic Review, 2017*

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# Motivation and research question

- Unemployment insurance (UI) provides payments to those who lose their job, for a limited period of time
- Robust empirical finding: positive effect of UI generosity on unemployment duration
- If more generous UI makes people be unemployed longer...
  - ... is this subsidizing leisure?
  - ... or giving more time to search for better job opportunities?
- Research question:
  - What is the effect of UI generosity on post-unemployment job quality?

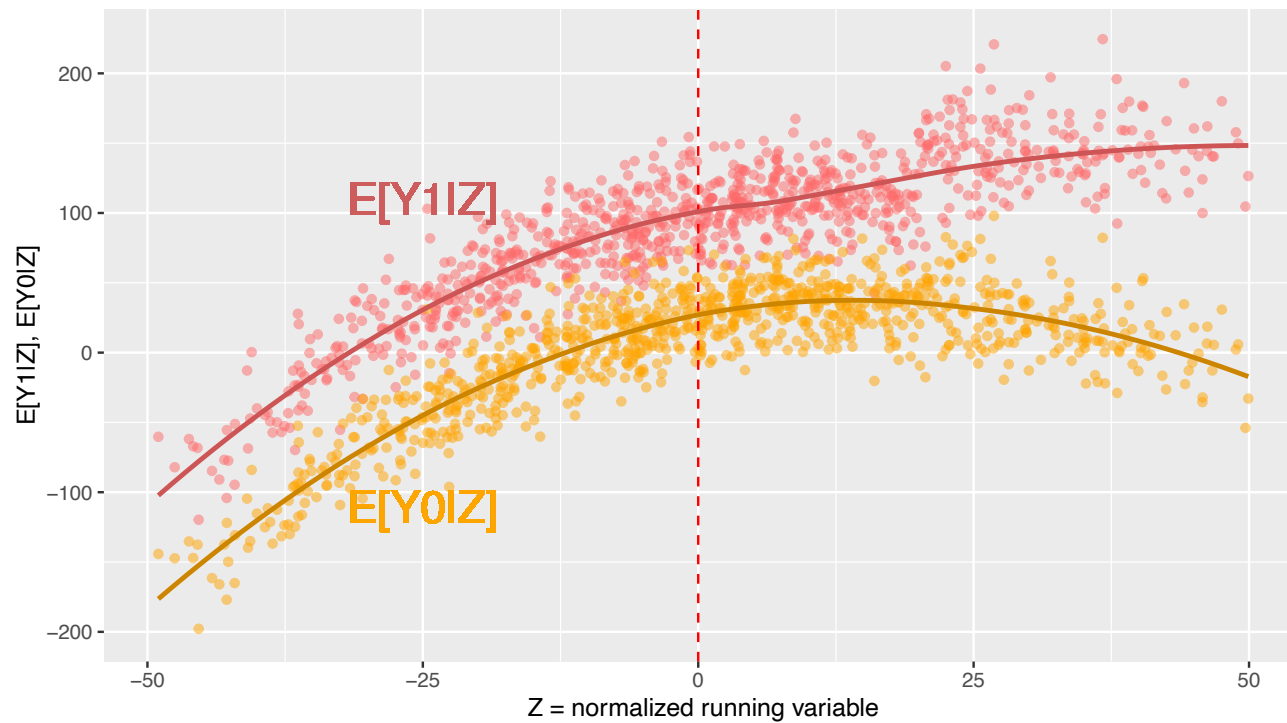
# Data

- Administrative records from Austria
  - Austrian Social Security Database + Austrian Unemployment Registers
- Population of job separations 1989-2010:
  - Workers who lost their job involuntarily
  - With enough work experience to qualify for full benefits
  - Ages 30-50 years
- Dataset:
  - Dataset at the job separation level ( $N=1,738,787$ )
    - `Data_public.dta`
  - Full original dataset, but omitting covariates

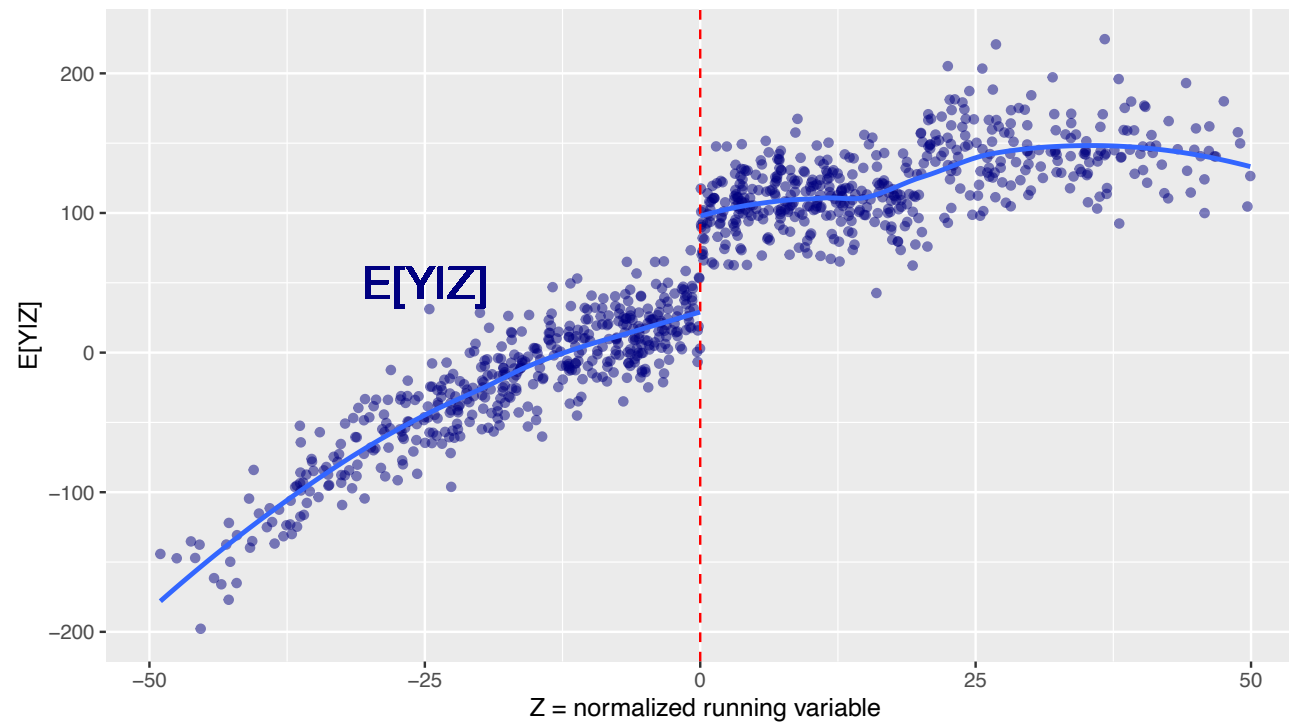
# Empirical approach: Regression Discontinuity

- Exploit quirkiness of Austrian UI benefit duration rules:
  - If you are 39 years and 364 days old when you lose your job: 30 weeks benefit
  - If you are 40 years and 1 day old when you lose your job: 39 weeks benefit
- Basic idea: compare post-UI job quality of those who lose their job just before turning 40 vs. those who lose their job right after
- Regression Discontinuity (RD) key assumption (intuitive):
  - Conditional on being close to 40 at the time of layoff, being just below or just above 40 is as good as random
- Under this assumption:
  - RD identifies the causal effect of greater UI generosity for those who are age 40

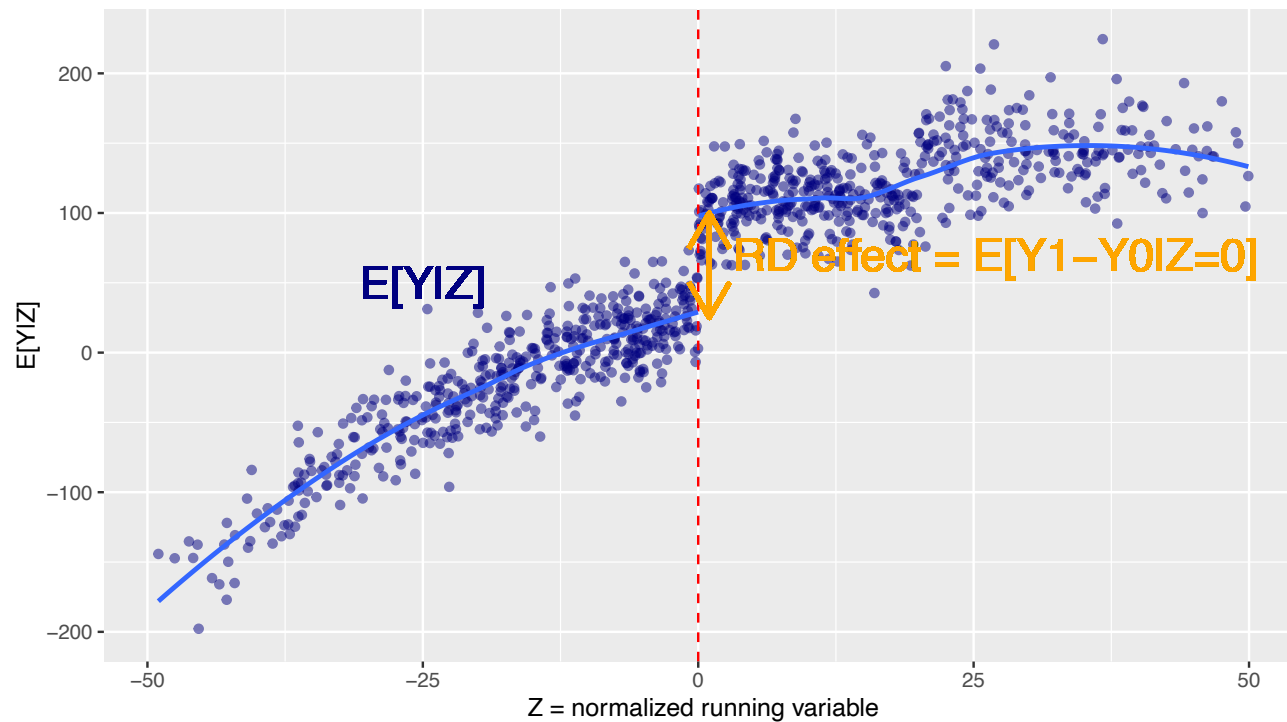
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- Any RD analysis does two things:
  1. Show main results graphically
  2. Estimate the RD effect with some type of regression
- Both things have lots of nuance, and many ways of doing it
- Keep in mind that this paper from 2017 is no longer in the frontier in terms of RD methodology
  - If you use RD, you should implement frontier methods! (see our website for reference)