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Unemployment Insurance's Time-varying Impacts on Re-employment Wages

Abstract

This paper examines the impact of temporary unemployment insurance (UI) coverage on re-employment wages using a recent Canadian micro-level panel data. Through a random effect setup, both workers' wage and employment / unemployment durations' unobserved heterogeneities are controlled for. Furthermore, motivated by the literature of temporary UI coverage's time-varying impact on reemployment process, this paper allows UI's impact on reemployment wages to be time-varying as well. The result shows reemployment wages of UI-covered workers are indeed statistically higher than benefit exhaustees, 12% to 14% if they get re-employed with at least 11 weeks of remaining benefit.