

IAB-DiskAB

Invitation

The Labor Supply Effects of Unemployment Insurance for Older Workers

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We study the labor supply effects of extending Unemployment Insurance (UI) benefits for older workers using German Social Security data and policy variation over 3 decades. Extensions of UI benefits can affect labor supply along two margins: it can lengthen the unemployment duration of an individual who is entering UI – the intensive margin – and it can alter the distribution of workers who are entering UI – the extensive margin. The extensive margin is particularly important for older workers in their 50s and 60s, who may use UI as a pathway into early retirement. We show sharp bunching in UI inflows at various age discontinuities in UI eligibility for older workers, while for younger workers inflows into UI seem to be largely unaffected by UI generosity. We develop a simple model where a share of workers use UI as a pathway into retirement while others enter UI after regular lay-offs and choose their search intensity based on UI generosity. Using a combination of Regression Discontinuity and Bunching techniques, we estimate both intensive and extensive margin responses and back out the necessary model parameters for counterfactual policy simulations.

Tuesday, August 16, 2016

10:00 am

Room 126a