



Regional Strategies...Global Results



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Systemic Disincentive Effects of the Unemployment Insurance Program: Effects on Workers and Firms



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Research on Unemployment Duration

- Duration has been increasing over past 40 years
- Two frameworks: 1) static work-leisure tradeoff
2) job search – difficult to distinguish the two
- Same predictions for: 1) increase in benefit level, 2) increase in potential duration, 3) faster job-finding following exhaustion of benefits
- Relatively small range for estimated effects of higher benefits and longer potential duration

UI Admin. and Benefit Duration

- In the main, three interventions have been studied: 1) the work test, 2) reemployment bonuses, and 3) profiling
- All three reduce duration with point estimates general ranging from -0.4 to -1.0 weeks
- Need to repeat Kentucky analysis of profiling
- New intervention: Reemployment and Eligibility Assessment

Variation in Number of UI Claims

- Wide variation in application (take up) rates across states and demographic groups
- Less research than on benefit duration and not well understood
- Benefit level is one of many determinants
- Other factors: administrative determin. rates, taxes
- New (2005) CPS supplements may add to our knowledge

Incomplete Experience Rating

- Two issues: 1) effects on employer behavior, 2) equity of assigned costs (taxes) across industries
- Measurement of experience rating: 1) marginal tax cost of layoffs, 2) experience rating index
- Past analysis emphasized effects on temporary layoffs – large effects inferred
- Temporary layoffs have declined while degree of experience rating has been relatively stable
- Little analysis based on micro data from firms

Priorities for New Research

- Greater need to explore effects of benefits than effects of taxes on behavior
- Need to develop understanding of reason(s) for increased unemployment duration
- Natural experiments presented by large changes in maximum weekly benefits, e.g., California, Indiana, D.C.