

The Differential Wage Effect of Unemployment Insurance by Entitlement Status: A New Piece of the UI-Wages Puzzle?

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Abstract :

I study the wage effect differential of an increase in the UI benefit rate by UI entitlement status. While theory implies a positive wage effect for individuals with UI entitlement (UI-eligibles), the predicted wage effect is negative for individuals without UI entitlement (UI-ineligibles), suggesting a large positive wage effect differential between the two groups. I estimate the wage effect differential between UI-eligibles and UI-ineligibles in the context of the 2001 Austrian UI reform, which increased the UI benefit rate for a specific earnings class. Using standard difference-in-differences and event study estimation methods, I do not find any excess wage growth differential between UI-eligibles and UI-ineligibles among affected individuals relative to a control group. This finding adds to the UI-wages puzzle identified by Jäger et al. (2020).