



---

## **Unemployment Insurance and the Duration of Employment: Evidence from a Regression Kink Design**

Diogo Gerhard Castro de Britto (University of Bologna)

Martedì 8 Marzo 2016, ore 12.30, Aula della Scuola di Dottorato, Palazzo Cà Borin, Via del Santo 22, Padova

Can the potential availability of unemployment insurance (UI) affect the behavior of employed workers and the duration of their employment spells? After discussing few straightforward reasons why and how UI may affect employment duration, I apply a regression kink design (RKD) to address this question using linked employer-employee data from the Brazilian labor market. Exploiting kinks in the Brazilian UI schedule, I find that potential benefit level significantly affects the duration of employment spells. This effect is local to low skilled workers and, surprisingly, indicates that a 1% increase in unemployment benefits increases job duration by around 0.3%. Such result is driven by the fact that higher UI decreases the probability of job quits, which are not covered by UI in Brazil. These results are robust to permutation tests and a number of falsification tests. I develop a reduced-form welfare formula to assess the economic relevance of this result. Based on that, I show that this effect on employment duration is as relevant for welfare as the well-known elasticity of unemployment duration to benefit level.