Unemployment Insurance and Reservation Wages: Evidence from Administrative Data

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Discussion

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Summary 1

- Empirical evidence on effect of UI generosity on reservation wages still scarce

- Data: France: reservation earnings reported at UI registration

- Sample: Inflow 2006 to 2012; only repeated claimants

- Main quasi-experiment: 2009 reform →

Potential benefit duration schedule

Before 2009 — — — — After 2009
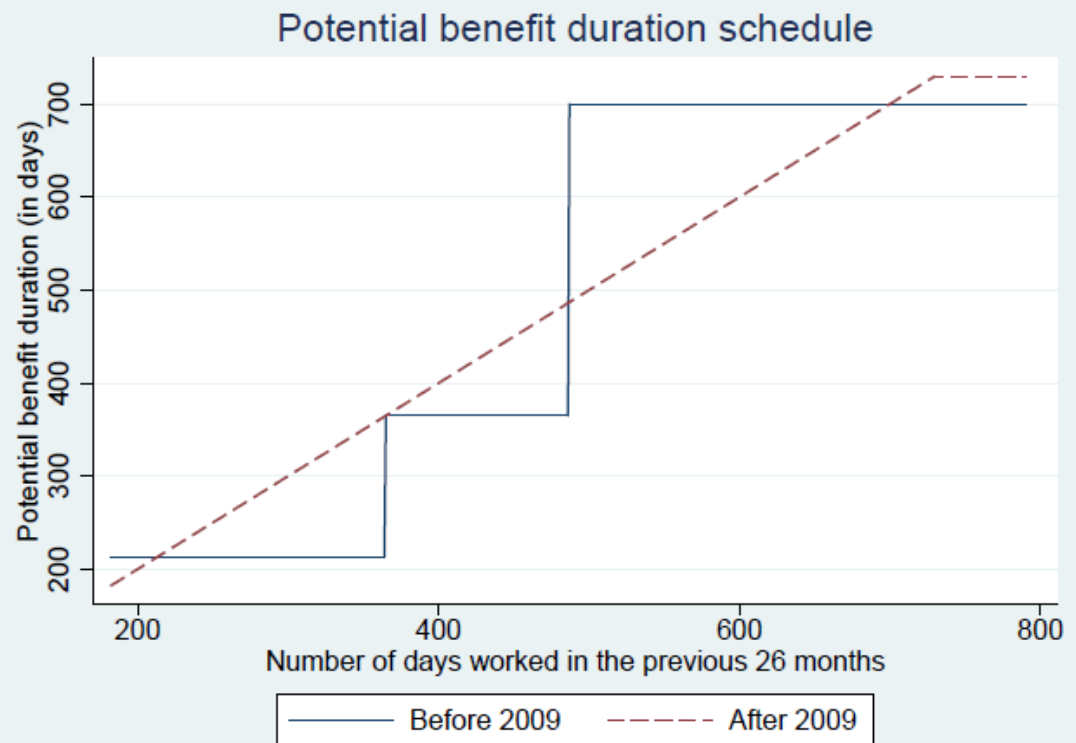
Summary 2

Results:

- Analysis reservation wage data: carry meaningful information
- No effects of PBD on reservation earnings found
  - Exception: low past employment tenure/PBD
- Effect of PBD on unemployment/benefit duration: elasticity of around 0.2
- Results robust to two different quasi-experiments (and to sensitivity checks)
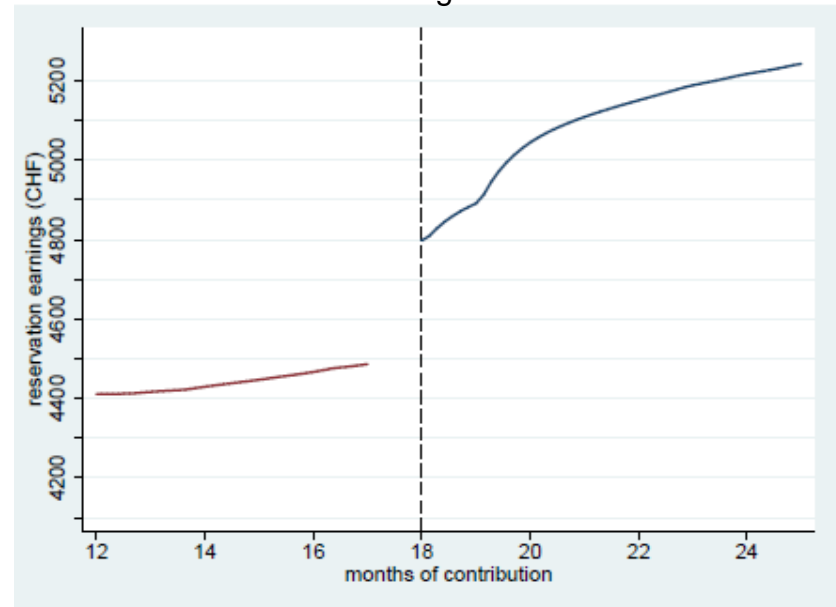
Comparison to Arni (2017)

- Also: reported reservation earnings; outcomes: non-employment duration, also: post-UE earnings and employment
- QE around age threshold (25) and contribution threshold

reservation earnings by DID groups, polynomial smoother
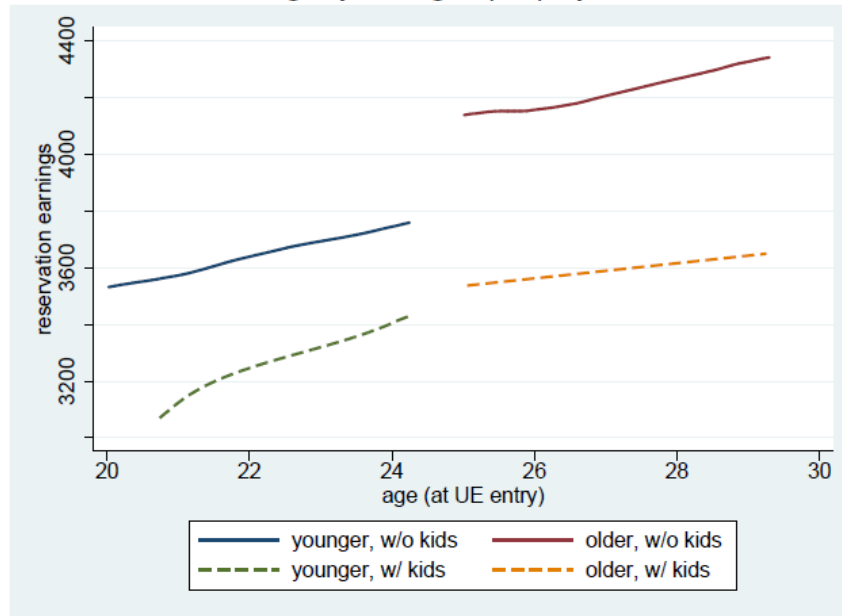
individuals aged 35-50

Comparison to Arni (2017)

- Significant reservation wage effects
  (as well as effects on earnings and non-employment duration)

outcome age group	reservation earnings	income	earnings wage	employment	non-employment duration
around age 25	**0.11**	0.08	**0.06**	0.00	**0.34**
age 28-35	**0.11**	0.13	**0.10**	0.01	**0.14**
age 35-45/50	**0.12**	0.13	**0.11**	0.03	**0.13**
age 45/50-54	**0.15**	0.03	**0.03**	0.03	**0.21**

preliminary

Interpretation

Existence/magnitude of reservation wage effects related to labor market institutions?

- F: very high bite of minimum wage (sample: 40% close to m.w.)
- F: high employment protection, strong focus on fixed long-term contracts

  → restricts variation of achievable wages (and expectations)

- In general: wage rigidity, job turnover

Could such institutional differences explain that

- F, D: no evidence for reservation wage effects
- CH, Austria: evidence for r.w. effects, direct or (possibly) indirect (Nekoei/Weber 2015: pos. earnings effects) ?

Properties of Reservation Wage Data

- Q: At time of UI registration, how well are individuals informed about their specific PBD level?
  - Imperfect information could affect r.w. effects
- Strong anchoring at minimum wage (35% of sample)
  - CH: anchoring at previous earnings
- General issue: reservation wage reported at t_0; acceptance of job offer can be much later
  - Smaller issue if reservation wage path is almost flat over unemployment spell (as, e.g., Krueger/Mueller 2016 find)
  - Effect of reservation wage on early job finding hazard?

Sampling / Use of F.E.

- Sample focuses on repeated claimants (2 claims)
- ⇒ particular & selective group of job seekers
  - „9% of the initial sample"
  - only 35% in long-term contracts before, but 90% want l-t c. after UE
  - past tenure at last employer: avg only about 390d → unstable
- Weak labor market position → few opportunity to vary r.w. (given minimum wage)

Why fixed effects in main specification?

- quasi-experiment, conditional on tenure should avoid core endogeneity issue
- 35% of repeated claimants declare same r.w. across their spells → drop with F.E. → further selectivity

Main Quasi-Experiment

- In fact, mix of different treatment sizes: different PBD pre-to-post-reform differentials by last employment tenure
  - advantage: covers almost full universe of job seekers
- Given this, could be of interest to report reservation wage effects by PBD level
- Implementation of diff-in-diff: why drop tenure months 7, 12, 23 and declare them as „control group"?
  - not really necessary (and differential there is not 0 but 15 days)
  - important quasi-experiment/DID: „at a specific past employment tenure, compare new vs. old PBD regime"
    → could be helpful to explicitly state this experiment in the paper

Model ; Further Points

Calibrated non-stationary model:

- To which degree is the level of predicted elasticities sensitive to the calibration choices?

- Justification for the calibration values? (check previous literature?)

Further points:

- Further outcomes (looking for long-term contract, full-time job, commuting time/distance): issue of too small variation?
  - 90% / 97% look for l-t contract / f-t job

- Distribution of benefit/unemployment durations? Amount of censoring?