

Gender Differences in the Effect of Potential Unemployment Benefit Duration on Job Search Behavior - Evidence from the Austrian Labor Marketⁱ

Abstract: This paper examines gender differences in the effect of potential benefit duration on reemployment hazards and on post-unemployment wages by exploiting a sharp discontinuity in the eligibility for extended benefits in Austria. The results obtained suggest that extending benefits from 20 to 30 weeks reduces the average job finding rate in the first 20 weeks of unemployment by statistically significant 7-11%. This effect is to a large extent attributable to men who experience a decrease of 14-17%. In contrast, there is no statistically significant effect observed for married and unmarried women. Spikes in the the unemployment exit rate before benefit exhaustion are small for the group of men and not detectable for the women of this analysis which contradicts previous empirical studies. Even though individuals of some subgroups present significantly smaller job finding rates in the first weeks of unemployment due to a longer potential duration of unemployment benefits, there is no statistically significant effect observable on reemployment wages for any group of individuals.

Summary: Differences in gender specific labor market behavior have been exhaustively studied. Most of these studies have been mainly concerned with estimating wage elasticities for the labor supply of individuals of both genders (see Blundell (1999) for an overview) in order to explain disparities in the labor market attachment. Differences in the behavior of males and females when unemployed, especially the effect of unemployment benefits on job search behavior, is a field of research that has not been in the focus yet, even though it can also offer an interesting insight on attitudes towards the labor market. Theoretical and empirical literature on the relationship between the generosity of unemployment benefits and unemployment duration is although extensive, but mainly focusses on an average unemployed person, rather than on specific subgroups of individuals.

This study examines the effect of extended potential unemployment benefit duration (PBD) on reemployment hazards and on post-unemployment wages. In particular, I focus on whether there exist differences between men and women with regard to those variables. The identification strategy exploits a quasi-experimental setting resulting from a sharp discontinuity in the assignment of extended PBD in Austria. Approximating the difference in average reemployment hazards and job search outcomes for individuals that are close to this assignment cut-off and thereby similar in their characteristics can be used to obtain a local causal effect of extended PBD. The study uses data from the Austrian Social Security Registry including individuals entering unemployment in Austria between 2000 and 2007. The administrative data set offers a large number of observations on numerous variables. It thereby allows an extensive analysis within different gender groups. The causal interpretation of the estimates is mainly based on an identification assumption stating that individuals just below and just above the assignment cut-off are comparable. To justify the identification assumption, it is investigated whether individuals are able to precisely manipulate assignment and whether observable characteristics differ in the neighborhood of the assignment cut-off. The robustness of the results is further addressed in several aspects in order to show that they do not depend on chosen specifications.

The empirical analysis leads to the main finding that the effect of extended PBD on the job finding rate is significantly different for men and women. The exit rate from nonemployment during the first twenty weeks of job search is statistically significant 7-11% lower for individuals eligible for an extended potential unemployment benefit duration of 30 weeks than for individuals who are eligible

for 20 weeks, but besides that comparable in their characteristics. These estimates are comparable to those of Card et al. (2006) who estimated the same effect for Austrian individuals entering unemployment between 1981 and 2001 at 5-9%. In further estimations within subgroups, I demonstrate that the effect observed for the overall analysis sample is mainly attributable to men who experience a 14-17% decrease. For women, there is no significant effect on the job finding rate observable. These findings are in line with a study of Adamchik (1999) that obtains similar results for Poland. In contrast, Van Ours (2006) find an increase in the exit rate of unemployment for both men and women resulting from a reduction in PBD. Examining the job search behavior over the unemployment spell, small spikes before benefit exhaustion are observable for men, but not for women. These observations differ from sharp increases in the exit rate before benefit exhaustion for females and males that are observed in Norway by Roed and Zhang (2003). For all gender groups, there is no statistically significant effect observable for extended benefits on post-unemployment wages. A result that is consistent with previous estimates of Card et al. (2006) in Austria.

As previous analyses were mostly concerned with effects on an average unemployed, this study extends the existing literature by its focus on gender differences in the effect of potential benefit duration on job search behavior. The results obtained suggest that it is reasonable to expect disparities for men and women in the variables that are examined. Another important aspect is that the analysis studies the effects of extended PBD on different dimensions of job search. It not only provides estimates on the average job finding rate, but also examines the effect of extended benefits over the time of job search and on post-unemployment outcomes.

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