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Titolo:
For a few Euros more: An RDD analysis of unemployment benefits generosity

Although many studies investigate the effect of benefit duration on workers' labour outcomes, much less is known about the effect of greater benefit generosity. In this study, we exploit a unique characteristic of Italian unemployment benefits to assess the impact of an increase in benefit amount on workers' careers. During the regime that was prevailing until 2012 (the "Disoccupazione Ordinaria a Requisiti Normali"), the amount of the benefit was indeed subject to a double cap system based on the previous wage of the worker. We exploit this system of differential caps in a Regression Discontinuity Design. To our knowledge, this is the first study to exploit a smilar strategy in the study of unemployment benefit generosity. The study exploits rich administrative data from the Italian Social Security on the universe of recipients of unemployment benefits. Results show that, in general, more generous benefit lead to longer time on benefits and in nonemployment without positively affecting the characteristics of the following job. The effects are, however, quite heterogeneous across groups of workers. For most groups of workers, the effects on duration are the only significant ones. As to workers laid off from larger firms, however, longer time on benefit and in nonemployment associates with significant wage drops but also increases in tenure in the new job.