

# Unemployment Insurance with Response Heterogeneity

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## Abstract

This paper studies whether unemployed workers' responses to the generosity of unemployment insurance (UI) vary with age and social security contribution time. These two dimensions are used in many countries to differentiate the duration of UI coverage across workers, despite a lack of supportive evidence. We use administrative data from Germany and a multi-cutoff regression discontinuity design to estimate a comprehensive set of nonemployment duration and wage responses at many jumps in the potential benefit duration. Feeding the estimates into a meta regression, we find that both duration responses and wage losses at reemployment significantly decrease with short-term contribution time. We find a weak and insignificant gradient in age and long-term contribution time. This suggests that short-term contribution time is an important determinant of UI responses, and thus a relevant dimension for varying coverage duration. Our analysis thereby lays the foundations for finer and welfare-improving UI policy differentiation across workers.

*Keywords:* Unemployment insurance, moral hazard, regression discontinuity design.  
*JEL codes:* J08, J31, J64, J65.

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