Empirical Assignment

To be submitted by **Midday (12.00pm) Wednesday 30th March**

March 21, 2022

The idea of this assignment is to use the data of Card & al. 2007 [1] and try to replicate and discuss their results. The paper analyzes the effects of severance payments on the job finding rate of unemployed individuals, using Austrian data and an RD design based on tenure discontinuities in severance payments. The idea is to: (i) try to replicate the main results by yourself, and (ii) learn and assess the validity of the main empirical strategy used in the paper (RD), and (iii) get acquainted to hazard models.

The data should be downloaded by following the link in the email you received.

1. Start with dataset sample_75_02.dta. The variables have labeled names, so they should be self-explanatory. The personal identifier in the data is *penr*. You need to merge the data with the data on work history (/work_history.dta).

2. Start by researching and describing precisely the institutional background to demonstrate the validity of the identification.

3. Replicate the main RD figures of the paper, and assess the quality of the RD design. What additional tests can you think of or perform that have not been showed in the paper? [You can refer to Lee & Lemieux's roadmap for RD implementation for help here[2]]

4. What are the pros and cons of using a proportional hazard model here? Try to replicate the results of the hazard model used in the paper.

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[1] Card, David & Raj Chetty & Andrea Weber. "CASH-ON-HAND AND COMPETING MODELS OF INTERTEMPORAL BEHAVIOR: NEW EVIDENCE FROM THE LABOR MARKET," *Quarterly Journal of Economics*, 122(4): 1511-1560, 2007.

[2] David S. Lee & Thomas Lemieux, 2010. "Regression Discontinuity Designs in Economics", *Journal of Economic Literature*, American Economic Association, vol. 48(2), pages 281-355, June.