

Better to Quit? Unemployment Insurance, Parental Leave and Maternal Labor Supply

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Abstract

I estimate the effect of increasing unemployment insurance generosity around childbirth on women's return to work decisions, labor market outcomes and welfare. Using Italian administrative data on the universe of working mothers, I implement regression discontinuity and difference-in-differences designs around two unemployment insurance reforms that increased, respectively, the level of benefits and the duration of benefits. By increasing benefits without offering job protection, these reforms provide an opportunity to study the effects of different design features of policies that subsidize non-work around childbirth. Both reforms increased separations from the pre-birth employer and delayed mothers' return to work. I find that increasing the generosity of UI policies leads to persistent negative effects on labor market outcomes, highlighting the crucial role of job protection to keep women engaged in the labor force. Investigating the sources of the increase in UI take-up, I document significant program interactions between unemployment insurance and parental leave policies, suggesting that women are willing to give up job protection for more generous benefits. I provide suggestive evidence on the trade-offs underlying women's choices between different programs and their willingness to pay for different policies.

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