

ABSTRACT:

**UNEMPLOYMENT INSURANCE AND GEOGRAPHICAL
MOBILITY: EVIDENCE FROM A QUASI-NATURAL
EXPERIMENT**

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This paper investigates the effect of unemployment insurance (UI) generosity on the geographical mobility of unemployed workers. Identification is based on an unanticipated 10 p.p. cut in the UI replacement rate that affected workers starting an unemployment spell after July 14, 2012. Using administrative data from social security records and a regression discontinuity design, I find that the UI reduction increased the probability to migrate to a different province by 4 percentage points, a 24 percent increase of the pre-reform mean. Movements towards big cities of young educated men without family responsibilities are driving the results. These findings are consistent with the view that generous UI benefits represent important frictions to labor market adjustments.