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Cristiano C. Carvalho, Raphael Corbi, Renata Narita

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## Unintended Consequences of Unemployment Insurance: Evidence from Stricter Eligibility Criteria in Brazil\*

Cristiano C. Carvalho<sup>†</sup>

Raphael Corbi<sup>††</sup>

Renata Narita<sup>‡‡</sup>

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### Abstract

This paper investigates the impact of changes in the eligibility criteria of unemployment benefits (UI) on layoffs in Brazil. We exploit exogenous variation introduced by a reform in the UI system in 2015. Our difference-in-differences estimates show that UI accounts for 11 – 13% of the average dismissal rates of eligible workers. Our results are consistent with workers having the incentive to strategically induce their dismissals in order to collect UI benefits.

**JEL Codes:** J63, J64, J65, J46.

**Keywords:** unemployment insurance, labor legislation, job turnover, layoffs.

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<sup>†</sup>University of São Paulo (cristianocostacarvalho@usp.br).

<sup>††</sup>University of São Paulo (rcorbi@usp.br).

<sup>‡‡</sup>Corresponding author. University of São Paulo. Address: Av. Prof. Luciano Gualberto, 908 - São Paulo (SP) - Brazil, 05508-010 (rnarita@usp.br).

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