The Importance of Unemployment Insurance as an Automatic Stabilizer*

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Abstract

We assess the extent to which unemployment insurance (UI) mitigates the economy's sensitivity to shocks by working as an automatic stabilizer. Using a local labor market design based on the heterogeneity in UI generosity across regions (as defined as the percentage of household income recovered by the UI benefit), we estimate that a one standard deviation increase in UI generosity attenuates the effect of negative shocks on employment growth by 20% and on earning growth by 25%. Consistent with the hypothesis that the local demand channel is driving these results, we find that consumption is less responsive to local labor demand shocks in counties with more generous UI. Moreover, the average wage growth of employed workers is less elastic to local labor shocks when UI is more generous. Our results show that the local fiscal multiplier of UI expenditure is approximately 2. Overall, our results suggest that UI has a beneficial effect on the economy by decreasing the sensitivity of real economic activity to shocks.

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1 Introduction

The fiscal response to any recession is significantly attenuated due to the political difficulties of implementing an expansionary fiscal policy in a timely manner. Moreover, the slow recovery from the "Great Recession" has ignited a fierce debate on whether the unconventional monetary policy measures adopted after the crisis have succeeded in boosting aggregate demand. In principle, automatic stabilizers bypass these difficulties and can be a key factor in easing the consequences of negative economic shocks.[1] However, despite the relevance of this issue, the economic literature provides very little guidance on whether automatic stabilizers are able to dampen the economic consequences of negative shocks.[2]

This paper evaluates the extent to which unemployment insurance (UI) attenuates the response of real economic activity to local labor demand shocks. There are several channels through which automatic stabilizers might attenuate business cycle fluctuations. For instance, a more generous unemployment insurance (UI) may stabilize *aggregate demand* by reducing fluctuations in disposable income (Brown (1955)) or by *redistributing funds* towards individuals with higher propensity to consume than those who provide the funds (Blinder (1975)). However, by increasing firms' hiring costs, more generous UI may also increase economic fluctuations by discouraging firms from creating new jobs (Hagedorn et al. (2013)). Therefore the role of UI as an automatic stabilizer and the channels through which it may impact the economy are empirical questions. This paper shows that UI might have a beneficial effect on the economy by decreasing its *sensitivity* to shocks and by reducing the variability of aggregate income, employment and consumption.

Our strategy follows Bartik (1991) and Blanchard and Katz (1992) in constructing a

[1] They were quantitatively important as the Congressional Budget Office estimates that automatic stabilizers accounted for a significant fraction of the increase in government expenditures during the Great Recession: "In fiscal year 2012, CBO estimates, automatic stabilizers added $386 billion to the federal budget deficit, an amount equal to 2.3 percent of potential GDP. That outcome marked the fourth consecutive year that automatic stabilizers added to the deficit by an amount equal to or exceeding 2.0 percent of potential GDP, an impact that had previously been equaled or exceeded only twice in the past 50 years, in fiscal years 1982 and 1983." (Available here http://www.cbo.gov/publication/43977)

[2] For a recent paper on the role of automatic stabilizers see McKay and Reis (2013).

measure of the predicted change in demand-driven labor shocks in a county given by the interaction between a county's initial industrial composition and national changes in industry employment within narrowly defined manufacturing industries. This Bartik shock measure should capture the fact that a shock at the national level in the manufacturing sector has different effects on counties with pre-existing differences in the composition of manufacturing in the area. The key identifying assumption is that this measure is unrelated to county-specific labor supply shocks that may also affect labor market outcomes. Our coefficient of interest is the interaction between this Bartik shock and UI generosity. Key to our approach is the possibility to exploit variation in UI generosity across states, as well as the fact that even within a state the maximum weekly benefit is more binding for counties with higher average income. Since we want to show that local economies are less responsive to local labor demand shocks in regions with more generous UI, we use the UI benefit as of 2000 as our main measure of UI generosity, and do not consider UI extensions.[3] States differ substantially in benefit generosity ranging from $200 a week in California to $400 a week in Massachusetts. To account for the fraction of the worker's income that is recovered when he becomes unemployed, we compute the UI generosity as the ratio between the weekly maximum benefit and the weekly average wage in the county in 2000.[4]

We start our analysis by estimating the response of earnings growth to shocks in counties with different UI generosity. We find that counties with more generous UI tend to react less to adverse shocks as captured by a negative interaction between the Bartik shock and the UI generosity. The result is both statistically and economically significant. In fact, a one standard deviation increase in UI generosity, which is equivalent to a 14% increase, attenuates the effect of the shocks by about 25%. We control for other shocks affecting all counties at the same time with year fixed effects, and for unobserved differences across

[3] This approach has also the advantage of being less susceptible to endogeneity concerns as UI extensions might be driven by the local labor conditions.

[4] As a robustness check, we confirm our main results using two other measures of UI generosity: in the first one, we normalize the maximum benefit by median income instead; while in the second one we employ the actual unemployment insurance payments.

counties by including county fixed effects, as well as for the interaction between the Bartik shock and the fraction of subprime borrowers in the pre-period.

However, one potential concern with these estimates is the possibility that they might be driven by unobserved heterogeneity across counties, specifically, by differences in industrial characteristics. For instance, counties might be more or less cyclical depending on their main industries and this might also be correlated with the generosity of the unemployment benefits. To control for this possibility, we compute the fraction of employed people in each sector and control for the interaction between the Bartik shock and the computed fraction of employees in the different sectors. This allows counties whose main industry is manufacturing, for example, to react in a different way to the Bartik shock than counties mainly focused on services. We find that the results remain both statistically and economically significant. We can also show that our results are not driven by the Great Recession period, and as a further robustness check we exclude the years after 2008 and find our estimates unchanged.

The importance of the effect of UI on aggregate demand can also be seen by analyzing how employment growth responds to shocks in counties with different UI benefits. We show that in counties with more generous UI employment growth is significantly less responsive to local labor demand shocks. A one standard deviation increase in UI generosity reduces the elasticity of employment growth with respect to local shocks by 17.5%. This result remains statistically and economically significant even when we exclude the crisis period, when we control for a number of county characteristics, and when we include state times year fixed effects in our specification.

We then examine the channels through which UI could dampen the effects of negative economic shocks. First, we decompose the effect of UI generosity on employment growth between the tradable and the non-tradable sectors. We find that employment in the non-tradable sector, which is mostly driven by local economic conditions, reacts less to labor demand shocks in counties with more generous UI, but not employment in the tradable sector. Second, we show that consumption, as measured by car sales, is less responsive to

local labor demand shocks in counties with more generous UI. We find that a one standard deviation increase in UI generosity reduces the elasticity of car sales growth with respect to local shocks by 60%.[5] This confirms the hypothesis that UI has a significant impact on aggregate consumption by dampening fluctuations in the disposable income of the individuals with the highest marginal propensity to consume. Collectively, these results strongly suggest that the main channel through which UI affects the sensitivity of the economy to shocks is a demand channel.

We then show that in addition to increasing the disposable income of the unemployed workers, more generous UI also prevents wage cuts for the employed workers in response to a negative shock. In fact, we complement the previous evidence by analyzing the response of average wages to shocks. We find that average wages are significantly less sensitive to economic fluctuations in counties with the highest UI generosity, compared to counties with the lowest. In other words, UI can directly affect the disposable income of the unemployed workers, and indirectly also the wages of the employed, through the local demand channel and by boosting their bargaining power.

To check the robustness of our results, we provide a number of additional tests. First, to limit the possibility that unobserved heterogeneity might be driving the results, we estimate our main specification on the sample of counties at the state borders. We show that our results remain largely unaffected. Second, since the counties in the West are significantly larger than those in the East, we exclude all the western states from our sample and confirm the previous results. Third, we focus our analysis on county pairs across state borders with similar industrial composition and, although our sample is significantly reduced, we show that our results remain largely unaffected. Fourth, since during the Great Recession several policies at the federal and state level have been implemented in response to local labor conditions, such as the American Recovery and Reinvestment Act and the JOBS Act,

[5] To be clear, this result tends to overestimate the effect of UI generosity on consumption sensitivity, because car sales is one of the most sensitive components of households consumption to households' disposable income and our measure of car sales only captures the extensive but not the intensive margin.

we want to make sure that our results are not driven by these interventions. Thus, we exclude from the analysis all the observations after 2008. Even in this case, the magnitude and the statistical significance of our results is unaffected. Fifth, in our most conservative specification we include a state times year fixed effect for the sample of counties at state borders. The results for all of our main dependent variables remain both economically and statistically significant. Finally, we also show that our results are not sensitive to the specific definition of UI generosity.

In sum, our results can inform the debate on the importance of automatic stabilizers by showing that, although generous UI may have an adverse effect on the *level* of unemployment, more generous unemployment benefits reduce the *volatility* of economic fluctuations with the main effects working through a demand channel.

1.1 Related Literature

We contribute to the growing literature on the role played by automatic stabilizers, and more specifically of unemployment insurance, on the economy. Blanchard et al. (2010), for instance, argue that designing better automatic stabilizers was one of the most important elements to achieve a more effective macroeconomic policy. Other papers such as Auerbach and Feenberg (2000), Auerbach (2009), Feldstein (2009) and Blinder (2004) among others, emphasize the importance of automatic stabilizers in shaping the economy's response to shocks, which is confirmed by Romer and Romer (2014), who finds a large, immediate, and statistically significant response of consumption to permanent increases in Social Security benefits.

In a recent paper, McKay and Reis (2013) propose a business-cycle model to study the role of automatic stabilizers in general equilibrium. They capture the channels through which automatic stabilizers may attenuate the business cycle, and use it to measure their quantitative importance. Specifically, McKay and Reis (2013) estimate how much higher the volatility of aggregate activity would be if some or all of the stabilizers were removed and show that

programs that rely on redistribution (i.e. those that receive funds have higher propensities to spend them than those who give the funds, aggregate consumption and demand will rise with redistribution) and social insurance (i.e. policies alter the risks households face with consequences for precautionary savings and the distribution of wealth) can be more effective at reducing the volatility of aggregate output.[6] We provide empirical support for the redistribution channel, observing consumption responds less to adverse shocks in counties with a more generous UI, because the unemployed have higher disposable income. Furthermore, we also provide evidence suggesting that higher UI increases the average wages of the employed individuals, for instance, due to an increase in aggregate demand and possibly by boosting their bargaining power. Finally, our results on employment growth in the non-tradable sector may stem from a general equilibrium effect: when consumption is less responsive to shocks, the local economy can sustain a higher level of employment.[7]

A few recent papers have focused on the effects of UI extensions during the Great Recession with mixed results. On the one hand, Hagedorn et al. (2013), for instance, argue that the general equilibrium effect operating through the response of job creation to benefit extensions is quantitatively important. Specifically, they employ a regression discontinuity design focusing on U.S. state borders to show that benefit extensions raise equilibrium wages and lead to a sharp contraction in vacancy creation and a rise in unemployment.[8] On the other hand, Rothstein (2011a) estimates that UI extensions had significant but small negative effects on the probability that the eligible unemployed would exit unemployment. Our contribution differs in several respects. First, Hagedorn et al. (2013) and Rothstein (2011a) analyze the direct impact of UI extensions, whereas our paper considers for a given

[6] Another related paper is Dolls et al. (2012) which analyzes the effectiveness of the tax and transfer systems in the EU and the US to provide income insurance through automatic stabilization in the recent economic crisis.

[7] A related paper that studies how UI affects firms' policies is Agrawal and Matsa (2013). It exploits changes in state unemployment insurance laws as a source of variation in the costs borne by workers during layoff spells, finding that firms choose conservative financial policies partly to mitigate workers' exposure to unemployment risk.

[8] Similarly, Hagedorn et al. (2015) exploit the decision of Congress in December 2013 to end the federal benefit extensions introduced during the recession to provide evidence that 1.8 million additional jobs were created in 2014 due to the benefit cut.

level of UI, measured in 2000, how the sensitivity of the local economic activity to labor supply shocks captured by the Bartik measure depends on the generosity of UI. Second, our results complement these findings by showing that while UI extensions might affect the level of employment, UI generosity also has a significant effect on the volatility of the real economy activity. In other words, we point out that UI might have a beneficial effect on the economy by decreasing its sensitivity to shocks and by reducing the variability of aggregate consumption, employment and earnings. Third, the source of variation in the generosity of UI in the existing papers is the number of weeks, while in our paper is the maximum weekly benefits. The impact of changes in the number of weeks or the weekly benefit can have very different effects, for instance, on the moral hazard generated by UI.

Methodologically, our paper also relates to the works by Blanchard and Katz (1992), Bound and Holzer (2000), Autor and Duggan (2003), Notowidigdo (2011) and Charles et al. (2013) which employ the Bartik (1991) procedure to capture the effects of local labor demand shocks. We complement this evidence by showing that the UI benefits have aggregate effects by working as an automatic stabilizer in affecting the sensitivity of the economy to local labor shocks.

Finally, there are several papers that consider the effects of UI generosity at the individual level. Gruber (1997), Browning and Crossley (2001) and Bloemen and Stancanelli (2005), among others, finds that increases in UI benefits reduce the consumption drop during unemployment, as it allows unemployed workers to smooth consumption. A different strand of the literature has shown that unemployment insurance can reduce the incentives of unemployed workers to find a new job (Solon (1985), Moffitt (1985), Meyer (1990), Katz and Meyer (1990) and Card and Levine (2000) among others), as unemployment durations rise on average by 4-8% for every 10% increase in unemployment benefits.[9] The reason being that UI reduces the incentive to work by distorting the relative price of leisure and consumption, i.e. a substitution effect. Chetty (2005) shows that in environment with liq-

[9]For comprehensive reviews of this literature see Atkinson and Micklewright (1991) and Krueger and Meyer (2002).

uidity constraints this reduction in search is not necessarily inefficient and provides evidence supporting an income effect in addition to the conventional substitution effect, as workers have more cash on hand while unemployed.[10] However, the introduction of insurance for unemployed individuals starting a business might significantly spur entrepreneurial activity by increasing the incentive of unemployed individuals to start a new firm (Hombert et al. (2014)). More recently, a few studies such as Van Ours and Vodopivec (2008), Card et al. (2007a), Lalive (2007), and Nekoei and Weber (2014) have analyzed the impact of UI generosity on the quality of job matches. We complement these findings by showing that labor force and employment growth are less sensitive to economic shocks in counties with higher UI generosity.[11] In addition, we focus on the local general equilibrium effect of UI generosity as opposed to the effect of UI generosity on unemployed individuals' behavior.

The remainder of the paper is organized as follows. Section 2 provides details on the data sources and summary statistics. Section 3 describes the empirical strategy, while Section 4 presents and interprets the main results on the effect of UI on the economy sensitivity to shocks. Section 5 presents further evidence testing the robustness of our results. Section 6 employs our results to estimate a fiscal multiplier of UI, while Section 7 concludes.

2 Data and Summary Statistics

In 1935 the US Congress created a joint federal-state system to provide insurance to workers who become unemployed. Each state sets their own UI tax schedules on employers; in addition, employers pay a federal (FUTA) tax, which is used to finance federal extensions

[10] Relatedly, Kroft and Notowidigdo (2011) analyze how the level of UI benefits trades off the consumption smoothing benefit with the moral hazard cost over the business cycle and show that the moral hazard cost is procyclical while the benefit is acyclical.

[11] Other recent papers on the role of UI during the Great Recession include Mueller et al. (2013) which employs the arbitrary pattern of UI benefit extensions to identify the effect of UI exhaustion on disability insurance application; and Hsu et al. (2014) which exploits the heterogeneity in UI generosity across U.S. states and over time to show that UI prevented about 1.4 million foreclosures by helping the unemployed avoid defaulting on their mortgage debt. We complement these studies by showing that UI also support aggregate demand by allowing not only an increase in expenditures on mortgage payments, but also on other goods and services.

and emergency loans to states' UI trust funds, among other objectives. State taxes are required by federal law to be "experience-rated," such that the effective marginal tax rate increases as the number of claims from a firm increase.

One of the key features of this system is that each state can affect the generosity of the program, such as the amount of benefits paid or the number of weeks for which these benefits are provided. The generosity of the weekly benefit payment crucially depends on the individual's prior wages, but each state also provides a cap on the benefit amount and the duration of the benefits. During times of high unemployment, states might also provide further assistance in the form of extensions to the regular benefit period.

The U.S. Department of Labor publishes information on each state's benefit schedule. We measure the generosity of each state's UI benefits in 2000 using the ratio of the maximum weekly benefit amount and the weekly average wage in each county in 2000. We use this normalization to capture the fraction of the income recovered thanks to the UI and to take into account that the same dollar amount might have a significantly different effect within the same state but in counties with different cost of living. Moreover, since the extensions are endogenous to the local labor market conditions we only consider the UI generosity as of 2000 and investigate the impact of such programs from 2001 to 2011.[12] Figure 1 depicts the substantial heterogeneity in UI generosity across the U.S. with darker regions exhibiting more generous UI relative to the average wages in the regions.

We take advantage of numerous sources of data; we mention here the data sets that play the most significant role in the analysis. The Bureau of Economic Analysis provides time-series data on earnings growth (measured by earnings which do not include dividend payments) and industrial composition, while employment growth by industry for each county

[12] During the Great Recession two important federal programs were enacted: Extended Benefits and Emergency Unemployment Compensation. The Extended Benefits (EB) program, which was adopted in 1970 and typically funded in equal shares by the state and the federal government, provides an additional 13 weeks of benefits when the state's insured unemployment rate rises above 5% and is at least 20% higher than its average over the prior two years. Extended benefits payments are typically funded in equal shares by the state and the federal government. The Emergency Unemployment Compensation (EUC) program, enacted in June 2008, was instead entirely federally funded, providing up to 53 weeks of additional benefits.

is computed using yearly data provided by the County Business Patterns (CBP). The Quarterly Workforce Indicators (QWI) provides county-level data on average wages. To analyze the aggregate effects of UI generosity on the county-level consumption, we use a dataset provided by R. L. Polk & Company (Polk) that records all new car sales in the United States.[13] Finally, to control for heterogeneity in the population composition and their access to the credit markets, we collect the fraction of subprime borrowers in 2000 for each county from Equifax. It provides detailed data on a random, nationally representative 5% sample of US consumers.

Table 1 shows the summary statistics for our sample. Panel A reports the statistics for the static variables, i.e. the ones computed in 2000. The first row shows the main source of variation, the maximum unemployment benefit, which ranges from $190 to more than $400 a week in the most generous states. The next row shows that the number of weeks does not vary across regions; for all the states but one (Massachusetts), the maximum number of weeks is 26. We then report the main measures of UI generosity that we use, i.e. the ratio between the maximum weekly benefit and the weekly wage, as well as two alternative measures: the maximum weekly benefit divided by median income and the realized measure of UI generosity defined as UI expenditures divided by the number of unemployed people multiplied by two.[14] The table shows that for all three measures there is indeed a significant heterogeneity across states, which confirms what is shown in Figure 1. Among the static variables we also report some of the county-level controls, such as the fraction of subprime borrowers, as well as the share of employees in different sectors (i.e. manufacturing, construction, services and government). Panel B reports the statistics for the time-varying variables we employ in our

[13] This same data has been previously used by Mian et al. (2013).

[14] We perform this normalization, based on Rothstein (2011b), who shows that about half of the unemployed individuals apply for UI. Moreover, this is also close to the fraction of unemployed people in 2000 whose unemployment spell lasted more than 5 weeks.

We only consider UI transfers because, as shown by Chodorow-Reich and Karabarbounis (2013), these account for 88% of all transfers that are related to employment status, while other transfers such as supplemental nutritional assistance (SNAP), welfare assistance (AFDC/TANF), and health care account for the rest. Moreover, these non-UI transfers are mainly federally administrated and their generosity does not vary by state.

analysis. There is a significant variation in the magnitude of the Bartik shock as its standard deviation is about 0.0198. We shall show that the effect of UI is inherently asymmetric as it only plays a role when the Bartik shocks are negative.

3 Empirical Methodology

In order to investigate how heterogeneity in UI generosity might impact the different regions' response to local labor demand shocks, we need to find a valid instrument for changes in local labor demand. We follow the strategy proposed by Bartik (1991) and Blanchard and Katz (1992) to construct a local demand index by interacting cross-sectional differences in industrial composition with national changes in industry employment shares. The key identifying assumption to make this a measure of plausibly exogenous labor demand shocks is that this proxy needs to be uncorrelated with unobserved shocks to local labor supply. Specifically, we are assuming that changes in industry shares at the national level are uncorrelated with city-level labor supply shocks and therefore can be used as a demand-induced variation in local employment.[15]

Our baseline specification is the following

$$\Delta Y_{i,t} = \beta_1(Bartik_{i,t} \times UI_{i,2000}) + \beta_2 Bartik_{i,t} + \beta_3 Bartik_{i,t} \times X_i + \eta_i + \gamma_t + \varepsilon_{i,t}, \quad (1)$$

where $\Delta Y_{i,t}$ represents the growth rate of the main dependent variables. The coefficient of interest is β_1, which captures how the sensitivity of ΔY is affected by the UI generosity (UI) measured in 2000. The coefficient β_2 captures the main effect of the Bartik shock, while we also control for a number of county-level characteristics (X_i), such as the fraction of subprime borrowers and the share of employees in each industrial sector and their interactions with the Bartik shock. We also include county and year fixed effects, that is, we allow for any

[15] Other papers employing a similar strategy include Bound and Holzer (2000), Autor and Duggan (2003), Luttmer (2005), Notowidigdo (2011), and David et al. (2013).

general trend (like effects due to changes in demographics) at the county level. In our most demanding specification to allow for a differential response of states to the Bartik shock, we also include state by year fixed effect.

We start our analysis with a graphical illustration of our main results. Figure 2 plots the effect of UI generosity in attenuating the effects of Bartik shocks on each one of our main dependent variables using a spline regression with knots at the 10th, 50th, and 90th percentile of the Bartik shock. The solid line shows the effect for the counties with least generous UI, while the dash lined depicts the effects for the counties with the most generous UI and on the X-axis we have the Bartik shock. For all our variable of interest, we find that counties with more generous UI are less sensitive to negative labor shocks than counties with less generous UI. For instance, for earnings growth the counties in the top 25th percentile of UI generosity exhibit a very modest elasticity to Bartik shocks, even the most negative ones, while counties in the bottom 25th percentile are significantly affected. Similarly, the sensitivity of employment growth to labor shocks is significantly smaller in counties with more generous UI. We can also start providing suggestive evidence that local demand is one of the key drivers of these results by showing the effect of Bartik shocks on car sales growth.

4 Main Results

We start by investigating the role of unemployment insurance generosity on earnings and employment. This will give us an estimate of how the sensitivity of the economy to local labor shocks is affected by the generosity of UI. We then turn to the evidence on the channels through which UI can affect the economy by investigating the effects on consumption, average wages and labor force participation growth.

4.1 Aggregate Earnings Growth

To examine the effects of UI on the economy we start our analysis by investigating the response of aggregate earnings growth to shocks in counties with different UI generosity. As a measure of local economic activity, we use aggregate earnings data from BEA (BEA Table CA30). The main advantage of earnings data with respect to income data is that it does not include any dividend payments or government transfers, which are unrelated to local economic activity. Table 2 reports the results.

Column (1) considers the full sample of counties and controls for unobserved differences across county including counties fixed effects. We also capture other shocks common to all counties with year fixed effects. We find that counties with a more generous UI tend to be less sensitive to adverse shocks as captured by the negative sign on the interaction between the Bartik measure and UI generosity. The result is both statistically and economically significant. In fact, a one standard deviation increase in UI generosity, which is equivalent to a 14% increase, attenuates the effect of the shocks by 25%.

A source of heterogeneity across counties that might matter for their sensitivity to labor shocks is the individuals' access to the credit market. If better access to credit helps households to smooth their consumption with respect to income shocks, we should expect consumption and aggregate demand to be more sensitive to local labor demand shocks in regions with higher fraction of subprime borrowers. A proxy for the individuals' ability to access the credit market is their FICO score. Thus, we compute the fraction of subprime borrowers, that is, those with a FICO score below 620 in 2000, and control for the interaction between this measure and the Bartik shock in Column (2). We can confirm the previous results as the coefficient of interest is unaffected.

We might be concerned that an important source of unobserved heterogeneity that could confound our results are the policies that have been implemented during the Great Recession. For instance, during the financial crisis there have been several extensions to UI and federal interventions to support unemployed workers, and these policies might also affect the

counties' sensitivity to Bartik shocks. If this is the case, then our result may be confounded with the effect of extensions. Column (3) shows that this is not the case, because our estimates for the period preceding the financial crisis still show a significant and negative effect. This suggests the lower sensitivity of earnings growth to local labor shocks in counties with more generous UI is not driven by the UI extensions enacted to face the recent crisis.

One potential concern with this result so far is that it might be driven by different industrial characteristics. For instance, counties might be more or less cyclical depending on their main industrial sector, which might also be correlated with the availability of unemployment benefits. To control for this possibility, we compute the fraction of employed people in each sector since 2001 for each county as provided by BEA, then we take the average for each sector over our sample period 2001-2011. In Column (4) we control for the interaction between the Bartik shock and the computed average number of employees in different sectors. We distinguish between construction, manufacturing, government (which includes federal, military, state and local government) and services industries. This specification allows counties whose main industry is manufacturing to react in a different way to the Bartik shock than counties mainly focused on services. We find that the results remain both statistically and economically significant.

Finally, in Column (5) we present the most conservative specification in which we control for the interaction between state and year fixed effects. This allows us to control for other unobservable time-varying factors that vary at the state level, such as regulation, minimum wages, etc. Even in this case the results remain largely unaffected. In sum, we find that variation in the generosity of UI significantly impacts the elasticity of earnings growth to local labor supply shocks. Quantitatively, if we compare the top quantile with the bottom quantile of UI generosity, we find that the counties with most generous UI see the effects of Bartik shocks on earnings attenuated by about 35%.

4.2 Employment Growth

We have shown that more generous UI dampens fluctuations in aggregate earnings growth. Now we turn to the analysis of how UI might also contribute to the stability of the local economy by affecting employment. For instance, a more generous UI can reduce the need for firms to fire additional workers in response to negative shocks when the local economy reacts less to such shocks. We now investigate this hypothesis by estimating the sensitivity of employment growth to shocks in Table 3.

As before we start our analysis by considering the full sample of counties and controlling for county and year fixed effects. We show that in counties with more generous UI employment growth is significantly less responsive to local labor demand shocks. The effect is also economically significant as a one standard deviation increase in UI generosity reduces the elasticity of employment growth with respect to local shocks by about 20%.

We test the robustness of these results by controlling in turn for the interaction between Bartik shocks and the fraction of subprime borrowers as well as by restricting attention to the pre-crisis period. This result remains statistically and economically significant indicating that unobserved differences in the unemployed workers ability to borrow as well as subsequent policy interventions during the Great Recession are not able to explain our results. Finally, we control first for the interaction between Bartik shocks and the fraction of employees in different sectors and then also include state times year fixed effects in our specification. The results remain largely unchanged.

To provide support for a demand channel, we distinguish between tradable and non-tradable sectors following the classification proposed by Mian and Sufi (2012) and compare the sensitivity of each sector to Bartik shocks. We report these results in Panel B of Table 3. Columns (1) and (2) report the results for the non-tradable sector, while Columns (3) and (4) focus on the tradable sector. We start with the baseline specification in which we only control for county and year fixed effects, and then turn to the specification in which we control for the industrial composition and the fraction of subprime borrowers. We find

that UI generosity only reduces the sensitivity of the employment in the non-tradable sector, while it has no significant effect on the tradable sector.

4.3 Consumption Growth

The previous results show that the local economy reacts better to shocks in the presence of more generous unemployment insurance. We now provide evidence that the demand channel is the key channel driving these results. To examine the effects of UI on aggregate demand we start our analysis by investigating the response of consumption as measured by car sales to shocks in counties with different generosity. One caveat applies to this measure of consumption: we might overestimate the total dampening in consumption due to UI because car sales is the most volatile component of consumption and it only captures the extensive margin, i.e. the number of cars sold. On the other hand, unlike other measures of consumption, the car sales in our data are linked to the county where the car was registered, not the county where the car was actually purchases. Thus car consumption more closely represents consumption in the county of residence, rather than counties that have more developed commercial districts, mitigating concerns about spillover effects. This point will be especially important for our border design discussed in section 5.

Table 4 reports the results. The intuition behind these tests is that if UI generosity increases the disposable income of the unemployed it should allow the unemployed to maintain more of their consumption, which supports aggregate demand and improves the economy's response to local shocks.

In Column (1) we provide our baseline estimates, when we only control for county and year fixed effects. We find that a one standard deviation increase in UI generosity reduce the elasticity of consumption growth to local labor shock by 60%. This effect remains significant and largely consistent across different specifications. A source of heterogeneity across counties that may be particularly important in explaining consumption fluctuations is the credit access of households. In counties where workers do not face financial constraints,

aggregate consumption might react less to local labor shocks as unemployed workers can smooth their expenditures by borrowing. Moreover, existing studies have shown that there was an outward shift in the credit supply to riskier and subprime borrowers during the years preceding the crisis (see, for instance, Mian and Sufi (2009) and Di Maggio and Kermani (2014)). Accordingly, we want to make sure that credit availability is not driving these results. To take into account credit availability, we compute the fraction of borrowers with a FICO score below 620 in 2000, and control for the interaction between this measure and the Bartik shock in Column (2). For similar reasons we might be concerned that consumption might be more responsive to shocks in counties with a higher concentration of subprime borrowers as they started to default at the onset of the crisis. Then, in Column (3) we focus on the pre-crisis period 2001-2007. Both the magnitude and the statistical significance remain unaffected.

In Columns (4) and (5) we further test the robustness of our results by controlling for the industrial composition of the county and by allowing each state to behave on different time trends. In the most demanding specification the magnitude of the effect is smaller but still significant. In fact comparing counties in the top and in the bottom 25 percentiles of UI generosity the elasticity of consumption growth is 60% lower.

These results are related to the seminal contribution by Gruber (1997). Gruber (1997) shows the ability of the government to smooth consumption during unemployment spells by providing direct evidence at the household level of the effect of UI on the consumption of unemployed workers. We complement these results by showing that in equilibrium consumption is less responsive to local labor shocks in presence of more generous UI due to a local general equilibrium effect.

4.4 Average Wages

The main motivation to introduce unemployment insurance benefits is to increase the disposable income of unemployed workers. However, in regions with more generous UI the wages

of the employed workers can be less sensitive to negative labor shocks as well. In fact, one potential effect of a more generous UI program on average wages works through aggregate demand, while another is to provide a stronger outside option to employed workers boosting their reservation wages, which makes wages less responsive to economic fluctuations.

To test this hypothesis, in Table 5 we investigate how average wages react to Bartik shocks in counties with different UI generosity. The baseline estimates in Column (1) show that a one standard deviation increase in UI generosity reduce the elasticity of average wage growth to labor shocks by 48%. Columns (2)-(5) test the robustness of this result by allowing the response to local labor shocks to differ across counties depending on the fraction of subprime borrowers (Column 2), by showing that the results do not rely on the crisis period (Column 3), by controlling for counties industrial composition (Column 4) as well as for the state times year fixed effect (Column 5).

Figure 4 complements the previous results by investigating if UI has differential effects depending on the level of wages. Specifically, in Figure 4 we use the sample provided by the Integrated Public Use Microdata Series of the Current Population Survey to compute the different wage percentile for a subset of counties and regress changes in the x-th percentile of wages on the Bartik shock and its interaction with the generosity of UI.[16] We also provide 95% pointwise confidence intervals constructed from robust standard errors clustered by county. It shows that the effect of UI is quite consistent across the whole wage distribution except at the very top, i.e. above 80th, for which its effect becomes insignificant.[17]

4.5 Labor Force Participation

UI generosity might also affect labor force participation through two different channels. On the one hand, unemployed workers might decide to reduce their search effort or maintain a higher reservation wage, which would result in longer unemployment spells. On the other hand, the unemployed workers could remain attached to the labor force for a longer period

[16] IPUMS provides county identifier only for the 300 largest counties.

[17] Chetverikov et al. (2013) provides a similar exercise for the effect of trade shocks on the wage distribution.

of time than in absence of extended benefits.

Recent papers on the topic include Chetty (2008), Farber and Valletta (2013) and Farber et al. (2015) among others.[18] Chetty (2008) argues that most of the increase in unemployment durations caused by UI benefits is not due to the effects on search effort ("moral hazard") but due to a "liquidity effect". Farber and Valletta (2013), instead, focus on the UI extensions during the Great Recession and the labor market downturn in the early 2000s to show that they resulted in a small but statistically significant reduction in the unemployment exit rate and a small increase in the expected duration of unemployment. Moreover, they show that the effects of extended benefits on exit from unemployment occur primarily through a reduction in labor force exits rather than a reduction in job finding. Farber et al. (2015) investigates the effect of extended benefits on unemployment exits both during the period of benefit expansion and the later period of rollback. They find that in both periods there is little or no effect on job-finding but a reduction in labor force exits due to benefit availability

In the same spirit, we analyze how the sensitivity of the labor force growth to local labor shocks changes in counties with different UI generosity. Table 6 shows the main results. We find that a one standard deviation increase in UI leads to a 30% reduction in the sensitivity of the labor force to Bartik shocks. Thus, while the existing literature focuses on the spike in the exit rate from unemployment around the expiration of jobless benefits, we complement these studies by showing that the elasticity of the labor force participation is also significantly affected by the generosity of UI benefits.

5 Further Evidence and Robustness Checks

In this section, we provide additional results and further test the validity of our identification strategy by restricting attention to counties at the state border and examine several

[18] See Card et al. (2007b) for an overview of the existing literature on the effects of UI benefits on exit from unemployment.

alternative explanatory hypotheses.

5.1 Asymmetric Effects

Up to now, we have considered all Bartik shocks together, without differentiating between positive and negative shocks. However, UI generosity is expected to be more important for large negative shocks, mainly because households may have some liquidity reserves helping them to smooth small shocks. We show evidence consistent with this hypothesis by interacting our measure of UI generosity with the average Bartik shock in the bottom quartile, in the interquartile range and in the top one. Table 7 reports the results.

In Columns (1) and (2) we analyze how UI affects the sensitivity of earnings and employment growth to shocks. We find that only for negative labor supply shocks our main coefficient of interest is negative and statistically significant, whereas the interaction between UI and the Bartik shocks becomes smaller and insignificant for larger shocks. Column (3), instead, reports the results for car sales. We show that the effects are concentrated in the bottom quartile of the Bartik-shocks distribution as the coefficient is significant and about 30% larger than our baseline estimates in Table 4. In Columns 4-6 we complement the previous evidence by reporting the results for the remaining dependent variables, such as average wages, labor force growth and unemployment growth. Overall, these results confirm what we already showed in Figure 2, namely, that more generous UI only attenuates the sensitivity to negative shocks while it plays no role when the shocks are positive.

5.2 Counties at the Border

In the previous sections, we have controlled for a number of county characteristics to make sure that the only source of heterogeneity affecting the counties sensitivity to labor shocks is UI generosity. However, in order to further control for potential unobserved heterogeneity across counties, another approach is to focus on the counties that border another state. In the following analysis we only consider county pairs at the border across different states.

Figure 3 depicts the heterogeneity in UI generosity for the sample of counties at the border, while Table 8 reports the estimated results for this restricted sample.

Column (1) reports the results for car sales, controlling for both county and year fixed effects. In all columns we also control for the interaction between the Bartik shock and the average number of employees in each sector, to allow counties with different industrial focus to react differently to shocks. We find that the results are still statistically and economically significant. Column (2) shows the results for employment growth, confirming that employment growth is higher when local economies are hit by negative shocks in counties with more generous UI. Column (3) estimates our main specification for labor force growth, and provides further support of the hypothesis that individuals tend remain in the labor force when UI is higher. Columns (4) and (5) report the results for earnings growth and average wages, showing that aggregate demand is significantly affected by the role that UI plays in the case of negative shocks.

Interestingly, the magnitude of the effects is very close to the one provided in the previous section when we analyzed the full sample of counties. This seems to suggest that by considering the full sample of counties we are not capturing any other unobserved heterogeneity correlated with the UI generosity which could drive our results.

5.3 Western States

If economic conditions do not vary significantly at the state border, then our strategy of focusing on the sample of counties at the border should help us control for potential unobserved characteristics that could explain the counties' response to shocks. However, the assumption of similar economic characteristics is less likely to hold when we consider regions that are located further away from the border. Thus, to make sure that the results are not driven by comparing regions of different sizes and distances from the border, we exclude from the analysis all Western states, namely California, Arizona, Washington, Oregon, Idaho and Utah, since these states have counties that are significantly larger than those in the Eastern

states.

Table 9 shows the estimated interaction between the Bartik shock and the UI generosity for our main dependent variables. In all columns we control for county and year fixed effects and find the results to be largely unaffected as their magnitude and statistically significance is not different from the case in which we consider the full sample of counties at the border.

5.4 Industrial Structure

One potential concern with the previous results is that although we focus on counties at the borders, there might still be residual differences among counties that might drive the results. For instance, one possibility is that counties differ in their industrial composition due to, for instance, different right-to work legislation (Holmes (1998)). Then, if counties with a large manufacturing sector have more cyclical unemployment, they might also exhibit a more cyclical unemployment benefit policy, which might potentially confound our results. In section 4 we have corrected for this possibility by controlling for the interaction between the Bartik shock and the fraction of employees in different sectors. Here, as an additional robustness check, we restrict attention to a subset of *county pairs* at the border with a similar industrial composition.

We match counties in the following way. We collect data from BEA on the fraction of employed people in each two digit NAICS code sector, and then for each sector we take the average over the years 2001-2011 and form a vector X_i for county i. We then compute the distance between each two county pairs i and j as $|X_i - X_j|$ and only keep the county pairs whose distance is below the median.[19] This should make sure that not only these counties are geographically close to each other but also exhibit the same industrial characteristics. Table 10 reports our estimates. We show that all of our results remain significant with point estimates very close to the ones shown for the full sample specifications.

[19] A similar approach is employed by Hagedorn et al. (2013).

5.5 Financial Crisis

During the Great Recession there have been several policy interventions both at the federal and state level to boost aggregate demand and support the economy. For instance, in response to the severe labor market downturn the UI benefit availability was extended reaching a maximum duration of 99 weeks during the period 2009-2012. Thus, in addition to making sure that our results are not driven by unobserved heterogeneity across counties, we can also show that the period of the crisis has no significant effect on our estimates. In order to do so, we run the same specifications on the sample of counties at the border but focusing on the period before 2008 in Table 11. Since our results remain largely unchanged with the coefficients of interest being still statistically significant, we conclude that our main results are driven by UI generosity rather than by the subsequent policy interventions affecting the response of the economy to shocks.

5.6 State Level Policies

One potential concern with our estimates is that there might be other state-level policies, correlated with UI generosity, that might affect the sensitivity of the economy to local labor shocks. For instance, Mulligan (2010) and Herkenhoff and Ohanian (2012) analyze mortgage modification programs and foreclosure laws across states and argue that a more debtor-friendly law represents an implicit subsidy to unemployed workers, which might also impact their job-search efforts. One important difference in this respect is between judicial and non-judicial states: the main difference is that in judicial states the law requires a court decision to foreclose, which significantly delays the process and benefit the debtor, who can live rent-free in their homes.[20]

Since these differences across states might also drive the sensitivity of the local economy to supply shocks, in Table 12 we test the robustness of our estimates by including state

[20] For works related on the role of foreclosure laws see, among others, Mian et al. (2012) and Cordell et al. (2013).

by year fixed effects for the sample of counties at the border. This is the most demanding specification as we not only restrict our sample to contiguous counties, but also allow counties in different states to react differently to the Bartik shock. Although the standard errors are higher, we find that the results remain largely unchanged. This reassures us that our estimated are capturing the effect of the heterogeneity in UI generosity, rather than in some other policies that might affect the county sensitivity to economic fluctuations.

5.7 Alternative UI Generosity Measures

Our baseline measure of UI generosity is computed as the ratio between the maximum weekly benefit and the weekly average wage. We can show that our results do not crucially hinge on this particular measure. In fact, Table 13 reports out main specification using two additional measures of UI generosity. First, Columns 1-5 reports the results using the ratio between the maximum weekly benefit and the weekly median income. Both the statistical and economic significance of our results is unaffected. This shows that our results are not driven by the specific normalization we used in the previous section, but is mainly driven by variation in the UI benefit.

Second, in Columns 6-10 we report the results when we use UI expenditures as our measure of UI generosity. Specifically, we compute the benefit amount paid in 2000 and then we divide it by half the number of unemployed workers. We divide the number of unemployed workers in half because existing studies, such as Rothstein (2011b), show that on average half of the unemployed individuals apply for UI benefit. Moreover, this number is also roughly equal to the number of workers who have been unemployed for more than 5 weeks. We then normalize this measure by the weekly average wage to capture differences in generosity across counties. Our results are also unaffected in this case.

6 Fiscal Multiplier

The Great Recession has revived the interest in the stimulus effects of government spending and tax changes. We can contribute to this debate by using our estimates to obtain a local fiscal multiplier for UI expenditures. We start by computing the fiscal multiplier μ_e for earnings by reporting the regression specifications that we use:

$$employment\,growth_{it} = \gamma_{i2} + \alpha_{t2} + \beta_{12} \times bartik_{it} + \beta_{22} \times bartikXUIgen_{it} + X_{it} \times \Phi_2 + \epsilon_{it},$$

and

$$earning\,growth_{it} = \gamma_{i3} + \alpha_{t3} + \beta_{13} \times bartik_{it} + \beta_{23} \times bartikXUIgen_{it} + X_{it} \times \Phi_3 + \epsilon_{it}. \quad (2)$$

Thus, we can compute the multiplier as follows:

$$\begin{aligned} \mu_e &= \frac{\$\,increase\,of\,earnings}{\$\,increase\,in\,UI\,payment} \\ &= -\frac{\beta_{23}}{\beta_{12}} \times \frac{Earning}{Totalemployment \times Average\,Wages} \\ &= \frac{1.21}{0.76} \times 1.4 = 2.2. \end{aligned}$$

To make this calculation we had to make few assumptions. First, we assume that all unemployed workers apply for UI. We do not divide it in half, because the unemployment generated by Bartik shocks is quite long-term (see for instance, Autor et al. (2014) and Davis and von Wachter (2011)), which means that since it takes more time to find a job, the incentives to apply for UI are higher. Second, we assume that labor force participation does not change significantly, which makes the number of unemployed workers exactly equal to the negative change in the number of the employed ones. Then, we can compute the denominator in the expression for μ_e by multiplying β_{12} by the Bartik shock, which gives us the employment growth, and then we multiply it by the number of employed workers to get

the change in the number of employed workers.

To compute the change in payments to unemployed workers, we use the change in UI generosity (as measured by the realized payments made to unemployed workers) times the average wage. For the numerator, we use the earnings growth equation in (2) to compute the earnings growth as β_{23} times the Bartik shock times the change in UI generosity. And then, we multiply it by the level of earnings to get the change in earnings. We then compute from BEA the ratio of total earnings and total wages, and we find that is about 1.4 and also very stable over our sample period. Thus, we find an average multiplier of 2.2 for earnings. This means that for each additional dollar of transfer through UI, earnings go up by twice that much.

In a similar way, we estimate a multiplier μ_{emp} on employment as follows:

$$\begin{aligned} \mu_{emp} &= \frac{\$\, increase\, of\, wages\, of\, new\, employed}{\$\, increase\, in\, UI\, payment} \\ &= -\frac{\beta_{22}}{\beta_{12}} = \frac{1.1}{0.76} = 1.44, \end{aligned}$$

where for the denominator we followed the same steps as for the earnings multiplier, while for the numerator we can simply compute the change in employment times their wages, which captures the dollar increase in wages of newly employed workers. Thus if we take the ratio of average wages in 2010 and μ_{emp} we get that each $32,000 of transfers through UI creates one new job.

This relates our paper to the series of recent papers using cross-state variation to estimate fiscal multipliers.[21] Moreover, our estimates are very consistent with those found in other papers that use a different source of variation in government spending. For instance, Serrato and Wingender (2010) exploit the fact that a large number of federal spending programs depend on local population levels and exploit changes in the methodology that the Census uses to provide a count of local populations to estimate a fiscal multiplier of 1.57. Shoag

[21] For a survey of the literature on national output multipliers see Ramey (2011).

et al. (2010) instruments state government spending with variations in state-managed benefit pension plans and find that government spending has a local income multiplier of 2.12 and an estimated cost per job of $35,000 per year. More recently, Chodorow-Reich et al. (2012) examine the effect of the $88 billion of aid to state governments through the Medicaid reimbursement process contained in The American Recovery and Reinvestment Act (ARRA) of 2009 on states' employment and find a multiplier of about 2. Whereas Nakamura and Steinsson (2014) employ data on military procurement spending across U.S. regions their differential effects across regions to estimate an "open economy relative multiplier" of approximately 1.5.

Our estimates are broadly consistent with the range of estimates for fiscal multipliers on income and employment provided by the existing studies, which also reassures us that our methodology is not capturing other unobserved differences across counties that might bias our results upwardly.

7 Concluding Remarks

This paper evaluates the extent to which unemployment insurance (UI) attenuates the sensitivity of real economic activity to local labor demand shocks. Our strategy follows Bartik (1991) and Blanchard and Katz (1992) in constructing a measure of the predicted change in demand-driven labor shocks for each county. We then interact this measure with the county-level UI generosity in 2000. We provide two main findings. First, we start our analysis by estimating the response of earnings growth to shocks in counties with different UI generosity. We find that counties with more generous UI tend to react significantly less to negative shocks.

Second, we provide evidence that the main channel through which UI affects the sensitivity of the economy to shocks is a demand channel. In fact, car sales become less sensitive to negative shocks in counties with more generous UI. Moreover, we find that only employment

in the non-tradable sector which is mainly driven by local demand conditions is affected by variation in UI across states.

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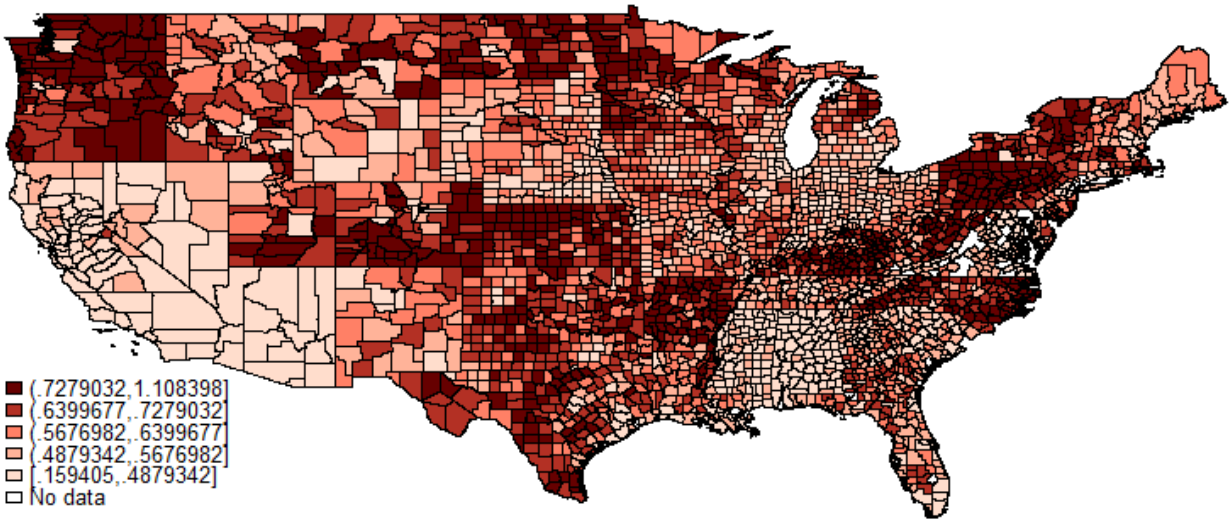


Figure 1 UI Generosity

This graph shows the unemployment insurance generosity in 2000 for all the counties, with darker regions having more generous UI benefits.



Figure 2 Spline

This graph depicts the effect of the UI generosity in attenuating the Bartik shocks using a spline for each dependent variable and the knots being at the 10th, 50th, and 90th percentile of Bartik shock. It shows the effects for the top and the bottom 25th percentile in the UI generosity.

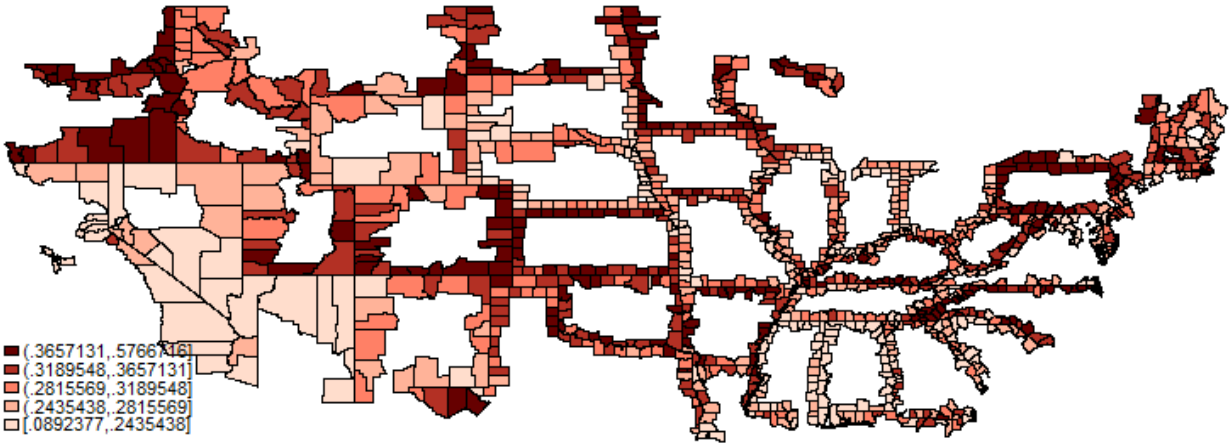


Figure 3 Regression Discontinuity

This graph shows the heterogeneity in UI generosity for the sample of counties at the border which we use in our RD regressions.

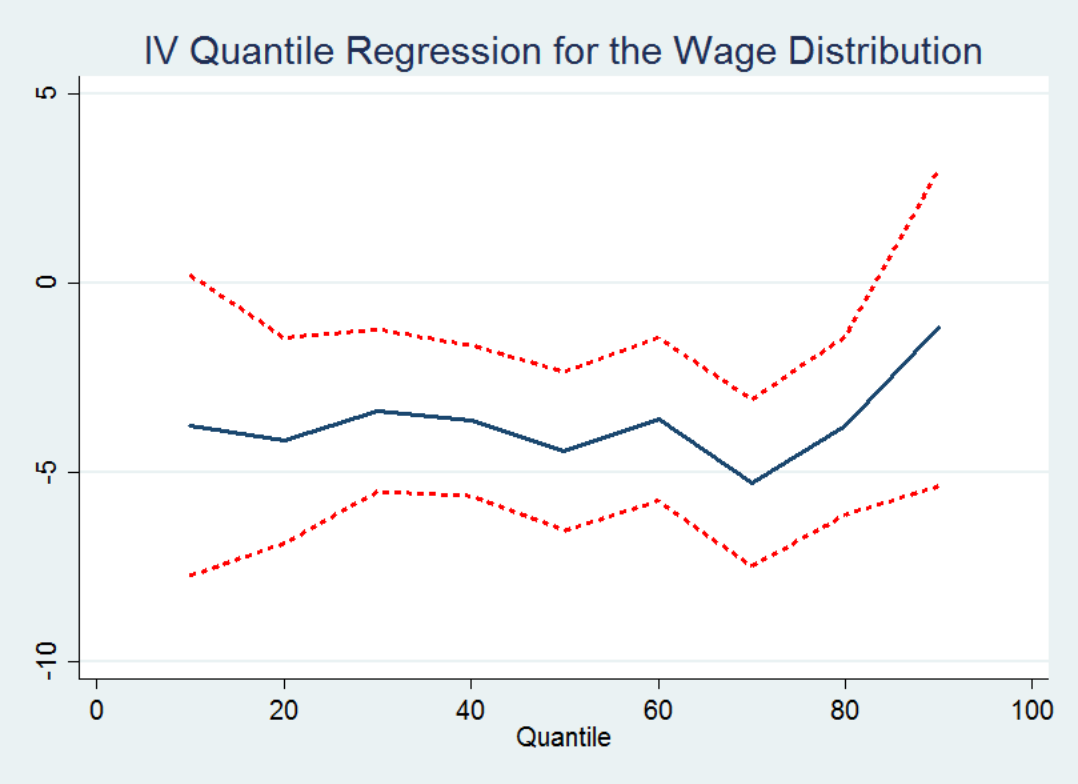


Figure 4 Effects of UI Generosity on Wage Distribution

Figure plots the coefficient on the UI generosity interaction with Bartik shock in the regression of wage growth of the nth percentile of the wages. 95% pointwise confidence intervals are constructed from robust standard errors clustered by county and observations are weighted by population.

Table 1

Summary Statistics

The table reports the summary statistics for the main variables. Panel A focus on the variables computed in 2000, while Panel B examines the variables over the period 2001-2011. The data on earnings growth and industrial composition is collected from the Bureau of Economic Analysis, while employment growth by industry for each county is computed using yearly data provided by the County Business Patterns (CBP). Data on average wages is provided by the Quarterly Workforce Indicators (QWI). R. L. Polk & Company records all new car sales in the United States and provides our measure of car sales. The fraction of subprime borrowers in 2000 for each county is from Equifax.

Panel A. Static Variables in 2000

	(1) N	(2) Mean	(3) St. Dev	(4) p1	(5) p10	(6) p50	(7) p90	(8) p99
Max Weekly Benefit	3,072	298.0	64.20	190	230	284	408	441
Number of Weeks	3,072	26.18	0.820	26	26	26	26	30
Max Weekly Benefit / Average Income	3,072	0.491	0.141	0.205	0.315	0.480	0.692	0.859
Max Weekly Benefit / Median Income	3,069	0.371	0.110	0.170	0.240	0.352	0.514	0.685
(UI Expenditure / N. Unemployed)/Average Wage	3,025	0.230	0.107	0.0808	0.123	0.202	0.376	0.575
Fraction of Subprime Borrowers	3,071	0.300	0.0893	0.140	0.194	0.284	0.427	0.516
Share of Employees in Construction Sector	3,021	0.0590	0.0190	0.0228	0.0378	0.0563	0.0824	0.118
Share of Employees in Manufacturing Sector	3,023	0.0842	0.0528	0.0121	0.0314	0.0746	0.154	0.273
Share of Employees in Services Sector	3,072	0.642	0.101	0.338	0.496	0.665	0.749	0.806
Share of Employees in Government Sector	3,072	0.139	0.0596	0.0549	0.0857	0.124	0.210	0.368
Population	3,072	1052000	1881000	8,621	35,460	417,939	2465000	9519000

Panel B. Dynamic Variables

Bartik Shock 2000	33,811	-0.00191	0.0198	-0.0567	-0.0316	0.00363	0.0184	0.0298
Population Growth	33,805	0.00847	0.0153	-0.0147	-0.00445	0.00656	0.0243	0.0501
Employment Growth	33,803	0.000565	0.0510	-0.129	-0.0522	0.00217	0.0496	0.138
Employment in Non-Tradable Sector Growth	33,786	0.00814	0.0621	-0.149	-0.0510	0.00812	0.0624	0.188
Employment in Tradable Sector Growth	33,163	-0.0221	0.194	-0.384	-0.145	-0.0261	0.0851	0.461
Income Growth	33,805	0.0340	0.0468	-0.0914	-0.0168	0.0353	0.0800	0.147
Car Sales Growth	32,555	-0.0219	0.175	-0.330	-0.194	-0.0159	0.118	0.285
Average Wages Growth	33,805	0.0304	0.0222	-0.0285	0.00639	0.0311	0.0531	0.0887
Labor Force Growth	33,790	0.00693	0.0195	-0.0395	-0.0139	0.00608	0.0292	0.0598
Unemployment Growth	33,790	0.106	0.233	-0.208	-0.113	0.0382	0.461	0.800

Table 2

Earnings Growth

The table reports coefficient estimates of weighted least square regressions relating earnings growth to the unemployment insurance generosity and Bartik shock. The full sample includes the period 2001-2011. In all columns the dependent variable is the earnings growth and we control for county and year fixed effects. In Columns 2-5 we control for the interaction between the fraction of borrowers with a FICO score below 680 in 2001 and the Bartik shock. In column 3 we restrict attention to the pre-crisis period. In column 4 we control for the interaction between the Bartik shock and the fraction of employees in each sector. We distinguish between construction, manufacturing, government (which includes federal, military, state and local government) and services industries. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	Earnings Growth				
	Full Sample	*Full Sample*	*Year <2008*	*Full Sample*	*Full Sample*
Bartik Shock × UI Generosity	-0.97***	-0.94***	-1.09***	-1.16***	-1.42***
	(0.20)	(0.19)	(0.35)	(0.20)	(0.36)
Bartik Shock	0.54***				
	(0.07)				
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers		Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock				Yes	Yes
State × Year Fixed Effects					Yes
Observations	33,805	33,710	21,462	32,845	32,845
R-squared	0.02	0.02	0.02	0.03	0.02
Number of Counties	3,084	3,071	3,071	2,989	2,989

Table 3

Employment Growth

The table reports coefficient estimates of weighted least square regressions relating the employment growth to the unemployment insurance generosity and Bartik shock. The full sample includes the period 2001-2011. In Panel A, the dependent variable is the employment growth and we control for county and year fixed effects. In Columns 2-5 we control for the interaction between the fraction of borrowers with a FICO score below 680 in 2001 and the Bartik shock. In column 3 we restrict attention to the pre-crisis period. In column 4 we control for the interaction between the Bartik shock and the fraction of employees in each sector. We distinguish between construction, manufacturing, government (which includes federal, military, state and local government) and services industries. Panel B distinguish between employment growth in the non-tradable (Columns 1-2) and tradable (Columns 3-4) sector. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

Panel A. Employment Growth

	(1)	(2)	(3)	(4)	(5)
	Employment Growth				
	Full Sample	*Full Sample*	*Year <2008*	*Full Sample*	*Full Sample*
Bartik Shock × UI Generosity	-0.95***	-0.96***	-1.46***	-0.96***	-0.89***
	(0.20)	(0.20)	(0.39)	(0.22)	(0.32)
Bartik Shock	0.76***				
	(0.08)				
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers		Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock				Yes	Yes
State × Year Fixed Effects					Yes
Observations	33,803	33,708	21,456	32,843	32,843
R-squared	0.02	0.02	0.02	0.02	0.01
Number of Counties	3,084	3,071	3,071	2,989	2,989

Panel B. Employment Growth in Tradable and Non-Trdable Sectors

	(1)	(2)	(3)	(4)
	Employment in Non-Tradable Sector	*Employment in Non-Tradable Sector*	*Employment in Tradable Sector*	*Employment in Tradable Sector*
Bartik Shock × UI Generosity	-1.44***	-1.33***	-0.14	-0.00
	(0.17)	(0.21)	(0.42)	(0.45)
Bartik Shock	0.30***		1.18***	
	(0.08)		(0.18)	
County Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers		Yes		Yes
Industrial Characteristics × Bartik Shock		Yes		Yes
Observations	33,784	32,843	33,153	32,379
R-squared	0.01	0.01	0.00	0.00
Number of Counties	3,081	2,989	3,051	2,969

Table 4

Car Sales

The table reports coefficient estimates of weighted least square regressions relating car sales to the unemployment insurance generosity and Bartik shock. The number of cars sold in each county is provided by Polk, and the full sample includes the period 2001-2011. In all columns the dependent variable is the car sales and we control for county and year fixed effects. In Columns 2-5 we control for the interaction between the fraction of borrowers with a FICO score below 680 in 2001 and the Bartik shock. In column 3 we restrict attention to the pre-crisis period. In column 4 we control for the interaction between the Bartik shock and the fraction of employees in each sector. We distinguish between construction, manufacturing, government (which includes federal, military, state and local government) and services industries. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	Car Sales				
	Full Sample	*Full Sample*	*Year <2008*	*Full Sample*	*Full Sample*
Bartik Shock × UI Generosity	-2.35***	-2.12***	-3.09***	-2.64***	-1.37***
	(0.45)	(0.40)	(0.94)	(0.63)	(0.48)
Bartik Shock	0.54***				
	(0.15)				
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers		Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock				Yes	Yes
State × Year Fixed Effects					Yes
Observations	32,555	32,481	20,675	31,631	31,631
R-squared	0.00	0.01	0.00	0.01	0.00
Number of Counties	2,968	2,958	2,958	2,878	2,878

Table 5

Average Wage Growth

The table reports coefficient estimates of weighted least square regressions relating the average wage growth to the unemployment insurance generosity and Bartik shock. The full sample includes the period 2001-2011. In all columns the dependent variable is the average wage growth and we control for county and year fixed effects. In Columns 2-5 we control for the interaction between the fraction of borrowers with a FICO score below 680 in 2001 and the Bartik shock. In column 3 we restrict attention to the pre-crisis period. In column 4 we control for the interaction between the Bartik shock and the fraction of employees in each sector. We distinguish between construction, manufacturing, government (which includes federal, military, state and local government) and services industries. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	Average Wage				
	Full Sample	*Full Sample*	*Year <2008*	*Full Sample*	*Full Sample*
Bartik Shock × UI Generosity	-0.62***	-0.60***	-0.77***	-0.51***	-0.91***
	(0.15)	(0.16)	(0.18)	(0.14)	(0.31)
Bartik Shock	0.18***				
	(0.06)				
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers		Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock				Yes	Yes
State × Year Fixed Effects					Yes
Observations	32,927	32,839	20,649	31,994	31,994
R-squared	0.00	0.01	0.01	0.01	0.01
Number of Counties	3,067	3,055	3,055	2,973	2,973

Table 6

Labor Force Growth

The table reports coefficient estimates of weighted least square regressions relating the labor force growth to the unemployment insurance generosity and Bartik shock. The full sample includes the period 2001-2011. In all columns the dependent variable is the labor force growth and we control for county and year fixed effects. In Columns 2-5 we control for the interaction between the fraction of borrowers with a FICO score below 680 in 2001 and the Bartik shock. In column 3 we restrict attention to the pre-crisis period. In column 4 we control for the interaction between the Bartik shock and the fraction of employees in each sector. We distinguish between construction, manufacturing, government (which includes federal, military, state and local government) and services industries. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	Labor Force Growth				
	Full Sample	*Full Sample*	*Year <2008*	*Full Sample*	*Full Sample*
Bartik Shock × UI Generosity	-0.35***	-0.37***	-0.44**	-0.33***	-0.52***
	(0.08)	(0.07)	(0.17)	(0.08)	(0.11)
Bartik Shock	0.16***				
	(0.05)				
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock		Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers				Yes	Yes
State × Year Fixed Effects					Yes
Observations	33,784	33,689	21,441	32,824	32,824
R-squared	0.01	0.01	0.02	0.02	0.02
Number of Counties	3,084	3,071	3,071	2,989	2,989

Table 7

Asymmetric Effects

The table reports coefficient estimates of spline regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The full sample includes the period 2001-2011. "Min Bartik Shock" identifies the lower quartile in the magnitude of the Bartik shock, while "Median Bartik Shock" identifies the average bartik shock in the interquartile range, and "Max Bartik Shock" denote the shock in the top quartile. In Column 1 the dependent variable is earnings growth, while in Column 2 it is the employment growth. In Column 3 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 4 the dependent variable is the average wages growth, while in Column 5 the dependent variable is the labor force growth. In Column 6 we investigate the response of unemployment growth. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)
	Earnings Growth	*Employment Growth*	*Car Sales*	*Average Wages*	*Labor Force Growth*	*Unemployment Growth*
Min Bartik Shock × UI Generosity	-1.53***	-1.31***	-3.64***	-0.99***	-0.38***	6.80***
	(0.19)	(0.19)	(0.53)	(0.11)	(0.13)	(0.90)
Median Bartik Shock × UI Generosity	-0.40	-0.29	-1.67**	-0.28	-0.26*	0.90
	(0.29)	(0.27)	(0.73)	(0.19)	(0.14)	(0.87)
Max Bartik Shock × UI Generosity	1.04	-0.87	0.63	-0.59	0.63**	4.72
	(0.64)	(0.74)	(1.61)	(0.82)	(0.30)	(3.58)
Min Bartik Shock	1.70***	1.27***	4.57***	0.75***	0.24***	-10.85***
	(0.04)	(0.04)	(0.21)	(0.03)	(0.02)	(0.28)
Median Bartik Shock	0.64***	0.79***	0.12	0.36***	-0.00	-5.06***
	(0.04)	(0.04)	(0.28)	(0.04)	(0.03)	(0.27)
Max Bartik Shock	1.22***	1.16***	-0.08	0.98***	0.51***	-4.09***
	(0.09)	(0.13)	(0.30)	(0.09)	(0.05)	(0.51)
Observations	33,805	33,803	32,555	32,927	33,790	33,790
R-squared	0.26	0.17	0.08	0.13	0.03	0.44

Table 8

Robustness I: Counties at the Border

The table reports coefficient estimates of weighted least square regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The sample includes all the counties within 10 miles from the border during the period 2001-2011. In Column 1 the dependent variable is earnings growth, while in Column 2 it is the employment growth. In columns 3 and 4 we distinguish between employment growth in the non-tradable and tradable sectors. In Column 5 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 6 the dependent variable is the average wages growth, while in Column 7 the dependent variable is the labor force growth. In all columns we control for county and year fixed effects. We also include the interaction between the Bartik shock and the fraction of subprime borrowers in 2000, as well as the interactions between the Bartik shock and the share of employees in different sectors. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	All counties						
	Earnings Growth	*Employment Growth*	*Employment in Non-Tradable Sector*	*Employment in Tradable Sector*	*Car Sales*	*Average Wages*	*Labor Force Growth*
Bartik Shock × UI Generosity	-0.88***	-0.92***	-1.20***	-0.55	-2.67***	-0.85***	-0.34**
	(0.26)	(0.33)	(0.35)	(0.65)	(0.69)	(0.27)	(0.14)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	14,015	14,007	14,007	13,813	13,553	13,518	14,009
R-squared	0.02	0.02	0.01	0.00	0.03	0.01	0.02
Number of Counties	1,275	1,275	1,275	1,266	1,233	1,262	1,275

Table 9

Robustness II: Counties at the Border without Western States

The table reports coefficient estimates of weighted least square regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The sample includes all the counties within 10 miles from the border during the period 2001-2011 excluding the Western states, i.e. California, Arizona, Washington, Oregon, Idaho and Utah. In Column 1 the dependent variable is earnings growth, while in Column 2 it is the employment growth. In columns 3 and 4 we distinguish between employment growth in the non-tradable and tradable sectors. In Column 5 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 6 the dependent variable is the average wages growth, while in Column 7 the dependent variable is the labor force growth. In all columns we control for county and year fixed effects. We also include the interaction between the Bartik shock and the fraction of subprime borrowers in 2000, as well as the interactions between the Bartik shock and the share of employees in different sectors. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Excluding West Coast						
	Earnings Growth	*Employment Growth*	*Employment in Non-Tradable Sector*	*Employment in Tradable Sector*	*Car Sales*	*Average Wages*	*Labor Force Growth*
Bartik Shock × UI Generosity	-0.88***	-0.63*	-1.11***	-0.63	-2.04***	-1.03***	-0.46***
	(0.30)	(0.33)	(0.38)	(0.69)	(0.59)	(0.34)	(0.14)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	12,277	12,269	12,269	12,139	11,859	11,829	12,271
R-squared	0.02	0.01	0.00	0.00	0.02	0.02	0.02
Number of Counties	1,117	1,117	1,117	1,110	1,079	1,104	1,117

Table 10

Robustness III: Counties at the Border with Similar Industrial Composition

The table reports coefficient estimates of weighted least square regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The sample includes all the counties within 10 miles from the border during the period 2001-2011 with similar industrial composition. We collected data from BEA on the fraction of employed people in each sector, then for each sector we take the average over the years 2001-2011 and form a vector X_i for county i. We then compute the distance between each two county pairs i and j and only keep the county pairs whose distance is below the median. In Column 1 the dependent variable is earnings growth, while in Column 2 it is the employment growth. In columns 3 and 4 we distinguish between employment growth in the non-tradable and tradable sectors. In Column 5 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 6 the dependent variable is the average wages growth, while in Column 7 the dependent variable is the labor force growth. In all columns we control for county and year fixed effects. We also include the interaction between the Bartik shock and the fraction of subprime borrowers in 2000, as well as the interactions between the Bartik shock and the share of employees in different sectors. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Similar Industry Composition						
	Earnings Growth	*Employment Growth*	*Employment in Non-Tradable Sector*	*Employment in Tradable Sector*	*Car Sales*	*Average Wages*	*Labor Force Growth*
Bartik Shock × UI Generosity	-0.97***	-0.92***	-1.70***	-1.47**	-2.50***	-1.02***	-0.36***
	(0.29)	(0.36)	(0.35)	(0.66)	(0.71)	(0.33)	(0.14)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7,713	7,713	7,713	7,643	7,471	7,378	7,710
R-squared	0.02	0.02	0.01	0.01	0.03	0.03	0.02
Number of Counties	702	702	702	698	680	689	702

Table 11

Robustness IV: Counties at the Border for Pre-Crisis Period

The table reports coefficient estimates of weighted least square regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The sample includes all the counties within 10 miles from the border during the period 2001-2007. In Column 1 the dependent variable is earnings growth, while in Column 2 it is the employment growth. In columns 3 and 4 we distinguish between employment growth in the non-tradable and tradable sectors. In Column 5 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 6 the dependent variable is the average wages growth, while in Column 7 the dependent variable is the labor force growth. In all columns we control for county and year fixed effects. We also include the interaction between the Bartik shock and the fraction of subprime borrowers in 2000, as well as the interactions between the Bartik shock and the share of employees in different sectors. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	All Counties for Year<2008						
	Earnings Growth	*Employment Growth*	*Employment in Non-Tradable Sector*	*Employment in Tradable Sector*	*Car Sales*	*Average Wages*	*Labor Force Growth*
Bartik Shock × UI Generosity	-0.92**	-0.90	-1.33**	-0.25	-4.43***	-0.95***	-0.59***
	(0.43)	(0.59)	(0.59)	(1.17)	(1.01)	(0.30)	(0.16)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8,917	8,909	8,909	8,789	8,623	8,472	8,911
R-squared	0.02	0.02	0.00	0.00	0.02	0.02	0.02
Number of Counties	1,275	1,275	1,275	1,264	1,233	1,262	1,275

Table 12

Robustness V: Counties at the Border with State×Year FE

The table reports coefficient estimates of weighted least square regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The sample includes all the counties within 10 miles from the border during the period 2001-2011. In Column 1 the dependent variable is earnings growth, while in Column 2 it is the employment growth. In columns 3 and 4 we distinguish between employment growth in the non-tradable and tradable sectors. In Column 5 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 6 the dependent variable is the average wages growth, while in Column 7 the dependent variable is the labor force growth. In all columns we control for county and year fixed effects. We also include the interaction between the Bartik shock and the fraction of subprime borrowers in 2000, as well as the interactions between the Bartik shock and the share of employees in different sectors. Standard errors are clustered at the county level. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	State Border × Year FE						
	Earnings Growth	*Employment Growth*	*Employment in Non-Tradable Sector*	*Employment in Tradable Sector*	*Car Sales*	*Average Wages*	*Labor Force Growth*
Bartik Shock × UI Generosity	-0.93*	-0.56	-0.60	-0.67	-2.01***	-0.89**	-0.23*
	(0.49)	(0.76)	(0.67)	(1.41)	(0.72)	(0.44)	(0.13)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8,917	8,909	8,909	8,789	13,942	8,472	14,398
R-squared	0.01	0.01	0.00	0.00	0.00	0.01	0.01
Number of Counties	1,275	1,275	1,275	1,264	1,270	1,262	1,312

Table 13

Robustness VI: Different Measures of UI Generosity

The table reports coefficient estimates of weighted least square regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The full sample includes the period 2001-2011. In Columns 1-5 we use the ratio between the maximum weekly unemployment benefit and the weekly median income in 2000 to measure UI generosity. In Columns 6-10, instead, we employ the ratio between the unemployment benefit amount paid out and the number of unemployed workers normalized by the weekly average wages in 2000. In Columns 1 and 6 the dependent variable is earnings growth, while in Columns 2 and 7 it is employment growth. In Columns 3 and 8 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Columns 4 and 9 the dependent variable is average wages, while in Columns 5 and 10 the dependent variable is the labor force growth. In all columns we control for county and year fixed effects as well as by the interaction between the fraction of borrowers with a FICO score below 680 in 2001 and the Bartik shock. We also include the interaction between the Bartik shock and the fraction of employees in each sector. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	UI Generosity=Max Weekly Benefit/Weekly Median Income					UI Generosity=(Benefit Amount Paid/N. Unemployed)/Weekly Average Wages				
	Earnings Growth	*Employment Growth*	*Car Sales*	*Average Wages*	*Labor Force Growth*	*Earnings Growth*	*Employment Growth*	*Car Sales*	*Average Wages*	*Labor Force Growth*
Bartik Shock × UI Generosity	-0.96***	-1.18***	-2.91***	-0.22**	-0.47***	-1.15***	-1.03***	-2.16***	-0.54***	-0.35***
	(0.21)	(0.25)	(0.67)	(0.10)	(0.10)	(0.18)	(0.22)	(0.77)	(0.13)	(0.08)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	32,829	32,823	31,631	32,829	32,808	32,460	32,454	31,268	32,460	32,439
R-squared	0.02	0.02	0.01	0.01	0.02	0.03	0.02	0.01	0.02	0.02
Number of Counties	2,987	2,987	2,878	2,987	2,987	2,953	2,953	2,844	2,953	2,953

Appendix Table A.1

Unemployment Rate

The table reports coefficient estimates of weighted least square regressions relating the population growth to the unemployment insurance generosity and Bartik shock. The full sample includes the period 2001-2011. In all columns the dependent variable is the population growth and we control for county and year fixed effects. In Columns 2-5 we control for the interaction between the fraction of borrowers with a FICO score below 680 in 2001 and the Bartik shock. In column 3 we restrict attention to the pre-crisis period. In column 4 we control for the interaction between the Bartik shock and the fraction of employees in each sector. We distinguish between construction, manufacturing, government (which includes federal, military, state and local government) and services industries. Standard errors are clustered at the county level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	Unemployment Rate				
	Full Sample	*Full Sample*	*Year <2008*	*Full Sample*	*Full Sample*
Bartik Shock × UI Generosity	3.15***	3.22***	4.86***	3.23***	4.42***
	(0.60)	(0.59)	(0.67)	(0.66)	(0.73)
Bartik Shock	-0.97***				
	(0.22)				
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Industrial Characteristics × Bartik Shock		Yes	Yes	Yes	Yes
Bartik Shock × Fraction of Subprime Borrowers				Yes	Yes
State × Year Fixed Effects					Yes
Observations	33,790	33,693	21,441	32,828	32,828
R-squared	0.01	0.01	0.01	0.02	0.04
Number of Counties	3,084	3,071	3,071	2,989	2,989