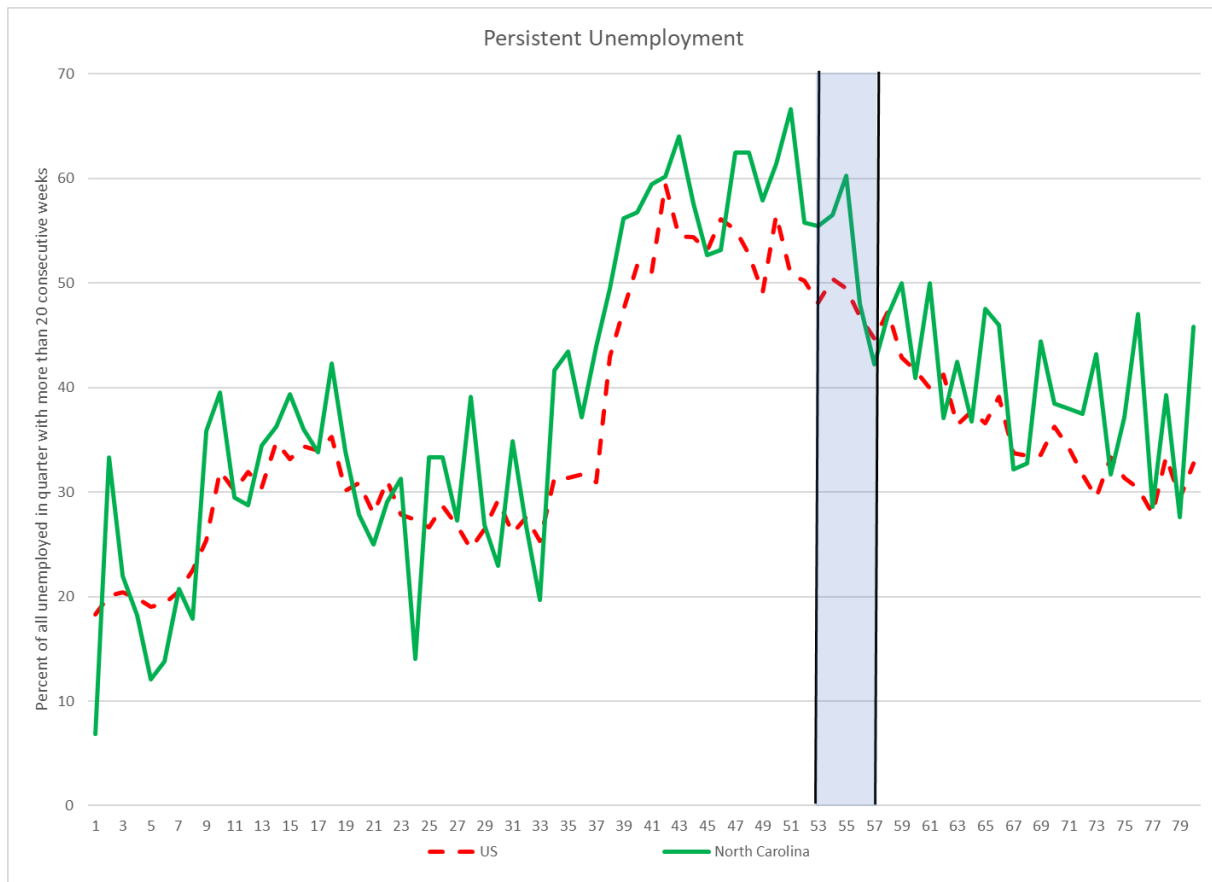


Online Appendix I: What is the empirical difference in transition for those individuals with long spells of continuous unemployment?

A referee asked whether those unemployed with long spells of unemployment prior to their response in the CPS will respond significantly differently from those with shorter spells of unemployment. To investigate this, I define “persistent” as a spell of unemployment greater than 20 consecutive weeks prior to the date of survey. This is a large share of the total group reporting themselves as unemployed. As the following graph indicates for the US (the red dashed line), even in quarters with low rates of unemployment (2006 (quarters 25-28) or 2019 (quarters 77-80)) 30 percent of those unemployed are characterized by persistent employment. During the Great Recession (quarters 35-45), the share approached 60 percent. The graph also indicates the experience of North Carolina (the green solid line); during and following the Great Recession, North Carolina had a larger percentage of unemployed in persistent unemployment. The year 2013 (quarters 53-56) is the subject of the empirical analysis of this paper and is shaded in on the graph. This was a period in which the larger percent in North Carolina of unemployed who are persistent unemployed (when compared to the ROUS) is eliminated.



Source: author calculation from CPS data

Once the individuals in persistent unemployment are identified, I examine the differences in choice on average per quarter for 2013. The results are reported in Table I1.

Table I1: Conditional transition probabilities from unemployment: short vs. long spells.

All of US							
quarter	U to N		U to U		U to E		
	short	added persistent	short	added persistent	short	added persistent	
2013q1	-0.036	0.06	0.113	0.102	-0.078	-0.161	
2013q2	-0.037	0.041	0.11	0.108	-0.073	-0.149	
2013q3	-0.023	0.045	0.065	0.13	-0.041	-0.174	
2013q4	-0.021	0.072	0.11	0.065	-0.089	-0.138	
2000q1 mean		0.2		0.45		0.35	
NC alone							
quarter	short	persistent	short	persistent	short	persistent	
2013q1	0.086	0.031	-0.102	-0.12	0.016	0.089	
2013q2	-0.113	0.031	0.139	0.021	-0.026	-0.052	
2013q3	0.164	0.146	-0.006	-0.194	-0.158	0.048	
2013q4	0.084	0.116	-0.08	-0.19	-0.004	0.074	
2000q1 mean		0.2		0.46		0.34	

Coefficients from random-effects regression with errors clustered by household
Coefficient in bold are significantly different from zero at the 95 percent level of confidence.

The benchmark for this estimation is the quarter 2000q1, and so the coefficients in the “All of US” panel are differences in that quarter from that 2000q1 mean (given below each section). These coefficients in “All of US” illustrate the conditional transition probabilities for this group and for the subset in persistent unemployment in 2013. In the “short” column we observe that the conditional transition probabilities for individuals in shorter unemployment spells are significantly smaller than in 2000 both for transition to Not in Labor Force or Employed. They are significantly larger for remaining in unemployment. This is an expected feature of the economy’s slow recovery from recession in 2013. The coefficients under “added persistent” indicate the difference in conditional transition probabilities between those with short spells of unemployment and those with persistent spells (i.e., greater than 20 weeks). This group shares unobserved characteristics that lead to smaller conditional transition probabilities into employment, with the transition probabilities into “Not in the Labor Force” or continued “Unemployment” both significant and

positive. (This statistical significance refers to comparing persistent unemployment individuals with short unemployment spell individuals.) These patterns are derived for labor-force participants throughout the US.

The second panel of Table I1 entitled “NC alone” indicates how North Carolina differs from the rest of the US in this regard. In the first two quarters, there are no significant differences in behavior between North Carolina residents and those from the US as a whole. For the period of UI reform (2013q3 and 2013q4) there is a significant shift among individuals with short unemployment spells to leave the labor force (and to not enter employment), while the conditional probability to remain unemployed is not significantly different. For those in persistent unemployment spells there is a similar significant increase in conditional probability to leave the labor force, but for this group there is a significant reduction in conditional probability to remain unemployed.

In the theory presented in the text, those with persistent unemployment will have used up their UI eligibility. Due to this they will have higher optimal search intensity and a lower cutoff \bar{g}_1 . Thus, they should have a larger c_{UE} and a larger c_{UN} in response to the UI reform in North Carolina. The first is evident in Table I1 when compared to those with short unemployment spells, though the difference is not significant. The second is evident in Table I1 and the difference is significant at the 95 percent level of confidence.