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DETERMINANTS OF UNEMPLOYMENT DURATION IN RUSSIA

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Note: Center Discussion Papers are preliminary materials circulated to stimulate discussions and critical comments. Mark Foley is a Ph.D. candidate in the Economics Department at Yale University.

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Abstract

Using information contained in a nationally representative, longitudinal survey of Russian citizens, this research analyzes the determinants of unemployment duration during the early stages of economic transition. A competing-risks, discrete-time waiting model, augmented to incorporate unobserved heterogeneity, is employed to analyze whether there is evidence of duration dependence in unemployment, and the role of demographic characteristics, alternative income support, and local demand conditions in explaining unemployment duration for working-age individuals. Married women are found to experience significantly longer unemployment spells before exiting to a job compared to married men. Older individuals can expect to be unemployed longer than comparable younger workers. Persons with higher education do not have significantly longer unemployment spells than those with secondary or even primary education. Having children has no effect on the duration of unemployment, however they do appear to motivate women to drop out of the labor force, significantly decreasing the time spent searching for work. Local labor market demand conditions have a significant effect on duration. Individuals in regions with higher unemployment rates, all else equal, have longer unemployment spells. With respect to the reason for the entering unemployment, persons laid off from their last job have shorter durations relative to quitters. Finally, there is evidence of duration dependence in the re-employment hazard in Russia, with a period of positive duration dependence in the first 7 months, followed by a declining hazard until approximately eighteen months. These results are robust to the introduction of unobserved heterogeneity.

KEY WORDS: Unemployment Duration, Economic Transition, Russia