

This thesis studies the effect of generosity of unemployment insurance on economic growth. More generous unemployment insurance is argued to cause an increase in unemployment on the one hand and better job match quality on the other. Our model shows that in the developed countries, there may be some level of unemployment insurance which ensures that the productivity gain offsets the loss due to higher unemployment. On the contrary, in the developing countries, any level of unemployment insurance was revealed to harm economic growth. Moreover, we present strong evidence in favour of a positive effect of unemployment insurance on the aggregate productivity growth.

Key words: Unemployment Insurance, Distance to Frontier, Endogenous Growth Model, Technology Growth, Economic Growth