Optimal Policy with Informal Sector and Endogenous Savings

Borradores de Economia
Número:
833
Publicado:
Martes, 1 Julio 2014
Clasificación JEL:
D91, J32, J64, J65
Palabras clave:
Social Security Payment, Severance Payment, Informal Sector, Hidden Search Effort
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This paper analyzes the effect of social security and lump sum layoff payment in an economy with an informal sector and savings, where the search effort is unobserved. I characterize the optimal consumption/search/non-participant strategy assuming that wo