

[Time to Say Goodbye: The Macroeconomic Implications of Termination Notice](#)

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In many countries, a sizeable portion of unemployment insurance is provided by employment protection policies, most commonly, termination notice. I show how termination notice alters wage bargaining outcomes and disincentivises job creation. I study the insurance role of termination notice in a general equilibrium heterogeneous agents model calibrated to moments of the Israeli labour market, which has both conventional unemployment insurance and termination notice. I demonstrate the complementarity between the two policies in the presence of moral hazard, which makes their joint design desirable. Finally, I find that termination notice is underutilised in the Israeli case.