



## Studies Show \$600 Weekly Enhanced Unemployment Benefit Has Not Slowed Labor Market Recovery

President Trump, administration officials and Congressional Republicans claim that the \$600 weekly Federal Pandemic Unemployment Compensation (FPUC) benefit, which expired on July 31, slowed job growth because it gave unemployed workers a disincentive to go back to work. Five recent studies find no evidence to support this claim.

The assertion rises from a study by researchers at the University of Chicago, who found that some unemployed workers, particularly those with low incomes, earned more in combined unemployment insurance (UI) benefits than in their previous jobs.<sup>1</sup> This is a result of dysfunctional state unemployment systems, which forced Congress to set a uniform benefit nationwide to help replace lost wages. However, fewer workers are helped “too much” when factoring in the value of employer-provided health insurance and other benefits, according to analysis by Michele Evermore of the National Employment Law Project and Marokey Sawo of the Groundwork Collaborative.<sup>2</sup>

A majority of unemployed workers who returned to work in June received more in combined UI benefits than their previous wages.<sup>3</sup> This partly is because workers are unlikely to turn down a job for temporary unemployment benefits and partly because they cannot continue to receive UI benefits if they refuse a “suitable” job offer. While some observers have offered anecdotal evidence of workers choosing to receive UI benefits instead of returning to work, research strongly suggests that in the aggregate this is not the case. With four unemployed workers for every job opening, the number one reason preventing the unemployed from returning to work is that there aren’t enough available jobs.<sup>4</sup>

### 1. Dana Scott and Joseph Altonji et al., Tobin Center for Economic Policy, Yale University

*“We find no evidence that more generous benefits disincentivized work either at the onset of the expansion or as firms looked to return to business over time.”*

The study that has received the most attention is by Yale economists, who found no evidence that higher replacement rates reduced employment.<sup>5</sup> Their research examined weekly data from Homebase, a scheduling and timesheet system used by restaurants, bars, retail stores and other service-sector businesses hardest hit by the pandemic. The study found that workers who received higher amounts of UI did not experience larger declines in employment when the benefits went into effect and they returned to their previous jobs at similar rates as others.<sup>6</sup>

### 2. Arindrajit Dube, University of Massachusetts, Amherst

*“Overall, these findings do not provide evidence supporting the claim that the FPUC has held back the labor market recovery.”*

Economist Arindrajit Dube used the Census Pulse Survey of 70,000-130,000 households per week to determine whether enhanced UI benefits had a negative impact on employment by disincentivizing labor supply or reducing job creation.<sup>7</sup> His research, which focused on unemployed workers age 18 or over who do not have a college degree, found no negative effect on employment. Dube’s findings are similar to those of the Yale researchers but rely on different data and empirical design.

### **3. Ioana Marinescu, Daphné Skandalis and Daniel Zhao**

*“Overall, our evidence suggests that employers did not experience greater difficulty finding applicants for their vacancies after the CARES Act, despite the large increase in unemployment benefits.”*

Economists Ioana Marinescu of the University of Pennsylvania, Daphné Skandalis of the Federal Reserve Bank of New York and Daniel Zhao of Glassdoor, Inc. examined the issue from the perspective of employers, using data on job listings and applications from the online platform Glassdoor.<sup>8</sup> They found that employers did not have greater difficulty finding applicants for vacancies after enhanced unemployment benefits were implemented. Employers posted fewer job listings, but received more applications per vacancy, even in lower wage occupations.

### **4. Alexander Bartik et al.**

*“We find no evidence that high UI replacement rates drove job losses or slowed rehiring.”*

University of Illinois economist Alexander Bartik and colleagues at the University of Chicago and the University of California, Berkeley conducted an expansive study using traditional and non-traditional employment data, finding that states with more generous UI benefits had milder declines and faster recoveries in employment.<sup>9</sup> The authors also found no evidence that high replacement rates drove job losses or slowed rehiring.

### **5. Ernie Tedeschi, Economist and former Senior Adviser, U.S. Department of the Treasury**

*“The bottom line was that I found no evidence of any effect on labor market flows from more generous UI in May and June, controlling for other demographic factors.”*

Economist Ernie Tedeschi used the Current Population Survey to examine the effect of wage replacement rates—the ratio of unemployment benefits to previous wages—on the likelihood that a worker left a job or accepted a new one.<sup>10</sup> He found no evidence that generous unemployment benefits had an effect on employment. His further analysis revealed that around 70 percent of UI recipients who returned to work in June had earned more in UI than their prior wage.<sup>11</sup>

Tedeschi and others have noted that enhanced benefits could create disincentives for workers and have a negative effect on the labor market if they remain in place while the economy eventually moves toward full employment. This would suggest that enhanced benefits gradually should be lowered as the unemployment rate drops, balancing efforts to sustain unemployed workers during a period of high unemployment with the need to achieve economic recovery.

### **Additional reading**

[“The Myth of Unemployment Benefits Depressing Work,”](#) *The Washington Post*

[“Unemployment Recipients Share Why They Returned to Work During the Pandemic Despite \\$600 Weekly Boost,”](#) *CNBC*

[“Is \\$600 a Week in Extra Unemployment Aid Deterring People From Seeking Work?”](#) *The Wall Street Journal*

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<sup>1</sup> Peter Ganong, Pascal Noel and Joseph S. Vavra, “US Unemployment Insurance Replacement Rates During the Pandemic,” Becker Friedman Institute, University of Chicago, May 14, 2020, <https://bfi.uchicago.edu/working-paper/2020-62/>.

<sup>2</sup> Michele Evermore and Marokey Sawo, “Unemployed Workers and Benefit ‘Replacement Rate’: An Expanded Analysis,” National Employment Law Project and Groundwork Collaborative, <https://groundworkcollaborative.org/wp-content/uploads/2020/08/GWC2046-Replacement-Rate-Memo.pdf>.

<sup>3</sup> Ernie Tedeschi, <https://twitter.com/ernietedeschi/status/1285567925596889090>.

<sup>4</sup> U.S. Bureau of Labor Statistics, “Number of unemployed persons per job opening, seasonally adjusted,” <https://www.bls.gov/charts/job-openings-and-labor-turnover/unemp-per-job-opening.htm>.

<sup>5</sup> Dana Scott and Joseph Altonji et al, “Employment Effects of Unemployment Insurance Generosity During the Pandemic,” Yale University, July 14, 2020, [https://tobin.yale.edu/sites/default/files/files/C-19%20Articles/CARES-UI\\_identification\\_vF\(1\).pdf](https://tobin.yale.edu/sites/default/files/files/C-19%20Articles/CARES-UI_identification_vF(1).pdf).

<sup>6</sup> Dana Scott and Joseph Altonji et al.

<sup>7</sup> Arindrajit Dube, “The Impact of the Federal Pandemic Unemployment Compensation on Employment: Evidence from the Household Pulse Survey,” July 31, 2020, [https://www.dropbox.com/s/q0kcoix35jxt1u4/UI\\_Employment\\_HPS.pdf?dl=0](https://www.dropbox.com/s/q0kcoix35jxt1u4/UI_Employment_HPS.pdf?dl=0).

<sup>8</sup> Ioana Elena Marinescu, Daphné Skandalis and Daniel Zhao, “Job search, job posting and unemployment insurance during the COVID-19 crisis,” SSRN, July 20, 2020, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3664265](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3664265).

<sup>9</sup> Alexander W. Bartik et al., “Measuring the labor market at the onset of the COVID-19 crisis,” NBER Working Paper No. 27613, July 2020, <https://www.nber.org/papers/w27613.pdf>.

<sup>10</sup> Ernie Tedeschi, <https://twitter.com/ernietedeschi/status/1283829018735910917>.

<sup>11</sup> Ernie Tedeschi, <https://twitter.com/ernietedeschi/status/1285567925596889090>.