Motivation

- COVID-19 pandemic caused large job losses.
- To address the economic impacts of the pandemic, unemployment insurance (UI) benefits were increased. For example, Federal Pandemic Unemployment Compensation (FPUC) - increased unemployment benefits by $600 per week (Apr – Jul 2020)
- Lost Wages Assistance (LWA) – increased unemployment benefits by $300 per week for 6 weeks starting the first week of Aug 2020

Two issues received large media attention:
1. Inequity in job losses by gender and race.
2. Generous UI benefits may have encouraged workers to stay unemployed longer.

Research questions

1. Equity of job loss duration: How did the duration of unemployment during the pandemic vary by gender and race?
2. Work disincentive (moral hazard) effect of UI: How did the generous UI benefits during the pandemic affect worker decisions to return to work?
3. Labor force participation effect of UI: Did UI help keep workers in the labor force?
4. Firm-worker matching (liquidity effect) of UI: Did UI affect firm-worker match quality?

Data

- Administrative data on the universe of UI claims for the state of Indiana.
- Worker-level panel data containing weekly UI payments information for half a million workers in Indiana (16% of Indiana’s labor force).
- Worker quarterly earnings and top three employers (by earnings) in each quarter

Empirical Strategy

- RQ1: Compare differences in UI receipt duration in 2020 by gender and race
- RQ2, 3, and 4: Difference-in-difference
  - LWA program available to only those workers whose regular UI payments were at least $100 per week
  - Pre-Post: weeks before-after expiration of the FPUC and LWA programs
  - Treatment group: workers just above the LWA eligibility cutoff.
  - Control group: workers just below the LWA eligibility cutoff.

Regression model: \[ Y_{jt} = \beta_{0} + \beta_{1} \text{eligible LWA} + \beta_{2} \text{Post} + \beta_{3} \text{eligible LWA} \times \text{Post} + \epsilon_{jt} \]

Identification: Change in benefit amounts for workers close to LWA eligibility cutoff

Results

1. Women and Blacks had higher durations of unemployment - inequity in job loss duration
   - Women were unemployed for an extra 0.76 weeks (7.7% higher) compared to men
   - Blacks were unemployed for an extra 3 weeks (31% higher) compared to whites
     - Not necessarily first fired but last hired
   - Industry and occupation characteristics explain less than 20% of the gap.
2. Outcomes and effect of LWA eligibility:
   - The adverse effects of the pandemic on these groups was more severe than others.
   - Evidence during COVID-19 using new data and identification

Discussion

Indiana’s unemployment rate in Aug 2020 in absence of LWA \( \approx \) 6.6% vs 6.8% (actual)

\[ U_{j,t} = U_{j,t-1} + \beta_{1} \text{pre} + \beta_{2} \text{Post} + \beta_{3} \text{eligible LWA} \times \text{Post} + \epsilon_{jt} \]

Heterogeneity:
- Women are more responsive and Blacks less responsive to change in benefit.
- Generalizability of the estimates:
  - The estimates are likely not generalizable to non-pandemic periods because of differences in the labor demand conditions.

Conclusion

1. During the pandemic, women and Blacks not only lost more jobs, but also stayed unemployed for longer duration.
   - The adverse effects of the pandemic on these groups was more severe than what is implied by only the job losses.
2. The generous UI benefits during the pandemic increased unemployment, but had a modest effect on unemployment rate.
   - UI likely not a major reason for difficulties businesses faced in hiring workers in 2021, when workers were receiving similar UI payments.
3. UI did not affect firm-worker match quality
   - Could be because of depressed labor demand during the pandemic
4. UI prevented workers exiting the labor force
   - Important given large overall labor force exits (In Dec 2020, there were 60k fewer workers in Indiana’s labor force compared to Jan 2020)