

Research Brief

JPMORGAN CHASE & CO.
INSTITUTE

Unemployment insurance, job search, and spending during the pandemic

Fiona Greig, Daniel M. Sullivan, Max Liebeskind,
Peter Ganong, Pascal Noel, Joseph Vavra

February 2021

Congress enacted a \$600-per-week unemployment insurance (UI) supplement beginning in April 2020, resulting in jobless benefits which [exceeded earnings](#) for the typical jobless worker through the end of July 2020. Critics of the policy have suggested that the \$600 supplement may have discouraged unemployed workers from searching for jobs. Proponents have argued that generous UI benefits allowed jobless workers to maintain their livelihoods during the pandemic and helped prevent a deeper recession.

In this research brief and [companion academic paper](#), we evaluate these claims by documenting the impact of supplemental UI benefits on job finding, spending, and saving of jobless workers between April and July 2020.¹ We find that the \$600 supplement likely played little role in discouraging people from finding work. Rather, expanded UI boosted the spending and saving among jobless workers, many of whom are facing extended or repeated unemployment spells.

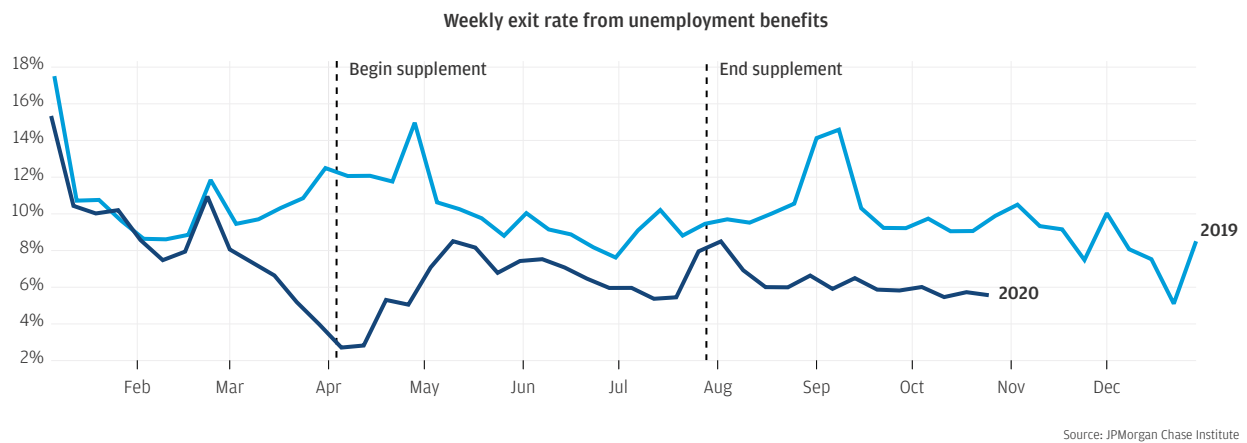
Key Takeaways

1. We find **little evidence that elevated unemployment insurance benefits discouraged people from returning to work**. Job finding showed no sustained increase after the supplement expired. Furthermore, we observe that more than half of jobless workers who received the \$600 supplement returned to work before the supplement expired.
2. **As of October 2020, almost half of jobless workers were facing long-term unemployment, and many others were experiencing repeat unemployment spells**. Labor market prospects for this segment of the population have been especially impacted by the economic effects of the pandemic, warranting continued relief.
3. **Spending and saving of jobless workers have been strongly correlated with the availability of supplemental unemployment insurance benefits during the pandemic**. While the \$600 supplement was in effect, households experiencing unemployment increased spending and savings relative to employed households. We estimate that for every dollar of supplemental unemployment insurance, the median unemployed family has spent between 29 and 43 cents more than they otherwise would have.

These findings suggest that **jobless benefits and supplemental UI payments played an important role in maintaining household spending and wider macroeconomic stability**. With a March 15, 2021 deadline on supplemental and extended jobless benefits approaching, policymakers should consider the important role these benefits play in supporting the spending and saving of jobless workers, given the limited impact they appear to have had on job search.

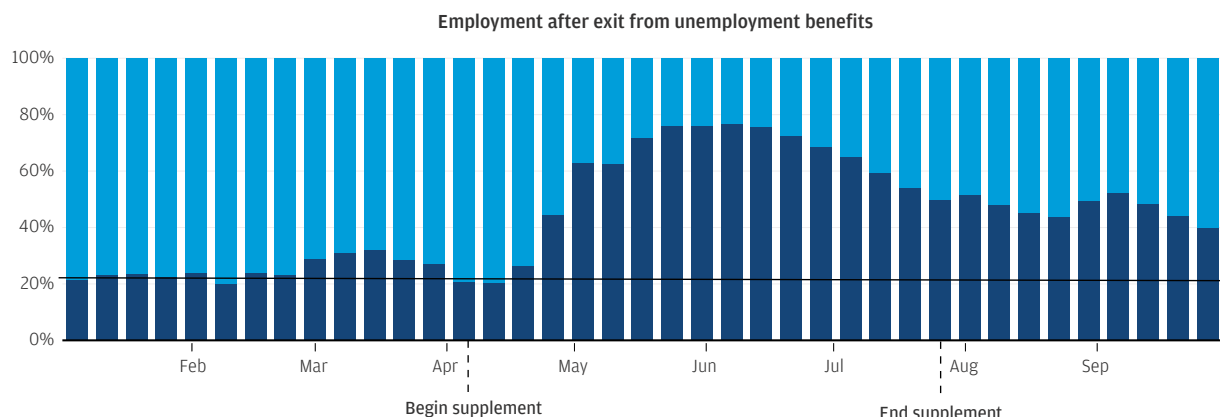
Finding 1: We find little evidence that elevated unemployment insurance benefits discouraged people from returning to work. Job finding showed no sustained increase after the supplement expired. Our data show a small, temporary increase in exits from unemployment coinciding with the expiration of the \$600-per-week UI supplement at the end of July 2020. However, the rate of exits from unemployment—a proxy for job search among unemployed workers—returned to its July level just three weeks after the \$600 supplement expired. This contradicts the hypothesis that the \$600 supplement caused a large job-search disincentive; if such a disincentive were present, we would expect the exit rate from unemployment to remain elevated from the end of July onward.² Overall, we estimate that only 3.7 percent of all UI exits since May were excess exits caused by the \$600 supplement.³ Additionally, we observe that 53 percent of jobless workers who received the \$600 supplement returned to work before the \$600 supplement expired. We also find that the majority of individuals who exited unemployment in May and June of 2020 returned to work at their prior employers (Figure 2). Put differently, many jobless workers returned to their prior jobs even while the \$600 supplement was still in effect. Since July, the share of UI exits that represent employees recalled to their previous jobs has hovered around 50 percent. These trends are evidence that temporary job separations have been an important feature of the labor market during the pandemic.

Figure 1: The weekly exit rate from unemployment—a proxy for job search—showed no sustained increase when the \$600 unemployment insurance supplement expired at the end of July 2020.



This plot shows weekly exit rates from unemployment benefits in 2019 and 2020. Exit rates are higher in 2019 than in 2020 in all weeks beginning in mid-March. In 2020, there is a temporary (3-week) spike in exit rates around the time of the expiration of the \$600 unemployment benefit supplement at the end of July.

Figure 2: The share of workers who exited unemployment and returned to work at their prior employers has been elevated throughout the pandemic.



Note: Horizontal line indicates pre-pandemic mean recall rate.

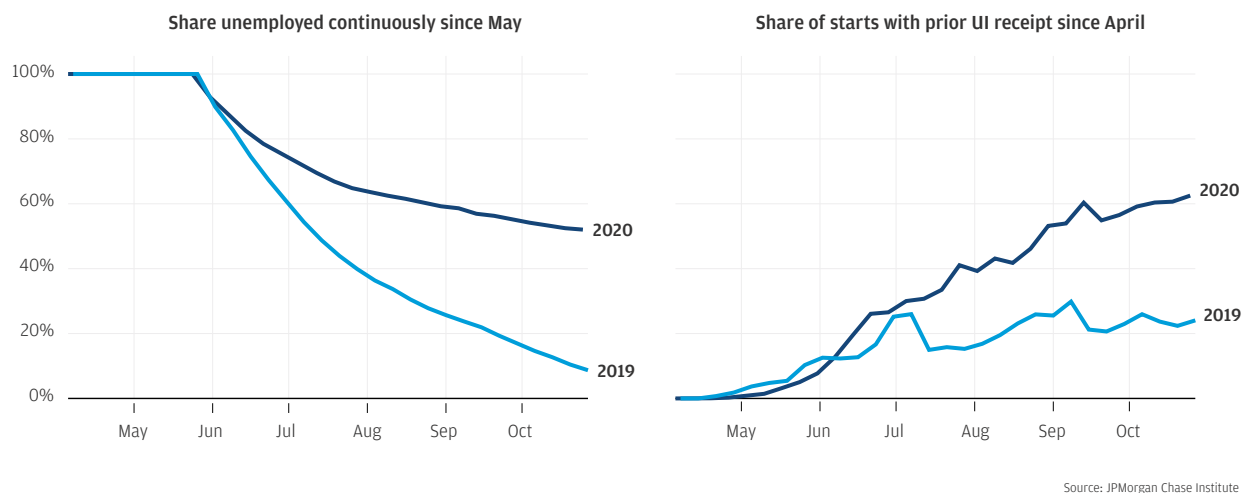
■ Return to Prior Employer ■ No Return to Prior Employer

Source: JPMorgan Chase Institute

This plot shows the share of individuals exiting unemployment insurance who return to their previous employer. In May and June of 2020, roughly three quarters of exits return to their previous employer; from July onward, this number hovers around 50 percent.

Finding 2: As of October 2020, almost half of jobless workers were facing long-term unemployment, and many others were experiencing repeat unemployment spells. Figure 3 (left panel) shows that in 2020, the share of workers continuously unemployed since May was nearly 50 percent in October, foreshadowing a potential rise in long-term unemployment. At the same time, the majority of new unemployment spells in September and October were among workers who had already experienced unemployment at some point during the pandemic (Figure 3, right panel). These statistics suggest that a segment of the population has been especially burdened by the economic effects of the pandemic, warranting continued relief. As of October, almost half of unemployed individuals had been unemployed for at least six months. At the same time, an increasing share of new unemployment spells were repeat spells among workers who already experienced unemployment during the pandemic. It goes without saying that unemployment benefits are important not just for jobless workers but also for their dependents. Among Chase checking account customers, we observe that one in three workers who received unemployment benefits in September 2020 has dependent children, though this estimate is likely a lower bound.

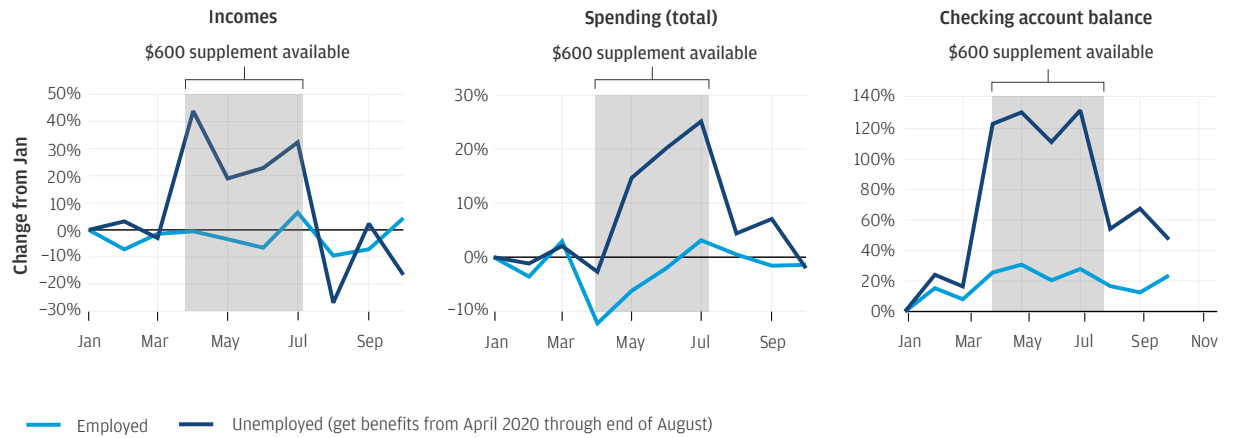
Figure 3: As of October, almost half of unemployed individuals had been unemployed for at least six months. At the same time, an increasing share of new unemployment spells were repeat spells among workers who already experienced unemployment during the pandemic.



This plot shows the share of unemployed individuals who are unemployed continuously since May (left panel) and the share of new UI spells that are among individuals who have already received UI since April (right panel). The chart shows that relative to 2019, the share unemployed continuously since May is much higher in 2020. Similarly, repeat unemployment is also much higher in 2020, and by mid-October, 60 percent of new UI spells are repeat spells.

Finding 3: The spending and saving patterns of the unemployed have been strongly correlated with the availability of supplemental unemployment insurance benefits during the pandemic. We compare the income, spending, and savings of families who experienced unemployment between April and August of 2020 to those who remained employed during this period but who had similar levels of income in 2019. Notably, the spending growth of the unemployed consistently exceeded that of the employed during the pandemic. We estimate that for every dollar of supplemental unemployment insurance, the median unemployed family has spent between 29 and 43 cents more than they otherwise would have (see [companion academic paper](#)).⁴ Growth in checking account balances was also larger among the unemployed (see Figure 4). However, the eventual unemployed in 2020 started the year with fewer liquid assets (\$1,475 versus \$3,384), and in October, the median level of checking account balances among the unemployed was also lower than that of the employed (\$2,172 versus \$4,184).

Figure 4: Checking account balances among the unemployed roughly doubled between March and July 2020, then declined when the supplemental benefits expired in August.



Source: JPMorgan Chase Institute

This plot shows the path of median income, spending, and checking account balances in 2020 for employed households and for households that receive unemployment benefits from April 2020 through the end of August. All values are relative to January 2020 medians. During the period that the \$600 weekly benefit supplement is paid (April through July), the incomes, spending, and checking account balances of the unemployed substantially exceed those of the employed.

The Consolidated Appropriations Act of 2021 revived a \$300 weekly jobless benefit supplement through March 14, 2021, and extended jobless benefits for long-term unemployed and gig workers who apply for benefits by March 15, 2021. With these deadlines approaching, policymakers should consider the important role unemployment insurance benefits play in supporting the spending and savings of jobless workers, given the limited impact they have on discouraging job search.

Endnotes

- 1 This brief is releasing together with a corresponding academic paper (Ganong et al., 2021). The academic paper contains details on the data, sample choices, and methodology and compares empirical estimates to model predictions.
- 2 At the very least, we would expect the exit rate from UI to rise and remain elevated from mid-September onward, when eligibility for the \$300-per-week “Lost Wages Assistance” supplement expired. However, our data show no evidence of this.
- 3 That is, only 3.7 percent of exits are above-baseline exits in the three weeks of July 26, August 2, and August 9.
- 4 In an earlier report from July 2020, we suggested that the average propensity to consume (APC) out of the \$600 supplement was 0.73 cents (Farrell et al. 2020). Here, we have revised that estimate to between 29 and 43 cents. The main reason for this downward revision is that we are now measuring total spending as the sum of debit card outflows, credit card outflows, and other non-transfer, non-debt payment outflows from deposit accounts (e.g., electronic payments or paper checks). In the July report, we used total deposit account outflows (including debt payments and transfers to other bank accounts) as a proxy for spending. This proxy, upon further analysis, substantially over-estimated the spending response to unemployment insurance at the beginning of the pandemic.

For more information, visit <https://www.jpmorganchase.com/institute>

©2021 JPMorgan Chase & Co. All rights reserved. This publication or any portion hereof may not be reprinted, sold, or redistributed without the written consent of J.P. Morgan. www.jpmorganchaseinstitute.com