2021 ■ Number 20
https://doi.org/10.20955/es.2021.20

**ECONOMIC** Synopses

# Expanded Unemployment Programs Likely Slowed the Decline in Unemployment Claims During the Pandemic Recovery

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The Pandemic Unemployment Assistance (PUA) program extended unemployment insurance (UI) to some workers not typically covered by state unemployment programs. These workers include the self-employed, independent contractors, workers with reduced hours, workers not working due to health or family care responsibilities, and workers with too little earnings in prior quarters to qualify for regular state programs.

Since its enactment in the spring of 2020, the PUA program has become an important part of the current UI landscape. States reported over 530 million weeks of claims through the end of May 2021. At the end of May 2021, over 40 percent of all UI claims were in the PUA program.[1]

> The typical Pandemic Unemployment Assistance claimant claimed 9.5 to 11.5 more weeks of benefit payments than an individual claiming through regular state programs.

I provide evidence that recipients of PUA UI benefits filed claims for a longer average duration than recipients of regular and extended UI benefits.[2] This finding suggests the presence of the PUA program has slowed the decline in unemployment claims during the recovery. Why PUA claimants claim benefits for longer periods is important for deciding whether the PUA program should become a permanent part of the UI landscape.

The average duration of continued unemployment claims can be approximated with data on initial and continued claims from the U.S. Department of Labor. An initial claim is a first request from an individual for review of eligibility for payment. A continued claim is a request from an individual who filed a claim last period. Using continued claims from this week and the initial and continued claims from last week, for each state that requires weekly filing, we can approximate the state's number of ceased claims as of yesterday as

*Continued Claims Today = Continued Claims Last Week + Initial Claims Last Week – Ceased Claims from Last Week*

The average exit rate of claimants is approximated as the number of ceased claims divided by total continued claims from last week.

The requirements states use to administer the PUA program differ. Some states require claimants to first file an initial claim with regular state unemployment and be denied before filing for PUA, while others take PUA initial claims directly. For states that do not accept PUA claims directly, I reassign to initial PUA claims the rejected claims in regular state programs in excess of the average rejection rate in states that do accept PUA claims directly.[3]

According to this analysis, the typical PUA claimant claimed 9.5 to 11.5 more weeks of benefit payments than the typical claimant claimed through regular state UI programs. This is 57 to 82 percent additional weeks of claims.

Total unemployment claims would have been 9.8 to 17.6 percent lower from May 2020 to May 2021 if PUA claimants had had the same average exit rate as claimants on combined regular state and extended UI benefit programs. This difference amounts to approximately 120 to 220 million additional claim weeks. The increase in claims caused by the lower PUA exit rates is larger in 2021 because PUA exit rates have fallen further behind those of regular claimants as the recovery has progressed.[4]

Why have PUA claimants continued claims for longer periods than state UI claimants, and why is this longevity important for policymakers? It could be that it is more difficult for PUA claimants to find work. Or, it could instead be that PUA claimants have less to lose from an extended period of unemployment. They may worry less about climbing the seniority ladder at a company or building a resume for future employers. The distinction between these two explanations is important for policymakers. If PUA claimants have a harder time finding work, then providing insurance to them is important. If instead staying unemployed has less impact on a PUA claimant's future career, then generous unemployment benefits might cause them to stay unemployed longer. The UI program would be paying their wages when they could feasibly work in the market instead.

This analysis is not sufficient to determine whether the PUA program should have been put in place. Instead, this analysis illustrates that claims data for 2020-21 are not easily comparable with those from prior recessions. It is a starting point for thinking about the impact a permanent extension of a PUA-like program would have. ■

## Notes

[1] U.S. Department of Labor. "Unemployment Insurance Weekly Claims." News Release, August 19, 2021; https://www.dol.gov/ui/data.pdf.

[2] PUA claims will be compared with the claims of regular state UI benefits, state extended UI benefits, and Pandemic Emergency Unemployment Compensation benefits, which combined have comparable duration with PUA claims.

[3] The exercise has also been done for the states accepting PUA claims directly and separately from regular state claims and yielded the same qualitative results.

[4] The PUA program will decrease in importance, as some states have chosen to stop administrating payments. The program is also scheduled to expire in September 2021.

Posted on August 24, 2021

ISSN 2573-2420
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