



## Connections drawn between enhanced unemployment benefits and lives saved

by: Stan Austin

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As the economic crisis continues, a research study asserts a connection between enhanced jobless payments and lives saved.

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For the week ending March 28, the same week the \$2.2 trillion stimulus package known as the CARES Act was signed into law, the government reported record initial unemployment insurance claims of 6.6 million.

Since then, as the coronavirus pandemic drove the economy into a deep recession and pushed the U.S. unemployment rate as high as 14.7%, considerable discussion has centered on the effects of enhanced jobless benefits. In particular, experts have scrutinized the component of the CARES Act—officially the Coronavirus Aid, Relief, and Economic Security Act—that provided a \$600 weekly payment, in addition to state unemployment insurance benefits a jobless individual was eligible to receive.

For many laid-off, furloughed or otherwise displaced workers, those extra payments became economic lifelines. A recent Federal Reserve research study acknowledges that aspect but expands the conversation by asserting that these enhanced payments literally contribute to preventing coronavirus deaths.

In findings [published in August](#), Kansas City Fed Senior Economist [Jun Nie](#) and Atlanta Fed colleagues Lei Fang and Zoe Xie analyzed the effects of CARES Act benefits and concluded that while more generous unemployment payments can create work disincentives and contribute slightly to higher unemployment, they also reduce infection and death. For example, for workers whose jobs normally would require contact with others, having an incentive to stay at home—in the form of enhanced unemployment payments—reduces potential exposure to infection.

“The unemployment insurance benefit plays two roles,” Nie said. “Not only does it provide additional financial support, but in this very unusual time it also helps protect people and save lives.”

Nie explained that the research team developed what they believe is the first model to examine the interaction between unemployment insurance policy and coronavirus infection risk. The team’s model, using a projection based on the time frame

of April through December 2020, calculated that as many as 27,000 lives could be saved because of reduced potential virus exposure and infection relating to enhanced unemployment payments. The study contends that economic shutdown policies further amplify the effects of unemployment insurance payments.

“Quantitatively, the CARES UI (unemployment insurance) policies raise unemployment by an average of 3.7 percentage points over April to December 2020, but also reduce cumulative death by 4.7%,” the research team wrote.

“To the best of our knowledge, we are the first to produce a model to deliver these estimates and provide a direct number on the employment rate and the effect on the health dynamics,” Nie said.

The team’s model embeds an often-used epidemiology model known as SIR—Susceptible, Infected and Recovered (or Removed)—which refers to the three possible states of individuals in a population facing a contagious disease. “That model is very important,” Nie said. “It captures the health dynamics of how the virus could spread across the economy.”

The published findings acknowledge the fact that, as specified in the CARES Act, the extra \$600 weekly payments ended July 31. For several weeks after, Congress and the White House contentiously debated the scope of a new stimulus package.

## **Employment landscape evolves**

While policymakers have wrangled over a way forward for unemployment assistance, organizations serving affected workers in the Federal Reserve’s Tenth District have continued to adapt within the bounds of the pandemic.

In Albuquerque, Adrienne R. Smith, president and chief executive officer of New Mexico Caregivers Coalition, said the economic crisis has had “disparate impact” across the state and across different workers’ situations. The organization supports skilled workers in the field as well as family members or others in household caregiving roles. Smith said that enhanced unemployment benefit payments have been vital for workers and families in her organization’s sphere.

“It’s real important ... It sort of takes on that quality of basic income,” Smith said. “It’s necessary for people to survive so that they can go back to work someday.”

Smith said such financial support has been especially important because the pandemic has added layers of fragility to previously stable jobs. As one example, she described some of the challenges faced by workers in assisted-living facilities.

“Whoever was working pre-COVID in an assisted-living facility in our state, they’re OK on the one hand, meaning that they’ll keep their job,” Smith said. “On the other hand, if they get sick or have a young child who was sent home from school or child care because of COVID (closures), they’ve got to quit their job.”

In response, the organization worked with its funders to reallocate money into emergency child care grants so that more caregivers could remain in the workforce. A different program initiated during the pandemic is helping address caregivers' needs to have a computer for their own work or for their children's virtual-learning requirements. Smith said her organization purchased 50 Chromebook devices and offered them to caregivers through a training program. Participants initially could use the computers on loan and could keep them after completing an online-safety course.

In Oklahoma City, Jim Priest became chief executive officer of Goodwill Industries of Central Oklahoma on March 4, "about 10 days before COVID hit our state," he said. Suddenly, Priest had to scrap several plans for his new role and "do a lot of improvising." In addition to temporary furloughs for 600 employees, the organization accelerated plans to offer online services via its Job Connection Center, Career Pathways Institute and related employment-assistance programs.

"The day we closed for the pandemic was the day we went virtual," said Lisa Dillon, Goodwill's vice president of workforce development for the Central Oklahoma operation. The organization's programs help people develop resumes, navigate the internet for openings and acquire skills to find employment within Goodwill or elsewhere in the community.

Dillon noted that during the physical shutdown, Goodwill also assisted jobless people via a telephone hotline, and most of the callers needed help filing claims for unemployment benefits. "The majority of them had no idea how to apply for unemployment and didn't have a computer to do so," she said, pointing out that many public computer-access locations, such as libraries, were closed at the time. In mid-May, as pandemic restrictions eased, Goodwill's jobs center reopened for in-person visits.

Priest said his staff continues to receive queries from people needing assistance filing unemployment claims. In his view, "The enhanced benefits have definitely helped people. I know people talk about it being a disincentive to looking for jobs, and there might be a little bit of that. We had hardly anyone who didn't come back to work (at Goodwill). That's what I thought would happen, and I was glad that it did."

## **Evaluating labor market effects**

In the months after the CARES Act was implemented, other research studies have examined whether the \$600 payments actually became disincentives for work, with general acknowledgement that in some cases the combination of stimulus money and state unemployment insurance matched or exceeded workers' pre-COVID weekly income.

A Yale University study published in July concluded that in such cases any adverse effects on labor markets were negligible.

"As many states struggle with surges in COVID-19 cases as they move to reopen, there are still good reasons to not incentivize everyone to return to work and to continue to support displaced workers regardless of the labor market effects of such social

insurance,” the Yale researchers wrote. “However, we find no evidence to support concerns about adverse aggregate labor supply effects of expanded UI generosity in the context of the current pandemic.”

A Federal Reserve Bank of San Francisco analysis in August reached a similar conclusion: “... the additional income provided to the unemployed through the CARES Act has likely had little labor supply-induced impact on the unemployment rate over the past couple of months. Rather, the additional income acted as an effectively targeted fiscal stimulus to support aggregate demand throughout the economy.”

Nie of the Kansas City Fed said that ultimately the impact of payments to jobless individuals “depends on labor market conditions.” He explained that, for example, in times like April 2020—with job options scarce and unemployment at a record-high levels—financial support would be the main effect of enhanced unemployment benefits. However, during times when more jobs are available, individuals receiving enhanced unemployment benefits would have more options and therefore decisions to make.

“Going forward, when the economy starts to recover and more jobs emerge, people who are looking for jobs will have choices,” Nie said. “At those times, unemployment benefits could have larger impact or influence behavior more.”

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