



Research Working Papers

A Quantitative Analysis of CARES Act Unemployment Insurance

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Recent expansions of unemployment insurance could raise unemployment by 1.6 percentage points but reduce cumulative deaths by 2.1 percent.

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We quantitatively evaluate the impacts of the CARES Act UI policy on unemployment in 2020. More generous UI policies lead to higher unemployment, but save lives by reducing infections at the workplace. We find that the CARES UI policy raises average unemployment by 1.61 percentage points over April to December 2020 and reduces cumulative deaths by 2.09 percent, with the policy's interaction with shutdown and COVID infection risk playing a quantitatively important role. We also find that CARES UI's impact on unemployment is heterogeneous: it is larger in sectors where jobs cannot be performed remotely, and it is hump-shaped over income. Decomposing the total effect into contributions by the three CARES UI components, we find that the interaction among the components accounts for one-third of the total policy effect.

JEL Classification: J64, J65, E24

Article Citations

- Fang, Lei, Jun Nie, and Zoe Xie. 2020. "A Quantitative Analysis of CARES Act Unemployment Insurance." Federal Reserve Bank of Kansas City, Research Working Paper no. 20-07, August. Available at <https://doi.org/10.18651/RWP2020-07>

Related Research

- Fang, Lei, and Jun Nie. 2013. "Human Capital Dynamics and the U.S. Labor Market." Federal Reserve Bank of Kansas City, Research Working Paper no. 13-10.
 - Pei, Yun, and Zoe Xie. 2020. "A Quantitative Theory of Time-Consistent Unemployment Insurance." *Journal of Monetary Economics*, forthcoming. Available at <https://doi.org/10.1016/j.jmoneco.2020.06.003>
 - Nakajima, Makoto. 2012. "A Quantitative Analysis of Unemployment Benefit Extensions." *Journal of Monetary Economics*, vol. 59, pp. 686-702. Available at <https://doi.org/10.1016/j.jmoneco.2012.09.005>
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