Early Withdrawal of Pandemic Unemployment Insurance: Effects on Earnings, Employment and Consumption of Low-Income Workers

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In June 2021, 21 states ended all supplemental pandemic unemployment insurance benefits. This early withdrawal eliminated benefits for over 2 million workers and reduced benefits by $300 per week for over 1 million workers. We use real-time anonymous banking data to measure how this policy change affected the financial security and employment trajectories of unemployed workers with low incomes.

FOR EVERY 8 WORKERS WHO LOST THEIR BENEFITS, 1 WORKER FOUND A NEW JOB

Compared to states that continued pandemic UI benefits, 35% of workers who received April UI had lost their benefits entirely due to the early withdrawal. An extra 4.4% of April UI recipients found employment in early withdrawal states.

FOR EVERY $1 OF REDUCED BENEFITS, SPENDING FELL BY 52 CENTS. ONLY 7 CENTS OF NEW INCOME WAS FOUND FOR EACH DOLLAR OF LOST BENEFITS.

Extrapolating to all UI recipients in the early withdrawal states, we estimate these states eliminated $4 billion in unemployment benefits paid by federal transfers as of August 6. Spending fell by $2 billion and earnings rose by $270 million. These states therefore saw a much larger drop in federal transfers than gains from job creation.

A technical research brief with further details about this analysis is available online.

ABOUT THE TEAM

The researchers are a team of non-partisan economists using real-time data to provide insights on the effects of economic policy. They are based at Columbia University, Harvard University, the University of Massachusetts Amherst and the University of Toronto.

The anonymous banking data was provided by Earnin, a financial services company that provides products such as early wage access.

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