The California UI System During the Crisis: Initial and Continuing Claims

Evidence from administrative data

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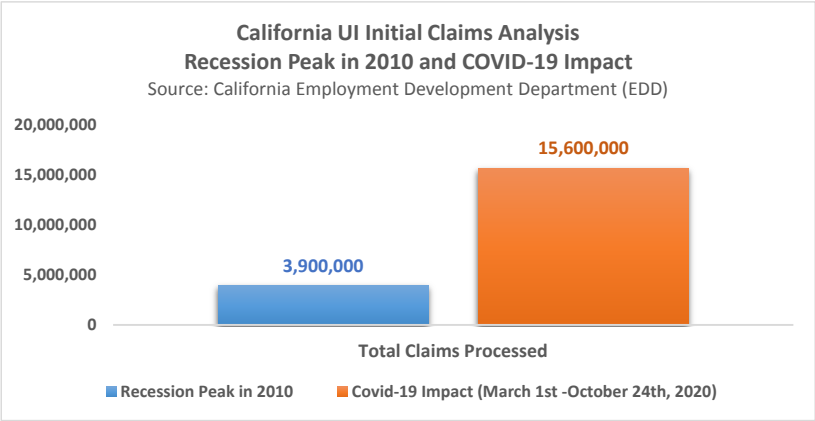
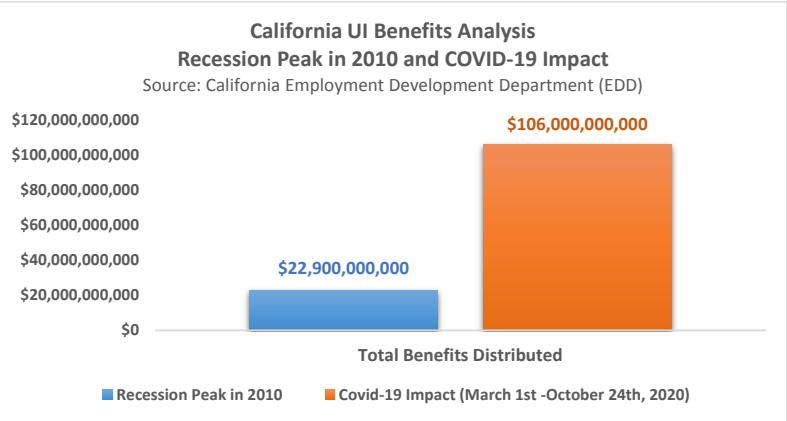
Employment Development Department
State of California

CALIFORNIA POLICY LAB

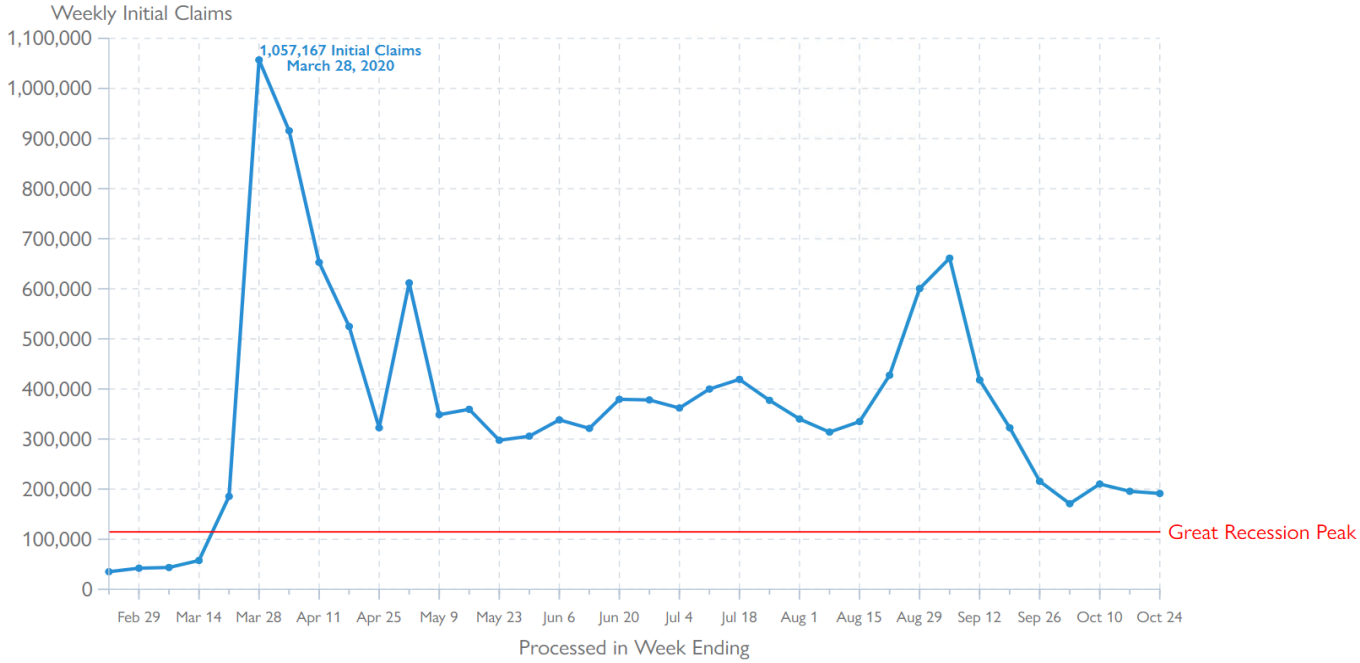
California UI Claims Comparison





Weekly Initial UI Claims Trends

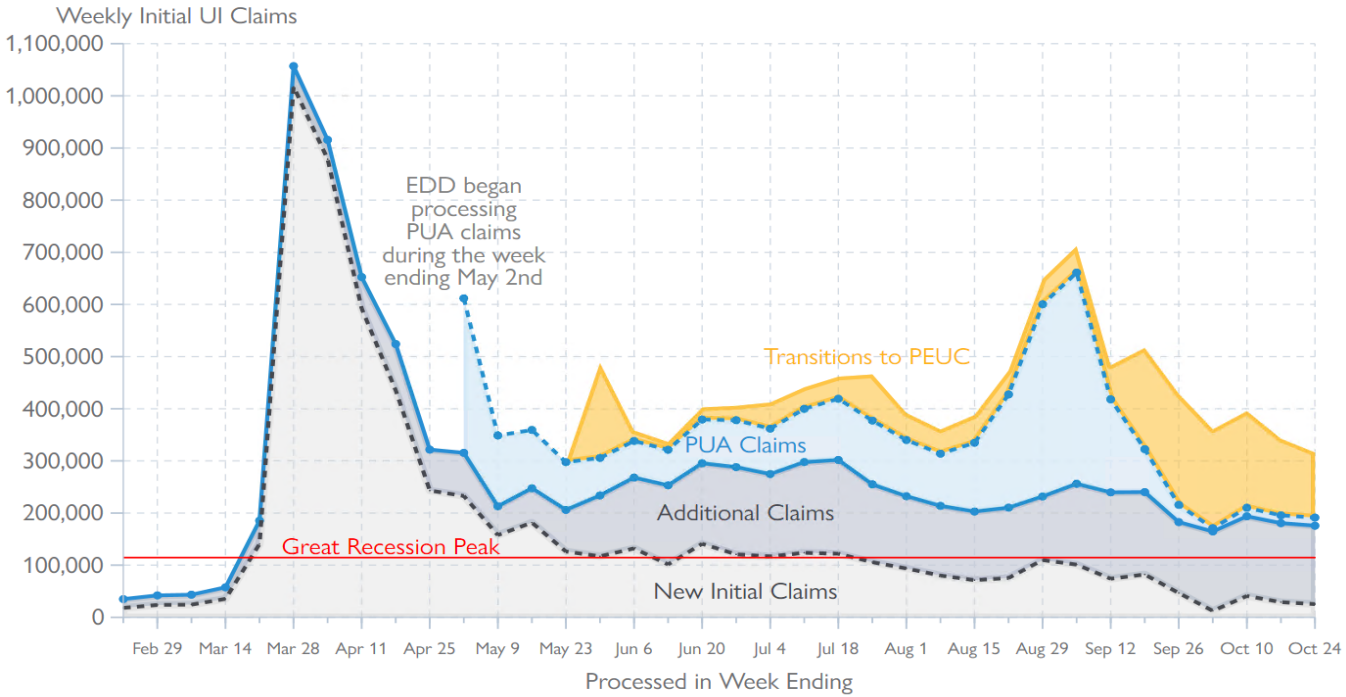
2/22/2020-3/14/2020 (4 weeks) versus 3/1/2020-10/24/2020 (34 weeks)



X-axis Labels Correspond to Saturdays.
California reported 114,793 initial UI claims in the week ending January 9, 2010. (OUI DOLETA Table 539)

Weekly Initial UI Claims Trends by Program

- Early wave of new initial claims for regular UI
- Followed by increasing number of repeat layoffs (additional claims)
- Ongoing high number of initial claims for PUA until September
- Shift in nature of recession in Sept.-Oct.: fewer new initial claims, rising number of individuals on extended benefits



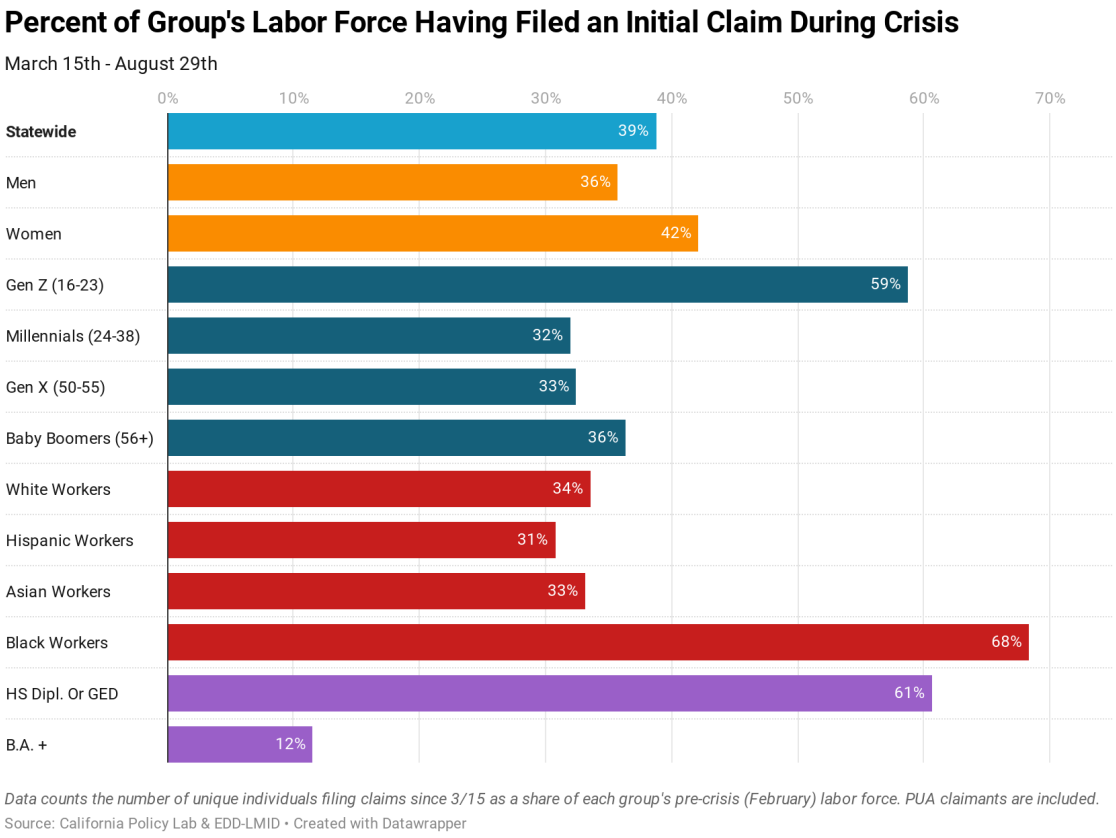
X-axis labels correspond to Saturdays.
Additional Claims include claimants for both regular UI and PUA who have already filed an original claim during the same benefit year, had a break of one or more weeks of benefits with intervening employment, and have re-opened their UI claim. We also include Transitional Claims with the Additional Claims region.
Transitional Claims are claims where a claimant is still collecting benefits at the end of their benefit year and had sufficient wage earnings during that year to start up a new claim once the first benefit year ends. Transitional Claims make up less than 0.5% of Total Claims since March 15th.
California reported 114,793 initial UI claims (including additional claims) in the week ending January 9, 2010. (OUI DOLETA Table 539)

More UI Claims Among More Vulnerable Workers

Over 1 in 2 workers with a high school degree, over 1 in 2 young workers, nearly 7 in 10 black workers, 1 in 3 Asian workers and nearly 1 in 2 female workers have filed a UI claim from March 15th to August 29th.

In contrast, approx. 1 in 3 male workers, white workers, Hispanic workers, or mature workers, and just over 1 in 10 workers with a Bachelor's degree have filed.

The rise in claims by more vulnerable workers is partly explained by a large initial amount of claims from Accommodation & Food Services and Retail Trade industries.

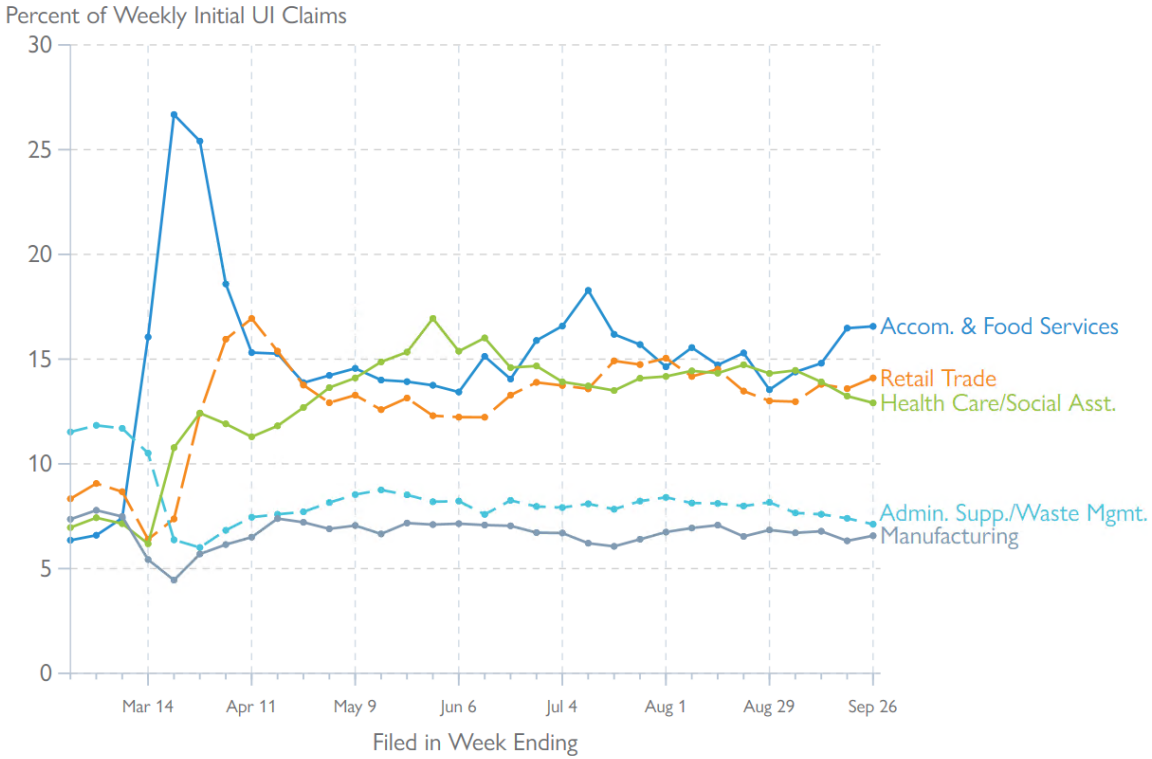


Initial Wave of Claims from Acc. & Food Services and Retail Sales

The beginning of the crisis was characterized by a large increase in the share of claimants from Accommodation and Food Services and Retail Sales.

The share of claims from these sectors has declined but is above pre-crisis average. Health Care and Social Services now has the highest share of claims.

The overall high share of claimants from Acc./Food Services and Retail Sales helps explain why more vulnerable workers are hurt by the crisis.

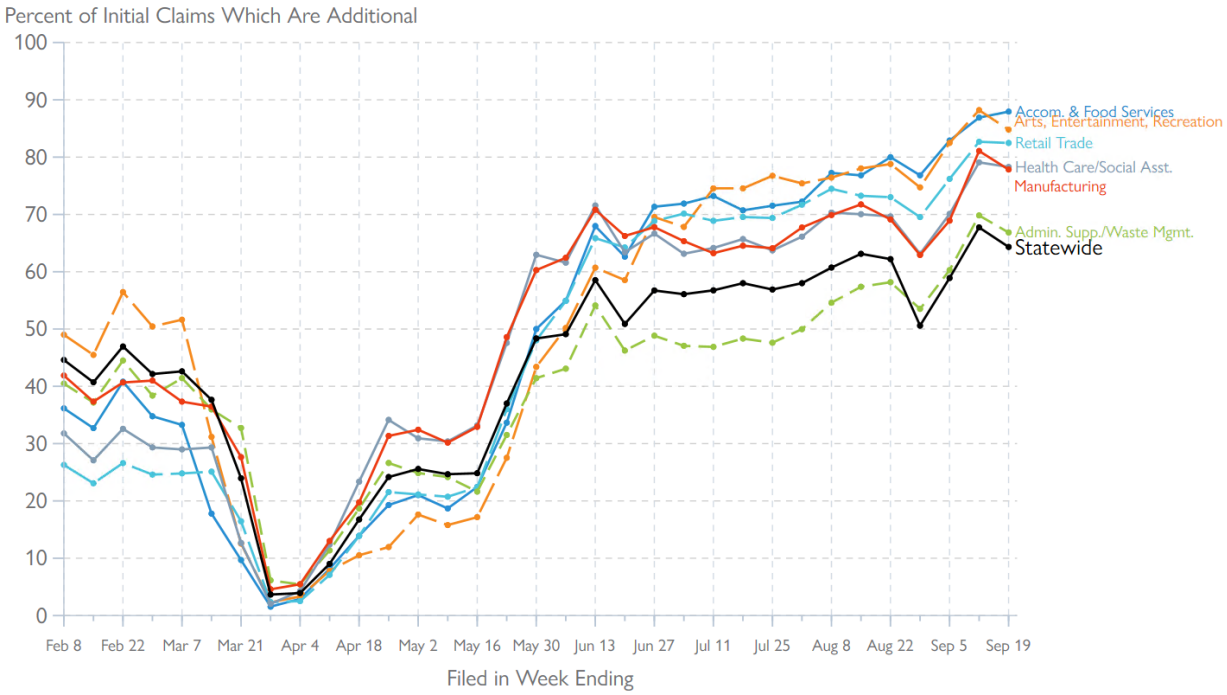


X-axis Labels Correspond to Saturdays.
This figures is based on initial claims for regular UI. It does not include information from claims for Pandemic Unemployment Assistance, most of which were self-employed (see text). Additional claims are included.

Share of Additional Claims Rising

At peak of crisis, there were few additional claimants across all industries

Since then, the variation in industry shares have increased, as some industries experience more cyclical patterns of employment due to COVID.



X-axis labels correspond to Saturdays. This figure does not include PUA claims. Only select industries are shown.
Additional claims are claims where an initial claim has already been opened, the claimant has missed at least one week of certification, then re-opened the claim before the benefit year has expired. Transitional claims are excluded from this calculation.

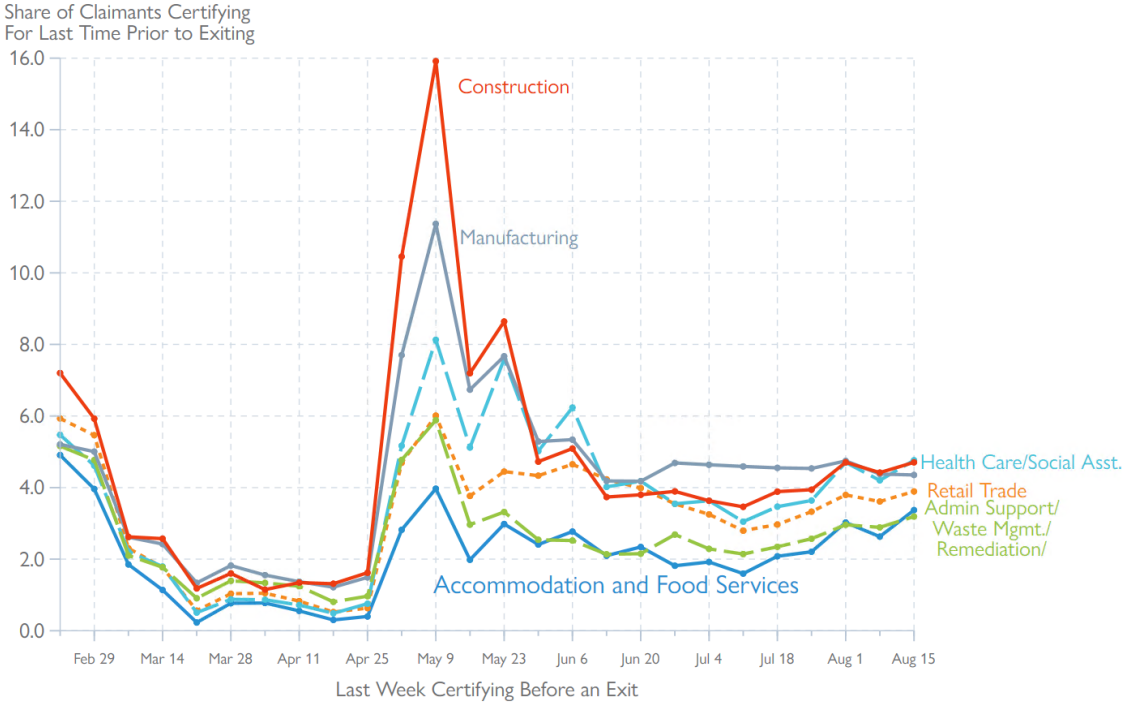
The Probability of Claimants "Exiting" UI Varies by Industry

Exits: Claimants who receive benefits in one week, but then stop certifying.

Can't guarantee these people are exiting to employment.

Food Services has low exit rates, but high rates of partial UI usage → potentially a result of reduced capacity leading to hours cuts but not full layoffs?

Construction saw a consistently high rate of exit... We will see this effect later.



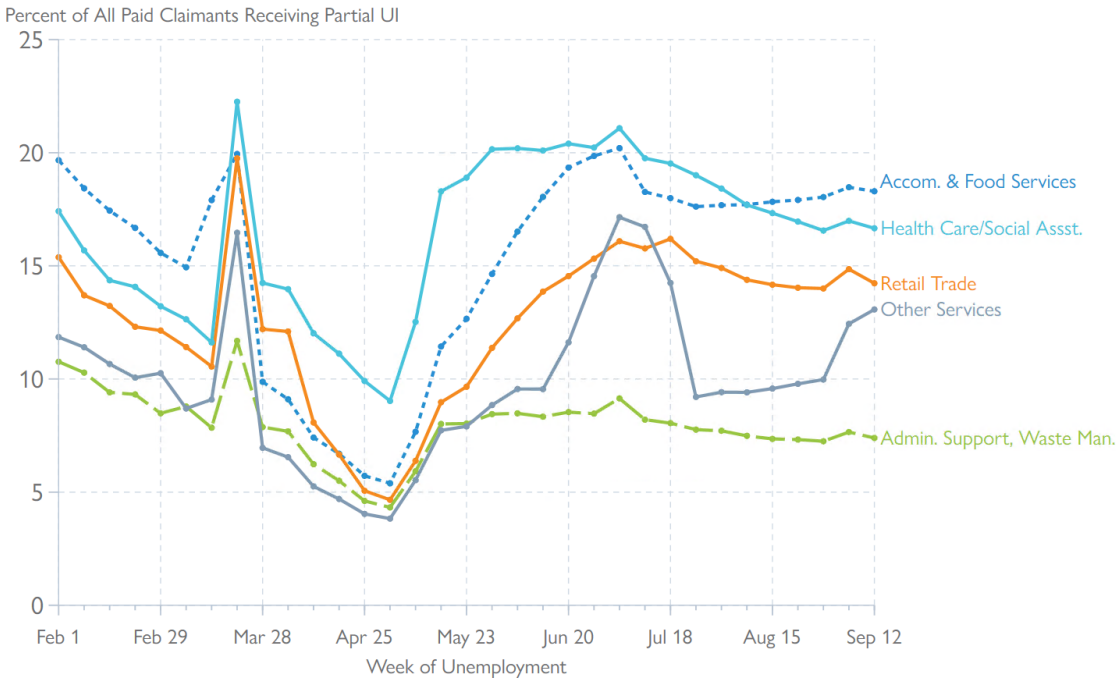
Share of Claimants Able to Work Partial Hours Varies by Industry

Claimants seeing hours/earnings reductions can still participate in Partial UI.

Partial UI indicates the employer-employee relationship is still intact.

As the crisis continued into April, most claimants were totally separated – but from May to June more claimants began returning to part-time work.

Employers in Food Services most likely to give partial work, while employers in Administrative Support much less likely.



The Stock of Individuals Receiving Benefits Is Slowly Declining

"Continued Claims" numbers generally refer to the number of payments processed in a week. (Dark blue dashed line)

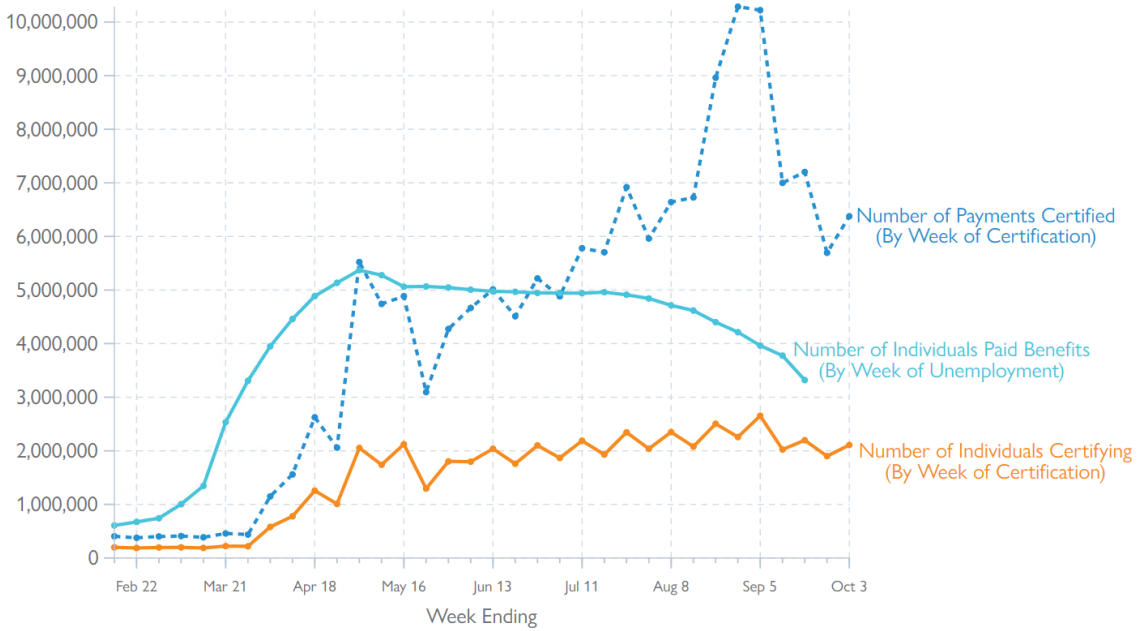
Individuals are supposed to certify for benefits bi-weekly – meaning each most individuals certifying in any week (orange line) should certify for 2 payments

Problem:

Some people retroactively certify for more than 2 payments, and may not be unemployed by the time they certify.

Solution:

Use the number of individuals paid benefits by the week they are unemployed – regardless of when they certify (light blue line)



X-axis labels correspond to Saturdays.
The "Number of Payments Certified" refers to the number of payments that were certified during a given week (the common definition of continued UI claims).
The "Number of Individuals Certifying" refers to the number of people that certify for UI benefits in a given week.
This figure includes claimants receiving benefits for regular UI, PUA, and PEUC.

Industries are Recovering at Different Rates

By Comparing the share of labor force receiving benefits at different stages of the crisis, we can monitor the pace of the recovery by industry.

Most industries peaked in early May.

Customer-facing service industries were hit hardest, while "White collar" industries (Finance & Insurance, Management, Professional & Scientific Services) saw lower impacts.

Education Services & Construction have "recovered" *relatively* quickly, while Administrative Support has seen little improvement

(a) Full Names of Sectors: Administrative Support, Waste Management, and Remediation. Agriculture, Forestry, Fishing, and Hunting. Professional, Scientific, and Technical Services. Data does not include claimants receiving Pandemic Unemployment Assistance (PUA).

Summary of Main Takeaways

Analyzed daily data on initial claims and receipt of unemployment insurance (UI) before and after start of Covid-19 crisis in the labor market on March 15th.

The data includes information on claimants' gender, age, race, education, industry, and county for new claims until September 19th.

New UI claimants are also asked to state whether they expect to be recalled to their prior job.

Data also contain information on Weekly Benefit Amounts, Prior Earnings, and whether workers had benefits reduced or denied because of employment.

- Younger, lower-educated, non-white, and female workers bore brunt of increases in initial UI claims during Covid-19 crisis.
- 39% of the California labor force has filed initial Unemployment Insurance claims since mid-March. This includes over 1 in 2 Food and Accommodation workers and 1 in 3 workers in Retail.
- The California economy is recovering, but at different speeds across sectors
- The recovery entails repeat layoffs (additional claims) and involuntary part-time work (partial UI)

All Counties in CA were Affected by Covid-19 Crisis in Labor Market

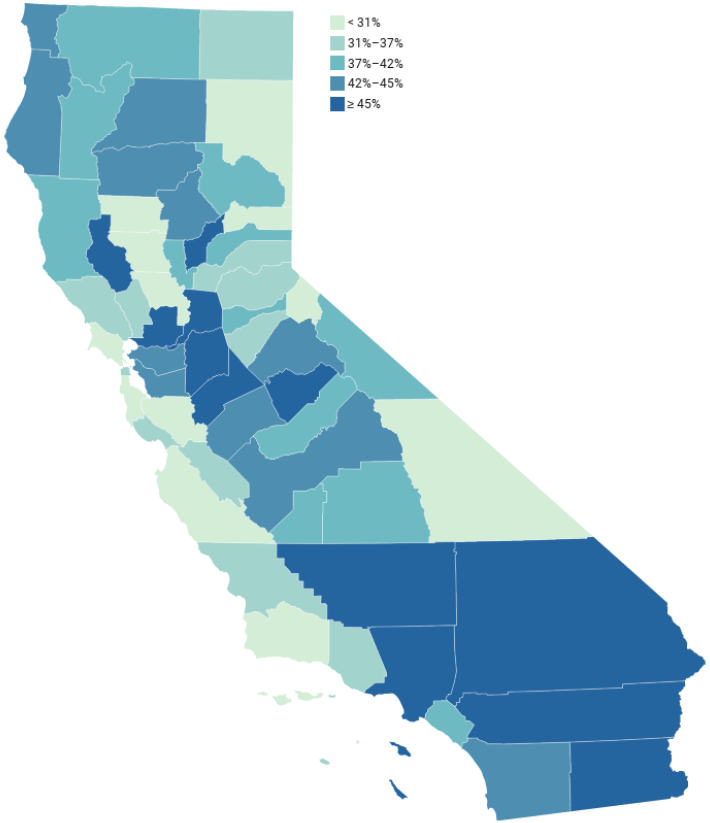
Our data allows an assessment of UI claims by County of residence of claimant. All counties have seen share of their workforce file for benefits.

LA County & Sacramento County have been hit especially hard, with over half of their labor force having filed a UI claim.

San Mateo County and Santa Clara County saw much lower rates of UI usage, with less than one in three workers filing since March.

Share of Labor Force Having Filed a UI Claim Since the Onset of the Crisis

March 15th - September 26th



Data includes both claims for regular UI and claims for PUA. Data counts unique claimants as opposed to accumulated claims. We use the February labor forcce as a pre-crisis baseline.

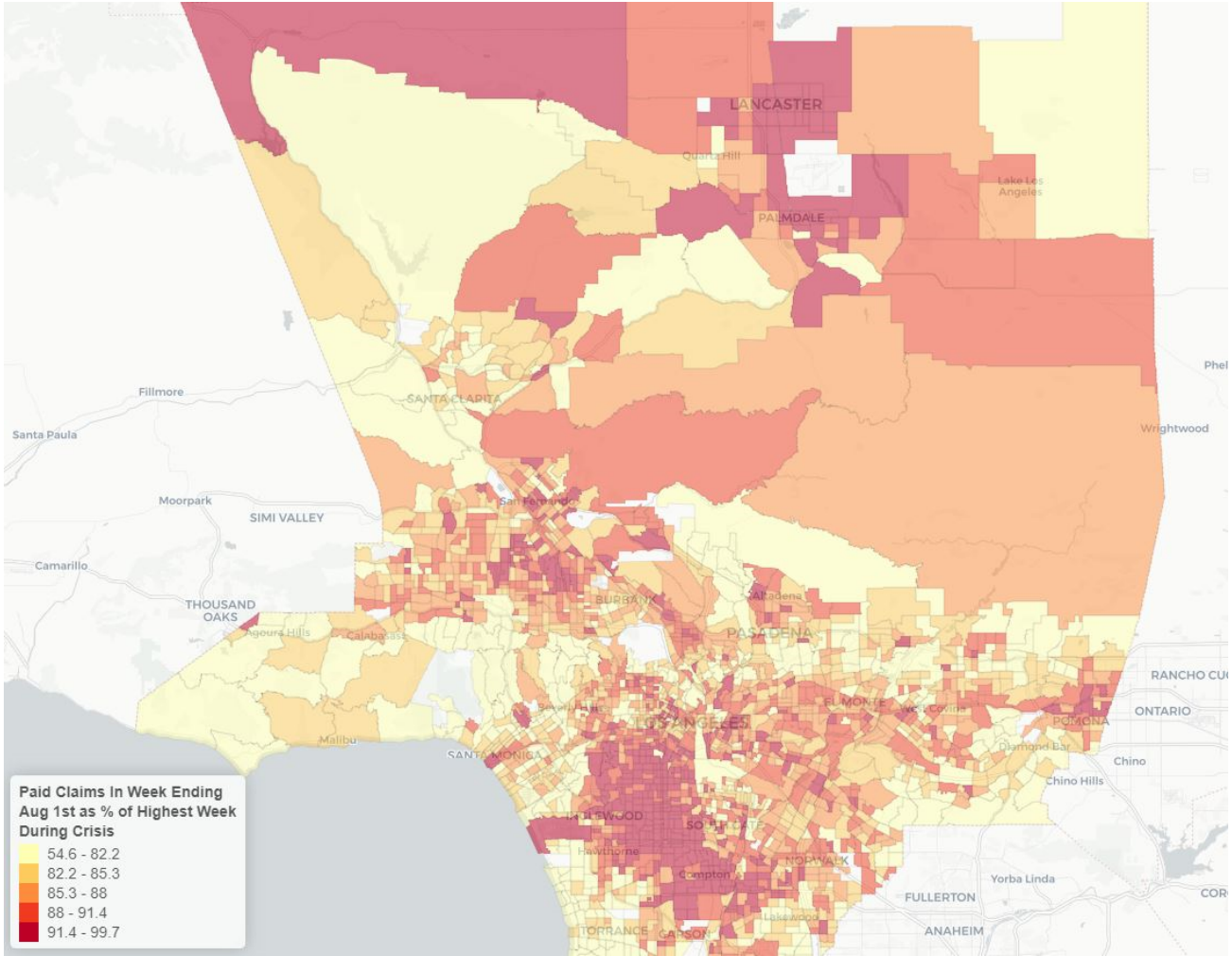
Created with Datawrapper

Taking a Closer Look at the Recovery

How have different neighborhoods in LA County fared since the peak of the crisis?

Inglewood, Compton area slower to recover.

Future work will directly analyze geographic patterns and correlations.



UI Policy Responses to the Pandemic

Three expansions

Not a focus of today's talk, but in CPL/LMID UI reports

1. **Pandemic Unemployment Assistance (PUA):** Extend UI coverage for **self-employed** and uncovered low-income workers through program
2. **Pandemic Emergency Unemployment Compensation (PEUC):** Extends potential **benefit duration** by 13 weeks
3. **Federal Pandemic Unemployment Compensation (FPUC):** **increased benefits by $600/week** for all UI claimants from mid-March through end of July

Key question for remainder of presentation

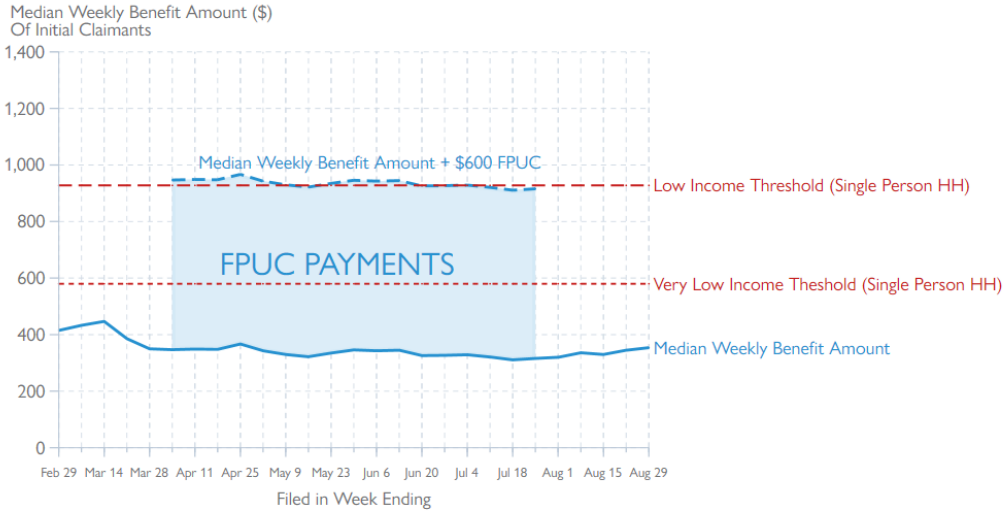
→ What effect have increases in unemployment benefits had on labor supply?

Benefit: FPUC Helps UI Claimants Avoid Near-Poverty Level Benefit Levels

Median Weekly Benefit Amount (WBA) for regular UI benefits: $345

$345 is below 30% of Median Family Income in CA, and thus would be considered "Extremely Low Income" by HUD.

With $600 FPUC payment, total benefits rise to "Low Income" threshold



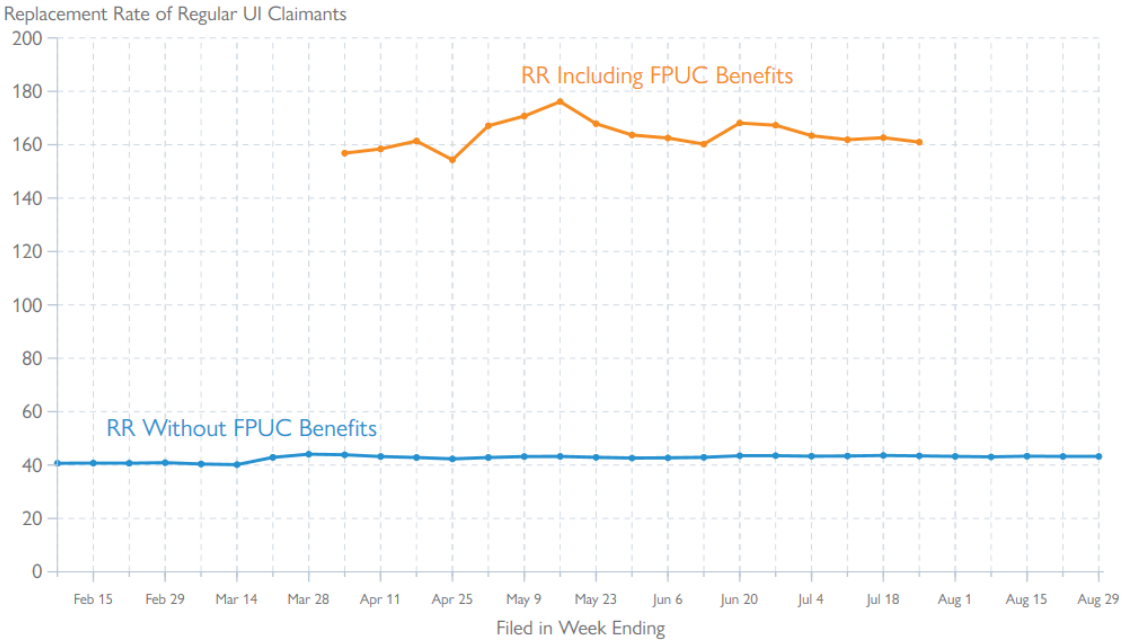
X-axis labels correspond to Saturdays. Median weekly benefit calculation excludes claimants receiving no benefits.
California Median Family Income (MFI) is $86,165 (Census, 2018 ACS). Using $86,165/52 weeks gives $1,657/week.
Low Income and Very Low Income definitions from CA Department of Housing and Community Development:
hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/Income-Limits-2020.pdf
Median Weekly Benefit Amount based on initial claims for regular UI, and does not include claims from Pandemic Unemployment Assistance.
Some individuals will be eligible to receive a Lost Wages Assistance supplement of $300 for unemployment experienced since July 26th.
Since only some individuals (with WBA > $100) receive this benefit, it is not shown in the figure.

Concern: FPUC Dramatically Increased UI "Replacement Rates"

Replacement rate = the ratio of weekly UI benefits to average weekly wages in base period

Concern: Due to $600/week from FPUC, some workers were receiving more income under UI than as employed workers.

Concern about reductions in labor supply was a key reason why FPUC was not extended.



How to best measure the effect of benefit generosity on employment?

Want to measure the causal effect of an increase in benefits on unemployment duration

→ Why not compare durations across groups of claimants with different benefit levels?

→ Because other things vary between these groups. If unemployment duration varies as well, is that due to those other things? Or the thing we care about (UI benefits)?

Solution: exploit arbitrary variation in the UI benefit schedule

→ compare unemployment duration of workers that are likely to be very similar

→ But by nature of a kink in the benefit schedule have different benefit increases

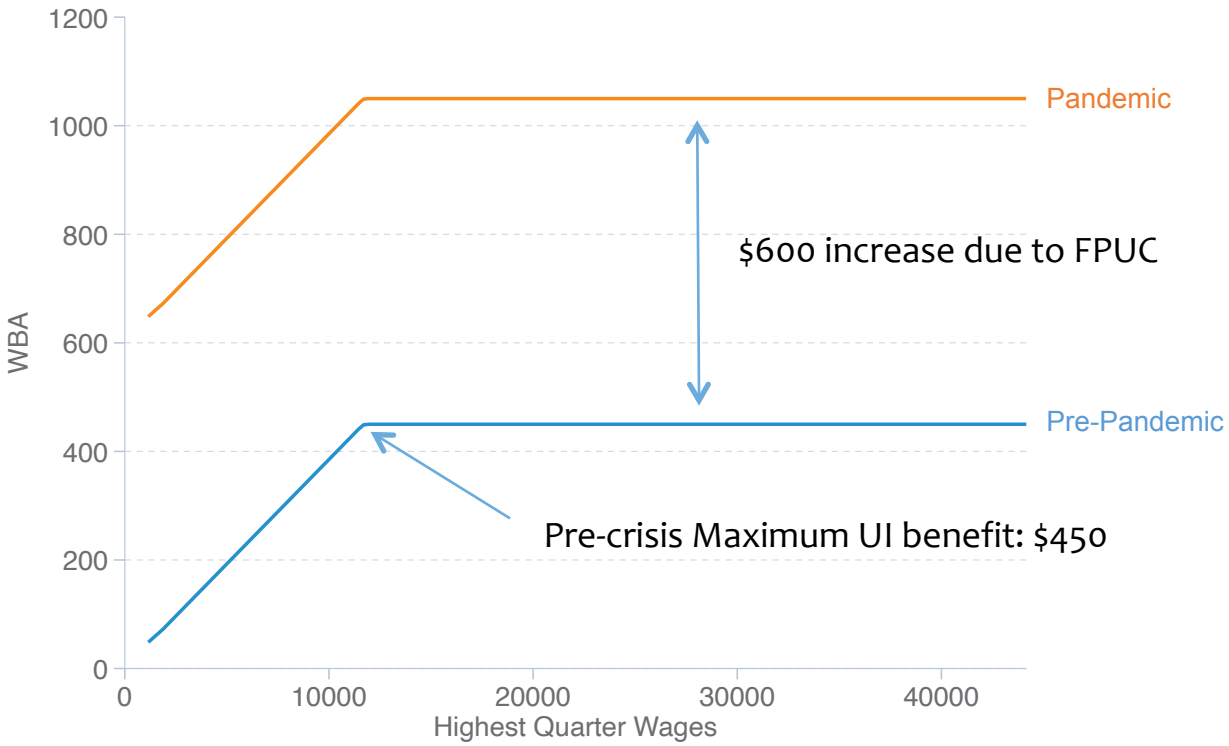
Can Use Kinked UI Benefit Schedule to Study Labor Supply Response

WBA = weekly benefit amount, depends on prior earnings until a maximum benefit level

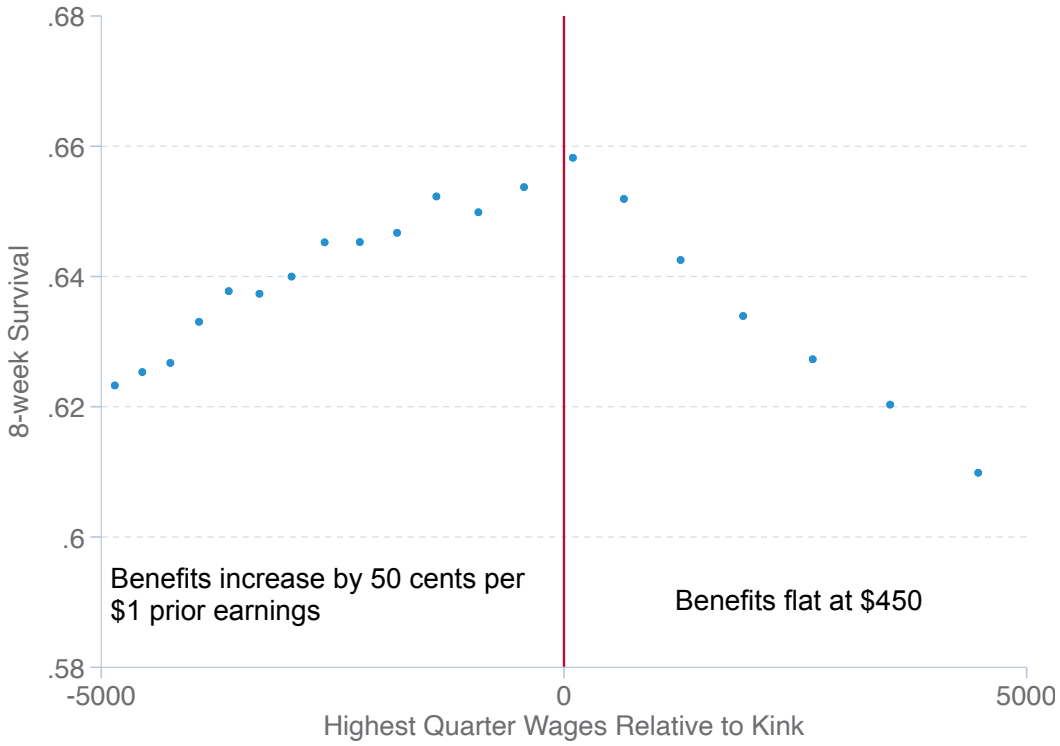
Two ways to study effect of UI Benefits on employment:

(1) Compare workers around kink in benefit schedule, since they have different benefit increases

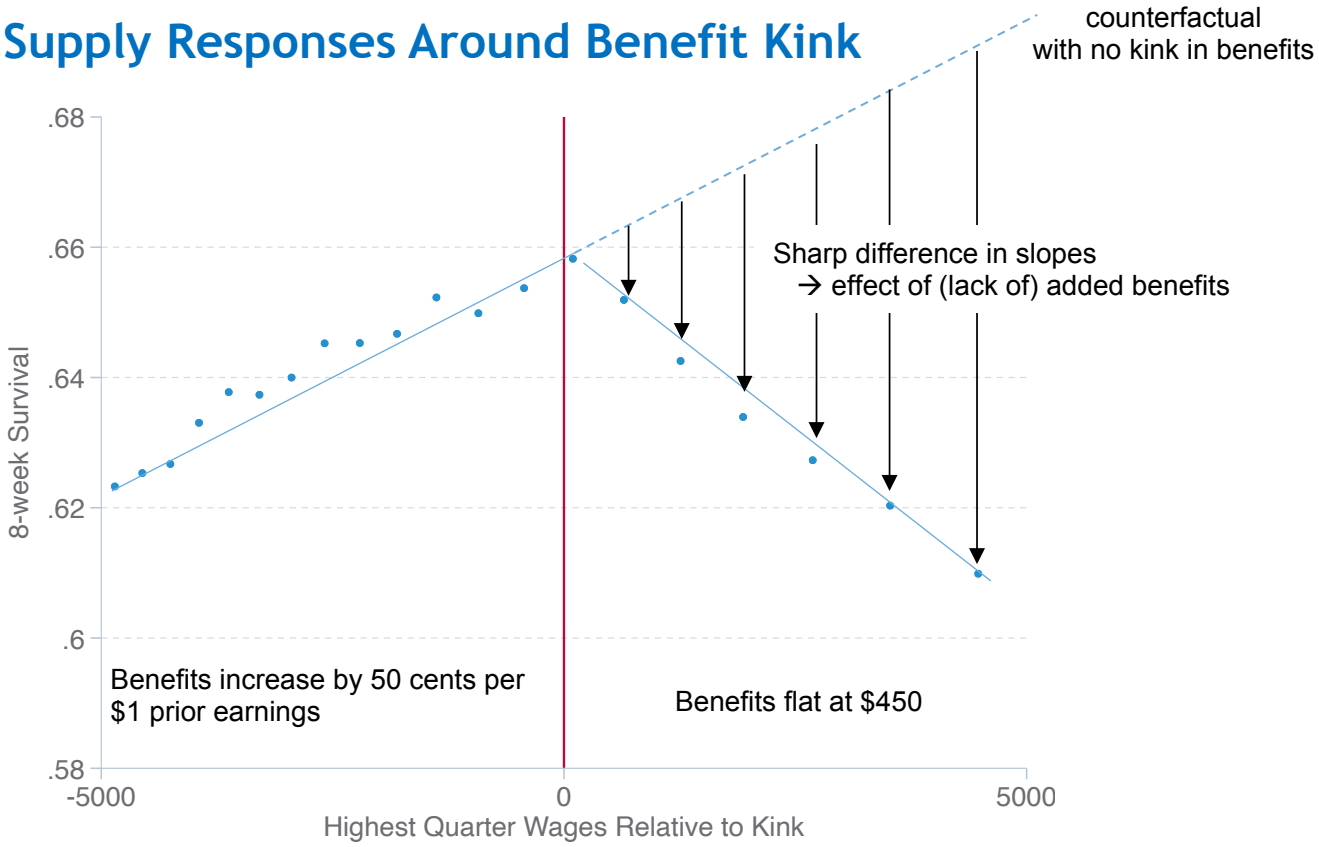
(2) Exploit the fact that $600/week benefit implies a different % increase from before the crisis to the left and right of the kink



Clear Labor Supply Responses Around Benefit Kink (2011-2019)



Clear Labor Supply Responses Around Benefit Kink

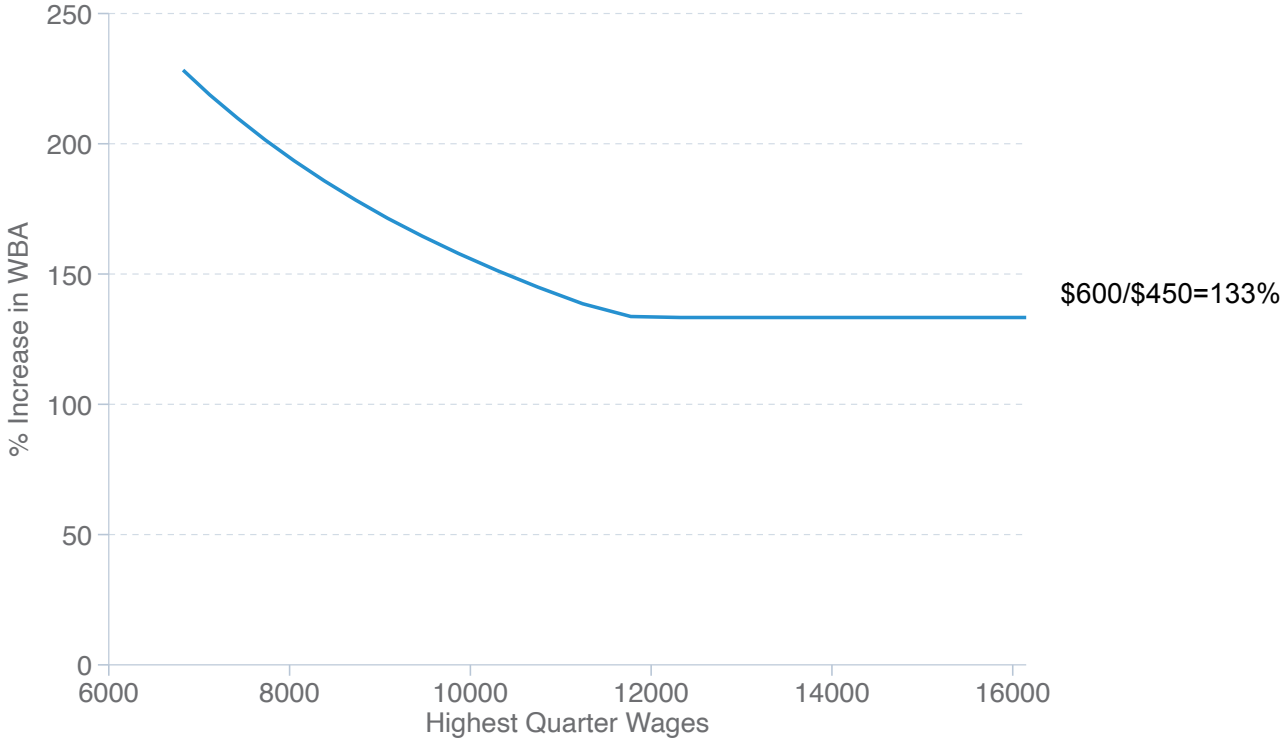


Equal $600/week addition implies a kink in percent rise of UI benefits

UI Benefits increased for a given earnings level during the crisis compared to before the crisis.

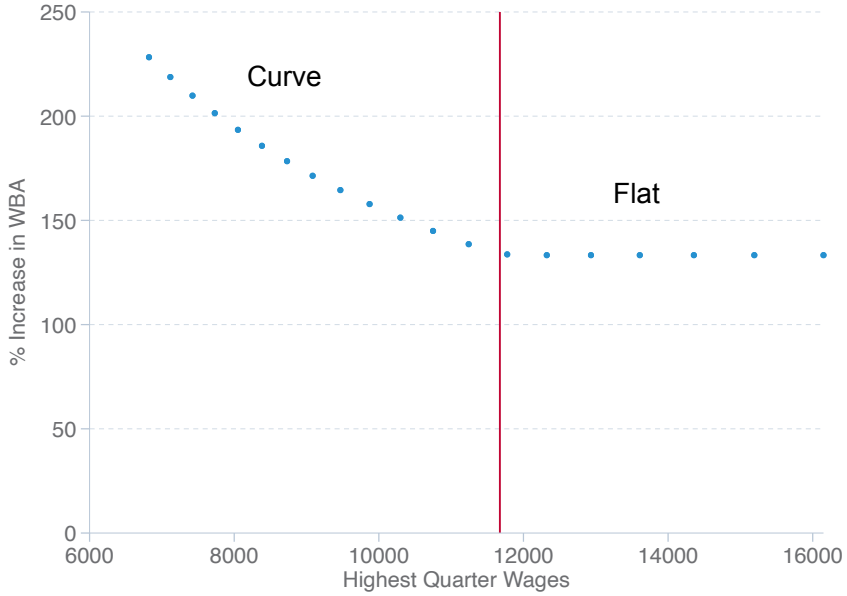
Did increases in unemployment durations following FPUC take the same shape?

Can again look at changes in UI durations in the data

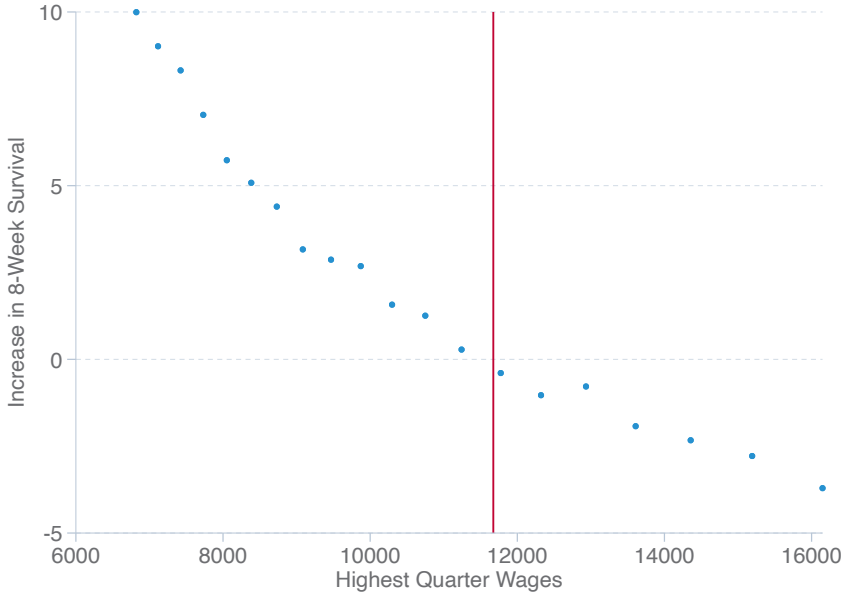


Effect of FPUC vs Sorting

Check: % Benefit Increase from FPUC has a kink in data



Look at exit from UI in the data around kink during the crisis vs. before the crisis



The Effect of UI Benefits on Labor Supply

What could reconcile our findings?

- We have considered two different comparisons:
  - Kink in benefits: Reducing a claimant's benefits leads to a decline in duration
  - 600$ FPUC: Increasing benefits by $600 appears to have no effect on duration
- Our FPUC results are consistent with three other recent academic studies using different data for the U.S. as a whole (Bartik et al., Altonjii et al., Dube 2020)
- It appears individuals may have saved the $600/week FPUC benefits
  - *Increase in benefits is a windfall used to buffer future unemployment*
  - *Reduction in benefits makes individuals feel poorer & they work more*