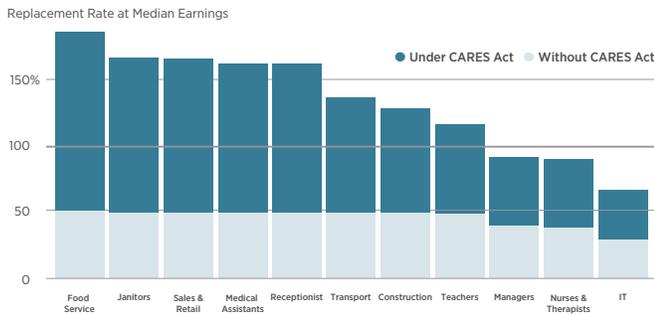


ECONOMIC FINDING

UI Benefits Exceed Lost Earnings for Most Unemployed

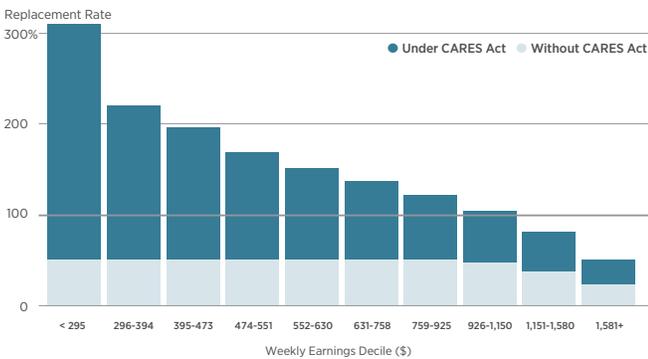
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Figure 1 - Benefit Replacement Rates for Common Occupations



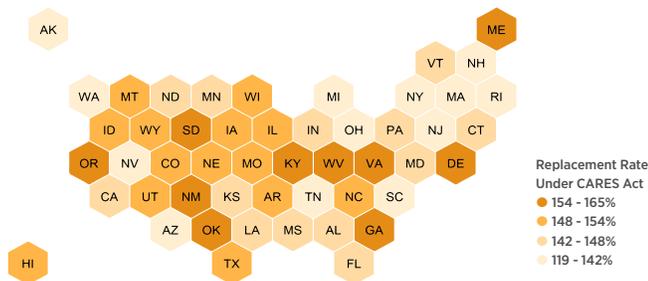
Notes: This chart illustrates the replacement rate of income for workers in various occupations, with and without CARES Act funding.

Figure 2 - Benefit Replacement Rates Across the Earnings Distribution



Notes: CARES Act replacement funding has a larger impact on workers in lower income deciles.

Figure 3 - Median Benefit Replacement Rates by State



Notes: Income replacement rates from CARES Act funding vary by state, depending on each state's rate of unemployment insurance.

The \$600 supplement to UI under the CARES Act leads to earnings replacement rates above 100% for two-thirds of eligible unemployed.

One provision of the CARES Act created an additional \$600 weekly unemployment benefit to help workers losing jobs as a result of the COVID-19 pandemic. The authors use micro data on earnings together with the details of each state's UI system under the CARES Act to compute the entire distribution of current UI benefits and show how replacement rates vary across occupations and states.

The authors find that 68% of unemployed workers who are eligible for UI will receive benefits that exceed lost earnings. The median replacement rate is 134%, and one out of five eligible unemployed workers will receive benefits at least twice as large as their lost earnings. We also show that there is sizable variation in the effects of the CARES Act across occupations and across states, with important distributional consequences. For example, the median retail worker who is laid-off can collect 142% of prior wages in UI, while grocery workers are not receiving any automatic pay increases. Janitors working at businesses that remain open do not necessarily receive any hazard pay, while unemployed janitors who worked at businesses that shut down can collect 158% of their prior wage.

After documenting these basic patterns, the authors explore how various alternative UI expansion policies would alter the distribution of replacement rates. We show how the parameters of various simple UI expansion policies shape the entire distribution of UI benefits across workers and thus provide a lens into how policy choices jointly affect liquidity provision, progressivity, and labor supply incentives.