

Macro Roundup Article

Headline: [Disincentive Effects of Unemployment Insurance Benefits](#)

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Summary: By comparing low and high wage businesses we difference out common demand shifts arising from the [unemployment insurance (UI)] stimulus and construct a measure of the disincentive effects of UI benefits only, [and we exploit the fact that] the pandemic UI programs [increase] the difference between the average replacement rates of low- and high-wage businesses. [Figure 4 shows] that after an initial bigger drop of employment in low-wage businesses at the onset of the pandemic, low-wage businesses are catching up with high-wage businesses and the employment gap narrows from the end of March 2020 to early April 2020. We mark the period from April 2020 to August 2020 when the CARES Act provided an additional \$600 weekly supplement and the subsequent period when the Lost Wages Assistance (LWA) program provided a \$300 weekly supplement for six weeks. With the arrival of the CARES Act the employment gap not only stops closing, but it starts to widen until the \$600 weekly supplement expires at the end of July 2020. Thereafter, employment in low-wage businesses rapidly gains ground and partially closes the employment gap to the high-wage businesses.

Related Articles: [Do Reemployment Bonuses Increase Employment? Evidence from the Idaho Return to Work Bonus Program and Measuring Unemployment Risk and The Dual U.S. Labor Market Uncovered](#)

Primary Topic: Unemployment/Participation

Topics: Academic paper, Database, Fiscal Policy, Government Spending, Unemployment/Participation, Weekly, Workforce

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