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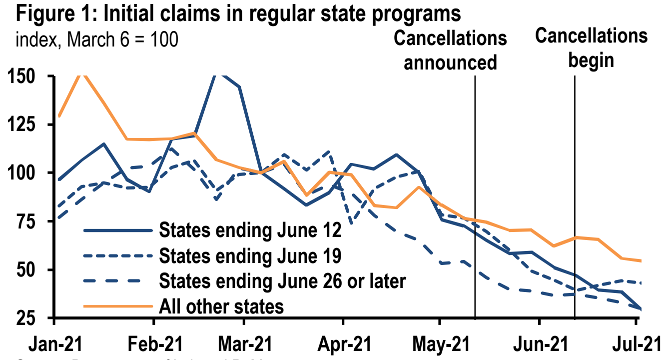
Economic Research Note

US: Still little sign of employment gain from UI pain

- **Google searches for "unemployment" increased when some states announced cancellation of UI benefits**
- **But we see little effect on searches for "jobs"**
- **And we still see little effect on UI claims or on activity measures like OpenTable diners or Chase card spending**

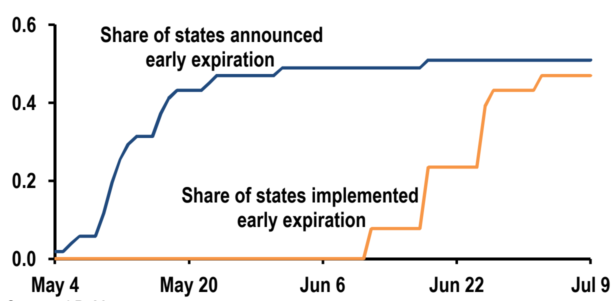
By now, the vast majority of states that announced they would end expanded unemployment insurance (UI) programs early have done so. Three weeks ago, we began to investigate whether labor markets were improving more rapidly in states ending benefits. In simple charts, we saw little sign of any differential improvement in unemployment claims or in several spending and activity measures in these states (Figure 1).

Figure 1: Initial claims in regular state programs
index, March 6 = 100



Source: Department of Labor, J.P. Morgan

Figure 2: States announcing and implementing expanded UI
Share of states



Source: J.P. Morgan

In this note, we more carefully and systematically interrogate the data in econometric specifications exploiting the exact timing of the announcement and implementation of benefit cancellations across states (Figure 2). We do find an increase in Google searches for "unemployment" in states ending benefits in the days after the announcement, suggesting increased attention to the issue. But we find little evidence for an increase in searches for "jobs" that would indicate an increase in people actually looking for jobs. We also continue to see little sign of differential improvement in initial or continuing claims or in high-frequency spending or activity measures like OpenTable diners or Chase card spending. We will continue to monitor these data daily in the US Quant Econ Dashboard.

Nuts and bolts

Formally, we estimate a generalized difference-in-difference regression specification, often called an "event study," that relates an outcome variable, $y_{s,t}$, in a particular state s in period t (e.g., initial claims in Missouri in the first week of July) to the date of "treatment" (e.g., either the announcement date of benefits expiration or the actual date of expiration):

$$y_{s,t} = \alpha_s + \gamma_t + \sum_{k=\underline{C}}^{\bar{C}} \beta_k * \{k \text{ periods since "treatment"}\}$$
$$+ \, controls + \varepsilon_{s,t}$$

The estimated coefficients $\{\beta_k\}$ capture effects leading up to "treatment" (k<0) and following it (k>0). This allows us to assess whether states that announced/ended benefits early were on different trends prior to "treatment," which would then call into question any claim of causality. We include fixed effects α_s and γ_t to control for unobserved state-level characteristics and aggregate economic conditions. We normalize the estimated coefficients relative to the period prior to "treatment" so that β_{-1} is by definition equal to zero.

Searching for something

To illustrate our approach, we estimate an event study on daily, state-level Google Trends data on searches for the term "Unemployment."[1] The announcement of the end of expanded UI benefits was widely reported and so we might expect that searches for related terms would spike around the date that cancellations were announced in each state, regardless of any effect on job-search effort. Indeed, in the two days after the announcement of the expiration of expanded UI benefits, Google searches for the term "Unemployment" in the states making the announcement increased by roughly 30%, all else equal (Figure 3). This effect was short-lived, returning to baseline within a week. In unreported regressions we find no effect from the actual expiration of benefits.

We also assess whether there was any effect on a proxy for job search effort: Google searches for the term "jobs." There

[1] We download 30 samples of data for each state and average them together to reduce sampling variation, as recommended in recent academic research. To address scaling issues in how the data are reported, we estimate the model using the log value of the raw trends data.

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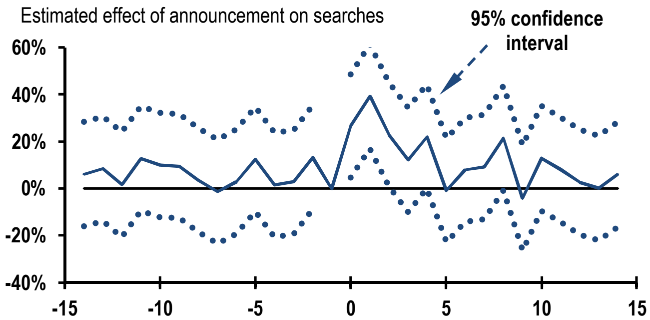
is some evidence that this search term is correlated with survey measures of job search effort and is thus useful for assessing in real time whether announced/implemented benefit expirations had any material effect on job search effort. Unlike with Google searches for "Unemployment" there is no effect on searches for "jobs" around the dates of announced benefit expirations (Figure 4). In unreported regressions we similarly find no effect from the ending of expanded benefits.

Figure 3: Effect of UI cancellation on searches for "unemployment"

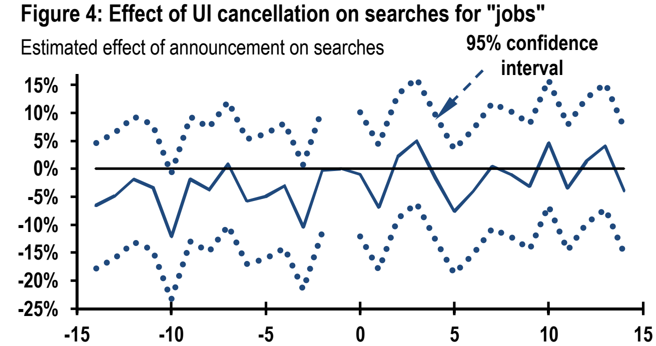
Estimated effect of announcement on searches



Source: Google, J.P. Morgan Days relative to announcement

Figure 4: Effect of UI cancellation on searches for "jobs"

Estimated effect of announcement on searches



Source: Google, J.P. Morgan Days relative to announcement

Benefits and spending

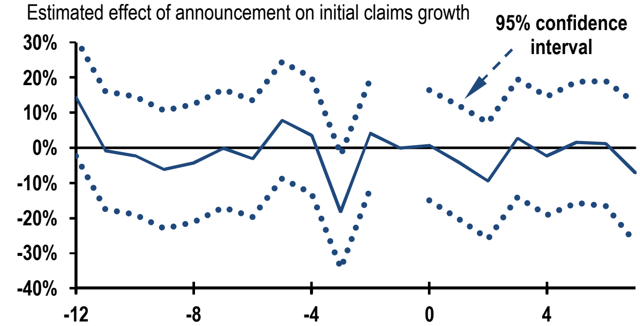
We aggregate the daily data on state-level announcements and cessations of expanded benefits to the weekly frequency and estimate the event study specification using the log difference in weekly initial and continuing claims, to look for effects on initial (Figure 5) and continuing (Figure 6) claims growth. In both cases, we see no announcement effect on the growth rate of initial/continuing claims. In unreported regressions, we similarly find no effect on claims growth from the actual ending of expanded benefits, though this may change as new data roll in over the coming few weeks.

Finally, we return to the daily data and estimate whether actually ending expanded benefits affected activity in the restaurant sector as measured by the Chase card spending data (Figure 7). Here we see some suggestive movement in the weeks after the ending of benefits, with spending in states ending benefits rising by about an extra 2%-pts relative to its pre-COVID trend, which would be consistent with expanded capacity in the restaurant sector if workers are easier to find. We do note, however, that there is sufficient noise in the estimation that would preclude us from rejecting no effect.

As a final note, it is worth remembering that while we have framed our empirical tests in terms of the labor supply effects of ending expanded UI benefits there may also be countervailing demand-side effects. When benefits end, unemployed workers will stop receiving the weekly benefit supplement of $300 per week. This could, in principle, reduce aggregate demand in the states ending expanded benefits and lead eventually to *rising* claims and *falling* consumption. We will keep watching the data to see if clearer effects emerge either way.

Figure 5: Effect of UI benefit cancellation on initial claims growth

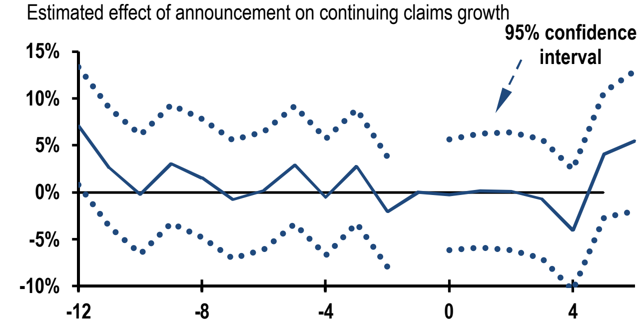
Estimated effect of announcement on initial claims growth



Source: Google, J.P. Morgan Weeks relative to announcement

Figure 6: Effect of extra UI cancellation on continuing claims growth

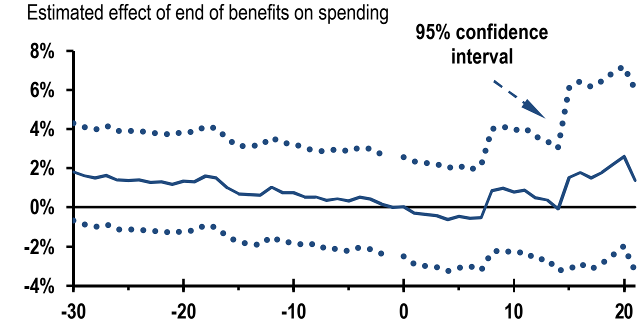
Estimated effect of announcement on continuing claims growth



Source: Google, J.P. Morgan Weeks relative to announcement

Figure 7: Effect of UI cancellation on Chase restaurant spending

Estimated effect of end of benefits on spending



Source: J.P. Morgan Days relative to benefit end

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