

Understanding Unemployment Insurance Coverage in Early 2021

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The United States remains in the depth of the Covid-19 crisis, with infection rates at astronomical levels. Many state and local governments have enacted public health restrictions to control the spread of the virus. Further, individuals seeking to protect themselves from the virus are avoiding many in person businesses, leading to a continued widespread economic crisis.¹ The federal government is currently considering enacting additional economic relief, which may include extensions to unemployment insurance as well as universal payments.

The benefit of unemployment insurance (UI) is that it is targeted, that is, the assistance is able to go directly to those who have lost work. However, individuals who have lost work may not be receiving UI for a variety of reasons, including ineligibility or inability to navigate the UI system. In contrast, since universal payments are not targeted (although would likely be implemented with an income cap), they provide payments to many individuals who have not lost employment. But, by being broad-based, these payments are able to reach individuals who have lost income but are not

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¹See Forsythe et al. (2020a) for more on the effect of policy versus individual behavior and the virus spread in the beginning of the crisis.

in the UI system. Thus, an important policy input is how many individuals who are currently unemployed are receiving benefits from the UI system.

In this memo, I utilize data from the Understanding America Survey (UAS) Understanding Covid In America Survey to measure how many individuals who are currently unemployed are receiving unemployment insurance. Such a question cannot be answered by data products such as the Current Population Survey or the Census Pulse Survey. The basic monthly CPS does not ask individuals about UI benefits, and the Census Pulse only asks if individuals have received benefits since March 13th.

The UAS Covid data has several advantages. It is a panel, with approximately 6,000 individuals responding roughly every two weeks. The survey has been in the field since March 10th 2020, so captures the beginning of the labor market crisis through the current period. The UAS provides weights to match the population data from the Current Population Survey. Most importantly, the survey asks a variety of important questions about the individual's current labor market status, whether they are currently receiving UI, and if not, why not. This allows for detailed information on where the bottlenecks are in UI coverage.

In this memo, I focus on respondents in wave 21, which was collected between December 23rd, 2020 and January 20th, 2021 and includes responses from 6,063 individuals. The UAS sample appears to include a larger share of unemployed individuals compared with the CPS, with an unemployment rate of 12.9% compared with 6.5% in December from the CPS (unadjusted). However, it is in line with the rate of 11.4% from the Real Time Population Survey.²

Among the 467 individuals who report being unemployed, 27% were on temporary layoff and the balance were searching. This is consistent with Forsythe et al. (2020b) who find that the share of unemployed on temporary layoff has dropped substantially since earlier in the Covid recession.

I now turn to the share of individuals who report currently receiving UI. All following statistics are calculated using the provided sampling weights. Only 24% of individuals who are unemployed have received unemployment insurance benefits in the last two weeks. An additional 4% are approved for benefits but have not received payment in the last two weeks, and 1.4% have applied but have not been approved yet. Thus, at most 30% of unemployed individuals are currently being reached by the unemployment system.

²See: <https://www.dallasfed.org/research/rps/2021/rps210122.aspx>

Among individuals who are neither receiving nor waiting for benefits, 4% applied but were denied, and 3% did not receive benefits for other technicalities.³ The balance (93% of unemployed individuals not receiving benefits) did not apply. 26% did not apply because they were unsure how to apply, while the rest (65%) reported not applying because they are ineligible.

There are many reasons why individuals who are unemployed may be ineligible for UI. The UI system is designed to insure against job loss, while many unemployed may be new labor market entrants or re-entrants. Half of individuals who are unemployed and not on temporary layoff were either denied benefits or self-report as ineligible. Nonetheless, 36% of individuals who are on temporary layoff report being ineligible, despite being the population the UI system is designed to cover. In ongoing work, I use the panel structure of the UAS data to better identify whether individuals are likely truly ineligible versus potentially misinformed about eligibility.

In conclusion, only 24% of currently unemployed individuals have received benefits in the last two weeks, and at most 30% are likely to receive benefits in the near future. This means that the unemployment insurance system is not reaching the bulk of individuals who are out of work. This indicates that the current UI system is not up to the task of targeting relief to the unemployed. If the federal government is interested in providing relief to the unemployed, universal checks are likely the best way to provide support to the 70% who are outside of the UI system.

References

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³Individuals report not receiving benefits because they were back at work or they were being paid.