2021 LED Workshop - April 30, 2021

Keynote Address

Video begins at 02:23:23

Keith Bailey: Welcome back and our apologies for the slight delay in our return as we were able to use the technology and get our keynote speaker to join us today. As a reminder in order to maximize your visual experience we strongly recommend that you set the WebEx layout view to "grid". Also make sure that the option of "show participants without video" does not have a checkmark, if there is a checkmark click on the option which will remove the checkmark.

Please join me in welcoming Jim Spletzer Principle Economist in the Center for Economic Studies to introduce our keynote speaker, Jim.

Jim Spletzer: Thank you, it is really my pleasure to introduce our keynote speaker. I have known Till for probably 15 years now. And to tell you how much I respect Till I get a lot of working papers coming through my email and most of them just go directly into the delete folder but whenever I see something coming out from Till I read it. I print it out, I read it, I know I'm going to learn something. That's how much respect I have for Till.

So let me jump into the formal introduction. Till Von Wachter our keynote speaker today is the Professor of Economics at the University of UCLA. He's also the Faculty Director of the California Policy Lab, Director of the Census Research Data Center, the RDC at UCLA and Associate Dean for Research for the Social Science Division at UCLA.

Till has done a lot of work on examining the long term cost of job loss, the consequences of long term unemployment and the effects of the UI program on workers. Very basic straightforward labor economic stuff that I read and I cite in the papers that I write.

During the crisis Till and his California policy lab team have published monthly reports on the state of the UI system using California administrative

data and these have received quite a bit of national attention. They're constant - I see them constantly cited in the New York Times and that's how Till become nominated to be our keynote speaker today because of his use of UI data. So without further ado my friend and my colleague Till Von Wachter.

Till Von Wachter: Thank you very much Jim for that generous introduction. You can all hear me?

Keith: You are good to go Till, thank you.

Till: And thanks so much Keith for inviting me. It's a great pleasure to be here this morning, I was going to say lunchtime where you are. And, you know, as part of the California policy lab we have begun a series of partnerships with government agencies here in California and so naturally we look to the partnerships, the many partnerships that Census Bureau has been able to form through the LED and LEHD initiative as inspiration so that makes me particularly happy to be here.

And today I'm very proud to talk about work that has emerged from an ongoing partnership with California's Labor Market Information Division today. And I thank in particular Dr. Akhtar California's LMI Director for his continued support of this work.

And I should say we just yesterday we released a brief policy piece the summarized the ten highlight from our year's worth of unemployment insurance reports and I'll put the link in the chat if I manage to do that while I'm speaking. Here we go, I believe that's the link to the piece. And you see some of the highlights here in just a second. I'm going to share my slide now and let's see. I believe you're seeing my slides and I'm going to get us started right away.

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As many of you know the COVID-19 pandemic has just brought a staggering amount of unemployment and filing for unemployment insurance benefits. And in California alone we had over nine million individuals file for unemployment insurance and in the US there are many more although it's a bit harder to establish how many exactly.

And this large number of UI claims and the large fraction of the unemployed that claimed UI puts particular spotlight on UI claims data because they become just such an important source of information on who is unemployed during the crisis.

At the same time we know that the crisis was very fast moving and that we look to the weekly UI claims data as a leading indicator as what's happening in the labor market. It's more timely than, you know, our monthly surveys. And so it's really important to understand what are we actually seeing and what could we be learning from the weekly UI data and I'll talk about that during the talk.

Now in response to this very large amount of UI claims, and many of these claims came from lower income workers, the federal government passed a series of unemployment insurance extensions. And these had led to a substantial rise in the generosity in the unemployment insurance benefits and that has led to a debate as in every recession of whether benefits are too generous and whether these high benefits may have led workers to stay home longer than necessary.

And so what I'm going to talk about today is that it's important to revisit what we can really learn from UI claims about the unemployment and unemployment insurance in the US and what we can learn from UI claims

about the labor supply effect of unemployment insurance benefits during the crisis.

So I'm going to be very brief here for interest of time but as many of you are aware there was a large extension in unemployment insurance programs during the crisis and I'm going to focus on one in particular mainly on a series of weekly benefit payments that came on top of regular unemployment insurance benefits. And so these were the $600 a week federal pandemic unemployment compensation paid during the spring and part of the summer that were replaced by the temporary $300 benefits a week by the lost wages assistance and starting late December we now have another $300 benefit that's being paid right now on top of regular UI benefits.

And what this has done it has led to for many workers income on UI being higher than income as workers or at least as much as they were earning before. So we now have a group of individuals that's relatively substantial whose replacement rate of the UI benefits is over 100% meaning the unemployment insurance benefits replaces more than 100% of their prior earnings. And that of course as you remember the fall led to, you know, acrimonious debate over whether these benefits should be extended or not and I'll talk about why you should have this benefits but I'll also talk about the potential cost.

I won't have time to talk about many of the other extensions that happened. Just want to point out that, you know, other than, you know, the coverage of the self-employed to pandemic unemployment assistance which I'll just mention briefly there was a series of more common policy responses that, you know, extended unemployment benefit durations, you know, extended short term compensation or provided funds for states that benefit UI but I'm going

to be focusing on those very high weekly benefits as I'm going through the talk.

You know, I'm going to do two things in just this lunch hour here, the first is I'm going to use our access to individual level administrative UI claims data to provide a deeper insight into what was happening here in the crisis and that's also what is covered in the link that I posted in the chat in our, you know, overarching 14 UI reports that we published since the start of the crisis. And I'll give you some highlights in the first part of the talk.

In the second part of the talk I'll use the same data the access to the individual level microdata and say now that we have access to this data which is quite unusual what can we learn about how unemployment insurance benefits affected labor supply during the crisis. And it turns out that UI (unintelligible) product features that we can exploit to learn more about the effective benefit levels and labor supply.

And I hope you'll have, you know, as we free can takeaway the first one is, you know, unemployment insurance claims data can be very useful and it can be useful in two ways. First of all to provide substantially more and better information than the published UI data which is very important and useful. And the second one is that I think you'll take away that higher unemployment insurance benefits may have, you know, led to longer unemployment duration during the crisis but this may or may not imply that the unemployment insurance benefits affect actually the total unemployment rate or the total amount of unemployment and I'll come back to that.

Now let me dive right in with this sort of as an introduction and, you know, I'm going to start out by just briefly talking to you about what our data looks like and then I'm going to, you know, the talk will have two parts, the first part

will be a descriptive part and the second part we will assess the effects of UI benefits on labor supply.

So the data we have been able to access through our partnership with LMID and just to be clear we have individual researchers at work at LMID so that data is not leaving LMID's premises, is the UI claims data. And that consist typically of two broad sets of files, information on the timing of initial claims and then whether that claim got approved and whether that individual is actually receiving benefits.

And the UI claims data are well known to be very rich in the sense that there is a large amount of demographic information on individuals, that there's information on where the claimant lives, the industry, the prior employment, information of the prior employer and on occupation. And what we're going to do we will have access to UI claims going back to the year 2000 but for the majority of the talk I'm actually going to stick to the COVID-19 crisis so claims occurring during 2020 and '21 and later on I'm going to bring in the 20 years' worth of history.

And just to recap why this is so helpful to have access to these individual level data is that one can revisit some key measurement issues that are inherent in the way, you know, published statistics are defined. And in this way we can simply provide evidence that wasn't quite there before and that naturally could be provided in other states that have quite similar data. And then we can also really associate claim behavior not only to the Census level but just other features of, you know, the claim, the individual or the individual's environment. And so this data allows, you know, potentially very rich insight into unemployment and unemployment insurance. With that I'm going to dive right in.

Here's one of the figures in our classic figure from our report, that's Figure 1. And that shows you simply through the period of the crisis the total amount of initial unemployment insurance claim broken down by type of claim. And you see the direct claims are what we call new initial claims, these are claims that were initiated without a prior claim.

Then you see the yellow claims which are additional claims. So in many instances an individual was receiving unemployment insurance benefits, obtained a job and left unemployment insurance and then lost their job again and reopened its previous claim and that's called an additional claim.

And then in blue you see the pandemic unemployment assistance claim. And you can clearly see the large surge of claims at the beginning of the crisis and how the claims evolved up until just ten days ago. And what you see here is that new initial claims of course was the bulk of claims at the beginning of the crisis but very soon and throughout the fall and winter and spring of 2021 additional claims played a very important role.

So the total amount of initial UI claims published every Thursday combines this category of new initial claims and additional claims into one category. And it - breaking this down allows us to better understand for example why initial claims, you know, one year into the crisis in California at least, were higher than the highest week of claims during the Great Recession, the last big recession and that's the black horizontal line that you see here, is the highest number of initial claims during the Great Recession.

And you can see that for most of the winter and spring California had, you know, in every week more claims, more initial claims than in the Great Recession. And, you know, given that we're sort of moving towards recovery an important question why is that? Well they churn in and out of the UI

system as people are, you know, who are UI get jobs and regain job plays a very important role here.

Another important lesson from the UI report that we did is that the way the Department of Labor typically measures so-called continuing claim has a few quirks that can matter especially during crisis. So the continuing claim is a claim that was allowed in the sense an individual files for UI benefits the claim get approved and then they have to call in or go online nowadays every two weeks in California and other states every one week and say I am still unemployed I would like to receive my UI benefits. That's called certification.

And what typically continuing claims measure is the number of weeks of benefits all individual certified for in a given week. So it doesn't actually tell you the number of individuals that receive benefits for a week of unemployment in a given week it tells you how many weeks of benefits individuals certified for. Now those two things happen to be equal, if individuals immediately certify when they're unemployed and if they only certified for the week in which they were unemployed because then the number of individuals receiving benefits for unemployment in a given week is exactly the same as the number of individuals that certify and the number of weeks they certified.

Now during this crisis there was a lot of retroactive certification especially at the beginning but also during the summer where individuals didn't file for a few weeks then maybe got approved with a delay and then filed in one go for four or six or even eight weeks of benefits. The typical way we can continue the claim would then count for that certification if somebody had certified for eight weeks, eight weeks even though these eight weeks may have been in the past.

And then it led to, you know, very strange behavior continuing claims during the summer and this is shown in this figure where we show you the weeks during 2020 all the way up to late February. And the dash through line are the standard continuing claims and they had this amazing surge and are quite variable. And what you can do though if you actually have the underlying data the system records for which week an individual receives benefits so for which week of unemployment that they actually get paid benefits. And so we can count the number of individuals receiving benefits for given weeks unemployment and that is the green line you see in the figure.

So that makes a lot more sense. It's much smoother right because people don't, you know, move in and out of unemployment insurance that quickly. It's been ramped up right at the beginning of the crisis and then it's been slowly declining over time. And toward this crisis this, you know, more direct way of counting continuing claim made a big difference especially for the pandemic unemployment assistance. It's a little better for regular unemployment insurance before the crisis again there's the green line and the dash through line would have been very similar.

But just this figure, you know, we published that first in the summer of last year got a lot of attention because I think the nation woke up to the fact of how we actually, you know, counted continuing claims and this was not really what most people thought they were. But using the data you can go directly to the actual number of individuals receiving benefits.

Another useful thing that you can do with the individual level data is that you can count the actual unique number of people that plan UI benefits over an extended period of time. And that matters if people file for benefits multiple times. That can happen either if they get denied the first time around or if they file an additional claim right. Let's say if somebody files an additional claim

that's a new initial claim and so if you sum up all initial claims during the crisis there's a lot of double counting.

And here we can go back and say okay let's count the unique number of individuals that filed for benefits over a long period of time. And that's a well known problem of the initial claim but here we have a very straightforward solution. And this figure shows you simply if you count the number of unique initial claims by demographic for example and compare that to the labor force at the beginning of the crisis in February we see that in California if you combine PUA and regular UI about 50% of individuals that were in the labor force before the crisis filed an unemployment insurance claim. So that's clearly a once in a lifetime event.

It's well known that before the crisis typically, you know, only 20 to maybe 40% of individuals that were unemployed actually received unemployment insurance benefits. Now we have 50% of the labor force having filed for benefits. That's just staggering. And these numbers are higher for more volatile workers, they're essentially higher for young workers, higher for women. But not on this figure they're essentially higher for black workers and also for lower educated workers.

And this ability to take stock who actually filed and who actually received benefits over an extended period of time gives you a really good sense who was impacted, you know, a year down from the crisis.

Another thing that has been very useful is that one can look at differences in the UI benefits received across demographic groups. One can also look at difference in UI benefits received across states. So often the difference across demographic groups is called vertical equity or and difference across states can be called horizontal equity.

And there's a big concern at the moment that, you know, more vulnerable workers, those that may have been hardest hit by the pandemic did not get access in the same way to the system than workers that are better off to begin with. And that has historical reasons and especially minorities were less likely to access UI benefits in the past and that seems to be true in many states today but it's actually very hard to measure for reasons we can talk about when we - in the Q&A.

But here what we did we said well we can show you and calculate the fraction of the unemployed that received benefits in California and that's the black line for every month, and the bubbles are different counties. And you can look at every county what's the fraction of the unemployed that's received UI benefits in every month.

And an important question there how wide you cast the net of unemployment. And I don't have time to talk about it here we have a relatively broad measure that it also include the voluntary part time because they could get unemployment insurance benefits. And that big bubble by the way is Los Angeles County where I'm calling in from.

What you see here is that at the beginning of the crisis in March right as I mentioned before only 20% of the unemployed received UI benefits that jumped immediately to over 50% and then crept up throughout the summer and hit a peak of 90% of the unemployed broadly measured seem to have been receiving unemployment insurance benefits in California. This of course a success story.

But the other measure of this figure is that at any given point in time there's a pretty wide distribution of residency rates across counties and those

differences are substantial. We are talking about a 30 to 40 point difference in the rate of UI benefits received among the unemployed. That does not come as a surprise to, you know, observers of the UI system and I'll show you in a second that these differences are clearly systematically correlated with characteristics of the local area.

But before that, you know, nothing stops us from looking at a more fine grained level and here I'm going to show you a map overlay and LA County's big so, you know, the tip below is cut off. But you can see that we can zoom in and this shows you a map of Census tract right, to really within sort of a such a large area as LA County where we have 10 million individuals. We can take a look at where would the residents sort of hit the hardest so to speak, where are the most claims.

And if you know LA you can immediately see that those darker red areas are in the poorer areas of LA. And I'm not going to talk about the figure details I just wanted to highlight that one can use the data to get a pretty fine grain sense where sort of hot spots are both in terms of benefits claim as well as where they might be a missing number of claims.

And this is something we do in this figure where we just took the county level residency rates meaning for each county the fraction of unemployed that received UI benefits and you can do something similar at the Census tract level turns out to be very similar. And you then - we can correlate for each county right, the residency rate with characteristics of the county. And that's valuable because even though the UI data is quite rich the employment data once you cut it very finely are actually not that rich in terms of information. Moreover the UI data doesn't include certain aspects that we care about that one can actually measure or look at, at the either county or Census tract level.

And here we show you a bunch of correlates ordered by whether they had positive and increasingly negative correlation. And a pretty clear pattern emerges where the counties that are poorer right, that are more Hispanic and especially that have less broadband access and have fewer English speakers have lower UI residencies right. And similar the fraction of confirmed COVID-19 cases here at the bottom in the population also tends to be correlated with a lower residency rate.

And the same the number of food stamps, you know, if an area has a higher share of food stamp residents there's also lower resident cases. And this is very valuable because if you're thinking how would one increase the residency rate well there's some immediate pointers here. You know, it's reasonably well known that there's still a digital divide by which less lower educated individuals for example or poor individuals have less likely access to functioning, you know, PDAs or a computer or a broadband and it gets quickly difficult to easily file for UI benefits or even get the information.

So I'm going to be, you know, as I'm having an eye on the time slowly shifting gear but I wanted to sort of highlight how immediately useful this analysis can be to thinking about how to improve the UI system on the ground. And that's something that the California Policy Lab tries to do in its partnerships.

Now as I'm transitioning to thinking a bit harder about these very high unemployment insurance benefits we had during the crisis here's a figure that explains why we had them, why we had these very, you know, generous benefits. And what you see here is again, you know, on the horizontal axis you have the time since the start of the crisis and you have the blue line is the average weekly benefit amount, the amount of money individuals received. And that hovers around 300 to $330 during the crisis.

And then we put two red lines and this is from the Housing and Urban Development Department, HUD right, the low income threshold for California for a single person household and the very low income threshold for a single person household in California. We don't know whether individuals have spouses or have partners so we take these single person thresholds right, the threshold for a family is going to be higher.

And what immediately jumps out is that, you know, as you know UI benefits are typically no more than 50% of prior earnings. Well 50% of prior earnings puts the weekly UI benefits, you know, far below the threshold of very low income right. So unless you have other sources of income or a working spouse, you know, you can't make it long on UI benefits in particular for low individuals that typically pay at least 80% of their total income on necessities and rent right. So with that recognition congress passed, you know, a $600 supplement initially in the CARES Act in March and with the $600 we get just below the low income threshold.

And then because of the concern that these high supplements could lead individuals to stay home when they could be working, you know, the $600 supplement was let expired end of July and then President Trump enacted the $300 lost wages assistance that was present for six weeks and then the $300 supplement was reestablished under the current administration in late December.

And you see with the $300 supplement, that typical mean weekly benefit amount you get individuals just above the low income threshold. At the same time right if benefits are 50% of prior earnings and average benefits hover around 300, if you give $300 the total will be approximately the same as individuals earn while they were working. And that is the conundrum of the concern here right.

We want individuals to stay at home, we want to give them the opportunity to stay home and be safe right, at the same time when the economy is coming back we would love for them to go back to work and not stay home longer than necessary. And there is an inherent tension here if you're trying to do that through the UI system.

And so what I'm going to be moving through in the second part of the talk is we'll try to establish well what was the effect of these relatively generous benefit supplements on labor supply. And to do that I'm going to use two approaches and just a brief note that this question of whether unemployment insurance benefits tend to reduce the effort to find a job and hence prolong unemployment is, you know, a decade's old question in labor economics and has been studied in many, many different ways.

But in the US we have not been able to really systematically use the UI claims data to do this analysis and a lot of the, you know, more recent analysis, not everything but a lot of it has been happening in other countries that have, you know, this administrative data more freely accessible and so this is very exciting to be able to do some of this analysis in the US.

And the idea here is of course just, you know, there's many theories that's been written about it is that individuals benefit from the insurance because their earnings are lower when they're unemployed but the fact that they spent more time in unemployment lowers, you know, tax revenue because they don't work and that's sort of a cost to the system. And so the goal is to pick UI benefits such that the benefits roughly equal the cost and one key feature is well how much is that cost, how much do UI benefits payment reduce unemployment and we're going to try to estimate that using two approaches.

The one approach is a way, I'm going to call it fun but it's interesting because, you know, the UI benefit schedule is I'll show you has a kink in it but it's 50% of earnings in California and in may other states of earnings in the base period up to a cap of $450 and that cap leads to a kink and you can use that kink to compare individuals labor supply decisions above and below the kink and I'll show you how I do that.

But during this crisis we can do more right. The kink is always there and that's the beauty of it that we can compare the effect of the kink before and during the crisis so we have a benchmark. But in addition it so happens that the $300 per week lost wages assistance benefits was only paid to individuals that at least had $100 of UI benefits in a given week. So there are individuals that had $99 and didn't get the benefit and then there are people who had $100 in benefit who did get a pretty big boost right from $100 to $400. And you can use that difference and that that's called in economic terms a regression discontinuation because there just is a discontinuation of benefits and I'll show you the effect of both.

So here's the unemployment insurance benefit schedule in California as it was at the beginning of the crisis after the CARES Act was passed right. You see that there's a weekly benefit amount on the vertical axis and the highest quarter wages in a base period on the horizontal axis and the benefits paid is 50% of this highest quarter earnings in the year before becoming unemployed and that rises right. But your earnings up until $450 where it's capped and here is the kink.

Now this kink was - this whole schedule was lifted upwards because everyone was receiving $600 of benefits at the beginning of the crisis and then later it was lowered because individuals received $300 and so on. But what we are

going to be doing we're going to be focusing on the kink, not as much on the level but that matters and I may able to briefly talk about it.

So what happens well is that one could actually take individuals and look at their highest quarter wages relative to the earnings threshold that puts you at the kink and say okay if for a given wage level prior to becoming unemployed let's look at how long individuals were unemployed and there are many ways to measure this. Here we're going to look at what we call the eight week survival, the probability to still be unemployed eight weeks down the line.

And then we can do that and we are particularly interested in what happens around the kink. And these blue dots that show you the mean survival rate within a range of benefits. So we could show you each individual's rate but that would get a lot of information on this figure and instead it's very common to show you the means. But this is just filled up on the individual level data and we could cut this much more finely than it is here.

But the message is clear, as individuals right, receive higher benefits they can do - be more likely to be unemployed eight weeks down the line so that's why to the left when the weekly benefit amount is increasing the probability of still being on UI increases. It increased all the way up to the middle vertical line at which point it decreases and so that's surprising but there's no reason why that should be the case other than the fact that there is a kink in the benefits schedule. And I'm going to walk you through this conceptually how this works right.

If we were to just look to the left of the cutoff and we say hey, you know, nothing happens at that threshold what we would have expected the probability to stay in UI to keep increasing but instead right, there's a very sharp drop off in the rate of UI received as soon as you hit the kink. And this

difference between the slope just above the kink that is drawn further with the dashed line and the actual slope at the kink is what we then call the effect from providing additional benefits just around that threshold where people hit the maximum benefit of $450.

And we didn't invent this technique. This has actually been done for, I believe for the state of Missouri. We have very interesting estimate there and some date in the early 80s when the data was available and we can do it here for California. And the beauty of California is that it's a very large state, it's a very diverse state and so using this technique we can look at who was impacted more for example from this benefit, how does it differ for industries or for racial groups or age, gender and so on. We don't do that today.

Today I'm going to first do the following, I'm going to think about how this effect might differ over time and then I'm going to compare it to the best of my ability to the lost wages assistance effect. And let's see, while the slide comes on one important difference that you saw is that this kink is shifting across the crisis and that of course means that that additional dollar of benefits you receive will work on a very different base if there's a $600 supplement or a $300 supplement. And when it's normalized for that to be able to compare this benefit effect during the crisis to the benefit effect before the crisis.

And we did that and we calculated something that is called (unintelligible) which it simply expresses the - for a percentage increase in benefits what the percentage rise in the probability of being unemployed or staying in unemployment. And that is this red line here that you see fluctuating and we can show that to you starting from 2006 and we did it before there were some benefit changes that make the pre-2006 period a little complicated. So I'm showing you the - a 15 year period here where for each year we can calculate this kink and look at the effect of this additional benefit on labor supply.

And the big takeaway is that the benefit listed today the way we calculate it doesn't seem to differ very much, somewhat lower than what previous estimates have received and but it doesn't recently systematically fluctuate over the business cycle as much as we may have expected it. And it also didn't really change that much during the crisis and that's, you know, a very interesting result in the sense that at least on that particular margin when people hit the benefit maximum the response in terms of reducing labor supply doesn't seem to be different at the end of the UI during the COVID-19 crisis and before.

So one thing that you might ask yourself is well that's interesting to look at this kink right but maybe individuals may not be aware that they're hitting the kink and who is at the kink anyways that might be a very specific group right. And why don't we use some of these other substantial benefit changes. And the answer is that's a very good idea, that's exactly what we did next right.

And what we exploited is that the lost wages assistance paid in August and September was only paid to individuals who had a minimum of preexisting unemployment benefit. And this really helpful because of course as you are following the crisis week to week there were substantial fluctuations in, you know, how the economy was moving especially partly as a function of, you know, public health and, you know, measures. And so it's hard to use the turn on and turn off of these benefit supplements for an entire state.

But here we can hold constant these statewide fluctuations and zoom in around the cutoff where individuals, you know, received enough, received a supplement even though they had essentially a very similar preexisting benefit level and hence preexisting earnings.

And in fact, you know, when LWA was passed I received an email from a claimant that had $99 of benefits and was not thrilled as you can imagine. And so whenever there's such a discontinuity in the benefit offer one can then compare the behavior of individuals around that discontinuity. And the beauty of it when there's very straightforward ways of showing that.

And here what I show you again I show the blue dots are means right, and these are the means and this now the average weekly probability of exiting unemployment insurance for individuals with different benefit amounts. And we started at $50 and moved all the way to $150 because we wanted to bracket that key $100 threshold. And we know that as soon - the prior weekly benefit amount hit $100 here's the $300 supplement right, so these are benefit amounts before the supplement is paid.

And you can see that the exit rate for the individuals who have benefits less than $100 hovers a bit around, you know, 4% a week. As benefits grow there's these exit rate tends to a decline a bit consistent what you saw in that other figure. But it's for this that the individuals that just receive $100 compared to those who just received, you know, 90-something dollars there's an immediate drop in the exit rate and so that is very clear visually that something is going on that would certainly not be going on if it wasn't for the program but as you can see there's very few such stark jumps happening anywhere else.

And all you need to do then if you have the data at that fine grain level is to compare the duration for example of people just above and just below $100 and make a decision or get the numbers and then calculate what the effect on labor supply is. And it's clear exit rate declines so we know that duration are going to increase and here's what we get right.

You know, the size of the benefits effect at the $100 is very large right, you get a 300% increase in benefits. And for the individuals who are just to the right of the effect who are sort of on that lower step of that step function itself right, their average unemployment duration increased by 20%, that's about four to five weeks.

So what's clear here is that both the estimates on the lost wages assistance and from the benefit kink imply that higher UI benefits actually decrease labor supply or increase unemployment. There's a typo on that slide. And, you know, to some degree the concern that, you know, some have maybe justified on the other hand it really depends especially in this crisis what else happens to these individuals who spend more time in unemployment and what else happens in the surrounding labor market.

You know, first of all we are always concerned if individuals stay in unemployment longer that they become long term unemployed and then are at the risk of the many adverse outcome that we typically see with the long term unemployed. On the other hand they may be searching for better jobs and so giving them more time to search is actually better.

And the good news is that we - this is something that we can actually look at in this data is that did these individuals who did spend more time in unemployment actually seem to be getting better or worse job. And the other question is well particularly in this crisis we may have wanted individuals to stay home and maybe that these benefit extensions actually prevented infection and death by COVID-19 and that's also to some extent something we can address directly with this data.

And the other thing that's very important to keep in mind even though some individuals, those who are receiving UI and those that were affected by these

benefit changes may take more time to find a job and be in unemployment longer that doesn't mean that the total unemployment rate increases because those jobs that go unfilled may be taken by other individuals who, you know, do not want to stay unemployed longer, they need the money, they're not eligible for UI or they, you know, don't have preexisting conditions. There are many reasons why some individuals search and others don't other than UI benefits. So what we find here is not evidence that these benefits, you know, raise the overall unemployment rate or lowered overall employment.

So I'm ready to conclude. I think we must be heading roughly to an on-time landing, I think we started a few minutes late but what I have shown you and is that the access to the individual level data allows some key insights into the unemployment crisis and especially, you know, some novel insights into a range of aspects of the UI system that have been very useful to us, I hope to the state of California but also that we have had a lot of questions from DC on some of these numbers. So these really had an impact.

And the good news is now we are in a position to really learn more about some of the effects of these extended benefit programs and the beauty is that we can really go back and compare what we're seeing during the crisis, similar, you know, very high quality estimates from before the crisis.

And so the takeaways are that, you know, this data has allowed us to potentially prove measurements of, you know, well incidents, adequacy and residency of UI benefits and right, we do see that, you know, in this preliminary estimate that much more generous UI benefits during the crisis are likely to have lower, you know, exit rates and raise the long term or raise unemployment for individuals who are affected. So I'm going to stop there and pass it back to Jim.

Jim: Thank you Till that timing was perfect and that was just a great lunchtime speech. I am going to urge people in the audience not to be shy with their questions. Please start putting them in the chat. I'm starting to see a few questions arising.

And before I turn it over to Earlene I want to ask - I want to take speaker's prerogative and ask one question. One of the most famous graphs in labor economics is what we call the Jacobson (unintelligible) and type of graph where you look at the huge earnings hit that these unemployed people hit incur and then they slowly recover back to what a control group of people who were not laid off during this unemployed crisis was. Have you started to do that with the California data?

Till: So that - Jim that's a great question and this is figure that I love of course and I have, you know, we replicate those with a, you know, the national data from SSA a while back and, you know, these - on typically a job loss during a mass layoff during recession leads to these very long losses and if they occur in the recession, you know, permanent earnings losses. And they can be much more benign if they happen to be in a boom and so very active industries.

But here, you know, you have to realize and you must know this from Census as well that we always have a lag in the receipt of the quarterly base wage file. So we just got the Quarter 3 and Quarter 4 and so that's exactly what they're working on. As we see people returning where we can see whether they're returning to, you know, lower paid jobs or similar jobs.

And that's what so interesting in this crisis is that the rate of - the number of individuals that report that they expect to be recalled to their employer is staggering and it's been high throughout the crisis. And so it will be so interesting to see whether, you know, their assumptions was right, there was

sort of the connection between these laid off workers and their employer all along or whether these very high recall expectations turned out to be unfounded and we have these job loss specs.

Jim: I would actually like to see the earnings gains or net earnings loss when they do return to their employer, do they return to the same hours. With that I'll turn it over to Earlene so she can ask questions from the chat.

Earlene Dowell: Thank you Jim and thank you Till. Operator do we - we're ready for questions on the phone.

Coordinator: Thank you and if you would like to ask a question please press Star 1 and record your name. And currently there are no questions in queue.

Earlene: Okay thank you and while we wait there were a few questions that did come in on the chat. And I just want to remind everyone to make sure that their questions are pertaining to the presentation with one follow up question. So with that one of the questions that came in was, we are garments manufacturers and exporters, is there any opportunity for us?

Till: You know, my crystal ball hasn't really started up yet so unfortunately that's going to be a tough one. And that's a very salient question especially in Los Angeles because we actually have a pretty active garment manufacturing industry that, you know, unfortunately that's a question I have a hard time speaking to.

What we can do is we can go pretty finely and see at the industry level which workers were affected and, you know, kind of answer your question and Jim's question which are the workers we're seeing experiencing longer term unemployment by industry.

So our March report looked at long term unemployment and we have focus on demographic and on one digit industry so you should definitely take a look at that. But we are working on having a more fine grain view of long term unemployment.

Earlene: Okay another question is, intuitively why does the eight week survival rate decline so sharply at the benefit kink graph on Slide 16?

Till: Yes thank there for the question. That's a good question and that's an interesting feature of all the regression kink designs of unemployment insurance where there seems to be possibly different effect of benefit levels and benefit replacement rates right.

To the right of the kink benefit level is constant but earnings are increasing and so the benefit replacement rate is falling quite rapidly. And so that matters well clearly that should lead to a drop off in the replacement rates right. And but to the left right, the benefit replacement rate was constant at 50% and we yet to see an increase with the benefit levels.

Earlene: All right at a 50% replacement rate the $100/week regression discontinuity is below the full time minimum wage. Could part of the increase exit rate below $100 be driven by previously part time workers taking a full time job with the intention of staying only temporarily so that they can make a new UI claim and get the $300 that are now available?

Till: Thanks Earlene for that question. I think that this is a great question because one feature as you saw in my first figure of this crisis and is partly true in prior recession is that the importance of additional claims. And what we also see there's a recently higher rate especially in certain industries of individuals

receiving partial unemployment insurance benefits meaning they're working part time while receiving UI.

And so there seems to be some churn and some employer attachment that's going on. And it's not small, it's quite substantial. And so the question is to what extent do these benefits, you know, support, you know, this partial employment or to what extent do some people and that's to your question, maybe strategically enter or exit unemployment benefits to take advantage of these benefit levels.

Now in this particular case the LWA was only available for six weeks and so I think this ability to kind of boost your benefits is basically not there because you have to have a full order of benefits in a base period and within a couple of weeks you're not going to raise your highest quarterly benefit level in the year before your claim.

Earlene: Next question, FERPA regulations have evolved to expand allowable research utility, do you foresee a similar evolution in federal UI regulations conceding that state laws may not evolve accordingly?

Till: That is a very interesting question. I don't Keith whether you would like to expand a little bit on this. Certainly it's been true that in the past the UI claims data has been used for research but only through contractors or mainly through contactors for the Department of Labor for very large evaluations but there's certainly important exceptions.

And, you know, what we have learned that you don't just, you know, load up the data and get working it takes many, many months of understanding this very complicated data before you can actually use it for anything meaningful. And we were got lucky to some degree that we have individuals working at

LMID and had already become to some degree UI data experts and so we could hit the ground running in the crisis.

So I think going forward right we want to move from the state by which some of this data is used some of the time where, you know, there's a larger number of individuals that deeply understands the data. And that number of individuals shouldn't just be in the different UI branches where clearly every state has experts in the data but these individuals especially in recessions of course tied up with running the program.

So thinking carefully of how we provide access to the data is certainly a great idea. And I'd be curious as to your view and maybe continue the conversation later to what extent this is a mechanism to which that can happen.

Another thing that's of course important if you have tried to use the published data from the Department of Labor you'll find that there is a substantial amount of information at the state level unemployment insurance claims but you have to work for it. And it's often ultimate understood by the press and you could see if you need, you know, four people with a PhD in economics to understand what these numbers are right that, you know, the Wall Street Journal might confuse extensions claims and the regular UI claims. It's just not made really for public consumption. And I think it would be good for the UI system if we had more readily available published data as well.

Keith: Yes Till if I could just take 20 seconds as a comment, thank you for responding to that question. My background as an LMI Director bringing to the Census I certainly will take you up on your offer to work with you and Jim. I want to share some exciting potential projects we're working on Census but as someone who is somewhat intimately familiar with the UI information absolutely I agree with you.

And I certainly want to reach out to our LED partners on the phone and I'm not looking to come knocking on your door and ask for all of your UI data but just I spent nine years of my life in higher education research and saw FERPA evolve over that time. Working with the Employment and Training Administration and other federal entities looking to see a brighter future for access to UI data and how we can make it more understandable. So thank you Till.

Till: And thanks a lot Keith. And I do - and I have seen that given the knowledge on UI claims seems to be very concentrated in the various state agency, you know, this ability to free up resources by farming out some of that research to maybe academic partners can really create value right.

We work for free. We have, you know, people working 24/7 if they can on the data and that really breaks it down and allows them for the data to be used by the agencies themselves on a more regular basis.

Earlene: All right Till and we have just one more question. Universal basic income is a topic that's come up a lot recently. I know cities in California have been experimenting with it and there are efforts to pass UBI at the statewide level. Do you have any insights on how this may impact employment stability? Do you have any plans to track UBI against UI claims?

Till: You know, that's a very interesting question. We ourselves aren't involved with UBI but there are UBI experiments. And we have been trying where we can to, you know, be the matchmaker and lower the bar for accessing some of the state's administrative data that makes this evaluation just much, much cheaper.

And so I wouldn't be surprised if eventually somebody could study the effects of UBI experiment using the claims data and in fact there are already preexisting channels that individuals have used for, you know, to evaluate experiments using especially the base wage file.

I think right now, you know, these UBI experiments are relatively localized and so I don't think they're going to have a big sort of macro effect on unemployment. There's a bigger question in the air is like what would, you know, a broader more generous UBI do. And, you know, our colleagues at the California Policy Lab who also spent quite a bit of time working and thinking about this think that, you know, an extension of the EITC is a much more likely and now, you know, is more, you know, fiscally feasible. And we know a lot more about how that can look like so. I really like that question and I'm also watching what's happening with the California experiment.

Jim: So Till before we leave I'm going to take chair's prerogative and ask one more question. You may not be the ideal person to ask this of but many people in our - many people listening in today are from small states that have cross border cities such as Maryland, DC, Virginia, New Jersey, New York. How has only having California data and not Arizona or Oregon, affected anything that you and your team have done?

Till: You know, this is sort of the trick question of the UI claims data in a way. So we just gave a presentation before abroad, you know, US Department of Labor team on the residency rate, something that they're working on and that was the first question that somebody from the Employment Training Administration asked.

And so we know across who are across state claimants and so we focus on claimants that have an address in California right. And so because we've had

very little information say on the base wage earnings of people's other earnings in other states. I think having especially for some other and smaller states on the East Coast for example having a multitude of UI claims data put together is certainly a very useful asset.

And there are, you know, other things we can in principle do like for instance publish, you know, cross state claims data but that mix - that merge of state's UI claims data is certainly very valuable and has been sort of identified. I'm also part of a taskforce of the National Association of Social Insurers on UI reform and, you know, we're going to come out with that report in the summer. But certainly this question of cross state claims has been, you know, identified as one potential issue and aspect for me that's certainly true for the data as well. Yes great question.

Jim: This would be the point in a normal conference where we all stand up and thank you and applaud. So let me take that role and thank you very much. This was a very enjoyable hour, thank you again.

Till: Thank you Keith.

Jim: I'm now going to turn it over to Rachel Moskowitz.

Keith: Actually no you're not Jim, you're going to turn it back to me.

Jim: Okay.

Keith: Thank you Jim and Till. Super excited to hear about your work Till. Certainly again we'll take you up on that offer to kind of reconnect with you with Jim. I want to share with you in particular one fascinating project that we're just in the very preliminary stages of exploring. So thank you Till that little applause

came from my phone so very much appreciate it. Thank you for taking the time today.

Till: Thank you it was a great pleasure to be here.