Unemployment Insurance Monthly Benefits, Pay Frequency, and Claimants' Job Search Behavior

Guangli Zhang (guangli@wustl.edu)
Social Policy Institute, Washington University in St. Louis
Sinquefield Center for Applied Economic Research, Saint Louis University

[Summary]: this paper presents evidence that non-monetary aspects of policy design, such as the timing and frequency of payments, can have an impact on claimants' job search behavior, likely through the consumption smoothing (liquidity) channel.

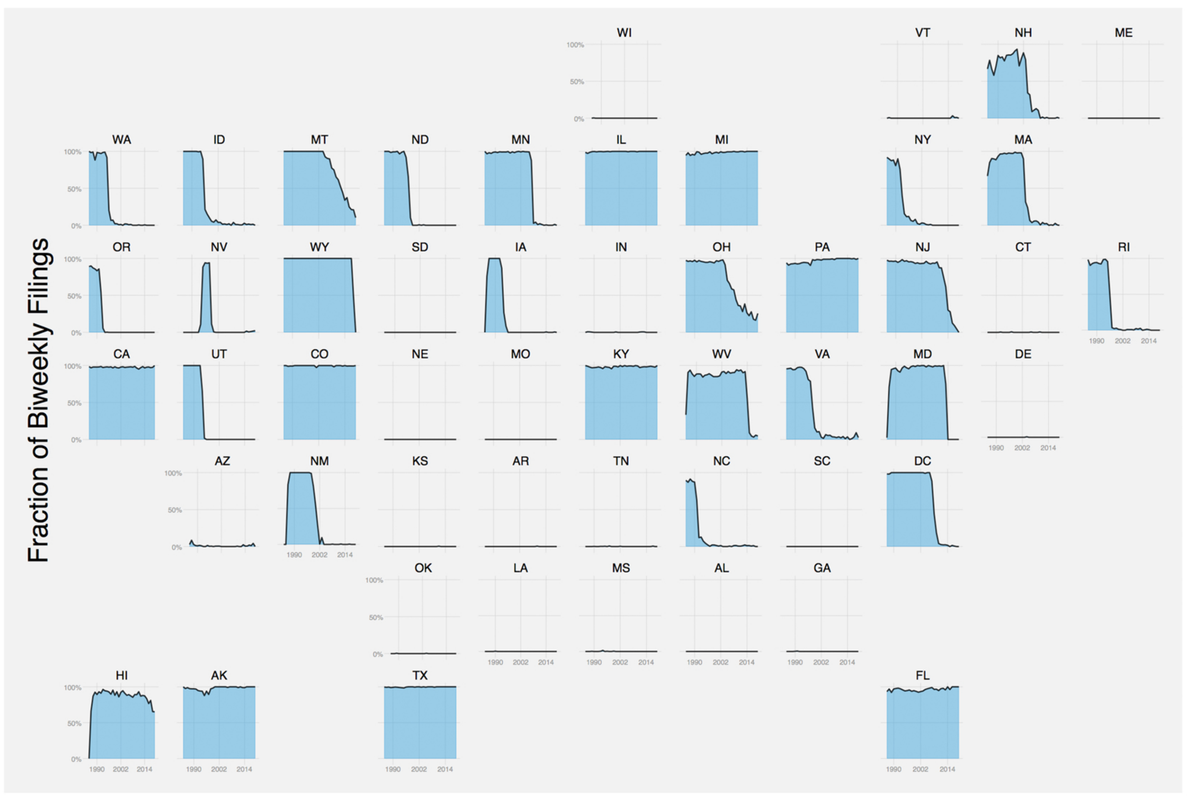
[Dataset]:

Benefit Accuracy Measurement;
Survey and Income and Program Participation;
Annual Survey of Public Employment & Payroll

I. Changes in Pay Frequencies from Biweekly to Weekly

[Potential Mechanism]: Eaiser to smooth consumption (budget expenditure) when benefit path is more consistent over time.

[Variation 1]: State Level staggered change in benefit payment schedules

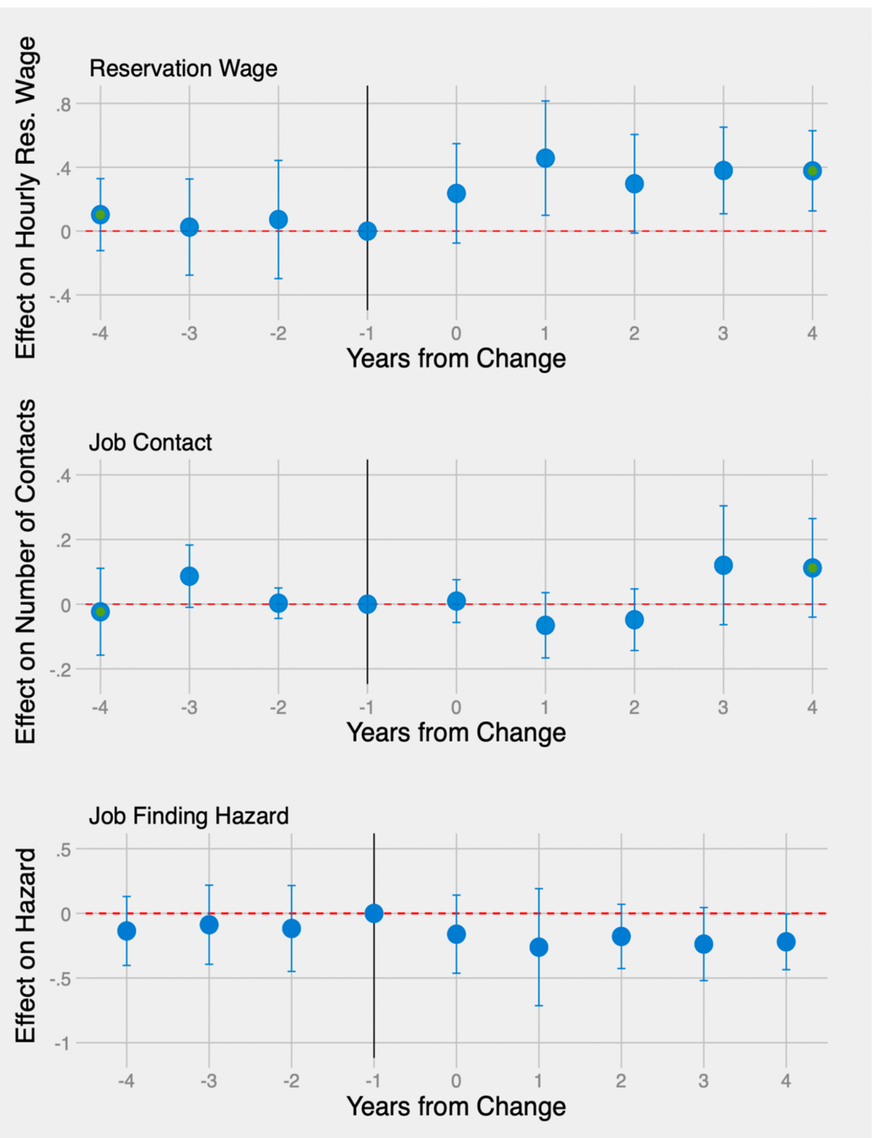


[Finding 1]:

Reservation Wage: +***

Job Contact: (null effect)

Reemp. Hazard: --**



This aligns with the mechanism that a more stable income stream enhances liquidity for UI claimants, enabling them to be more selective in their search.

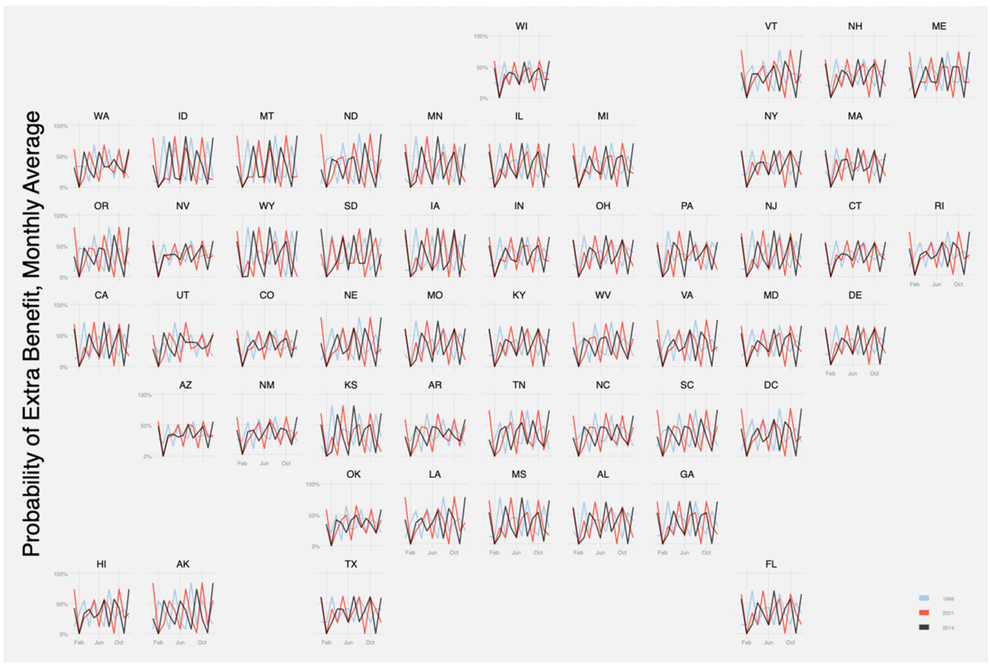
(Bonus finding: no effect on state government administrative costs.)

II. Fluctuation in Monthly Benefit Profile

[Potential Mechanism]: the existence of regular monthly consumption commitements (e.g., rent, mortgage) means that receiving an "extra" benefit check within a given month can provide additional liquidity, enabling UI claimants, who struggle with consumption smoothing, to extend their job search duration.

[Variation 2]: State-Year-Month level variations in the likelihood of "extra" benefits

$$Pr(Extra)_{s,y,m} = \Sigma_{dow=1}^{7} frac\ paid_{dow,s,y,m} \times \mathbb{1}\{has\ 5\ days\}_{dow,y,m}$$



[frac paid on DOW] obtained from the BAM admin. survey

Evenly distributed: less fluctuation

Concentrated: more fluctuation

[Finding 2]:

Hazard: --*** for people w/ some liquidity prior to layoff.

Res. Wage: (null effect)

Job Contact: (null effect)

Table 4: Effect of the Extra Benefits Probability on Claimants' Job Finding Hazard, by Net Liquidity

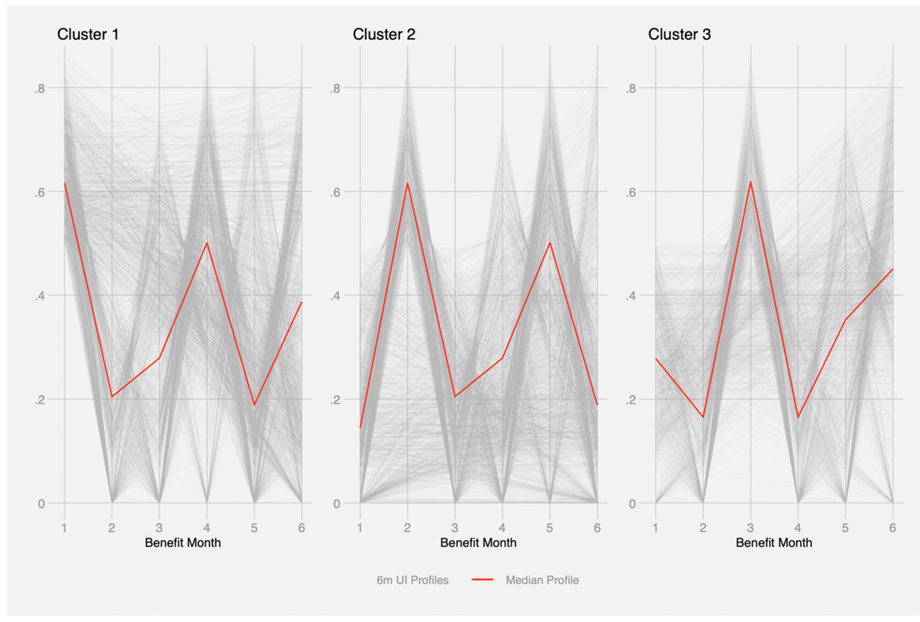
	(1)	(2)	(3)	(4)	(5)
ProbExt (lead)	-0.10197				
	[0.09008]				
ProbExt × Q1		-0.00905	0.03292	0.04955	0.07716
		[0.10597]	[0.11455]	[0.11537]	[0.16763]
ProbExt × Q2		-0.02281	0.01323	0.01808	0.14256
		[0.11979]	[0.12592]	[0.12402]	[0.18579]
ProbExt × Q3		-0.27639***	-0.24308**	-0.23533**	-0.34194***
		[0.10024]	[0.10062]	[0.10177]	[0.13030]
ProbExt × Q4		0.04360	0.06728	0.05318	-0.00735
		[0.09641]	[0.10941]	[0.10696]	[0.12806]
Outcome	Job Finding Hazard	Job Finding Hazard	Job Finding Hazard	Job Finding Hazard	Job Finding Hazard
Controls	Yes	No	No	Yes	Yes
Net Wealth	Yes	No	No	No	No
Total Wealth	No	No	No	No	Yes
Year FE, Month FE	Yes	No	Yes	Yes	Yes
State FE	Yes	No	Yes	Yes	Yes
Occupation FE, Industry FE	Yes	No	Yes	Yes	Yes
Clusters	42	42	42	42	42

Notes: This table shows the estimated impact of of (lead) Extra Benefits Probability on UI claimants' job search outcomes by interacting pre-unemployment net liquidity quartiles with *ProbExt* using sample from SIPP. Columns 2 to 5 are Cox models stratified by net liquidity quartiles. Columns 2 to 5 also includes additional interacts between pre-unemployment wage, industry and occupation with net liquidity quartiles. Standard errors are clustered at the state level. Significance: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

[Variation 3]: The timing of "extra" benefit months (1st, 2nd, or 3rd month in the profile)

Clustered all potential 6-months UI benefit profiles:

Cluster 1: >50% in m1
Cluster 2: >50% in m2
Cluster 3: >50% in m3



[Finding 3]: Claimants (w/ Q4 pre-ue net liquidity) takes longer to find a job when they are in a benefit profile with >50% of receiving benefit in the first month of their UI spell.

Table 6: Effect of UI Benefit Profiles on Claimants' Job Finding Hazard

	(1)	(2)	(3)	(4)	(5)	(6)
UI Profile 1 (*omit*)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
	[.]	[.]	[.]	[.]	[.]	[.]
UI Profile 2	0.01171	0.09993**	0.09096	-0.07519	0.03730	0.10393*
	[0.03947]	[0.04664]	[0.09292]	[0.09133]	[0.07733]	[0.05923]
UI Profile 3	0.02175	0.05663	-0.02827	0.06561	0.02357	0.12105**
	[0.04053]	[0.04955]	[0.08435]	[0.08838]	[0.07286]	[0.05557]
Outcome	Hazard	Hazard	Hazard	Hazard	Hazard	Hazard
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Net Wealth	No	Yes	Q1	Q2	Q3	Q4
Total Wealth	No	No	Yes	Yes	Yes	Yes
Year FE, Month FE	No	Yes	Yes	Yes	Yes	Yes
State FE	No	Yes	Yes	Yes	Yes	Yes
Occupation, Industry FE	No	Yes	Yes	Yes	Yes	Yes
Clusters	42	42	42	42	42	42

Notes: This table shows the estimated impact of switching to weekly pay schedule on UI claimants' job finding hazard. Columns 2 is the preferred specification. Columns 3-6 estimates the effect of UI profile on hazard separately by claimants' pre-unemployment net wealth quartiles, while controlling for pre-unemployment total wealth. Standard errors are clustered at the state level. Significance: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.