

# Employment, Earnings, and Unemployment Insurance During the COVID-19 Pandemic

## An Analysis of Participants in the Subsidized and Transitional Employment Demonstration

By Danielle Cummings

### Introduction

The COVID-19 pandemic dramatically changed the employment landscape, with effects that have persisted for three years after its onset. As businesses closed or shifted operations, many workers lost their jobs, worked reduced hours, lost childcare, or otherwise experienced negative changes to their income and ability to work. These shifts disproportionately affected people of color, women, parents of young children, and workers earning low wages, exacerbating longstanding systemic inequities. Further, in the first year of the pandemic, a smaller proportion of families with low incomes accessed COVID-19 relief measures, such as expanded Unemployment Insurance (UI) benefits, compared with families with higher incomes. Many families who did access these relief measures found them insufficient.<sup>1</sup>

Despite this, COVID-19 relief measures led to a decline in poverty in 2020, which suggests that there is more to learn about how earnings and UI benefit receipt during the COVID-19 era fluctuated among individuals who have historically faced greater obstacles to getting and keeping jobs.<sup>2</sup> This brief uses quarterly data from the National Directory of New Hires—a national employment database maintained by the federal Office of Child Support Enforcement within the Administration for Children and Families at the U.S. Department of Health and Human Services—to explore the COVID 19-era employment, earnings, and UI benefit receipt of 8,800 study participants from the Subsidized and Transitional Employment Demonstration (STED). See Box 1 for more information about STED.<sup>3</sup>

Comparing the two years before and two years after the onset of the COVID-19 pandemic, this brief aims to answer the following questions:

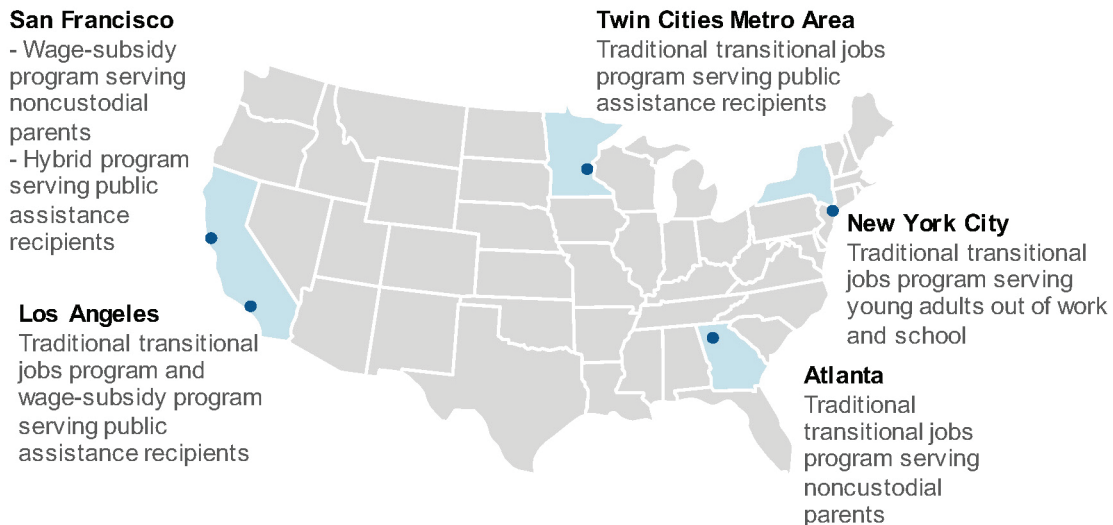
- How did employment and UI benefit uptake change among sample members when the COVID-19 pandemic began?
- How did earnings and the amount of UI benefits received by sample members change when the COVID-19 pandemic began?
- How did employment, earnings, and UI benefit receipt vary across subgroups of study participants during the COVID-19 era?

## BOX 1. About the Subsidized and Transitional Employment Demonstration

### THE PROJECT

In 2010, the U.S. Department of Health and Human Services launched the Subsidized and Transitional Employment Demonstration (STED), a large-scale research project designed to build rigorous evidence on the effectiveness of the latest generation of subsidized employment models. Led by MDRC, STED included random assignment studies of eight subsidized employment programs, in which the government pays at least a portion of participants' wages with the goal of supporting their transition to unsubsidized jobs. The programs tested were either Traditional Transitional Jobs programs that offered temporary subsidized jobs and job search assistance, Wage Subsidy programs that offered temporary subsidized jobs with employers that intended to hire participants into unsubsidized positions at the end of the subsidy period, or Hybrid programs that combined elements of the two other program types. The programs served individuals receiving public assistance, noncustodial parents (individuals without primary custody of one or more children) who owed child support to their children's primary custodian, or young adults who were out of work and school.

The studies were conducted in seven sites—or organizations that ran the programs—though this analysis includes only six of those sites because of insufficient data for the omitted site. Individuals eligible for and interested in participating in the programs in this project were randomly assigned to either a program group that was offered access to STED programs or a control group that was not.



### THE RESEARCH DESIGN

Each study included an impact analysis that compared average outcomes for the program and control groups, and systematic differences in outcomes were attributed to the program.

(continued)

## BOX 1 (continued)

### THE FINDINGS

All of the programs studied increased employment during the first year after study enrollment, and six of the seven programs increased overall earnings over the same period. The programs connected participants to employment and increased their earnings earlier in the follow-up period—which varied from two to five years—compared with their control group counterparts, indicating that these programs offer participants an effective on-ramp to employment.

Several programs saw longer-lasting employment and earnings benefits among their participants. The estimated effects of the San Francisco Wage Subsidy and Hybrid programs and the Los Angeles Traditional Transitional Jobs program remained substantial through four or more years. By contrast, the effects of the Atlanta, Twin Cities, New York City, and Los Angeles Wage Subsidy programs had faded between two and four years after study enrollment.

## Methods

To investigate the relationship between COVID-19 and employment, this analysis examines how employment rates, average earnings, and UI benefit receipt changed when the pandemic became widespread in the United States at the end of the first quarter of 2020. To account for seasonal and annual variation, as well as the way the employment landscape shifted throughout the pandemic, this analysis looks at data across the two-year period before and the two-year period after COVID-19 became widespread.<sup>4</sup> See Table 1 for how this brief defines earnings and other key terms.

**Table 1. Key Terms**

In this report, the term...	Refers to...
Earnings	The dollar amount earned through paid employment
Unemployment insurance (UI) benefit amount	The dollar amount of UI benefits received
Income	The combination of earnings, UI benefits, and any other sources of money an individual receives, such as government cash assistance

This analysis combines groups that would probably have experienced the employment effects of COVID-19 similarly. Specifically, the analysis combines all research groups at each individual STED site to focus on variation due to COVID-19 rather than any remaining variation due to the

programs tested in each site.<sup>5</sup> A complementary brief examines the long-term impacts of the STED programs.<sup>6</sup>

The employment and earnings data include jobs that are covered by UI, or “formal” employment, but do not include jobs in the informal economy, such as domestic work, day labor, and babysitting. However, reporting of pandemic UI benefits to the National Directory of New Hires may have varied by state, so there is a chance that some states reported UI benefits for individuals whose wages were not reported to the National Directory of New Hires, perhaps leaving an incomplete picture of income from earnings and UI benefits. See Box 2 for more information on enhanced UI benefits programs during the COVID-19 pandemic.

### **BOX 2. Background on Enhanced Unemployment Insurance Benefits**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act created several temporary Unemployment Insurance programs, including Pandemic Emergency Unemployment Compensation (PEUC) and Federal Pandemic Unemployment Compensation (FPUC). PEUC extended the period unemployed people could collect benefits by 53 weeks. The program expired on September 6, 2021. FPUC provided an additional \$600 weekly to Unemployment Insurance benefits through July 31, 2020, then was modified and extended to provide an additional \$300 weekly from December 26, 2020 through September 6, 2021.\* Together, these programs aimed to provide income support for workers who lost their jobs during a tumultuous period.

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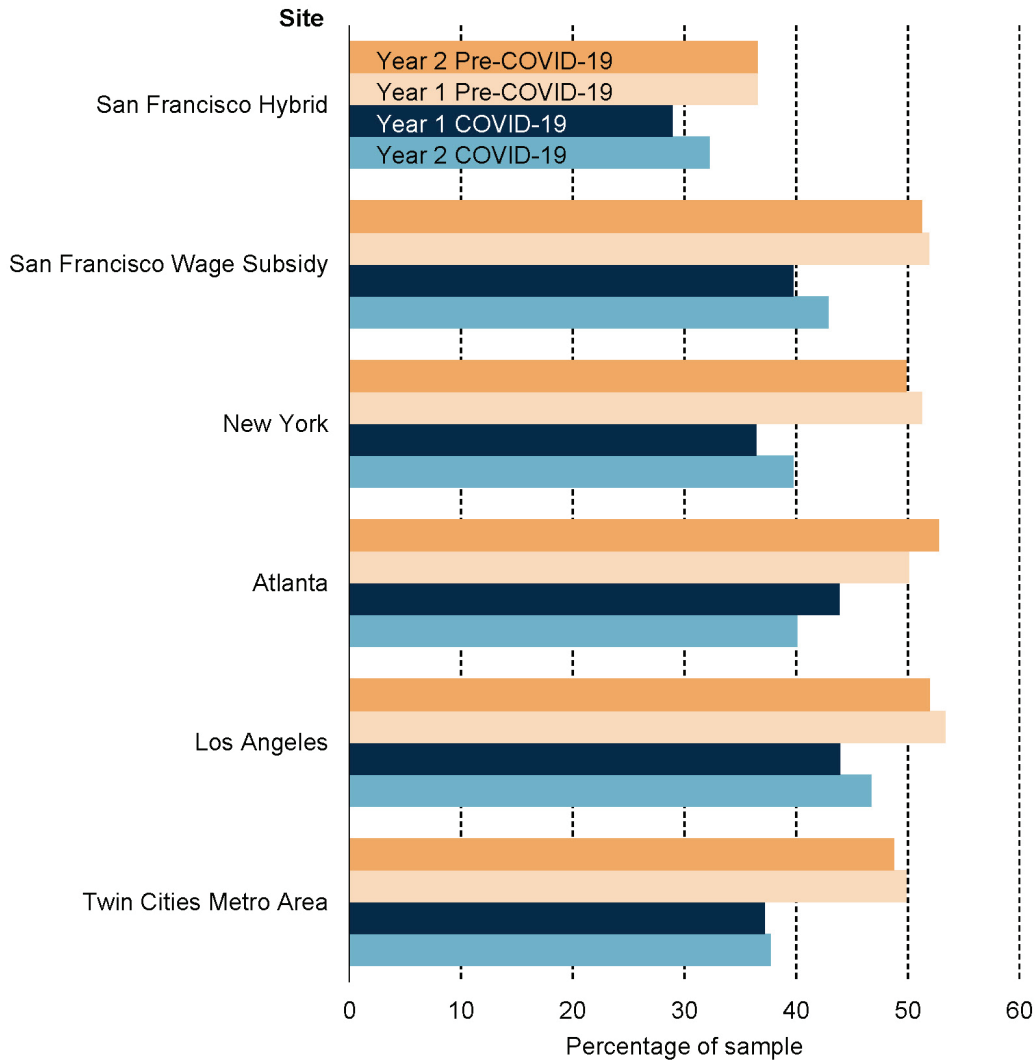
NOTE: \*No supplemental payments were issued for people who would have been eligible during the gap between July 31, 2020 and December 26, 2020.

## **How Did Employment and UI Benefit Uptake Change Among Sample Members When the COVID-19 Pandemic Began?**

### **EMPLOYMENT INTERRUPTIONS**

The pandemic forced many people out of their jobs for some or all of 2020 and beyond, leaving many facing inconsistent and unpredictable employment. This analysis examines the STED sample’s COVID-19-era employment interruptions by comparing the proportion of study participants who were employed in every quarter in each of the two years before the start of the pandemic with each of the two years after.<sup>7</sup> As seen in Figure 1, the percentage of participants who were continuously employed for one year dropped in every program at the onset of COVID-19, from 6 percentage points in the Atlanta program to 15 percentage points in the New York City program.<sup>8</sup> New York City was hit the hardest and earliest by COVID-19 and experienced some of the strictest stay-at-home orders among the sites, perhaps contributing to the site’s relatively large decrease in continuous employment.<sup>9</sup>

**FIGURE 1. Percentage of Sample Employed in Formal Jobs in Four Consecutive Quarters During the Two Years Before and the Two Years After the Onset of COVID-19 (Q2 2020)**



SOURCES: MDRC calculations based on program records and employment and earnings data from the National Directory of New Hires.

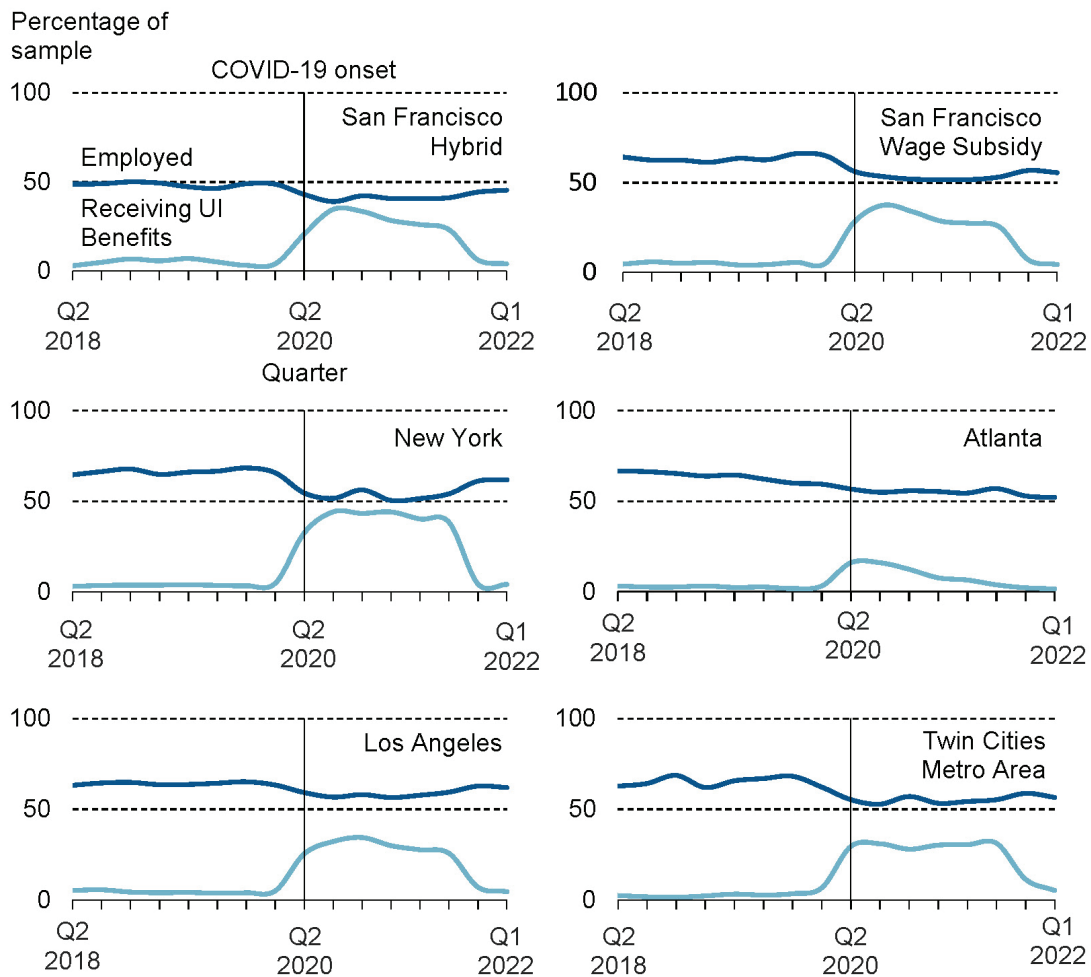
NOTES: Year 2 Pre-COVID-19 = Q2 2018–Q1 2019. Year 1 Pre-COVID-19 = Q2 2019–Q1 2020. Year 1 COVID-19 = Q2 2020–Q1 2021. Year 2 COVID-19 = Q2 2021–Q1 2022.

Most sites saw an increase in continuous employment during the second year of the pandemic, but Atlanta—the site that experienced the smallest decrease in continuous employment in the first year of the pandemic—experienced an additional four percentage point decrease in continuous employment during that year. For reference, Georgia experienced two large COVID-19 waves resulting in high hospitalization rates in the second year of the pandemic, compared with only one large wave in the first year. Hospitalization rates in other sites tended to be more evenly spread across the two years.<sup>10</sup>

## QUARTERLY EMPLOYMENT

Figure 2 shows quarterly formal employment and quarterly UI benefit receipt over the analysis period. Each site experienced a small drop in employment between the first and second quarters of 2020, with the Atlanta site experiencing the smallest drop (2.6 percentage points) and the New York City site experiencing the largest drop (11.1 percentage points). All states represented in the study had a lockdown or stay-at-home order during some portion of the second quarter of 2020.

**FIGURE 2. Formal Employment and Unemployment Insurance (UI) Benefit Receipt During the Two Years Before and the Two Years After the Onset of COVID-19 (Q2 2020)**



SOURCE: MDRC calculations based on National Directory of New Hires data.

NOTE: COVID-19 onset is defined as Q2 2020.

With the exception of the New York City program, the sample's employment rate dropped less than the national employment rate, which fell 9.2 percentage points between the first and second quarters of 2020.<sup>11</sup> Although the data do not include information on participants' job

types, it is possible that the sample had a relatively large share of people who could not afford not to work or essential workers—in industries such as healthcare, retail, and transportation—than the overall population and therefore experienced less immediate job loss.

## UI BENEFIT RECEIPT

As individuals lost their jobs in the second quarter of 2020, they appear to have quickly accessed UI benefits. Figure 2 shows that UI benefit receipt rates jumped during the second quarter of 2020, though they peaked in most sites one quarter later. In their peak quarters, New York City saw the largest share of its sample access UI benefits (44 percent), while Atlanta saw the smallest share of its sample access UI benefits (16 percent), which reflects the rates of job loss in each of those sites.

Although UI benefit uptake appears to be substantially higher than the associated job loss, this is probably because some people were employed for some part of these quarters and accessed UI benefits while they were unemployed during a different part of the quarter. This phenomenon offers a glimpse into the unpredictability many faced during the pandemic, where one might, for example, have been unemployed one month, working the next month, and unemployed again in the third month of a single quarter. This phenomenon also highlights a limitation of this analysis: With quarterly data, it is not possible to see the day-to-day employment fluctuations that participants experienced.

The increase in UI receipt relative to the two years prior to COVID-19 lasted for a year or more in all sites. This mirrors the timeframe of the Coronavirus Aid, Relief, and Economic Security (CARES) Act's temporary unemployment insurance programs. UI benefit receipt was lower among Atlanta participants as compared with other sites. Though various factors may have contributed to this, the following factors likely played a role:

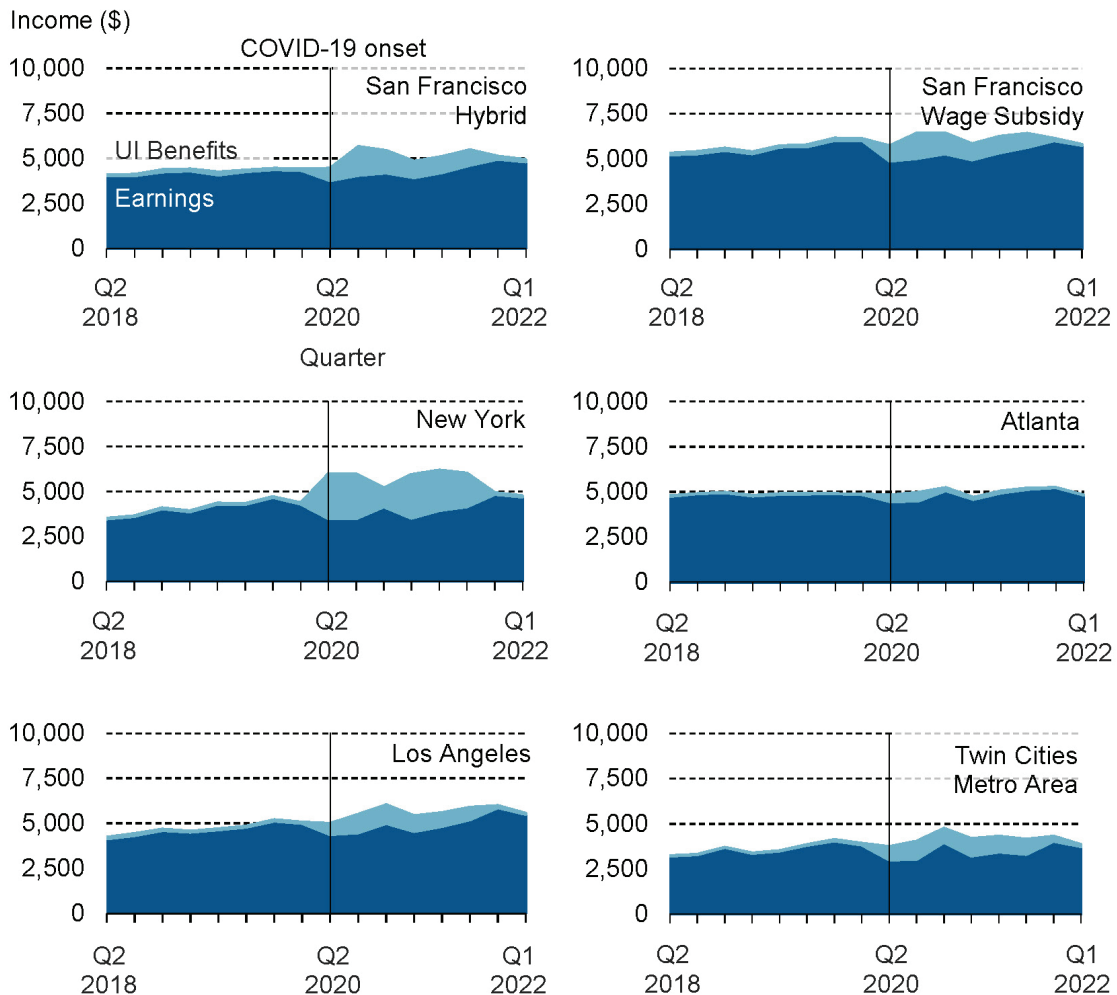
- The Atlanta sample had the smallest drop in employment, perhaps resulting from the fact that Georgia had the least restrictive and shortest-lasting lockdown and stay-at-home orders among the states included in this analysis.<sup>12</sup> Further, by the time Georgia faced its largest COVID-19 waves, improvements in diagnosis and treatment mitigated employment disruptions associated with COVID-19 infection.
- Georgia's UI pandemic response was beset by significant delays that may have discouraged participation in the program.<sup>13</sup>
- An investigation found that Georgia's UI system disproportionately denied Black workers' unemployment applications: Black workers whose employers paid into the UI system had their applications denied at over twice the rate of White workers.<sup>14</sup> Over 90 percent of Atlanta study participants identify as Black, so a large proportion of study participants may have experienced this bias.
- Georgia opted to terminate its agreement to pay COVID-19 UI benefits on June 26, 2021, before the CARES Act's September 6, 2021 end date, so its receipt rates taper off before those of other sites.<sup>15</sup>



## HOW DID EARNINGS AND THE AMOUNT OF UI BENEFITS RECEIVED BY SAMPLE MEMBERS CHANGE WHEN THE COVID-19 PANDEMIC BEGAN?

To examine whether the enhanced UI benefits programs helped replace sample members' lost earnings resulting from their unemployment, Figure 3 shows quarterly UI benefits stacked on quarterly earnings over the two-year period before and the two-year period after the onset of COVID-19. UI benefits appear to have replaced lost wages, with total quarterly income from UI benefits and earnings averaging higher in the two-year period after the onset of COVID-19 than in the two years prior to the onset of the pandemic in every site, despite decreased earnings. The enhanced UI benefits were progressive in nature, offering a set additional

**FIGURE 3. Average Earnings and Unemployment Insurance (UI) Benefits During the Two Years Before and the Two Years After the Onset of COVID-19 (Q2 2020)**



SOURCE: MDRC calculations based on National Directory of New Hires data.

NOTE: COVID-19 onset is defined as Q2 2020.



amount regardless of previous income, which means that the benefits replaced a larger share of income among people earning lower wages. Still, although many sample members accessed UI benefits, most sample members did not stop working altogether. However, although employment steadily recovered throughout the COVID-19 period, sample members in many sites were on a slight positive earnings trajectory in the period before the pandemic, on average, and that trajectory was stalled by COVID-19.

Figure 4 shows annual formal earnings combined with annual UI benefits. This demonstrates even more clearly that across all sites, enhanced UI benefits helped replace and often temporarily exceeded lost earnings income resulting from the pandemic. However, it is important to consider the following factors:

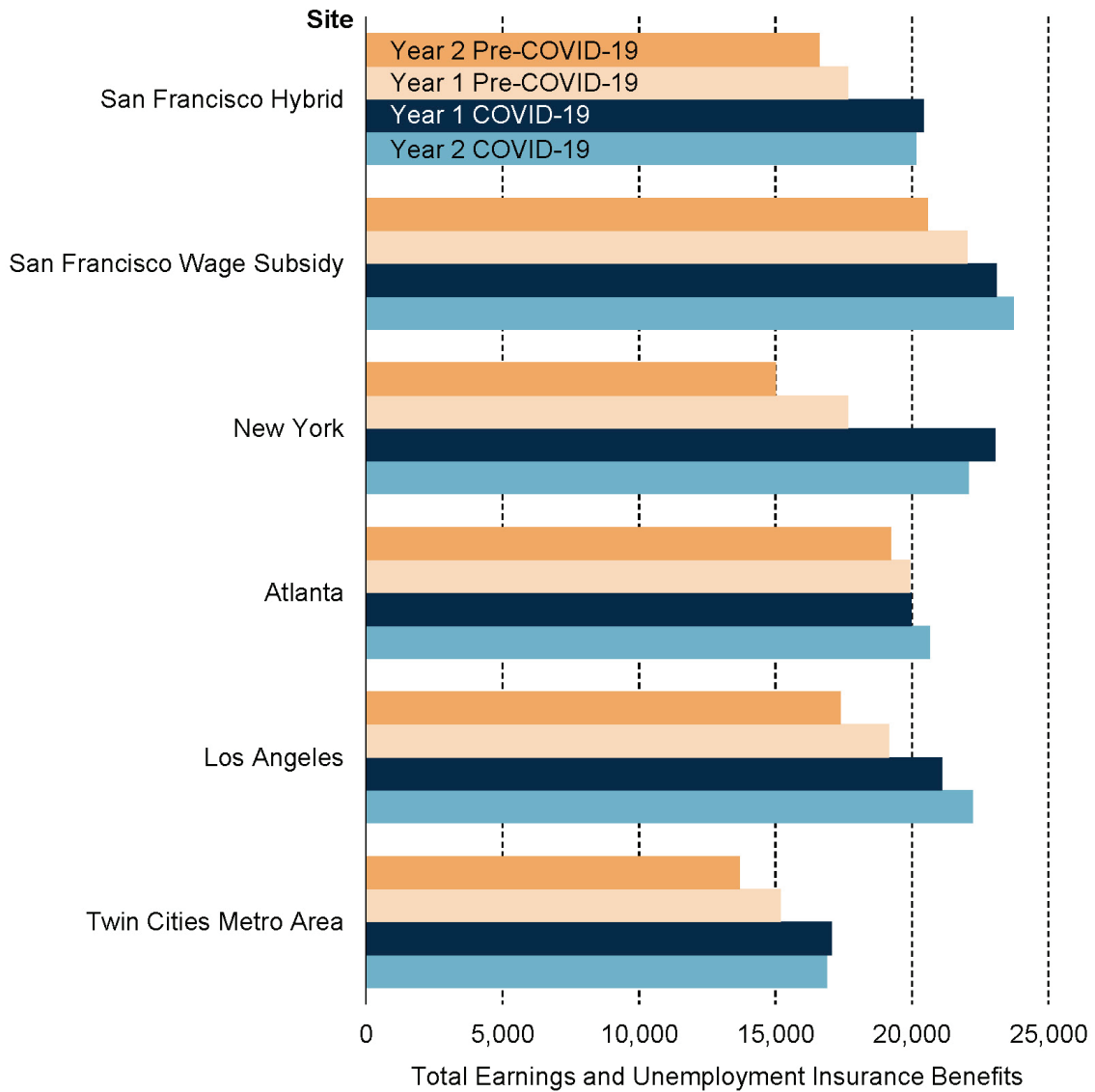
1. Several studies have found that the enhanced UI program did not substantially discourage employment.<sup>16</sup> In most sites in this analysis, earnings and employment recovered steadily throughout the follow-up period despite early dips, suggesting that most people were actively seeking work even while the enhanced UI program was in place.
2. Enhanced UI may have temporarily improved individuals' financial well-being, but not by enough to move them into a higher income bracket at any site, on average.<sup>17</sup> For example, even the highest level of combined earnings and UI benefits is under \$24,000 in San Francisco's Wage Subsidy site. In 2022, the median rent for a one-bedroom apartment in San Francisco was \$35,400 per year, and \$24,000 was less than 25 percent of the area median income for one person.<sup>18</sup>

## **HOW DO COVID-19-ERA EMPLOYMENT, EARNINGS, AND UI BENEFIT RECEIPT VARY ACROSS SUBGROUPS OF STUDY PARTICIPANTS?**

The analysis examined the percentage decrease in formal earnings that study participants experienced between the year before and the year after the onset of COVID-19 by education level and gender identity.<sup>19</sup> Differences by education level were small, but sample members with a high school credential at study enrollment consistently experienced smaller earnings decreases than those without a high school credential. There were no patterns in earnings differences by gender identity—at some sites participants who identified as female at study enrollment had larger earnings decreases than their male counterparts, while the opposite was true at other sites.

Findings were similar when examining the difference in UI benefit amount received over the same period. One would expect this UI benefit amount analysis to reflect the inverse of the earnings analysis, and this is generally the case. Study participants who experienced the largest earnings losses (for example, those without high school credentials) generally collected more UI benefits. One exception is the Twin Cities site, where those without high school credentials experienced greater earnings losses than their peers but also collected slightly less in UI benefits.

**FIGURE 4. Combined Annual Formal Earnings and Unemployment Benefits During the Two Years Before and the Two Years After the Onset of COVID-19 (Q2 2020)**



SOURCES: MDRC calculations based on program records and employment and earnings data from the National Directory of New Hires.

NOTES: Program and control groups are combined in this chart. Year 2 Pre-COVID-19 = Q2 2018–Q1 2019. Year 1 Pre-COVID-19 = Q2 2019–Q1 2020. Year 1 COVID-19 = Q2 2020–Q1 2021. Year 2 COVID-19 = Q2 2021–Q1 2022.

## Conclusion

Overall, STED study participants experienced earnings setbacks during the pandemic period, and enhanced UI benefits helped stabilize their income. Study participants experienced a dip in employment and earnings in the period after the onset of COVID-19, but the dip was generally smaller than that seen in the general population. Employment and earnings mostly recovered to pre-pandemic levels by the first quarter of 2022, on average, but several sites were on a slight positive earnings trajectory in the period before the pandemic, and the effects of COVID-19 seem to have stalled earnings progress.

Most sites saw a large proportion of participants access enhanced UI programs, and the combination of formal earnings and UI benefits matched or slightly exceeded pre-pandemic earnings levels, on average. Critics of enhanced UI benefits programs have argued that these programs disincentivize work, but this does not appear to have been the case for most in the STED study sample. Across all sites, earnings had nearly or entirely rebounded to pre-pandemic levels during the second year of COVID-19. Across most sites, employment rates climbed steadily after reaching their lowest level in the second and third quarters of 2020, suggesting that many study participants who had temporarily lost their jobs due to COVID-19 regained jobs within the period covered by the enhanced UI programs. Instead, enhanced UI programs appear to have provided an essential safety net to many individuals whose jobs were lost and whose employment prospects were unpredictable or nonexistent.<sup>20</sup>

## Notes and References

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2. John Creamer, “Supplemental Poverty Measure That Accounts for Additional Government Benefits Lowest on Record at 7.8%” (Washington, DC: U.S. Bureau of the Census, 2022), website: <https://www.census.gov/library/stories/2022/09/government-assistance-lifts-millions-out-of-poverty.html>.
3. This analysis is part of the Building Evidence on Employment Strategies Project, which is funded by the Office of Planning, Research, and Evaluation within the Administration for Children and Families at the U.S. Department of Health and Human Services to evaluate the effectiveness of innovative programs designed to boost employment and earnings among individuals with low incomes. One STED program based in Chicago was not included in this extended analysis due to missing data.
4. The period before the pandemic spans the second quarter of 2018 until the end of the first quarter of 2020. The period after the pandemic spans the second quarter of 2020 until the end of the first quarter of 2022.
5. STED programs enrolled participants between March 2012 and June 2016. There were few remaining program impacts during the timeframe used for this analysis, and research groups appear to have experienced COVID-19 similarly, so combining research groups is unlikely to bias this analysis.

6. Danielle Cummings, “Effects of the Subsidized and Transitional Employment Demonstration After Eight Years, OPRE Report Number 2023-204” (Washington DC: Office of Planning, Research, and Evaluation Administration for Children and Families, U.S. Department of Health and Human Services, 2023).
7. Because the analysis uses quarterly data, employment interruptions that happen within a quarter are not reflected.
8. Program and control groups are combined in this descriptive figure to provide a general overall picture of earnings and employment over the analysis period. There were few differences between program and control group earnings during this period, and no patterns of statistically significant differences between program and control group unemployment benefit amounts.
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19. The analysis has a limited ability to explore how different demographic groups experienced the pandemic. Taking for example two groups disproportionately affected by the pandemic—people of color and parents of young children—there is not enough variation in race and ethnicity to examine subgroup differences, and the available data for parental status is very likely to have changed since it was collected at study enrollment. The analysis uses education level at study enrollment as an imperfect proxy for long-term earning potential but recognizes that education status is likely to have changed for many study participants.
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