

Policy Brief

The unemployment benefit boost: Trends in spending and saving when the \$600 supplement ended

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Unemployment benefits have taken on an unprecedented role in the U.S. economy during the COVID-19 pandemic. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed on March 27, 2020, expanded the scope of unemployment benefits in two ways. First, it authorized a \$600-per-week supplement, which hugely increased the value of unemployment benefits, such that the median jobless worker received unemployment benefits equal to 145% of their pre-job loss wages compared to 50% in normal times.¹ Second, the CARES Act expanded eligibility via the Pandemic Unemployment Assistance program, which allows contingent workers and self-employed individuals to receive unemployment benefits.² With these expansions of unemployment benefits and the sudden rise in the unemployment rate, unemployment benefits amounted to 7.0% of total personal income in June of 2020—a record far exceeding the 1.3% peak during the Great Recession.³

The \$600 weekly supplement expired at the end of July, however, causing the total value of unemployment benefits paid out to fall by 52 percent between July and August.⁴ While the federal government instituted a \$300-per-week supplement in Lost Wages Assistance (LWA), this program was slow to be implemented and has limited funds. By October 7, 2020, LWA funds had already been depleted for at least 36 of the 50 states.⁵

Cuts to unemployment benefits highlight the importance of understanding just how much the \$600 benefit supplement had boosted the spending and savings of the unemployed. We leverage de-identified Chase checking account and credit card data to measure the impacts of the expiration of the \$600 benefit supplement on spending and savings among roughly 80,000 families who received unemployment benefits in July and August 2020.⁶

Implications

- Spending of the unemployed increased by 22 percent upon receipt of unemployment benefits and declined by 14 percent in August with the expiration of the \$600 supplement.
- The unemployed roughly doubled their liquid savings over the four month period between March and July 2020 but then spent two-thirds of the accumulated savings in August alone.
- Eventually, without further government support or significant labor market improvements, jobless workers may exhaust their accumulated savings buffer, leaving them with a choice to further cut spending or fall behind on debt or rent payments.
- Policymakers can support aggregate consumption and financial stability among the unemployed by renewing some form of government support.

Key Findings

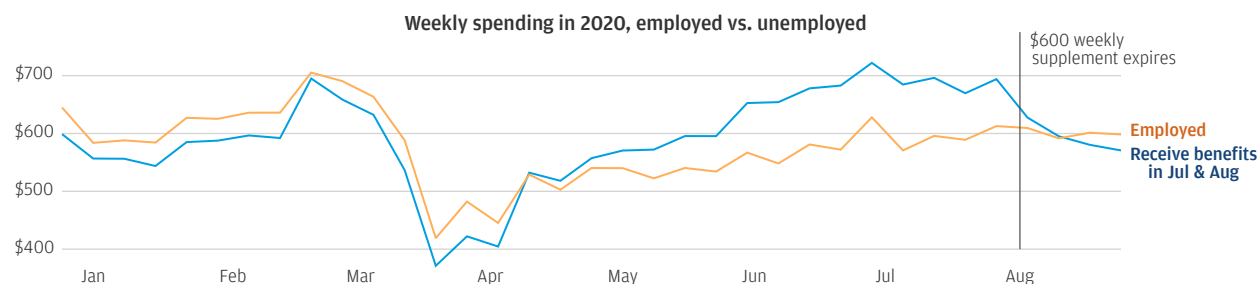
Finding 1: Spending of the unemployed increased by 22 percent upon receipt of unemployment benefits, exceeding their pre-job loss baseline, while spending of the employed had dropped relative to baseline.

Families who began receiving unemployment benefits in April of 2020 exhibited a 22 percent year-on-year spending increase upon benefit receipt, relative to spending of the employed.⁷ This pattern was quite different from the pattern observed in ordinary times, when unemployed spending fell upon receiving unemployment benefits.⁸ It is also surprising in light of the fact that [average spending](#) during this timeframe remained roughly 10 percent below baseline in July and August as a result of the pandemic. We attribute the rise in spending among jobless workers receiving unemployment benefits during the pandemic largely to the \$600 supplement.

Finding 2: With the expiration of the \$600 benefit supplement, spending of the unemployed declined by 14 percent in August roughly back to pre-pandemic baseline (Fig. 1).⁹

While spending of the unemployed was 11 percent higher than spending of the employed from April through July, it was 1 percent lower in August.¹⁰ The level of spending among the unemployed in August – about \$590 per week – is roughly equal to their average spending in January and February, prior to the pandemic and job loss. That said, the August spending decline among jobless workers in Figure 1 shows no signs of having plateaued, suggesting that that in future months, in the absence of additional government support, spending among the unemployed could likely decline below August levels.

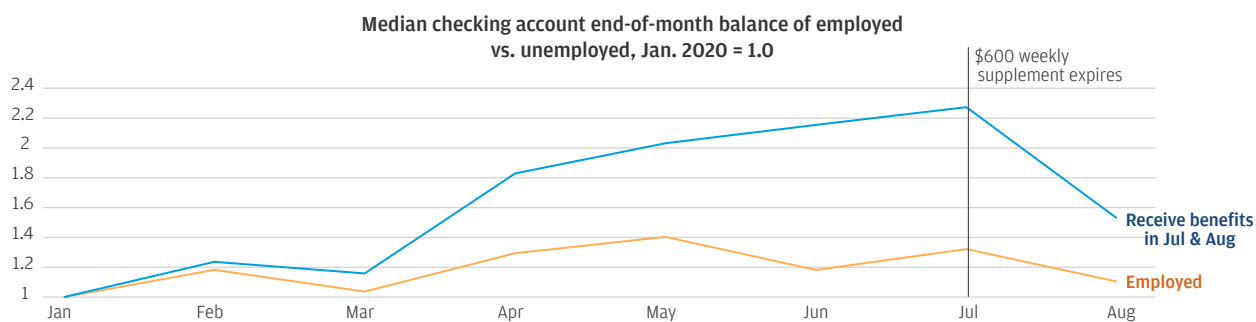
Figure 1: Spending of the unemployed grew upon unemployment benefit receipt, and declined when supplemental benefits expired in August.



Note: This figure shows weekly spending from January through August, 2020, among employed and unemployed households. Spending is defined as the sum of debit card and credit card outflows, cash withdrawals, and a subset of electronic outflows from checking accounts that can be categorized, for example as utility payments. The unemployed group includes Chase customers who receive direct-deposited unemployment benefits in every week of July and August, 2020, while the employed group is never observed receiving direct-deposited benefits in 2020.

Source: JPMorgan Chase Institute

Figure 2: Checking account balances among the unemployed roughly doubled between March and July 2020, then declined when the supplement benefits expired in August.



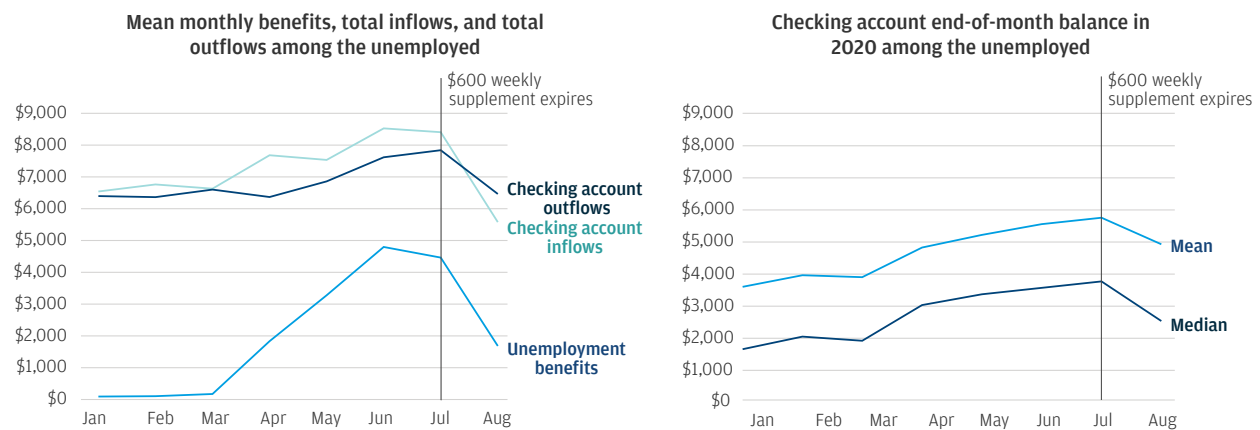
Note: This figure shows end-of-month checking account balances from January through August, 2020, among employed and unemployed households. The unemployed group includes Chase customers who receive direct-deposited unemployment benefits in every week of July and August, 2020, while the employed group is never observed receiving direct-deposited benefits in 2020. For families who hold multiple Chase checking accounts under the same primary user, we define checking account balance as the sum across all checking accounts.

Source: JPMorgan Chase Institute

Finding 3: The unemployed roughly doubled their liquid savings during the four month period between March and July 2020 but then spent two-thirds of the accumulated savings in August alone (Fig. 2).

The median end-of-month checking account balance increased from \$1,920 in March to \$3,770 in July because average account inflows exceeded checking account outflows in every month April through July (Fig. 3). The increase in inflows can be attributed to not just unemployment benefits, which were higher than pre-job loss earnings for three-fourths of workers, but also to Economic Impact Payments, which most families received in April. Yet in August, after the expiration of the \$600 unemployment benefit supplement, the median balance among jobless workers dropped by 33 percent to \$2,540, twice as much as the 16 percent drop in checking account balances among the employed in the same month.¹¹ In other words, typical unemployed families spent in just one month two-thirds of the additional savings that they had accumulated over the course of a four month period.¹²

Figure 3: Checking account inflows exceeded checking account outflows in every month from April through July, 2020.



Note: Checking account inflows and outflows are defined as the sum of all dollars flowing in and out of the checking account, respectively, in a given month. This includes transfers between accounts. Unemployment benefits are the subset of inflows that we identify as direct-deposited unemployment insurance. In the right-hand plot, checking account balance is defined as end-of-month checking account balance; for families who hold multiple Chase checking accounts under the same primary user, we define checking account balance as the sum across all checking accounts. The sample in this plot includes Chase customers who receive direct-deposited unemployment benefits in every week of July and August, 2020.

Source: JPMorgan Chase Institute

This analysis offers at least two important lessons for policymakers. First, it is clear that the spending of unemployed individuals increased with the arrival of unemployment benefits and decreased upon expiration of the \$600 weekly unemployment benefit supplement. While the level of spending among the unemployed in August was normal by pre-pandemic standards, it had not yet stabilized. **Eventually, without further government support or significant labor market improvements, jobless workers may exhaust their accumulated savings buffer, leaving them with a choice to further cut spending or fall behind on debt or rent payments.**

Second, over time, **a fall in spending among the unemployed could meaningfully impact aggregate consumption.** As noted, unemployed individuals' spending fell by 14% in August; with somewhere between 12 million and 26 million unemployed individuals according to the most recent data, changes in spending among the unemployed may be large enough to move aggregate consumption statistics.¹³ This research demonstrates that unemployed families, and possibly also the broader economy could suffer in the absence of renewed fiscal support. **Policymakers can support aggregate consumption and financial stability among the unemployed by renewing some form of government support.**

Endnotes

- 1 See [Ganong, Noel and Vavra \(2020\)](#) for details.
- 2 The Department of Labor provides details on PUA [here](#).
- 3 We compute these percentages by dividing total unemployment insurance transfers (FRED series W825RC1) by total personal income (FRED series PI).
- 4 Here, we again measure unemployment benefits paid out using the FRED unemployment insurance transfers series (series W825RC1). The decline in the unemployment rate (from 10.2 percent in July to 8.4 percent in August) also explains some of the decline in aggregate unemployment benefits - though certainly less than what is explained by the expiration of the \$600 supplement.
- 5 Data on depletion in 36 states is from [unemploymentpua.com](#). Unlike the \$600 weekly supplement authorized by Congress, the LWA program is funded out of the FEMA [Disaster Relief Fund](#) and is limited to \$44 billion in total payments.
- 6 We observe unemployment benefits that are directly deposited into the Chase checking account among families in 11 states across the US, all of which pay unemployment benefits on a weekly basis. Note that most of the customers in our sample began receiving unemployment insurance in April or May; however, we only require unemployment benefit receipt for the duration of July and August.
- 7 See [Farrell et al. \(2020\)](#), where we use total outflows as a measure of spend. We find a similar result when we use the more constrained measure of spending defined including debit card and credit card transactions, cash withdrawals, and a limited set of identifiable electronic spending and also isolate the spending response out of unemployment benefits from the spending response from Economic Impact Payments (by examining families who received their EIP in April and their first unemployment benefit payment in May).
- 8 See [Ganong and Noel \(2019\)](#).
- 9 The 14 percent decline is relative to July. Here, we use a narrow definition of spending, encompassing spending on credit and debit cards, cash withdrawals, and a limited set of identifiable electronic spending, for example on utility payments. We do not include account outflows made via paper check, nor do we include debt payments or electronic outflows that cannot be categorized
- 10 Note that the Lost Wages Assistance program likely offsets some of this. In a separate analysis not shown here, we found that unemployment benefit recipients in Arizona, the one state that we observe that rolled out LWA in August, exhibit a smaller decline in spending than the sample shown here.
- 11 The 16 percent drop in checking account balances among the employed could be attributable to seasonality or other aggregate effects independent of \$600 benefit supplement expiration, such as families continuing to spend down their EIP or a broader spending recovery as economies continued to reopen.
- 12 The two-thirds comes from dividing the July to August drop in balances by the March to July drop in balances, $(3770 - 2540)/(3770 - 1920) = 66\%$. A natural question is how this result changes if we account for assets held outside checking accounts. In analysis not shown here, we perform the same exercise using total liquid assets (inclusive of assets held in checking, savings and money market accounts, as well as certificates of deposit). The result is similar, but smaller in magnitude: Because high-income families are disproportionately likely to hold savings outside of a checking account, one interpretation of this result is that high-income families have dipped into their savings less than low-income families.
- 13 The BLS Household Survey for September 2020 [reports](#) 12.6 million unemployed persons, for an unemployment rate of 7.9 percent. However, there were 25.5 million [continued unemployment claims](#) for the week ending September 19. The difference is largely driven by unemployment benefit recipients newly eligible through Pandemic Unemployment Assistance.