

Unemployment Insurance Incentives and Platform Gig Work

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Abstract

Millions of marginally attached and self-employed workers are excluded from state Unemployment Insurance (UI) systems. What happens when UI benefits are extended to these workers? We study the temporary extension of UI benefits to gig platform workers as part of the 2020 COVID policy response, which was in part motivated by a rise in gig work that was not present during previous crises. First, we show that demand for delivery gig work increased during 2020, suggesting the “gig” job finding rate remained high. Second, we find that the policy implementation varied across states. We revisit the county-border design used to study the labor supply effects of traditional UI, showing that aggregation and spillover biases documented in the literature are not present in our context. We estimate that, on average, an extra dollar of UI benefit paid out by states reduced total earnings by 19 cents and led to a substantial increase in exits that increased with the replacement rate. We find similar responses across demographic groups. Part of the motivation for UI expansion was the extraordinary nature of the public health emergency, and we also find that more generous UI reduced mortality of older gig workers. Our results and estimates of the behavioral responses to UI can potentially inform proposals to modernize the UI system.