

States Opting Out of the Unemployment Bonus Are Leading America's Economic Comeback

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Key Facts:

- New unemployment claims have declined by 35 percent in states opting out of the \$300 weekly unemployment bonus.
- Initial claims have increased by 19 percent in states that have failed to end participation in federal unemployment bonus programs.
- States can accelerate their economic recovery by reinstating work search requirements benefits to help fill the record number of open jobs.

Overview

Nearly all states have returned to normal and reopened their economies as the COVID-19 pandemic continues to fade.¹ Businesses have restarted operations and sought out workers to fill needed positions.² Unfortunately, pandemic-related unemployment and welfare benefits—including the \$300 weekly unemployment bonus extended by President Biden—have made it more lucrative for many unemployed Americans to stay home than to return to work.³ The Biden administration has issued new guidance allowing individuals to refuse to return to work, and more than a dozen states have suspended work search requirements for the unemployed.^{4,5} As a result, employers are unable to fill a record-high 9.3 million open jobs.⁶



DUE TO THE FEDERAL UNEMPLOYMENT BONUS AND OTHER POLICIES THAT DISCOURAGE A RETURN TO WORK, EMPLOYERS ARE STRUGGLING TO FILL A RECORD-HIGH 9.3 MILLION OPEN JOBS.

But some states are charting a different path, kickstarting their economic recovery. Beginning in early May 2021, several governors saw the damage these pandemic-related unemployment programs were having on their states' recovery and began unwinding the programs.⁷ By late June, 26 states had announced the end of the \$300 weekly unemployment bonus and other pandemic-related programs.⁸ In these states, unemployment claims are down as more Americans return to work. In contrast, states that continue to pay the unemployed more to stay home than return to work continue to struggle.

States that ended the unemployment bonus leading the nation

The effect was immediate. Job search activity increased by nearly five percent the day these states each announced they were ending the unemployment bonus.⁹ Since then, the gaps between states that have ended the pandemic-related programs and states that have not have grown deeper. Five states—Alaska, Indiana, Iowa, Mississippi, and Missouri—became the first in the nation to officially end the unemployment bonus on June 12, followed by eight more on June 19.¹⁰ These states have seen **the number of people filing new unemployment claims cut in half since May 1**.¹¹ These states have also seen the number of people collecting unemployment fall by more than 19 percent from early May to mid-June, as more Americans returned to work and began filling a record number of open jobs.¹² These declines to continue to improve week after week.¹³

STATES ENDING THE UI BONUS ARE DRIVING THE ECONOMIC RECOVERY

Change in Initial UI Claims


OPT-OUT STATES

Since May 1, 2021



Source: Authors' Calculations, Employment and Training Administration

On June 19, another eight states officially ended the unemployment bonus.¹⁴ Another 12 states are scheduled to join them over the coming weeks.¹⁵ All told, the 26 states that have announced the end of the unemployment bonus and other pandemic-related unemployment programs have seen new unemployment claims **decline by more than 35 percent since May 1**, while the number of people collecting unemployment has fallen by nearly one fifth.



THE 26 STATES THAT HAVE ANNOUNCED THE END OF THE UNEMPLOYMENT BONUS HAVE SEEN **NEW UNEMPLOYMENT CLAIMS DECLINE BY MORE THAN 35 PERCENT SINCE MAY 1.**

But while states ending the unemployment bonus are driving the economic comeback, states that have kept the status quo and continue to pay people more to stay home than return to work are struggling to keep up.

Unemployment continues to grow states that pay people more to stay home

In sharp contrast to states that have ended the unemployment bonus, the 24 states that continue to pay people more to stay home than return to work are in far more dire situations. **In these states, initial claims have risen by nearly 19 percent since June 5.**¹⁶



THE 24 STATES THAT CONTINUE TO PAY PEOPLE MORE TO STAY HOME THAN RETURN TO WORK HAVE SEEN NEW CLAIMS RISE BY NEARLY 19 PERCENT SINCE JUNE 5.

In some states that have failed to end the unemployment bonus, the picture is even worse. For example, **Pennsylvania has seen a 474 percent increase in new unemployment claims** over the past two weeks, even though the neighboring states of West Virginia and Ohio—both of which have announced their withdrawal from federal UI bonus programs—have seen double-digit declines in new claims.¹⁷ Similarly, **Kentucky has also experienced a 152 percent increase in new claims** over the same period, while nearly all neighboring states that have opted out of the unemployment bonus have seen claims plummet substantially during the same time frame.¹⁸

Until the unemployment bonus expires in September—or unless more of these states end these programs early—these states will continue to have an exceptionally weak recovery.

NEW UNEMPLOYMENT CLAIMS CONTINUE TO RISE IN STATES CONTINUING THE FEDERAL BONUS

Change in Initial UI Claims



UNEMPLOYMENT BONUS STATES

Over last two weeks

Source: Authors' Calculations, Employment and Training Administration

Congress and states must get people back to work

The data is clear: There has never been a better time to get Americans back to work.¹⁹ There is already a sharp contrast in job activity between states that have prioritized work and states that are content with the status quo of unemployment paying better than work. As more and more states officially end the unemployment bonus, this contrast will only become starker.

To fully accelerate their economic comeback, states that have already announced they are ending the pandemic-related unemployment programs should also reinstate work search requirements. States that have yet to act should emulate the model of the 26 states that have wisely opted out of the unemployment bonus and Congress should let it expire for good—for the sake of their workers, small businesses, and the entire economy.

¹ New York Times, "See reopening plans and mask mandates for all 50 states," New York Times (2021), <https://www.nytimes.com/interactive/2020/us/states-reopen-map-coronavirus.html>.

² Foundation for Government Accountability, "FGA responds to record high job openings in newest report from the U.S. Bureau of Labor Statistics," Foundation for Government Accountability (2021), <https://thefga.org/press/record-high-job-openings>.

³ Hayden Dublois and Jonathan Ingram, "Paid to stay home: How the \$300 weekly unemployment bonus and other benefits are stifling the economic recovery," Foundation for Government Accountability (2021), <https://thefga.org/paper/unemployment-bonus-stifling-economic-recovery>.

⁴ Suzan Levine, "Unemployment insurance program integrity letter no. 16-20, change 5," U.S. Department of Labor (2021), https://wdr.doleta.gov/directives/attach/UIPL/UIPL_16-20_Change_5.pdf.

⁵ Jonathan Ingram and Hayden Dublois, "There has never been a better time to get Americans back to work," Foundation for Government Accountability (2021), <https://thefga.org/paper/americans-back-to-work>.

⁶ Foundation for Government Accountability, "FGA responds to record high job openings in newest report from the U.S. Bureau of Labor Statistics," Foundation for Government Accountability (2021), <https://thefga.org/press/record-high-job-openings>.

⁷ Jonathan Ingram and Hayden Dublois, "There has never been a better time to get Americans back to work," Foundation for Government Accountability (2021), <https://thefga.org/paper/americans-back-to-work>.

⁸ Foundation for Government Accountability, "Federal pandemic unemployment bonus opt-out tracker," Foundation for Government Accountability (2021), <https://thefga.org/unemployment-opt-out>.

⁹ Jed Kolko, "Job search activity jumped temporarily in states ending federal UI benefits," Indeed Hiring Lab (2021), <https://www.hiringlab.org/2021/05/27/job-search-activity-jumps-states>.

¹⁰ Oscar Gonzalez and Laura Michelle Davis, "12 states have already ended unemployment benefits and \$300 weekly bonus. What next?" CNET (2021), <https://www.cnet.com/personal-finance/12-states-have-already-ended-unemployment-benefits-and-300-weekly-bonus-what-next>.

¹¹ Authors' calculations based on data provided by the U.S. Department of Labor on the number of weekly initial and continuing unemployment claims, disaggregated by state. See, e.g., Employment and Training Administration, "Unemployment insurance weekly claims data," U.S. Department of Labor (2021), <https://oui.doleta.gov/unemploy/claims.asp>.

¹² Ibid.

¹³ Ibid.

¹⁴ Oscar Gonzalez and Laura Michelle Davis, "12 states have already ended unemployment benefits and \$300 weekly bonus. What next?" CNET (2021), <https://www.cnet.com/personal-finance/12-states-have-already-ended-unemployment-benefits-and-300-weekly-bonus-what-next>.

¹⁵ Ibid.

¹⁶ Authors' calculations based on data provided by the U.S. Department of Labor on the number of weekly initial and continuing unemployment claims, disaggregated by state. See, e.g., Employment and Training Administration, "Unemployment insurance weekly claims data," U.S. Department of Labor (2021), <https://oui.doleta.gov/unemploy/claims.asp>.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Jonathan Ingram and Hayden Dublois, "There has never been a better time to get Americans back to work," Foundation for Government Accountability (2021), <https://thefga.org/paper/americans-back-to-work>.