

# Three Key Signs Opting Out of the Unemployment Bonus Is Working



JULY 22, 2021

Jonathan Ingram  
*Vice President of Policy & Research*

Nic Horton  
*Research Director*

Hayden Dublois  
*Senior Research Analyst*



# KEY FINDINGS

1



WELFARE-STYLE UNEMPLOYMENT BENEFITS  
ARE PAYING BETTER THAN WORK.

2



IN MAY, STATES BEGAN OPTING OUT OF  
THIS FEDERAL UNEMPLOYMENT SCHEME AND  
MOVING AMERICANS OFF THE SIDELINES.

3



WORK SEARCH ACCELERATED  
FASTER IN OPT-OUT STATES.

4



UNEMPLOYMENT IS DECLINING  
IN OPT-OUT STATES.

5



UNEMPLOYMENT IS STILL  
RISING IN BONUS STATES.

## BOTTOM LINE:

IT'S TIME TO END THE PANDEMIC-RELATED  
UNEMPLOYMENT PROGRAMS ONCE AND FOR ALL.

## Federal unemployment bonuses and extensions are discouraging work

One of small businesses' biggest issues today is that people are being paid more to stay home than return to work.<sup>1</sup> Since the pandemic hit, federal policymakers have pushed through a vast array of welfare benefit boosts, unemployment bonuses, and tax credit increases, while suspending many traditional requirements for eligibility.<sup>2</sup> This includes a \$300 unemployment bonus and extending unemployment eligibility to more than a year, relaxed eligibility rules for welfare programs like food stamps and Medicaid, an unprecedented new child tax credit scheme, and more.<sup>3</sup> As a result, many unemployed individuals find themselves in a position where they can collect more in unemployment and other welfare benefits than they could earn working.<sup>4</sup>

If this were not bad enough, individuals can now spend more than a year on unemployment with no expectations of rejoining the labor force any time soon. In 2020, Congress created a new federal program extending unemployment benefits after individuals exhaust their regular state unemployment benefits.<sup>5-6</sup> That program was expanded to 53 weeks—more than a year—in March 2021.<sup>7</sup>

In some states, individuals may also qualify for additional extended benefits.<sup>8</sup> Once all other unemployment benefits have been exhausted, the Pandemic Unemployment Assistance program kicks in to extend benefits even further.<sup>9</sup> All told, **individuals can collect unemployment benefits through these programs for between 79 and 86 weeks, depending on the state.<sup>10</sup> That is a year and a half of unemployment.**



**INDIVIDUALS CAN COLLECT UNEMPLOYMENT BENEFITS FOR BETWEEN 79 AND 86 WEEKS, DEPENDING ON THE STATE.**

States across the country have also suspended work search requirements. In the early days of the pandemic, Congress mandated that states suspend basic eligibility rules for the unemployment system, including work search requirements.<sup>11</sup> But even as the mandate faded, the U.S. Department of Labor allowed states to continue waiving those requirements for those seeking unemployment benefits—despite the fact that these benefits are typically reserved for people who are available, able, and actively looking for work.<sup>12</sup> Most states were still waiving these requirements in May 2021.<sup>13</sup>

**In total, unemployed individuals can now collect more in government benefits by staying home than they would earn working, can collect those benefits for more than a year, and have absolutely no expectation set for them to even attempt to find a new job.** But the good news is that states have been charting a new course, no longer waiting on Congress to lead.

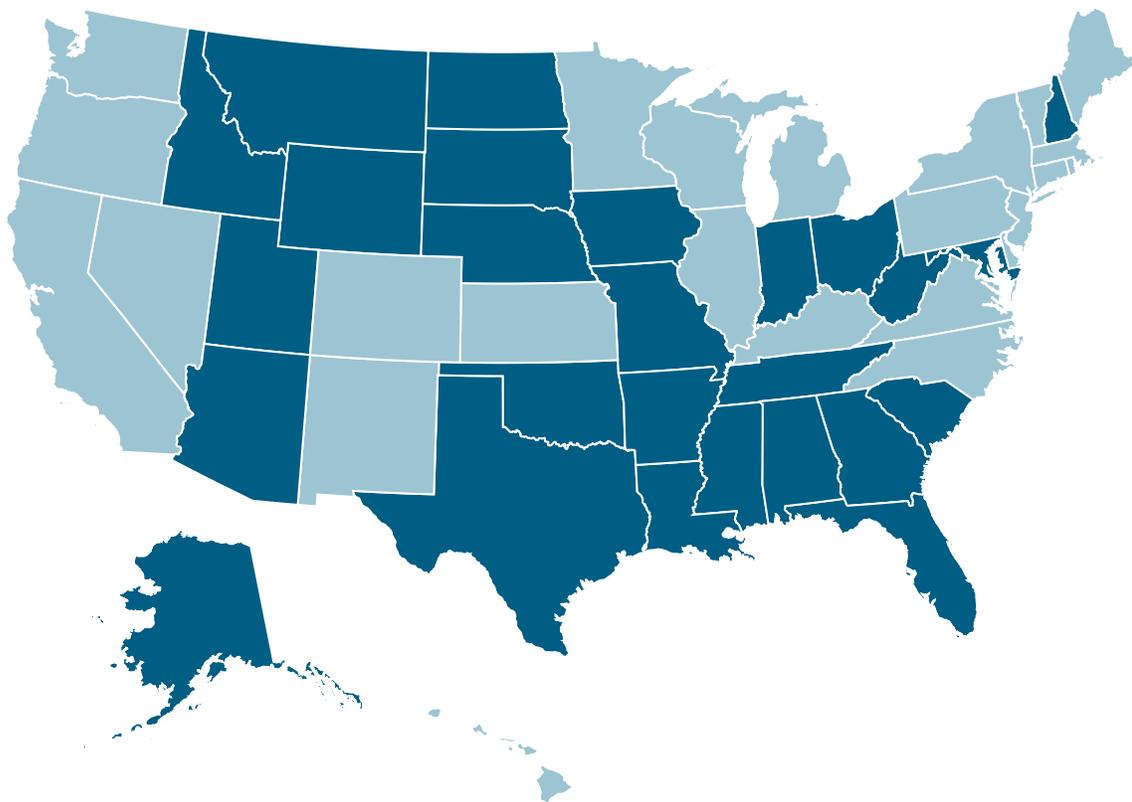
## 26 states have opted out of the federal unemployment bonus

Although these federal programs have sunset dates, Congress has expanded and extended them multiple times.<sup>14</sup> Indeed, Democrats in Congress have even called for making these policies permanent and expanding unemployment even further.<sup>15</sup>

Thankfully, states are charting a different course. Instead of doubling down on joblessness, many states are hard at work to get their economies moving again. On May 4, 2021, Montana Governor Greg Gianforte announced that he was withdrawing from these pandemic-related unemployment programs.<sup>16</sup>

This move sparked a national trend: By June 11, a whopping 26 states had pulled out of the programs.<sup>17</sup>

### MOST STATES HAVE ENDED FEDERAL PANDEMIC-RELATED UNEMPLOYMENT PROGRAMS



- Rewarding work & opting out of \$300 weekly unemployment bonus
- Still participating in federal pandemic unemployment bonuses

Source: Foundation for Government Accountability

And now, just a few weeks down the road, these opt-out states are starting to see their decision pay big dividends for their local economies.

# Three key signs opting out of the unemployment bonus is working

In short, states that have decided to reward work instead of unemployment have seen immediate, significant benefits. Specifically, opt-out states are seeing more work search and less unemployment—while status quo states are seeing quite the opposite.

## 1. WORK SEARCH ACCELERATED FASTER IN OPT-OUT STATES

A new analysis of Google search data reveals that work search activities rose sharply after states began announcing they were ending the unemployment bonus.<sup>18-19</sup> Nationally, work search activities spiked in May and again in June.<sup>20</sup>

But this increased intensity in job finding was not uniform across the country.<sup>21</sup> States that ended the unemployment bonus saw significantly faster growth.<sup>22</sup>

In fact, in states that ended the federal pandemic-related unemployment programs, work search activity rose by more than 28 percent in May and June.<sup>23</sup> **This growth was 68 percent faster in states that ended the unemployment bonus than in states that did not.**<sup>24</sup>



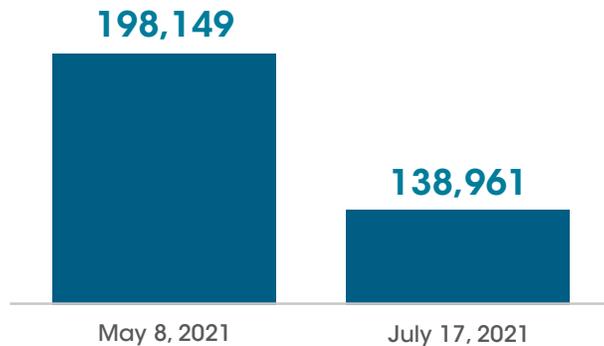
**WORK SEARCH ACTIVITY GREW 68 PERCENT FASTER IN STATES THAT ENDED THE UNEMPLOYMENT BONUS THAN IN STATES THAT DID NOT.**

Hundreds of thousands of individuals are leaving the unemployment rolls—and this is happening much faster in states that wisely opted out of the failed unemployment bonus.

## 2. UNEMPLOYMENT IS DECLINING IN OPT-OUT STATES

Even better, the number of people filing for unemployment is also dropping rapidly in states that have ended the unemployment bonus. Since May 8, new unemployment claims have fallen by 30 percent in states that ended the bonus, hitting their lowest levels since the pandemic hit.<sup>25</sup>

### UNEMPLOYMENT CLAIMS HAVE FALLEN BY 30 PERCENT IN STATES THAT HAVE ENDED THE UNEMPLOYMENT BONUS



Source: U.S. Department of Labor

Meanwhile, in states that have decided to continue paying people more to stay at home than to work, the results are far less impressive.

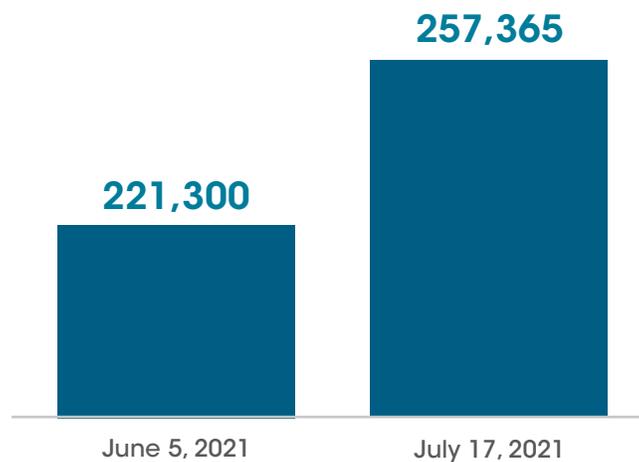
### 3. UNEMPLOYMENT IS STILL RISING IN BONUS STATES

Despite record numbers of open jobs and an economy that is screaming to be unleashed, nearly half the states have kept the destructive unemployment bonus—and they are paying the price.

Indeed, while unemployment plummets in the other half of the country, unemployment bonus states have continued to see unemployment claims tick up: **In five of the last six weeks, new unemployment claims have risen in states that have kept the unemployment bonus, all while unemployment continues to decline in states that opted out.**<sup>26</sup>

Since June 5, the number of new people filing for unemployment has risen by more than 16 percent in states keeping the unemployment bonus.<sup>27</sup>

#### UNEMPLOYMENT CLAIMS ARE STILL RISING IN STATES THAT KEPT THE UNEMPLOYMENT BONUS



Source: U.S. Department of Labor

### It's time to end the pandemic-related unemployment programs once and for all

Paying Americans more to stay home than work is wreaking devastating consequences on the economy. Businesses have been forced to close, unable to find workers, state trust funds have been destroyed, and the economic recovery remains sluggish.

Thankfully, more than half the states have realized how damaging the unemployment bonus has been and started turning the ship—and they are mapping a way forward. They are proving that ending the unemployment bonus can help jumpstart local economies, reduce unemployment, and increase work.

The remaining 24 states should follow their lead and opt out. Workers, taxpayers, and small businesses everywhere need the boost that would certainly follow.

And as the September 6 deadline for the bonus approaches and Congress examines the path forward, they should ensure this destructive scheme ends once and for all.

## REFERENCES

1. 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>.
2. Ibid.
3. Ibid.
4. Ibid.
5. Public Law 116-136 (2020), <https://www.congress.gov/116/plaws/publ136/PLAW-116publ136.pdf>
6. 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>.
7. Ibid.
8. Ibid.
9. Ibid.
10. Ibid.
11. Ibid.
12. Ibid.
13. Ibid.
14. Ibid.
15. Ibid.
16. Ibid.
17. Foundation for Government Accountability, "Federal pandemic unemployment bonus opt-out tracker," Foundation for Government Accountability (2021), <https://thefga.org/unemployment-opt-out>.
18. Authors' calculations based upon data provided by Google on daily search interest in the term "job openings" between January 1, 2021 and June 25, 2021, relative to the highest interest level during that time period, disaggregated by state. State results were then pooled by whether or not they have ended pandemic-related unemployment programs, weighted by each state's unemployment levels, labor force levels, and civilian population levels. See, e.g., Google, "Google Trends," Google (2021), <http://trends.google.com/trends/explore>.
19. Other research has used Google trends data for the term "job openings" as a proxy for aggregate job search behavior. See, e.g., Craig Garthwaite et al., "Public health insurance, labor supply, and employment lock," National Bureau of Economic Research (2013), [https://www.nber.org/system/files/working\\_papers/w19220/w19220.pdf](https://www.nber.org/system/files/working_papers/w19220/w19220.pdf).
20. Authors' calculations based upon data provided by Google on daily search interest in the term "job openings" between May 1, 2021 and May 31, 2021, and between June 1, 2021 and June 25, 2021, relative to the average daily search interest in the same term between January 1, 2021 and April 30, 2021, disaggregated by state.
21. Ibid.
22. Ibid.
23. Ibid.
24. Ibid.
25. Authors' calculations based upon data provided by the U.S. Department of Labor on the number of initial unemployment claims that are filed each week, disaggregated by state.
26. Ibid.
27. Ibid.



15275 Collier Boulevard | Suite 201-279

Naples, Florida 34119

(239) 244-8808

[TheFGA.org](http://TheFGA.org)

 [@TheFGA](https://twitter.com/TheFGA)