

AUGUST 25, 2021

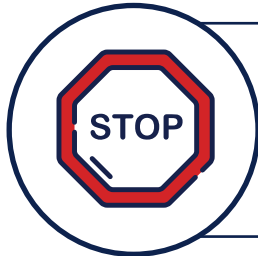


A Proven Blueprint for Success: How Ending Unemployment Expansions Can Kickstart America's Economic Comeback

Jonathan Bain
Research Fellow

Jonathan Ingram
Vice President of Policy and Research

KEY FINDINGS



UNEMPLOYMENT EXPANSIONS ARE **STALLING**
AMERICA'S ECONOMIC COMEBACK.



SIMILAR PROBLEMS OCCURRED **DURING THE**
GREAT RECESSION AND ITS AFTERMATH.



ENDING UNEMPLOYMENT EXTENSIONS CREATED
MILLIONS OF NEW JOBS AND **MOVED AMERICANS**
FROM UNEMPLOYMENT TO WORK.



STATES THAT HAVE ENDED THE
UNEMPLOYMENT EXPANSIONS **HAVE KICKSTARTED**
THEIR ECONOMIC RECOVERY.

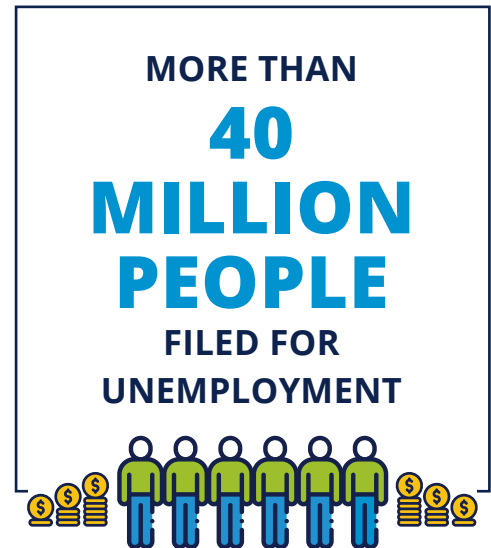
THE BOTTOM LINE:

CONGRESS MUST END THE UNEMPLOYMENT EXPANSIONS
SO THAT THE ECONOMY CAN KICK INTO OVERDRIVE
AND MOVE MILLIONS BACK TO WORK.

Overview

When the COVID-19 pandemic hit, the effects on the economy were devastating. Government officials across the country issued stay-at-home orders and shut many businesses down altogether.¹ Over the course of just three months, more than 40 million people filed for unemployment.²

In response to the pandemic, Congress expanded eligibility for unemployment benefits, suspended work search and other requirements, nearly tripled the value of unemployment benefits, and extended how long some could collect unemployment to more than 18 months.³⁻⁵ Although these provisions were meant to be temporary, Congress has repeatedly extended and expanded them—even as states have reopened their economies.⁶



Unfortunately, these actions have stalled America's economic comeback. Far too many individuals can now collect more in unemployment and other welfare benefits than they could earn in the labor force.⁷ And sadly, there is no motivation to move from unemployment checks to paychecks, as these benefits can now be collected for more than 18 months.⁸

A similar situation unfolded during the Great Recession, and economic recovery did not kick into overdrive until unemployment extensions expired and Americans returned to work.⁹ To overcome the worker shortage casting a shadow on the national economy, policymakers must let the current expansions and extensions expire and move millions of Americans from unemployment to work.

Unemployment expansions are stalling America's economic comeback

In March 2020, Congress responded to the COVID-19 pandemic by expanding unemployment benefits.¹⁰ These expansions drastically altered how the federal unemployment program functions.¹¹ Congress has repeatedly expanded and extended these temporary programs, most recently in President Biden's "American Rescue Plan."¹² As a result, unemployed individuals can now collect more in government benefits by staying home than they would earn working, can collect those benefits for more than 18 months, and are not expected to even attempt to find a new job.¹³



UNEMPLOYED INDIVIDUALS CAN NOW COLLECT MORE IN GOVERNMENT BENEFITS BY STAYING HOME THAN THEY WOULD EARN WORKING, CAN COLLECT THOSE BENEFITS FOR MORE THAN 18 MONTHS, AND ARE NOT EXPECTED TO EVEN ATTEMPT TO FIND A NEW JOB.

Individually, each of these policies would be a major setback. But when combined, they are a recipe for disaster.

Job growth is sluggish, but not because employers lack openings.¹⁴ Employers are desperate for workers, with more than 10 million open jobs unfilled nationwide—a record high.¹⁵ There are now more jobs available than people looking for work.¹⁶⁻¹⁸

Despite these job openings, the number of people collecting unemployment remains alarmingly high. By July 2021, there were still nearly six times as many people on unemployment as before the pandemic hit.¹⁹ In fact, there were millions more people collecting unemployment checks than there were people looking for work.²⁰⁻²²



More than

70%

**of small business owners are
struggling to fill open positions**

This severe labor shortage is putting immense pressure on employers. More than seven in 10 small business owners say they are struggling to fill open positions.²³ Even worse, the majority of business owners cite unemployment benefits as the driving factor for these struggles.²⁴ Ultimately, many businesses across the country fear that they may have to close up shop because they cannot find enough employees to meet the demand.²⁵

If America's small businesses are to remain open, and if the economy is to recover, Congress must take a step back. Thankfully, the blueprint to follow is already there.



Ultimately, many businesses across the country fear that they may have to close up shop because they cannot find enough employees to meet the demand.



America has overcome similar unemployment issues in the past

While the current situation is dire, it is not unbeatable. In the thick of the Great Recession, Congress created the Emergency Unemployment Compensation (EUC) program, which allowed individuals to collect unemployment benefits for up to 99 weeks—nearly two years.²⁶ Between 2008 and 2012, Congress expanded and extended those EUC benefits nearly a dozen times.²⁷

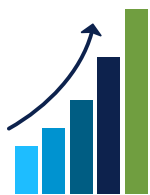
Like today, these unemployment extensions stalled recovery. But in 2013, Congress abruptly let the program expire, returning how long people could collect unemployment back to normal levels.²⁸ As a result, nearly five million Americans were moved off the unemployment program.²⁹

At the time, the Obama-Biden administration claimed that ending the extensions would cut economic output and lead to massive job losses across the country.³⁰ President Obama called the expiration “just plain cruel.”³¹

But in reality, the post-EUC America was one of economic growth and prosperity. In 2014 alone, more than three million jobs were added to the economy.³² This job growth more than doubled the average post-recession growth while EUC was still in effect.³³ The economy kicked into overdrive as more people joined the labor force, unemployment rates began to drop, and employers were finally able to fill job openings.³⁴

Economists have described this economic boom as an “employment miracle,” concluding that ending the EUC program increased employment by an astounding 2.5 million workers—which accounted for nearly three-quarters of total employment growth.³⁵

Letting unemployment extensions expire boosted the economy, increased the labor force, and moved more Americans off the sidelines and back to work.³⁶ If a similar economic boom is to happen now, Congress must follow this blueprint to reprioritize work.



**ENDING THE EUC PROGRAM INCREASED EMPLOYMENT BY
2.5 MILLION WORKERS**

States that have ended unemployment expansions have kickstarted their economic recovery

While some in Congress debate extending these unemployment expansions further, several states have taken decisive action to get their economies moving again. In May, Montana Governor Greg Gianforte announced that he was withdrawing from pandemic-related unemployment

programs.³⁷ By June, another 25 states had followed suit.³⁸ As a result, their economies are reaping the benefits.

In states that opted out of these expansions, work search activities jumped by nearly 30 percent in May and June.³⁹ Better yet, this growth was 68 percent faster in states that ended the unemployment bonus compared to states that did not.⁴⁰

Opt-out states are also seeing the number of individuals filing for unemployment plummet.⁴¹ Since May, the number of new unemployment claims in these states has decreased by nearly 45 percent—their lowest levels since the pandemic began.⁴² As more Americans leave the unemployment system, small businesses are better able to fill open jobs. In Arkansas, for example, the number of new hires that employers were able to make nearly doubled after the state opted out of unemployment expansions.⁴³

Sadly, states that have not opted out are faring far worse. States that have kept the unemployment expansions have consistently seen their unemployment claims continue to rise, while opt-out states have seen them decline.⁴⁴

In opt-out states, hundreds of thousands of individuals are leaving unemployment, getting off the sidelines, and getting back to work.⁴⁵⁻⁴⁶ As a result, these states' economies are bouncing back, leaving the devastating effects of the pandemic behind them.



IN OPT-OUT STATES, HUNDREDS OF THOUSANDS OF INDIVIDUALS ARE LEAVING UNEMPLOYMENT, GETTING OFF THE SIDELINES, AND GETTING BACK TO WORK.

THE BOTTOM LINE: Congress must end the unemployment expansions.

The time to end these destructive pandemic-related unemployment expansions has long past. People can collect more to stay home than work, small businesses are shuttering their doors because they cannot find enough workers, and state trust funds have been decimated.⁴⁷ Meanwhile, Congress is debating whether to extend these expansions even further.⁴⁸

Policymakers in Washington, D.C., should learn from the experience of the 26 states who have corrected course and revived their economies.⁴⁹ President Biden and congressional Democrats must choose to prioritize work and let these expansions expire on time. It is time to end unemployment expansions, get the economy back on track, and leave the destructive effects of the pandemic in the dust.

REFERENCES

1. Jonathan Ingram, et al., “Three key signs opting out of the unemployment bonus is working,” Foundation for Government 1 David Lynch, “Raging virus triggers new shutdown orders and economy braces for fresh wave of pain,” *The Washington Post* (2020), <https://www.washingtonpost.com/business/2020/11/14/coronavirus-shutdown-orders.economy>.
2. Authors’ calculations based upon data provided by the U.S. Department of Labor on the number of initial claims filed between March 15 and June 13. 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>.
3. Joe Horvath et al., “Refusing to work: Handling employee work rejections in light of expanded unemployment benefits,” Foundation for Government Accountability (2020), <https://thefga.org/paper/refusing-work.unemployment-benefits>.
4. Hayden Dublois and Jonathan Ingram, “Paid not to work: How Congress’ unemployment insurance boost hurts low-wage workers,” Foundation for Government Accountability (2020), <https://thefga.org/paper/unemployment.boost-low-wage-workers>.
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. Ibid.
7. 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>.
8. Jonathan Ingram et al., “Three key signs opting out of the unemployment bonus is working,” Foundation for Government Accountability (2021), <https://thefga.org/paper/three-signs-opting-out-unemployment-bonus-is-working>.
9. Victoria Eardley and Jonathan Ingram, “Opening opportunity: Tying unemployment benefits to economic conditions,” Foundation for Government Accountability (2019), <https://thefga.org/paper/indexing-unemployment.benefits-economic-conditions>.
10. Victoria Eardley et al., “To unleash the economic recovery, Congress must fix the unemployment debacle,” Foundation for Government Accountability (2020), <https://thefga.org/paper/fix-unemployment-extension>.
11. 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>.
12. 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>.
13. Ibid.
14. Ibid.
15. Authors’ calculations based upon data provided by the U.S. Department of Labor on the number of job openings in June 2021. See, e.g., Bureau of Labor Statistics, “Job Openings and Labor Turnover Survey: Job openings,” U.S. Department of Labor (2021), <https://data.bls.gov/timeseries/JTS0000000000000000JOL>.
16. Authors’ calculations based upon data provided by the U.S. Department of Labor on the number of job openings and the number of unemployed adults.
17. In June 2021, fewer than 9.4 million people were classified as unemployed. See, e.g., Bureau of Labor Statistics, “Labor force statistics from the Current Population Survey: Unemployment level,” U.S. Department of Labor (2021), <https://data.bls.gov/timeseries/LNS13000000>.
18. In June 2021, employers reported nearly 10.1 million open jobs. See, e.g., Bureau of Labor Statistics, “Job Openings and Labor Turnover Survey: Job openings,” U.S. Department of Labor (2021), <https://data.bls.gov/timeseries/JTS0000000000000000JOL>.
19. Authors’ calculations based upon data provided by the Federal Reserve Bank of Atlanta on the number of continuing unemployment claims, disaggregated by program, between February 29, 2020 and July 24, 2021. See, e.g., Center for Workforce and Economic Opportunity, “Unemployment claims monitor,” Federal Reserve Bank of Atlanta (2021), <https://www.atlantafed.org/cweo/data-tools/unemployment-claims-monitor.aspx>.
20. Authors’ calculations based upon data provided by the U.S. Department of Labor on the number of continuing unemployment claims and the number of people classified as unemployed.
21. In July 2021, just 8.7 million people were classified as unemployed. See, e.g., Bureau of Labor Statistics, “Labor force statistics from the Current Population Survey: Unemployment level,” U.S. Department of Labor (2021), <https://data.bls.gov/timeseries/LNS13000000>.
22. In the week ending July 24, 2021, more than 12 million people received unemployment benefits. See, e.g., Employment and Training Administration, “Unemployment insurance weekly claims,” U.S. Department of Labor (2021), <https://oui.doleta.gov/press/2021/081221.pdf>.
23. Center for Excellence in Polling, “States are choosing reemployment over unemployment,” Foundation for Government Accountability (2021), <https://excellenceinpolling.com/poll/national-business-owners-unemployment.bonus-poll>.
24. Ibid.
25. Ibid.
26. Victoria Eardley and Jonathan Ingram, “Opening opportunity: Tying unemployment benefits to economic conditions,” Foundation for Government Accountability (2019), <https://thefga.org/paper/indexing-unemployment.benefits-economic-conditions>.
27. Ibid.

28. Ibid.
29. Ibid.
30. Council of Economic Advisors, "The economic benefits of extending unemployment insurance," Executive Office of the President (2013), <https://obamawhitehouse.archives.gov/sites/default/files/docs/uireport-2013-12-4.pdf>.
31. Jake Miller, "Obama: Unemployment benefits' expiration 'just plain cruel,'" CBS News (2014), <https://www.cbsnews.com/news/obama-unemployment-benefits-expiration-just-plain-cruel>.
32. Authors' calculations based upon data provided by the U.S. Department of Labor on nonfarm employment between December 2013 and December 2014, disaggregated by month. See, e.g., Bureau of Labor Statistics, "Employment, hours, and earnings from the Current Employment Statistics survey: All employees," U.S. Department of Labor (2021), <https://data.bls.gov/timeseries/CES0000000001>.
33. Authors' calculations based upon data provided by the U.S. Department of Labor on nonfarm employment between June 2009 and December 2014, disaggregated by month.
34. Victoria Eardley and Jonathan Ingram, "Opening opportunity: Tying unemployment benefits to economic conditions," Foundation for Government Accountability (2019), <https://thefga.org/paper/indexing-unemployment.benefits-economic-conditions>.
35. Ibid.
36. Ibid.
37. 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>.
38. Jonathan Ingram et al., "Three key signs opting out of the unemployment bonus is working," Foundation for Government Accountability (2021), <https://thefga.org/paper/three-signs-opting-out-unemployment-bonus-is-working>.
39. Ibid.
40. Ibid.
41. Ibid.
42. 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. 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>.
43. Hayden Dublois et al., "Opting out: Arkansas' economy is booming since ending the destructive unemployment expansions," Foundation for Government Accountability (2021), <https://thefga.org/paper/arkansas-ending.unemployment-expansions>.
44. Jonathan Ingram et al., "Three key signs opting out of the unemployment bonus is working," Foundation for Government Accountability (2021), <https://thefga.org/paper/three-signs-opting-out-unemployment-bonus-is-working>.
45. Ibid.
46. Hayden Dublois et al., "Opting out: Arkansas' economy is booming since ending the destructive unemployment expansions," Foundation for Government Accountability (2021), <https://thefga.org/paper/arkansas-ending.unemployment-expansions>.
47. Jonathan Ingram et al., "Three key signs opting out of the unemployment bonus is working," Foundation for Government Accountability (2021), <https://thefga.org/paper/three-signs-opting-out-unemployment-bonus-is-working>.
48. 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>.
49. Foundation for Government Accountability, "Federal pandemic unemployment bonus opt-out tracker," Foundation for Government Accountability (2021), <https://thefga.org/unemployment-opt-out/>.



15275 Collier Boulevard | Suite 201-279
Naples, Florida 34119
(239) 244-8808

TheFGA.org | [@TheFGA](https://twitter.com/TheFGA) | [@TheFGA](https://www.instagram.com/TheFGA) | [f TheFGA](https://www.facebook.com/TheFGA)