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How Tennessee Supercharged Its Economic Recovery by Ending Expanded Unemployment Benefits

Hayden Dublois
Senior Research Analyst

Jonathan Ingram
Vice President of Policy and Research

KEY FINDINGS



TENNESSEE WAS **ONE OF THE FIRST STATES** TO ANNOUNCE IT WAS ENDING THE FEDERAL UNEMPLOYMENT BONUS AHEAD OF SCHEDULE.



UNEMPLOYMENT COSTS HAVE **DECLINED BY NEARLY 60 PERCENT** SINCE GOV. LEE ANNOUNCED HE WAS ENDING THE UNEMPLOYMENT BONUS.



WORK SEARCH ACTIVITIES **SPIKED** AS **EXPANDED UNEMPLOYMENT BENEFITS AND BONUSES EXPIRED.**



TENNESSEE EMPLOYERS HIRED **MORE THAN 750,000 PEOPLE** AFTER THE STATE ANNOUNCED IT WAS ENDING THE FEDERAL UNEMPLOYMENT BONUS.

THE BOTTOM LINE:

TENNESSEE LEADERS ACCELERATED THE ECONOMIC RECOVERY BY ENDING FEDERAL UNEMPLOYMENT BONUSES AND EXPANSIONS.

Overview

For years, Tennessee has been a leader in economic freedom. With no state income tax, limited regulations, and a low cost of doing business, Tennessee was well-positioned to handle the economic crisis brought on by the COVID-19 pandemic.

However, no state was immune to the effects COVID-19 has had on workforce shortages. **By April 2021, Tennessee had a record-high 200,000 open jobs that businesses were struggling to fill—with more open jobs than people actively looking for work.**¹⁻² Meanwhile, there were still eight times as many individuals collecting unemployment benefits as there were prior to the pandemic.³

Tennessee needed a spark to reignite its economy and fill the then-record number of open jobs. The decision of Gov. Bill Lee to end participation in federal unemployment bonuses and expansions has proved to be that spark, helping get Tennesseans back to work.

Unemployment costs have declined by nearly 60 percent since Gov. Lee announced he was ending the unemployment bonus

In April and early May 2021, Tennessee was distributing roughly \$9.6 million in unemployment benefits every single day.⁴ In fact, more than 181,000 claims were paid out—accounting for nearly 800,000 total weeks of unemployment benefits.⁵ It is no surprise that businesses were desperate for workers. On May 11, Gov. Lee announced that Tennessee would be ending the unemployment bonus and other pandemic-related expansions, effective July 3.⁶

Since then, unemployment costs have plummeted. After the unemployment bonus and expanded benefits ended in July, Tennessee's unemployment costs declined to just \$4.2 million—a drop of nearly 60 percent compared to before Gov. Lee's announcement.⁷

UNEMPLOYMENT COSTS DROPPED BY NEARLY 60 PERCENT AFTER UNEMPLOYMENT BONUSES AND EXPANSIONS ENDED

Average Daily Unemployment Spending Across All Programs



Source: Tennessee Department of Labor and Workforce Development

In the three months following Tennessee ending participation in these expanded benefits, less than 45,000 unemployment claims were paid out—a stark contrast to the more than 181,000 claims paid out in just five weeks earlier that spring.⁸ In fact, the number of claims paid per week declined by nearly 90 percent after the bonus ended compared to earlier in the spring.⁹ By October 9, just 22,000 Tennesseans remained on unemployment—a stark contrast to the 162,000 receiving unemployment just before Gov. Lee’s announcement in May.¹⁰



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Work search activities spiked as expanded unemployment benefits and bonuses expired

Unsurprisingly, as individuals faced the prospect of losing their unemployment bonuses and expanded benefits—which paid better than work for countless Tennesseans—many began searching for work.¹¹

Google trend searches indicate that work search activity increased by 67 percent following Gov. Lee’s announcement compared to earlier this year.¹²⁻¹⁶ Once the incentive to remain home was eliminated, Tennesseans began searching for work.

The Tennessee Department of Labor and Workforce Development reports that since Gov. Lee’s announcement, **more than 2.2 million job searches have been conducted on the state’s job portal.**¹⁷ Since the unemployment bonus ended, the number of job searches conducted per unemployment claim has nearly tripled.¹⁸⁻²¹



SINCE THE UNEMPLOYMENT BONUS ENDED, THE NUMBER OF JOB SEARCHES CONDUCTED PER UNEMPLOYMENT CLAIM HAS NEARLY TRIPLED.

Tennessee employers hired more than 750,000 people after the state announced it was ending the federal unemployment bonus

As individuals began to search for work in Tennessee, they quickly found it among the open jobs posted by Tennessee employers.

Since Gov. Lee's announcement in mid-May, Tennessee employers have hired more than 750,000 people.²² Employers are now hiring an average of nearly 6,200 Tennesseans each and every day, a higher rate than before Gov. Lee's announcement.²³ In fact, after the unemployment bonus ended, Tennessee employers reported the largest July hiring spree in state history.²⁴



AFTER THE UNEMPLOYMENT BONUS ENDED, TENNESSEE EMPLOYERS REPORTED THE LARGEST JULY HIRING SPREE IN STATE HISTORY.

This strong economic recovery is echoed by the drop in the state's unemployment rate. While the unemployment rate ticked upward in early spring and remained stuck at around five percent, the unemployment rate has now declined for four consecutive months since unemployment bonuses and expanded benefits ended in Tennessee—nearly reaching pre-pandemic levels.²⁵

BOTTOM LINE: Tennessee leaders accelerated the economic recovery by ending federal unemployment bonuses and expansions.

Despite its strong fiscal and regulatory fundamentals, Tennessee faced a labor shortage that threatened the survival of its businesses and the self-sufficiency of its workers. But thanks to the decision of Gov. Bill Lee to end federal unemployment bonuses and other pandemic-related expansions, Tennessee is back on track. Unemployment insurance claims have declined to pre-pandemic levels, individuals have re-entered the workforce, businesses have been able to fill open jobs, and taxpayer resources are being preserved.

Tennessee is back on a prosperous track, and policymakers have proven how ending benefits that pay better than work can reignite the economy.

REFERENCES

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17. Authors’ calculations based upon data provided by the Tennessee Department of Labor and Workforce Development on the number of job searches made through the state’s job portal between May 11, 2021 and October 2, 2021.
18. Authors’ calculations based upon data provided by the Tennessee Department of Labor and Workforce Development on the number of job searches made through the state’s job portal and the number of unemployment claims paid between April 1, 2021 and May 10, 2021 and between July 3, 2021 and October 2, 2021.
19. Between April 1, 2021 and May 10, 2021, nearly 1.2 million job searches were conducted through the state’s job portal and nearly 182,000 unemployment claims were paid. On a weekly basis, this is approximately 6.3 searches per unemployment claim.
20. Between July 3, 2021 and October 2, 2021, nearly 733,000 job searches were conducted through the state’s job portal and nearly 43,500 unemployment claims were paid. On a weekly basis, this is approximately 16.8 searches per unemployment claim.
21. The number of job searches reported by the Tennessee Department of Labor and Workforce Development is not limited to individuals collecting unemployment benefits, but may include others searching for work through the state’s job portal. The per capita data provided here serves to provide context for two key aspects of Tennessee’s labor force: unemployment claims and job search activities.
22. Authors’ calculations based upon data provided by the Tennessee Department of Labor and Workforce Development on new hires reported between May 11, 2021 and September 11, 2021.
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15275 Collier Boulevard | Suite 201-279
Naples, Florida 34119
(239) 244-8808

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