PROGRESSIVE POLICIES ARE GOOD FOR THE ECONOMY: ENHANCED UNEMPLOYMENT INSURANCE

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During the Great Recession, our government learned the hard way that we should spend more—not less—in times of crisis. The response to the Great Recession was too small and ended too soon, especially for the Black and brown families that never recovered, and our economy was made less resilient as a result. The government can boost our economy right now by helping struggling families and investing in all of us. Investing in people will benefit everyone, with new jobs, higher wages, and a stronger economy overall. One way to support communities is by extending enhanced unemployment insurance (UI). Enhanced UI ensures that cash gets to people who need it most and are able to circulate it directly back into the local economy.

Continuing unemployment claims remain 17 million above pre-pandemic levels. Expanding enhanced UI — including enhanced eligibility, extended benefits, and at least the $400 per week additional payment proposed in the American Rescue Plan — is crucial to keeping families and communities afloat and money circulating in the economy.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law in March of 2020, extended unemployment insurance (UI) to millions of Americans who weren't otherwise eligible, provided federally-funded extended unemployment insurance so that workers wouldn't be kicked off the program while the recession still raged, and — recognizing that existing UI benefits were woefully inadequate — gave every worker receiving UI a $600 per per week boost (Federal Pandemic Unemployment Compensation, or FPUC). Before it expired in July, this additional $600 FPUC payment helped millions of workers make ends meet and kept local economies afloat. The December relief package brought back these payments temporarily, but cut them to $300. It also extended other UI enhancements, but only temporarily.

Thanks to another arbitrary deadline, 11.4 million working people now face a total loss of unemployment benefits between March 14th and April 11th, and millions more will see their benefits drop dramatically due to the expiration of the $300 stop-gap FPUC.

In the *American Rescue Plan*, President Biden proposed extending enhanced unemployment insurance through September 2021, and bringing the FPUC payments up to $400, still well-below the CARES act level of $600.

Extending enhanced unemployment insurance is good for workers, families, and the economy, and Congress should not scale back its ambition:

- **If workers lose UI, millions will fall into poverty.** If expanded UI had expired in December, 4.8 million people would have fallen into poverty in January. Instead, the extension of benefits and addition of a $300 FPUC payment meant that 7.6 million people in the U.S. were lifted out of poverty by the December 2020 relief package.
- **$400 FPUC will pump much-needed cash into the economy in every state.** Under Biden's proposal in the American Rescue Plan, unemployment insurance benefits in April could inject $9.6 billion per week into the economy by getting cash to families — that's $1.6 billion more per week than the $300 supplement currently in place.

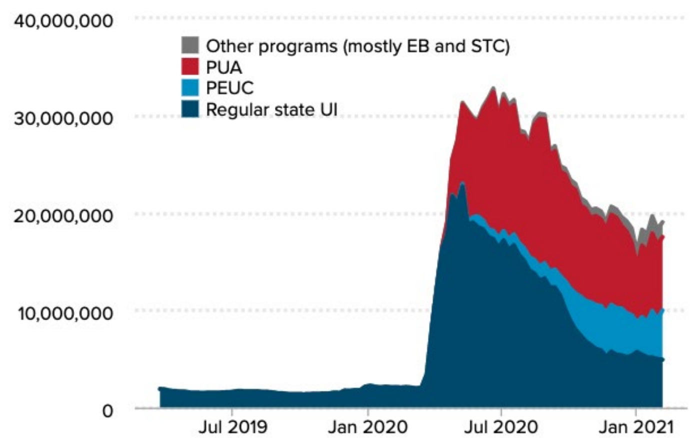
- **Higher unemployment benefits lead to faster economic recovery.** Research has found that states with more generous unemployment insurance at the beginning of the pandemic experienced milder labor market declines and had faster economic recoveries.
- **Higher benefits don't stop workers from returning to work.** Multiple studies on the impact of the CARES Act enhanced UI provisions have found that when workers experienced higher wage replacement rates, they didn't see a decline in employment levels and employers didn't experience greater difficulty filling job openings. Workers with higher replacement rates from UI also returned to work at similar rates as others.
- **Longer duration UI benefits allow better match between workers and employers, increasing wages and productivity.** In the last two recessions, workers who lived in states where they were able to access unemployment benefits for longer found higher-wage jobs better suited to their qualifications. This effect was especially large for women, people of color, and people with lower levels of education.
- **Arbitrary deadlines harm workers; UI should be extended until economic conditions improve.** UI extensions had to be passed 13 times during the Great Recession, which contributed to a halting recovery in the labor market. Benefit expansions should automatically "trigger" on and off with economic conditions, not arbitrarily expire. If relief isn't automatic, it should be extended for as long as possible.

Here's who would benefit from expanding enhanced unemployment insurance:

- A year into the pandemic, 17 million more people are still filing for unemployment insurance than were last year.
- Black and Asian workers face a higher average duration of unemployment spells than white workers; cutting off extended benefits for the long-term unemployed will impact the racial wage and wealth gaps.
- Workers of color have experienced larger job losses and less hiring than white workers since the beginning of the pandemic, and are disproportionately experiencing unemployment. They are thus also disproportionately reliant on UI: From September through November of 2020, Black workers made up 20 percent of those filing for UI, with Latinx workers making up another 20%.

Continuing unemployment claims in all programs, March 23, 2019–February 6, 2021

Use caution interpreting trends over time because of reporting issues (see below)



Source: U.S. Employment and Training Administration, Initial Claims [ICSA], retrieved from Department of Labor (DOL), https://oui.doleta.gov/unemploy/docs/persons.xls and https://www.dol.gov/ui/data.pdf, February 25, 2021. Graph available from the Economic Policy Institute here.

- States with higher shares of Black workers often offer lower wage replacement rates in their UI systems than states with lower shares of Black workers. Reducing the proposed $400 FPUC payments would thus particularly harm unemployed Black workers, for whom state UI benefits are likely to be especially low.