Some States Ending Federal Unemployment Benefits Early

The COVID-19 pandemic has had a significant impact on unemployment rates in every state. The national unemployment rate peaked at 14.8% in April 2020, the highest unemployment in the U.S. since the Great Depression. Unemployment rates have since decreased, but the rate remains higher than it was pre-pandemic. **In May 2021, the unemployment rate was 5.8% compared to 3.5% in February 2020 before the pandemic**. Federal legislation enacted in 2020 in response to the pandemic included up to $600 per week in expanded unemployment benefits. **The American Rescue Plan (ARP) Act includes a $300 boost to weekly unemployment benefits that is set to expire nationally September 6, 2021**.

As of June 16, 2021, **25 states have confirmed they will be ending part of the expanded federal unemployment benefits early.** While several of those states are continuing some federal programs, all 25 are ending the $300-per-week bonus from the Federal Pandemic Unemployment Compensation (FPUC) provided through ARP federal funding. This analysis by The Council of State Governments (CSG) shows what potential impacts this decision may have for state economies and citizens. In the coming weeks, CSG will provide additional analysis of the potential revenue effects for states ending these benefits early.

States Ending Federal Pandemic Unemployment Compensation (FPUC) Early

States are allowed to end part or all of the expanded federal unemployment benefits early - the U.S. Department of Labor has determined it does not have the authority to require states to provide the federal stimulus benefits. The 25 states ending FPUC before the national September 6 deadline are included in the table below. The table also includes information on the one-time financial incentives that four states will put in place to encourage residents of the state to return to work.

State	End Date	Additional Incentives
Alabama	6/19	
Alaska	6/12	
Arizona	7/10	*One-time $2,000 bonus to return to work*
Arkansas	6/26	
Florida	6/26	
Georgia	6/26	
Idaho	6/19	
Indiana	6/19	
Iowa	6/12	

State	End Date	Additional Incentives
Maryland	7/3	
Mississippi	6/12	
Missouri	6/12	
Montana	6/27	*One-time $1,200 bonus to return to work*
Nebraska	6/19	
New Hampshire	6/19	*One-time $1,000 bonus to return to work*
North Dakota	6/19	
Ohio	6/26	
Oklahoma	6/26	*One-time $1,200 bonus to return to work*
South Carolina	6/30	
South Dakota	6/26	
Tennessee	7/3	
Texas	6/26	
Utah	6/26	
West Virginia	6/19	
Wyoming	6/19	

Source: National Law Review

Background on Unemployment and Labor Shortages During the Pandemic

There are a record 9.3 million job openings across the U.S., which is a challenge for hiring officials as potential employees are more picky and more pricey. Many state officials and business leaders cite increased unemployment benefits as an incentive for individuals to not work, as the benefits are often providing a higher income than jobs that offer minimum wage. There is economic research suggesting that unemployment benefits can prolong periods of unemployment, while helping to keep consumption constant. In addition, larger stimulus payments, which give people a larger financial safety net, allow them to remain out of work for longer periods with reduced financial stress. Unemployment benefits directly impact how an individual searches for employment - workers with benefits often are more ambitious in the jobs they pursue - jobs that provide competitive compensation and benefits - rather than settle for the first offer of employment. Individuals receiving unemployment benefits also experience a larger gap between jobs.

Additional research dedicated specifically to pandemic-era unemployment benefits found the weekly supplements did not significantly decrease employment as expected. Even with reported labor shortages, businesses are still hiring at an impressive pace. The Biden Administration points out that nearly 1.5 million jobs have been added to the national job force since January, while the May 2021 unemployment rate of 5.8% is the lowest point since March 2020. The White House continues to argue there is little evidence that expanded benefits are to blame for the plethora of job openings across industries.

A recent report by Congress' Joint Economic Committee estimates that local economies could lose $12 billion by ending unemployment benefit boosts before the national September 6 deadline (see Figure 1.2). By ending FPUC benefits early, states are foregoing millions of dollars in already appropriated funds that could be spent in local economies. The Joint Committee's report estimates that early cancellation of FPUC alone will remove $755 million from families and beneficiaries. The earlier benefits are cut off, the more money communities lose. According to the Joint Committee, pushing individuals to work forces them to take jobs that may not be ideal for long-term success (i.e. pay too little, endanger health, increased travel) and dissuade them from pursuing potential future earnings, reducing demand in local economies, and overall, restricting economic growth.

Estimated Economic Impacts from Early Termination

States	Totals claims as of May 13, 2021	Claims as share of labor force in April 2021 (16+)	Federal funds lost from early FPUC cancellation
Alabama	82,426	3.7%	$200,154,429
Alaska	37,631	10.7%	$102,954,857
Arizona	233,363	6.5%	$586,843,786
Arkansas	82,844	6.1%	$282,567,420
Florida	121,032	1.2%	$274,969,929
Georgia	247,837	4.8%	$825,701,610
Idaho	19,031	2.1%	$55,788,574
Indiana	254,143	7.6%	$579,341,683
Iowa	65,324	4.0%	$197,130,446
Maryland	301,812	9.7%	$587,939,742
Mississippi	78,735	6.1%	$323,980,834
Missouri	146,654	4.8%	$630,852,041
Montana	29,380	5.5%	$112,656,300
Nebraska	15,118	1.5%	$64,382,934
New Hampshire	34,853	4.6%	$129,986,795
North Dakota	14,278	3.5%	$63,264,472
Ohio	571,312	9.9%	$1,908,934,335
Oklahoma	83,261	4.5%	$292,114,605
South Carolina	158,291	6.6%	$523,790,730
South Dakota	4,387	0.9%	$19,383,135
Tennessee	164,312	4.9%	$485,829,041
Texas	1,052,396	7.5%	$3,513,562,455
Utah	26,689	1.6%	$106,139,595
West Virginia	45,741	5.7%	$192,113,678
Wyoming	10,092	3.4%	$42,696,482

Source: U.S. Congress Joint Economic Committee

As pandemic restrictions ease, COVID-related health risks continue to be at the forefront of some hesitant workers' minds. Many are unsure how paid sick days and family leave benefits will be structured in a post-pandemic workplace. Individuals with at-risk family members are hesitant to return to a workplace that increases their chance of exposure to unvaccinated co-workers and patrons who may carry the virus. A correlation between vaccination rates and unemployment rates across the country supports this theory. Childcare also may be a contributing factor as schools remain largely virtual and parents are expected to be back at work. Surveys have found that millions of parents who are eligible to work choose not to because of a lack of viable childcare or the financial burden of sending children to daycare. This highlights the need for states to examine support structures and social determinants of health that could impact an individual's decision to return to work.

In the coming weeks, CSG will provide an updated analysis of the entire situation with regard to labor shortages, the possible role of unemployment benefits, and the other impacts of expanded unemployment benefits (including on state tax revenues).