"Automatic Stimulus"

HOW IT WOULD HAVE INCREASED THE RECORD UNEMPLOYMENT BENEFITS PAID DURING THE GREAT RECESSION AND PANDEMIC

Matt Weidinger

DECEMBER 2022

AMERICAN ENTERPRISE INSTITUTE

Executive Summary

The COVID-19 pandemic saw unemployment claims reach a high of over 33 million in June 2020—over two and a half times the prior record set during the Great Recession. From March 2020 until temporary federal programs expired in September 2021, nearly 1.6 billion weeks of benefit checks were distributed. Record state and federal benefits cost $900 billion, far exceeding any prior response to a recession.

Despite that extraordinary response, some policymakers argue that the practice of authorizing temporary unemployment benefit expansions in response to recessions is inadequate and should be replaced by permanent automatic stimulus policies. Applying that perspective, a recent "modernization" proposal by senior Sens. Ron Wyden (D-OR) and Michael Bennet (D-CO) would permanently revive federal unemployment benefit expansions like those deployed during the pandemic, subject to new state and national unemployment rate "triggers."

This report details how such policies, had they applied during the Great Recession and COVID-19 pandemic, would have significantly expanded the payment of unprecedented federal unemployment benefits far beyond what contemporary policymakers deemed appropriate. Instead of attempting to permanently expand state and federal unemployment benefits in this prohibitively expensive way, policymakers would serve the public far better if they focused their efforts on ensuring benefits already promised can be delivered promptly, efficiently, and without widespread fraud and abuse.

"Automatic Stimulus"

HOW IT WOULD HAVE INCREASED THE RECORD UNEMPLOYMENT BENEFITS PAID DURING THE GREAT RECESSION AND PANDEMIC

Matt Weidinger

Since 1970, to counter the effects of recessions on both individuals and the economy, federal lawmakers have deployed permanent and temporary programs that offer laid-off workers additional unemployment benefits during economic downturns.

Those expanded benefits most often entail providing additional weeks of federal benefit checks to the long-term unemployed who exhaust up to 26 weeks of state unemployment insurance (UI) benefits. During the Great Recession, up to 73 weeks of such federal extended benefit checks were payable in some states, for a record duration of 99 weeks of all benefits available to some individuals.

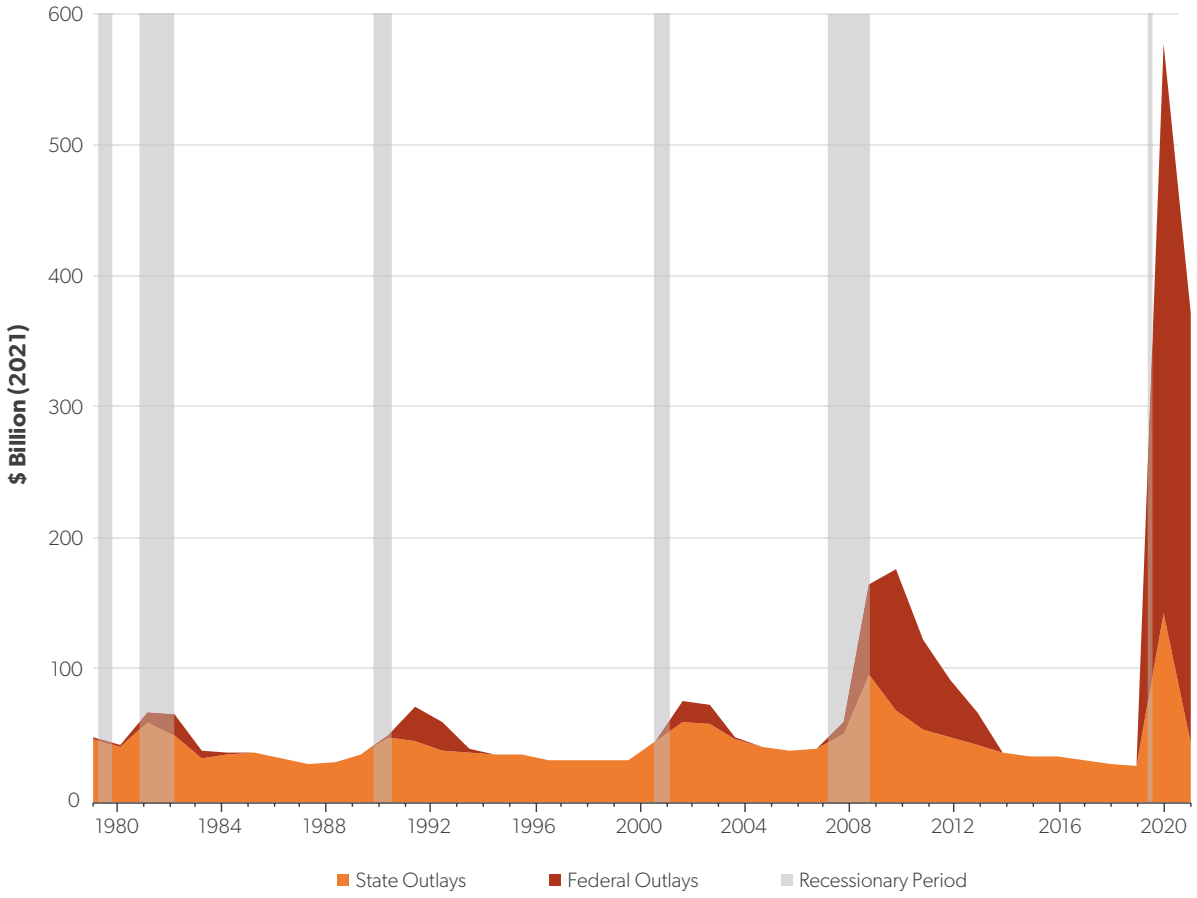
During the Great Recession and the pandemic, two further unprecedented federal benefit expansions were legislated. First, federal funds increased the amount of each state and federal benefit check (by $25 per week during the Great Recession and by initially $600 and later $300 per week during the pandemic). Second, the previously 50-50 state and federal Extended Benefits (EB) program was temporarily fully federally funded, which resulted in many more states opting to provide its up to 20 weeks of benefits during those periods.[1] Also during the pandemic, lawmakers created a first-time program offering federal unemployment checks to millions of independent contractors, self-employed individuals, and others who previously worked too little to qualify for regular state UI checks.

Those and other policies resulted in record unemployment benefit claims during the pandemic, peaking at over 33 million in June 2020—over two and a half times the prior record set during the Great Recession. In all, nearly 1.6 billion weeks of benefit checks were distributed during the 18 months between when the pandemic struck in March 2020 and when temporary federal programs expired in September 2021.[2] That's equivalent to three full months of benefits for each of 121 million US households.[3]

Those record benefit payouts cost an unprecedented $900 billion in state and federal funds, far exceeding any prior response to a recession.[4] As Figure 1 displays, between March 2020 and September 2021, federal unemployment benefits totaled almost $720 billion while state UI benefits added some $175 billion in payments. The extraordinary federal response to the pandemic during those 18 months provided more than double the federal benefits paid over five and a half years in response to the Great Recession.

Despite that unprecedented response, some policymakers have argued that continuing the recent practice of authorizing temporary unemployment benefit expansions in each recession is inadequate and should be replaced by permanent "automatic stimulus" policies. That view was first popularized by Obama administration figures and analysts who argued the extraordinary federal benefits paid in

Figure 1. State and Federal Outlays for Unemployment Benefits Since 1980



Source: US Department of Labor, Employment and Training Administration, "ET Financial Data Handbook 394," July 7, 2022, https://oui.doleta.gov/unemploy/hb394.asp.

response to the Great Recession were too limited and ended too soon.

Summarizing this view was a 2019 Brookings Institution volume called *Recession Ready: Fiscal Policies to Stabilize the American Economy*, which argued that the "magnitude and duration" of discretionary fiscal stimulus after the Great Recession were "insufficient." The volume called for more "automatic" stimulus policies in the future, linking the provision of federal benefits—including expanded unemployment benefits and increased food stamps, housing assistance, stimulus checks, state aid, and transportation spending—to elevated unemployment rates.[5]

Applying that perspective to the unemployment benefits system, a recent "modernization" proposal by senior senators would permanently revive federal benefit expansions like those deployed during the pandemic, subject to new state and national unemployment rate "triggers."[6] Supporters argue that, absent such permanent changes, temporary policies could result in future benefit expansions starting too late, ending too soon, and providing too little support for laid-off workers and too little stimulus for the economy.[7]

It is impossible to know how lawmakers might react to future economic downturns and thus whether fears of inadequate future benefit responses are justified. But it is possible to review how such policies would have affected prior recessionary responses. This report reviews how these proposed automatic

stimulus policies would have affected the unemployment benefit responses to the Great Recession and the pandemic, had the policies been in effect at those times.

As the analysis details, in each case such policies would have significantly expanded the payment of extraordinary federal unemployment benefits far beyond what contemporary policymakers determined appropriate. During and after the Great Recession, extraordinary federal benefits would have been payable in all states—regardless of how low their unemployment rate might have been—for nearly two additional years. In a handful of states, extraordinary federal benefits would have remained payable even in the months before the pandemic began—when national unemployment rates reached lows last seen in the 1960s. During the pandemic, these policies would have continued federal benefits well beyond September 2021, when President Joe Biden said it "makes sense" they expired.[8] Under one policy guaranteeing that benefits during a health emergency match prior earnings, expanded federal benefits would remain payable today to 1.2 million recipients in all states.[9]

Those expanded benefits would also have significantly increased federal deficit spending, which President Biden has linked with elevated inflation, and delayed returns to work—troubling outcomes given recent 40-year-high inflation rates and record labor shortages.[10] During the pandemic especially, the additional benefits payable under these policies would have flowed almost exclusively to blue states, given their relatively elevated unemployment rates and nearly all red states' decision to end federal payments in mid-2021.[11]

The Wyden-Bennet Automatic Stimulus Proposal

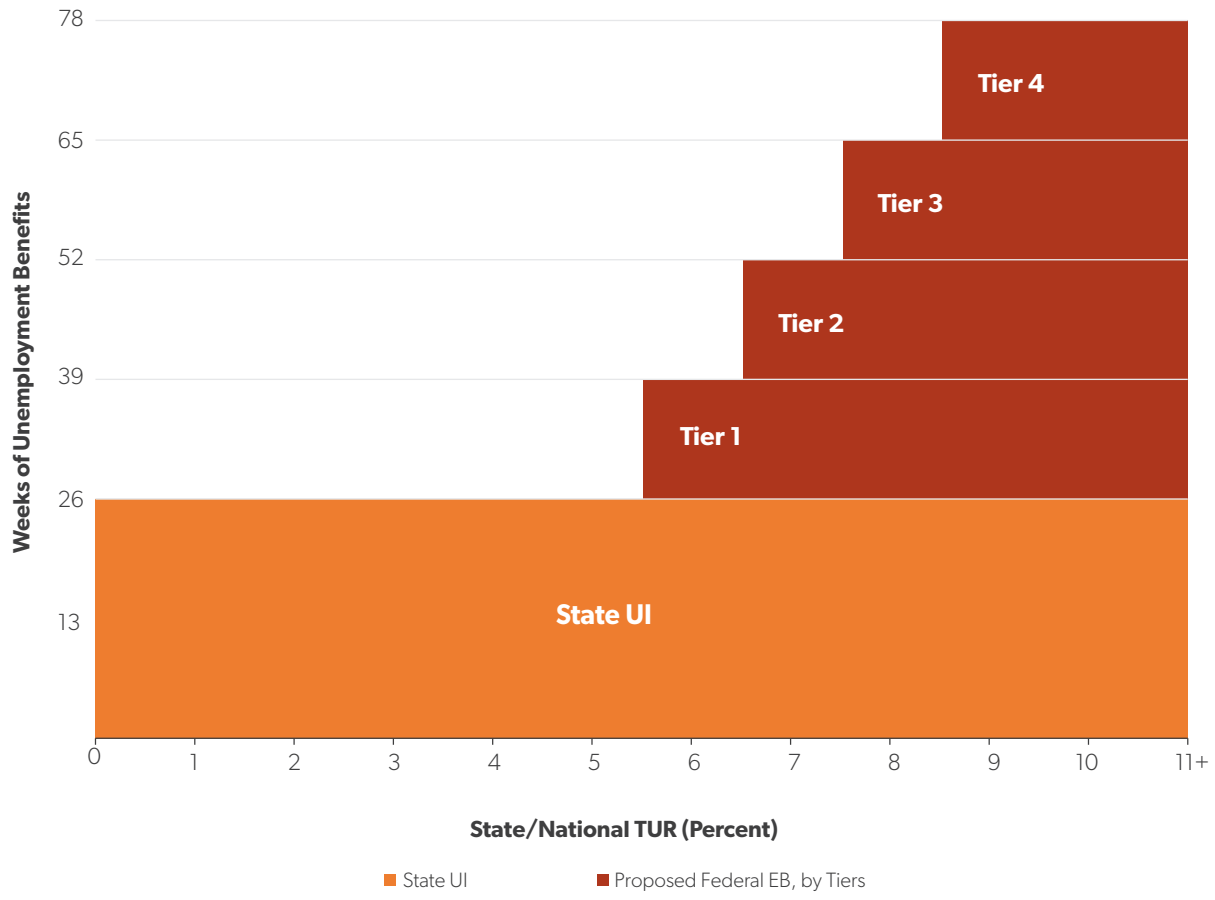
In April 2021, just one month after the $1.9 trillion American Rescue Plan Act's enactment, Sen. Ron Wyden (D-OR), chairman of the Senate Finance Committee, and senior committee member Sen. Michael Bennet (D-CO) released a draft bill calling for the permanent "modernization" of state and federal unemployment benefits. Their proposal includes detailed automatic stimulus policies offering expanded federal benefits whenever state or national unemployment rates are elevated, as defined by the legislation.[12] Even as temporary pandemic benefits remained payable, the authors suggested their proposal "would update and expand unemployment insurance so that the program is ready to respond to the next recession."[13]

The proposed bill would "modernize" state UI benefits through federal mandates requiring states to increase the size of weekly benefit checks, expand the duration of checks for each recipient, and increase eligibility for checks by covering part-time workers and certain workers who quit their jobs. Federally funded "dependents' allowances" would also permanently supplement state UI checks by an additional $25 per dependent each week.[14]

A new federal "Jobseeker Allowance" program would provide weekly benefit checks to the unemployed who didn't previously work and those who had been self-employed, effectively making permanent key features of the Pandemic Unemployment Assistance (PUA) program. Even greater federal benefits—increasing state UI checks to match prior earnings—would automatically flow "during public health emergencies or other major disasters or emergencies."[15] That would permanently revive benefit expansions like those provided under the Pandemic Unemployment Compensation (PUC) program, which added $600-per-week (and later $300-per-week) supplements to other unemployment checks during the pandemic.[16]

The proposal also includes a series of permanent reforms to the federal-state EB program, following automatic stimulus proponents' recommendations. The revised EB program would be permanently 100 percent federally funded (as it was temporarily for several years during the Great Recession and earlier in the pandemic).[17] The draft also proposes new terms for when federal extended benefits would be automatically paid to those exhausting state UI benefits (that is, without requiring future temporary federal legislation). Under the proposal, additional weeks of federal benefits would be paid whenever

Figure 2. Total Unemployment Benefits Payable, by State or National TUR



Source: Author.

state or national unemployment rates exceeded certain thresholds.

The draft defines four unemployment rate "triggers" that would govern when added weeks of federal benefits would be provided to eligible individuals.[18] The first trigger includes four "tiers" of benefits payable under the revised EB program, offering varying lengths of federal extended benefits whenever the state or national three-month average seasonally adjusted total unemployment rate (TUR) is at or above specific levels.[19]

Those tiers are as follows:

- **Tier 1.** When the state or national TUR is at least 5.5 percent, 13 total weeks of EB are available.
- **Tier 2.** When the state or national TUR is at least 6.5 percent, 26 total weeks of EB are available.
- **Tier 3.** When the state or national TUR is at least 7.5 percent, 39 total weeks of EB are available.
- **Tier 4.** When the state or national TUR is at least 8.5 percent, 52 total weeks of EB are available.

As Figure 2 reflects, those tiers would result in automatically paying as many as 78 weeks of unemployment benefits (including 26 weeks of state UI checks) whenever the state or national TUR is at least 8.5 percent.

Unlike the current EB program, which includes only state unemployment rate triggers, the new

national EB trigger means that, during periods of elevated US unemployment rates, federal extended benefits would be payable even in low-unemployment states. The April 2021 draft does not discuss whether states could opt out of these federal benefits, as roughly half the states did during mid-2021. The proposal specifies that even after the EB program turns off due to falling unemployment rates, an individual could continue to claim benefits they started collecting until they exhaust all weeks of benefits payable to them under that tier.

A second trigger, like the first, would determine not only when the revised federal EB program turns on and off but also how many weeks of benefits are payable per person during its operation (using the same thresholds and corresponding weeks of benefits as each "tier" displayed above). However, under the second trigger, federal EB benefits would be payable "when the state or national *augmented* average rate of total unemployment is at or above 5.5 percent."[20] (Emphasis added.) The proposal defines the "augmented" TUR as "the state's three-month average total unemployment rate, plus any difference between that rate and the average rate of total unemployment for any continuous three-month period in the preceding three years."[21] Thus, the state or national augmented TUR under the second trigger would exceed the state or national TUR under the first trigger whenever unemployment rates have risen compared with levels in recent years.

The third and fourth proposed triggers could further expand when the EB program operates and thus when federal extended benefits might be payable in individual states or across the country. The third trigger (which a summary describes as when the state or national TUR is "at least 0.5 percentage points higher than the lowest average rate of total unemployment for any continuous three-month period in the preceding 12 months,"[22] among other conditions) is designed to ensure the program begins to operate when unemployment starts to rise, even if rates remain low. The fourth trigger maintains the Insured Unemployment Rate trigger from the current-law EB program, which has applied infrequently.

Projected Effects of the Proposed Automatic Stimulus Policies During Recent Recessions

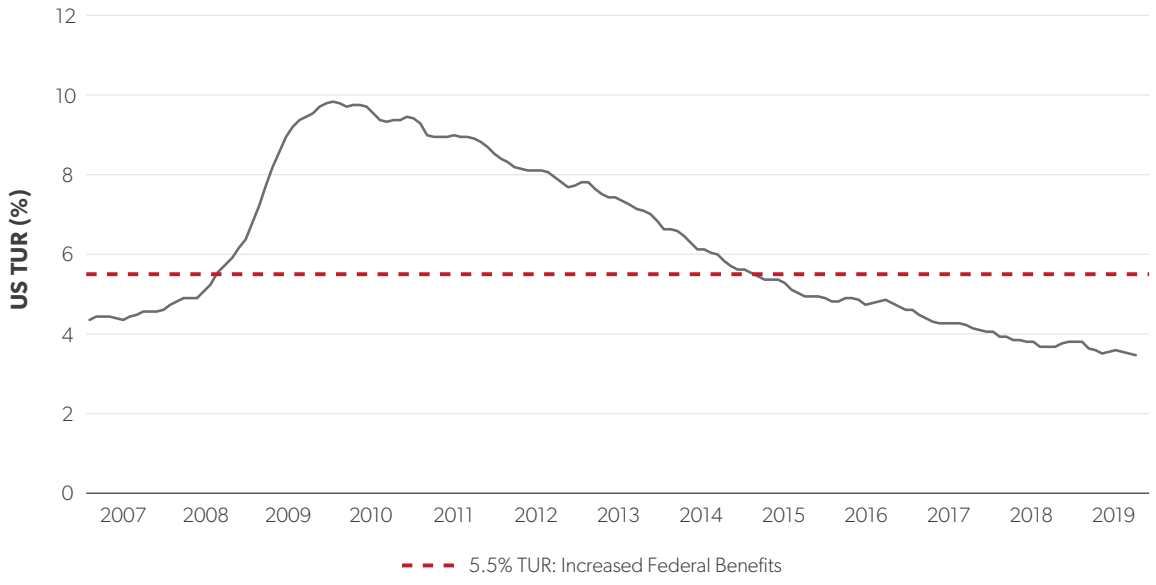
The Wyden-Bennet proposal suggests these and other changes would become effective January 1, 2023. However, in considering how such policies might affect the UI system's future operations, it is instructive to review what their effects would have been if they had been applied during and after the Great Recession and the pandemic. The analysis below reviews those projected effects in detail.

Effects During the Great Recession. In reviewing this complicated proposal's effects, it is useful to consider the effects of the national and state components of the first two triggers in turn. As Figure 3 displays, under the national part of the first trigger (i.e., when the US TUR is at or above 5.5 percent), federal extended benefits would have been payable in all states starting in August 2008 and remained available in all states through June 2015.[23] For comparison, under prior temporary law, federal extended benefits were payable from July 2008 through December 2013—or for 18 fewer months total.[24]

The national TUR tells only part of the story, however. Under the first trigger's state component, federal extended benefits also would have been payable in individual states based on their having a state TUR of 5.5 percent or higher, even when the national TUR did not exceed that level.

As Figure 4 displays, benefits would have been payable in multiple states well before the US TUR exceeded 5.5 percent, including 12 states in January 2008 and six states in January 2007.[25] Figure 4 also displays how individual states with a TUR of 5.5 percent or higher would have seen federal benefits continue beyond June 2015 when the US TUR fell below 5.5 percent, including 18 states in December 2015, 14 states in December 2016, five states in December 2017, three states in December 2018, and three states in December 2019 on the eve of the pandemic.[26] For example, in Washington, DC, under the first trigger's state component, the federal EB program would have operated throughout the 13 years from the

Figure 3. Three-Month Seasonally Adjusted US TUR, 2007–19



Source: US Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, https://data.bls.gov/cgi-bin/surveymost?ln. The TUR displayed for each month is the average US seasonally adjusted unemployment rate for the prior three months. For example, the TUR for January 2008 is the average US unemployment rate for October, November, and December 2007.

beginning of 2007 through the end of 2019, except in just three months (March, November, and December 2019, when DC's TUR was below 5.5 percent).

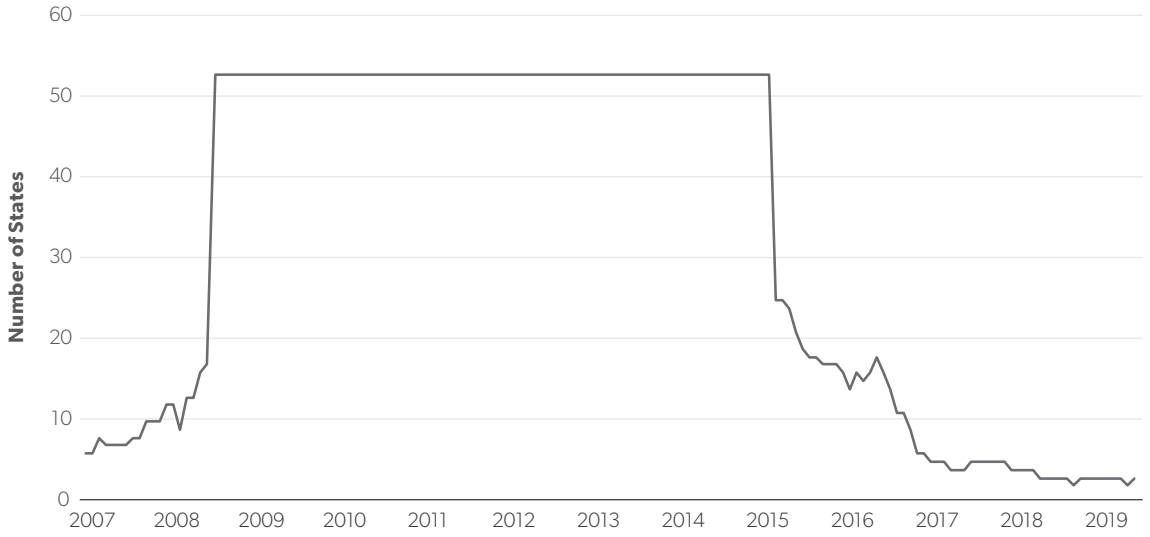
While the above reflects how the first trigger would have significantly expanded the availability of federal extended benefits in all states by 16 months and in multiple states for additional years, compared with the temporary program that operated then, it still offers an incomplete picture of the proposal's effects. That is because the second augmented TUR trigger would have further expanded when the federal EB program operated and the number of weeks of benefits it provided.

Figure 5 displays how the US augmented TUR would have exceeded the US TUR from 2007 until early 2012. As noted above, under the first trigger, the rising US TUR would have started the EB program in all states in August 2008. However, the US augmented TUR would have moved up the program's start date to March 2008, or four months before federal extended benefits actually began under prior law in July 2008.[27]

As with the first trigger's state component, state augmented TURs would have advanced the program's start date even further in individual states. For example, considering just the first state TUR trigger for California, the federal EB program would have begun there in October 2007, operated through April 2016, and revived for three months in late 2016 when the state's TUR rose to 5.5 percent again—a total of eight years and 10 months. Using California's augmented TUR, the program would have begun in June 2007, also expired in April 2016, but then revived for four months in late 2016—a total of nine years and three months. As a result, federal extended benefits would have been payable in California for 45 months (68 percent) longer than the 66 months they were payable in all states during the Great Recession.

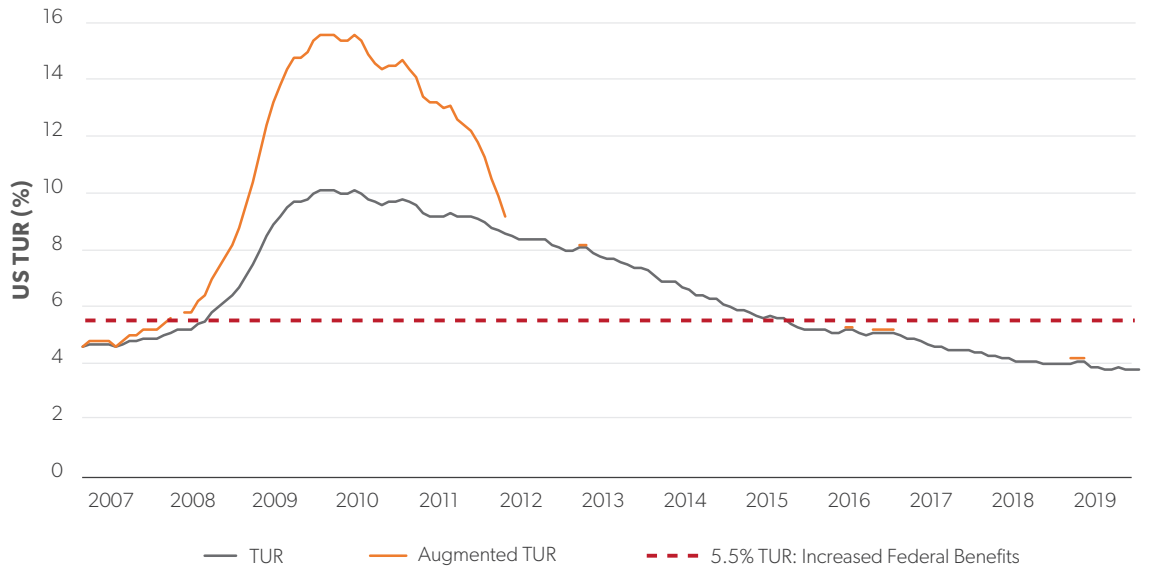
Beyond expanding the period when federal extended benefits would have been payable, the second augmented TUR trigger would have significantly expanded the number of weeks of benefits payable in many months. For example, in December 2008, when the national TUR was 6.5 percent, the augmented

Figure 4. States Where Federal Extended Benefits Would Have Been Payable Under the First US and State TUR Trigger, 2007–19



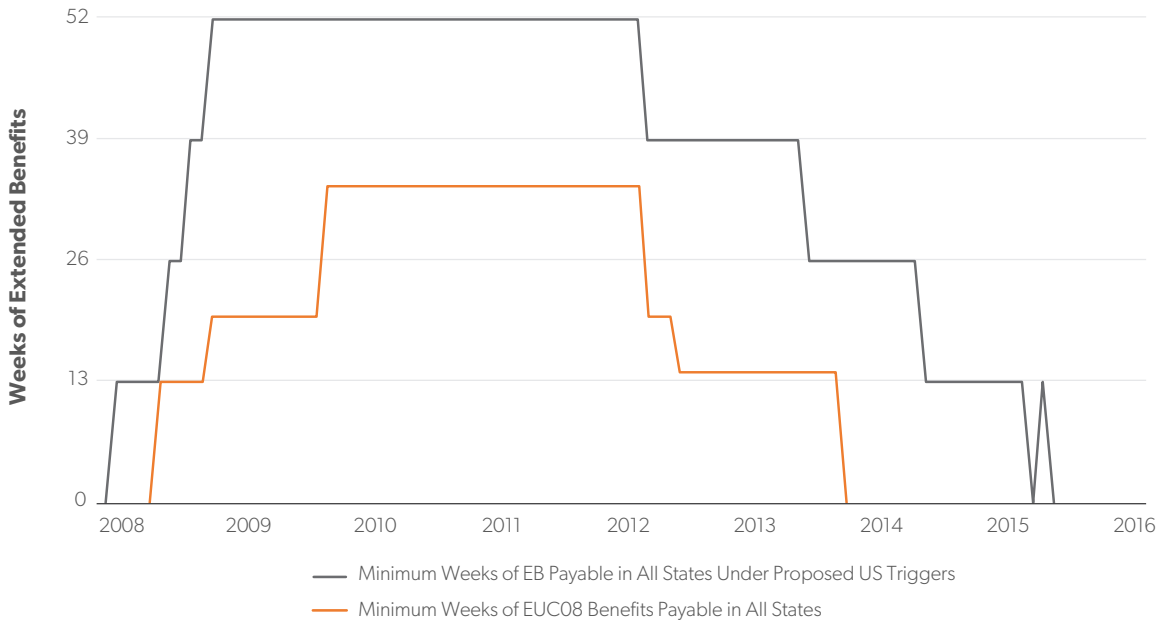
Note: There are 53 "states" in the UI system, including the District of Columbia, Puerto Rico, and the US Virgin Islands.
Source: US Department of Labor, Employment & Training Administration, Extended Benefits Trigger Notice, July 7, 2022, https://oui.doleta.gov/unemploy/claims_arch.asp.

Figure 5. US TUR and Augmented TUR, 2007–19



Source: Author's calculations using data from US Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, https://data.bls.gov/cgi-bin/surveymost?ln.

Figure 6. Minimum Weeks of Extended Benefits Payable in All States Under Proposed US Triggers Compared with the EUC08 Program, 2008–16



Source: Author's calculations using US Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, https://data.bls.gov/cgi-bin/surveymost?ln; Julie M. Whittaker and Katelin P. Isaacs, *Extending Unemployment Compensation Benefits During Recessions*, Congressional Research Service, May 2, 2013, https://sgp.fas.org/crs/misc/RL34340.pdf; and Katelin P. Isaacs, *Unemployment Insurance: Consequences of Changes in State Unemployment Compensation Laws*, Congressional Research Service, October 23, 2019, https://sgp.fas.org/crs/misc/R41859.pdf.

national TUR was 8.6 percent. Thus while 26 weeks of federal EB would have been payable in all states under the first trigger, 52 weeks of benefits would have payable under the second augmented TUR trigger.

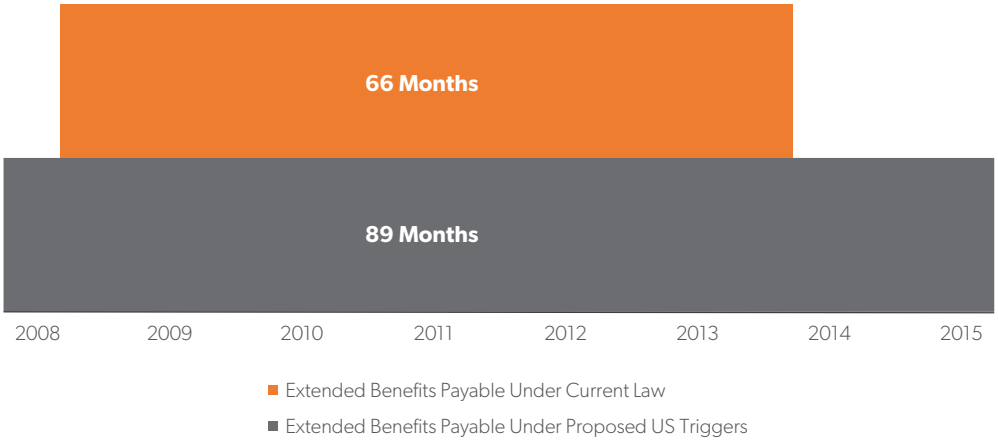
Figure 6 displays the minimum number of weeks of extended benefits payable in all states under the proposed first and second US triggers, compared with those paid under the temporary Emergency Unemployment Compensation (EUC08) program that operated between 2008 and 2013.[28]

Figure 6 shows how the proposed US triggers would have provided many more weeks of benefits in all states—that is, regardless of how low their individual unemployment rates might be. From December 2008 through February 2012, a minimum of 52 weeks of extended benefits would have been payable in all states under these US triggers, compared with between 20 and 34 weeks payable under the temporary program Congress created and regularly reauthorized.

Figure 7 combines the data presented above for a more comprehensive look at how long the EB program would have operated under just the US triggers in the Wyden-Bennet proposal, compared with equivalent programs during and after the Great Recession.

As Figure 7 displays, under the Wyden-Bennet proposal, the federal EB program would have operated for an additional 23 months, or almost two full years, nationwide beyond what contemporary policymakers determined appropriate. Most of those additional months would have been added to the end of the program, rebutting the suggestion that such programs need automatic triggers to ensure they begin promptly. As we will see, that dynamic was even more pronounced during the pandemic, when contemporary policymakers started expanding federal benefits even sooner than they would have begun under this automatic stimulus proposal.

Figure 7. Operation of Temporary Extended Benefits Program Under Current Law Compared with Proposed EB Program Under US Triggers, During and After the Great Recession



Source: Author's calculations using US Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, https://data.bls.gov/cgi-bin/surveymost?ln; Julie M. Whittaker and Katelin P. Isaacs, *Extending Unemployment Compensation Benefits During Recessions*, Congressional Research Service, May 2, 2013, https://sgp.fas.org/crs/misc/RL34340.pdf; and Katelin P. Isaacs, *Unemployment Insurance: Consequences of Changes in State Unemployment Compensation Laws*, Congressional Research Service, October 23, 2019, https://sgp.fas.org/crs/misc/R41859.pdf.

Significantly, the expanded program operation displayed in Figure 7 does not consider the effect of state TURs and state augmented TURs, which would have extended the operation of this extraordinary federal benefits program for additional years in individual states, as Figure 4 displays.

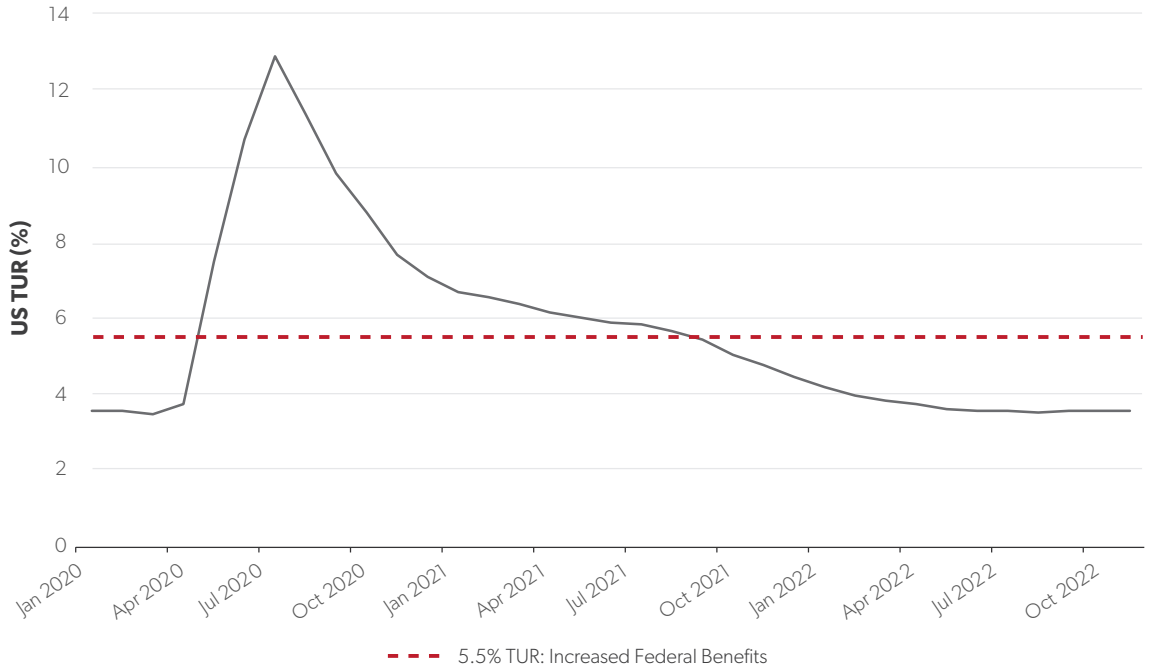
Effects During the Coronavirus Pandemic. We turn now to how that Wyden-Bennet proposal would have affected extended benefits during the coronavirus pandemic, when unemployment rates rose suddenly to even higher peaks than during the Great Recession before returning comparatively rapidly to pre-pandemic levels.

Again starting with just the national component of the first trigger, Figure 8 shows that federal extended benefits would have begun in May 2020 and remained available in all states until October 2021. That contrasts with extended benefits that generally began in April 2020 under the March 27, 2020, Coronavirus Aid, Relief, and Economic Security (CARES) Act and ultimately expired in September 2021.[29]

Considering state TURs would have expanded the EB program's operation further in dozens of states. First, as Figure 9 shows, federal extended benefits would have been payable in a handful of states even before May 2020 under the first trigger's state TUR component. In January through March 2020, three states (Alaska, Mississippi, and Puerto Rico) would have qualified in each month; in April, four states (Alaska, DC, Louisiana, and Puerto Rico) would have been eligible.[30]

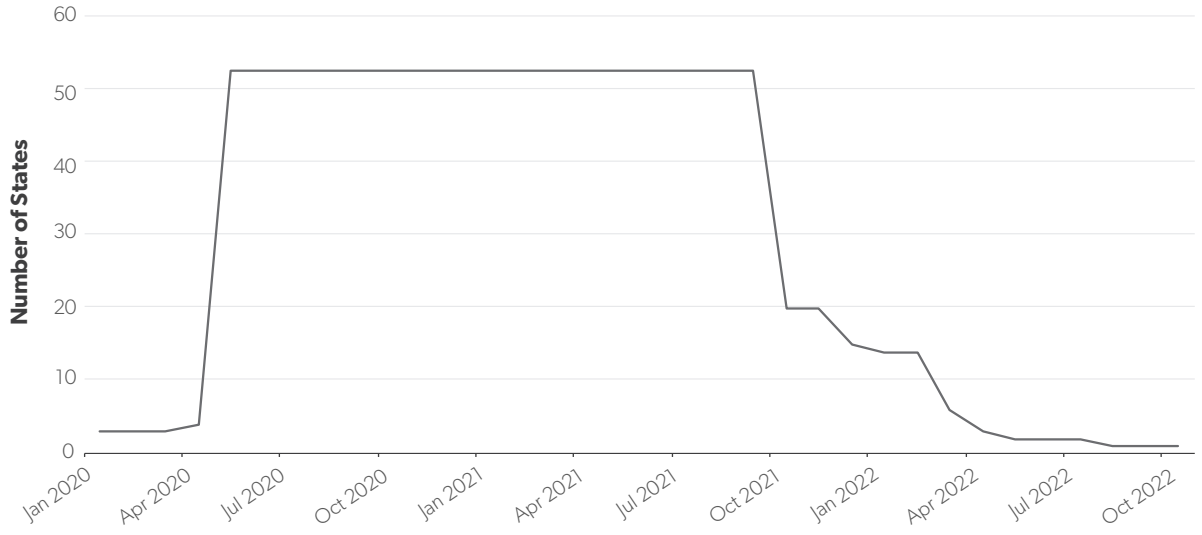
Figure 9 also shows that individual states with a TUR of 5.5 percent or higher would have seen the federal EB program continue in October 2021 and subsequent months despite the national TUR falling below 5.5 percent then. Federal benefits would have continued this way in 20 states in October and November and in 15 states in December 2021. Federal benefits would have remained payable in multiple states into 2022, even as a national labor shortage unfolded. For example, EB would have remained payable in six states (Alaska, California, DC, New Mexico, Puerto Rico, and the US Virgin Islands) in

Figure 8. Three-Month Seasonally Adjusted US TUR, January 2020–Present



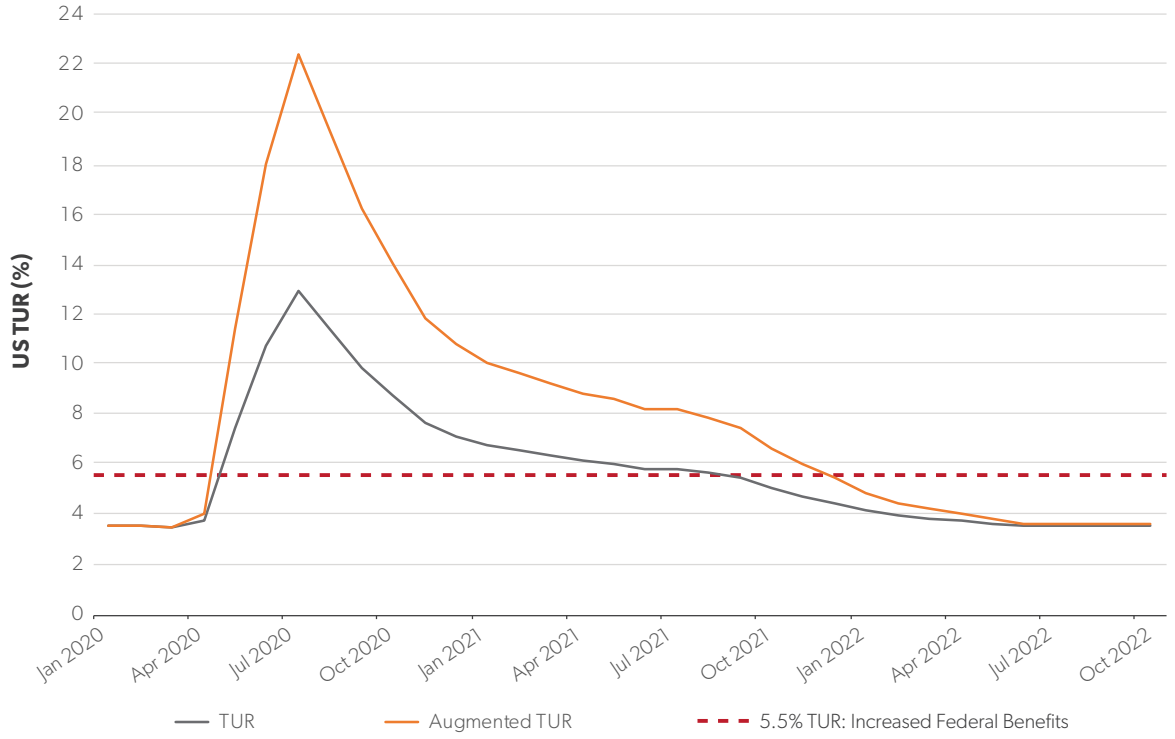
Source: US Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, https://data.bls.gov/cgi-bin/surveymost?ln.

Figure 9. States Where Federal Extended Benefits Would Have Been Payable Under the First US and State TUR Trigger, January 2020–Present



Note: There are 53 "states" in the UI system, including the District of Columbia, Puerto Rico, and the US Virgin Islands.
Source: US Department of Labor, Employment & Training Administration, Extended Benefits Trigger Notice, July 7, 2022, https://oui.doleta.gov/unemploy/claims_arch.asp.

Figure 10. US TUR and Augmented TUR, January 2020–Present



Source: Author's calculations using US Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, https://data.bls.gov/cgi-bin/surveymost?ln.

March 2022, when national job openings reached a record high of over 11.5 million.[31]

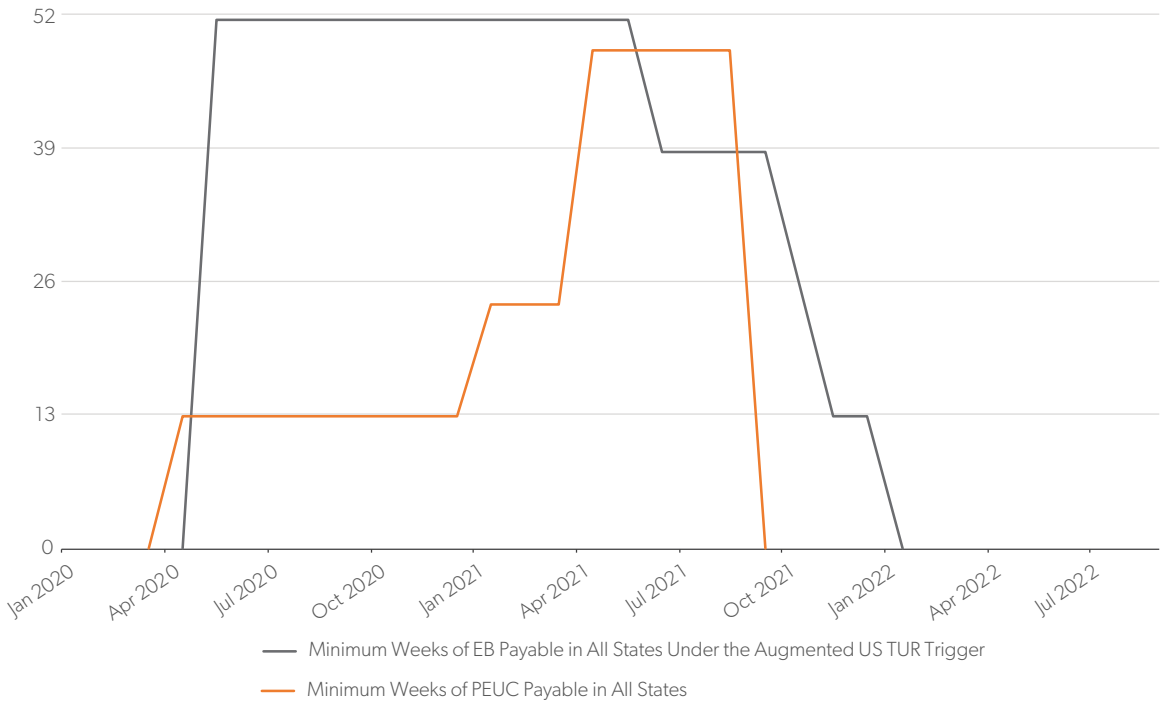
As in the earlier analysis of the Great Recession, the second proposed trigger, based on the US augmented TUR, would have further broadened the period when federal extended benefits would have been payable in all states and the number of weeks of benefits paid. Figure 10 displays US TUR and augmented US TUR levels since January 2020.

Figure 10 shows how the EB program's start would not have changed due to the second US trigger, remaining in May 2020. However, the second US trigger would have continued the program's operation further beyond its actual expiration in September 2021. Under the first US TUR trigger alone, the proposed federal EB program would have ended in October 2021; under the second US augmented TUR trigger, it would have ended three months later, in January 2022.

State TURs and augmented TURs would have continued the program's operation in some states considerably longer. For example, even though California's TUR fell below 5.5 percent in April 2022, its augmented TUR remained above that level until June 2022. Thus in July 2022, federal EB program benefits would have remained payable to prior recipients in California under the proposal's personal phaseout rules in the same month when the state reached its all-time low monthly unemployment rate of 3.9 percent.[32]

As we saw during the Great Recession, the augmented US TUR would also have rapidly expanded weeks of federal benefits payable in all states early in the pandemic. Figure 11 displays how, especially early in the pandemic, the minimum weeks of benefits payable under the proposal would have significantly exceeded the minimum weeks of extended benefits paid in all states under the Pandemic Emergency

Figure 11. Minimum Weeks of Extended Benefits Payable in All States Under Proposed US Triggers Compared with the PEUC Program, 2020–22



Source: Author's calculations using US Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, https://data.bls.gov/cgi-bin/surveymost?ln; and Julie M. Whittaker and Katlin P. Isaacs, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*, Congressional Research Service, January 31, 2022, https://crsreports.congress.gov/product/pdf/R/R46687/11.

Unemployment Compensation (PEUC) program Congress created in March 2020.[33]

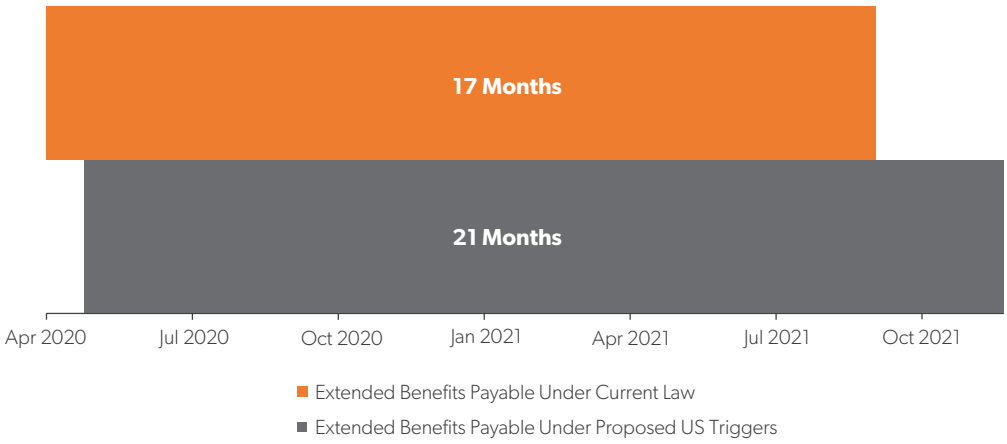
For the 13 months from May 2020 through May 2021, a minimum of 52 weeks of benefits would have been payable in all states under the US augmented TUR trigger, compared with a minimum of generally 13 or 24 weeks of benefits in all states during that period under the PEUC program. The March 2021 American Rescue Plan doubled the minimum weeks of extended benefits payable in all states under the PEUC program, but by June 2021, many relatively low-unemployment red states responded by opting out of the PEUC program altogether.

The Wyden-Bennet proposal's third and fourth triggers would have minimally affected the program's national operation and the number of weeks of benefits payable, beyond the first two triggers' effects.

Figure 12 combines the data presented above for a more comprehensive look at how long the proposed federal EB program, considering just the first two US triggers, would have operated compared with the actual provision of federal extended benefits during the coronavirus pandemic.

In sum, under the proposal, federal extended benefits would have started the month *after* they began under recent temporary law. Meanwhile, as during the Great Recession, the proposal would have continued those benefits well beyond when contemporary policymakers agreed they should end—in this case, for four months after benefits expired nationwide in early September 2021. That ignores the fact that dozens of states had already opted to terminate these programs during mid-2021. Figure 12 also leaves out the effects of the proposal's

Figure 12. Operation of Temporary Extended Benefits Program Under Current Law Compared with Proposed EB Program Under US Triggers, During the Pandemic



Source: Author's calculations using US Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, https://data.bls.gov/cgi-bin/surveymost?ln; and Katelin P. Isaacs, *Unemployment Insurance (UI) Benefits: Permanent-Law Programs and the COVID-19 Pandemic Response*, Congressional Research Service, January 31, 2022, https://crsreports.congress.gov/product/pdf/R/R46687.

state TUR and augmented state TUR triggers, under which a handful of states would have qualified for federal benefits even before the pandemic started, along with more than a dozen states that would have continued to qualify into early 2022.

Other Pandemic Benefits Would Remain Payable in All States Today. The foregoing discussion has been limited to the automatic stimulus features of the Wyden-Bennet proposal that pertain to federal extended benefits. Another feature of the proposal would continue to provide pandemic benefit expansions in all states even today—specifically, the proposal's mandate that states provide federally funded "Emergency Enhanced Unemployment Compensation" that "increases the wage replacement rate of unemployment benefits to 100 percent during public health emergencies or other major disasters or emergencies."[34]

US Health and Human Services Secretary Xavier Becerra on October 13, 2022, renewed the coronavirus public health emergency declaration, which is typically applicable for 90 days.[35] As a result, if the Wyden-Bennet proposal were in effect today, this policy would have perpetuated and even expanded one of the pandemic benefits response's most controversial features—the provision of $600-per-week and, more recently, $300-per-week federal unemployment benefit supplements.

Before their authorization expired in early September 2021, those $300-per-week supplements resulted in nearly 40 percent of recipients collecting as much as or more than they previously earned from working.[36] The Wyden-Bennet proposal in effect insists such expansions were *too small* for some 60 percent of recipients. Setting aside the likelihood that more individuals would have claimed and remained on unemployment benefits because of this policy, the 1.2 million individuals recently claiming unemployment benefits would have seen their weekly benefit checks, which average $387 nationwide, more than double to an average of over $900 per week as a result.[37]

Which States Would Collect More Federal Extended Benefits Now? Another important consideration involves the specific states where automatic stimulus benefits—especially extended unemployment benefits triggered by elevated unemployment rates—would be paid under the Wyden-Bennet proposal. Significantly affecting that question during the latter part of the pandemic is that nearly all

Republican-led states (plus Louisiana, led by Democratic Gov. John Bel Edwards) opted out of paying federal benefits in mid-2021. Of the 25 states opting out of some or all federal benefits, 21 ended payments under the PEUC program, which provided the bulk of federal extended benefits during the pandemic.

Figure 13 displays how by July 2021, most red states (which also tended to have lower unemployment rates) opted out of paying some or all federal pandemic benefits, meaning almost exclusively blue states—that is, those with Democratic governors—continued to pay the full slate of these benefits toward the end of the programs.

As described earlier, the second augmented US TUR trigger would have allowed federal extended benefits to be payable in all states through December 2021—and well beyond in a significant number of individual states. However, since most red states had already opted out of paying those benefits by mid-2021 (and presuming they could similarly have opted out of the Wyden-Bennet proposal's extended benefits), expanded benefits paid under this proposal would have disproportionately flowed to individuals in blue states in late 2021 and 2022.

Figure 14 displays the likely result, which is that the vast majority of additional benefits would have been paid in blue states.

Considering prior state decisions to opt out, under the augmented TUR trigger, in November 2021 only four red states, compared with 26 blue states, would have paid federal extended benefits. Even after the US augmented TUR no longer exceeded 5.5 percent in January 2022, state TUR and augmented TUR triggers would have continued the payment of federal extended benefits—again, mostly in blue states. By April 2022, no red states would have collected federal extended benefits, while 13 blue states would have continued to qualify.

Under the proposal, many more weeks of federal benefits would also have been payable in blue states, given their relatively higher unemployment rates compared with the few qualifying red states. In January 2022, not only would the federal EB program have remained operational in 19 blue states and only three red states, but benefits would have been paid far longer in those blue states. Table 1 shows how 13 weeks of benefits would have been payable in just three red states (Alaska, Florida, and Ohio) that month. In contrast, far longer courses of benefits would have been payable in large blue states such as Pennsylvania (26 weeks), Michigan (39 weeks), and California, Illinois, New Jersey, and New York (52 weeks).

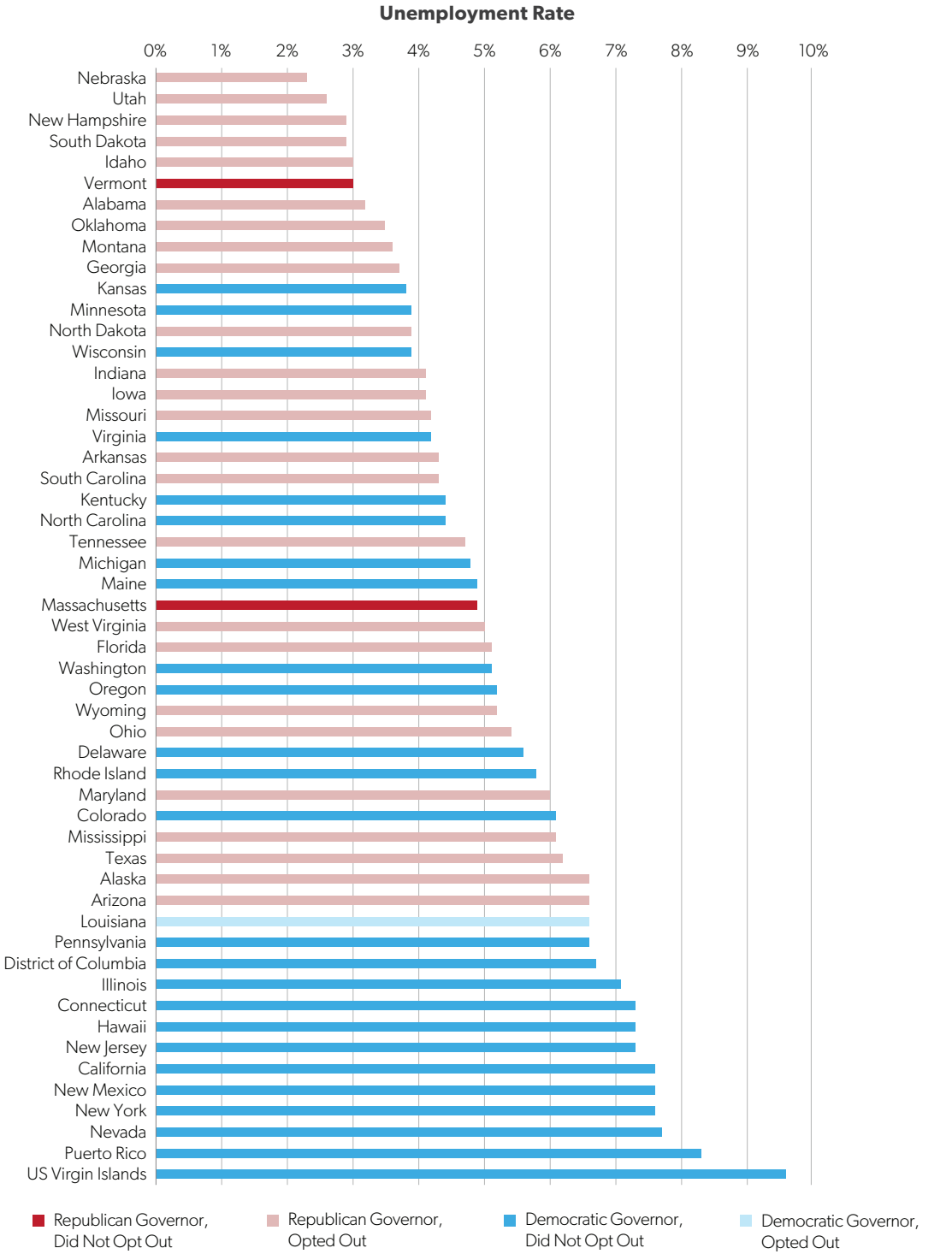
The continued, and expanded, payment of extended benefits to recipients in primarily blue states under the proposal would have only increased the already-disproportionate federal funding those states received under temporary programs during the pandemic. As Figure 15 displays, federal unemployment benefit spending per current labor force participant under the CARES Act significantly advantaged blue states over red states. Average CARES Act spending on federal unemployment benefits per labor force participant in blue states ($4,440) was almost double that in red states ($2,400).

That gap reflects several factors, including (1) elevated unemployment rates in blue states;[38] (2) rules connecting the amount of federal benefits with the size of state unemployment checks, which tend to be greater in blue states;[39] and (3) most red states' opting out of federal benefits in mid-2021. In sum, by expanding the duration and number of weeks of benefits paid under federal programs in especially blue states, the Wyden-Bennet proposal would increase the already-significant blue-state advantage in the flow of federal funds during the pandemic.

How Much Would All This Cost? It is beyond the scope of this report to estimate how much such benefit expansions would cost. Similarly, the Wyden-Bennet proposal fails to define those costs; it is also silent on the specific tax increases and other policies it admits would be needed to cover such increased costs. But just considering the expansion of federal extended benefits described above suggests the costs would easily have run into billions of dollars during the pandemic.

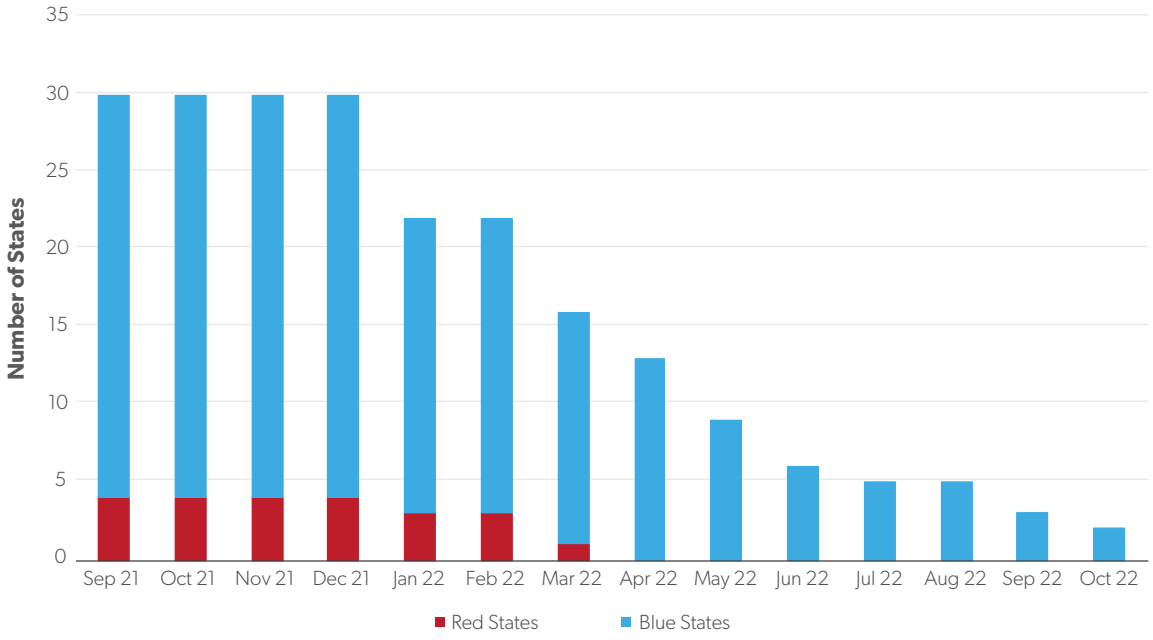
For example, Table 1 showed how 52 weeks of federal extended benefits would have remained payable in large states such as California, Illinois, New Jersey,

Figure 13. States by July 2021 Unemployment Rate, Continued Payment of All Federal Benefits, and Governor's Party



Note: Lighter bars depict states that announced an early end to federal benefits.
Source: Matt Weidinger, "The Biden Administration Suggested Blue States Extend Unemployment Benefits, but They All Rejected the Offer," American Enterprise Institute, September 13, 2021, https://www.aei.org/poverty-studies/the-biden-administration-suggested-blue-states-extend-unemployment-benefits-but-they-all-rejected-the-offer.

Figure 14. Continued Payment of Federal Extended Benefits After Labor Day 2021 Under the US and State TUR and Augmented TUR Triggers, by Number of States and Governor's Party



Note: This figure assumes states that sought to opt out of PEUC in mid-2021 succeeded. In contrast with Figure 13, which reflects states that discontinued any federal benefits, this figure reflects that PEUC benefits remained payable in Alaska, Arizona, Florida, and Ohio, even as those states discontinued other federal benefits. State augmented TURs are calculated by comparison with state TURs in March 2020.
Source: Author's calculations using US Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, https://www.bls.gov/lau.

and New York (along with in Hawaii, Nevada, and the US Virgin Islands) in January 2022—four months after federal extended benefits expired in those states under the temporary federal program that operated during the pandemic. In California alone, the temporary federal PEUC program regularly provided over $500 million in support per week before the program expired. Even at half that pace, continuing extended benefits in California alone would likely have cost well over $1 billion per month for each of those four months.[40]

Another uncertainty involves how Congress might react to future downturns by providing further temporary benefit expansions. For decades after creating the permanent-law EB program in 1970, federal legislators have shown a repeated desire to "do something" to aid the unemployed whenever recessions hit. An expanded suite of automatic benefits is unlikely to sate that urge, meaning lawmakers will likely seek further temporary benefit expansions in the future—at considerable additional cost.[41]

In the end, the enormous cost of providing more automatic stimulus—and paying for it if it were to become a permanent part of the nation's unemployment benefits system—is likely to prove a key impediment to enacting such proposals. For example, during the pandemic, emergency federal unemployment benefits totaled some $720 billion, all added to the federal deficit. Paying for such massively expanded benefits through federal payroll tax hikes alone would have required the normally 0.6 percent federal unemployment tax to grow over tenfold to approximately 6.6 percent—and remain there for the next decade.[42] And as we have seen, the Wyden-Bennet proposal would have significantly increased federal pandemic benefits and thus required even greater federal tax hikes to offset those elevated costs. Such federal tax hikes would be in addition to the significant state payroll tax hikes the proposal would require due to its

Table 1. Weeks of Extended Benefits Payable in January 2022 in Eligible Blue and Red States Under the Wyden-Bennet Proposal

Weeks of EB Payable	Red States	Blue States
13 Weeks	Alaska Florida Ohio	Delaware Washington
26 Weeks	—	District of Columbia Maine Massachusetts Pennsylvania Rhode Island
39 Weeks	—	Colorado Connecticut Michigan New Mexico Puerto Rico
52 Weeks	—	California Hawaii Illinois Nevada New Jersey New York US Virgin Islands

Source: Author's calculations using Department of Labor data.

also mandating larger, longer, and more widely available state UI checks.

Conclusion

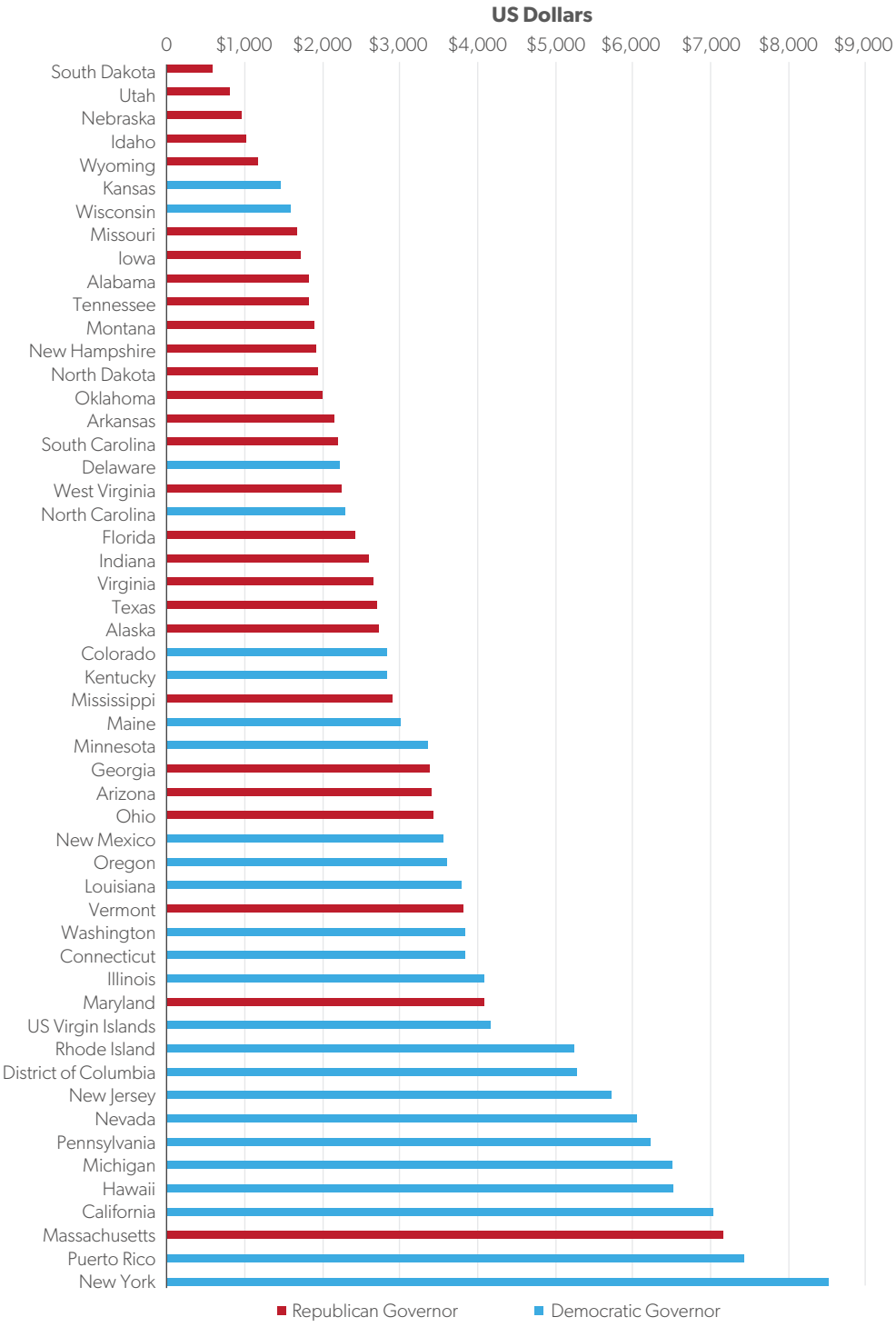
With many expecting the US to enter another recession in 2023, policymakers may soon revisit the question of when to revive temporarily extended and expanded unemployment benefits. Some may use that as an opportunity to propose enacting the April 2021 Wyden-Bennet proposal—which recommended permanent changes in unemployment benefits, including making an expanded suite of federal benefits automatically payable whenever unemployment rates exceed specific thresholds.

That should be opposed for a number of reasons.

As this report has reviewed, had that policy been in place during the past two recessions, it would have expanded the over $1 trillion in combined federal unemployment benefits (which is already a record) contemporary lawmakers deemed appropriate. The proposal would have significantly expanded even the unprecedented response to the pandemic, despite key Democratic experts arguing that the American Rescue Plan, which included that response's final installment, contributed to recent 40-year-high inflation.[43] That overbroad response caused dozens of states to simply end federal unemployment benefits altogether for the first time, arguing their continued availability obstructed the economy's recovery and individual returns to work.

Despite such concerns, in each episode the Wyden-Bennet proposal would have promised additional months and even years of federal benefits beyond when they ended under current law. After the pandemic, such benefits would have flowed disproportionately to blue states, offering them even greater federal subsidies beyond those already paid. Meanwhile, the proposal's authors have no answer for how they would cover the significantly increased costs of providing such enlarged federal benefits, or

Figure 15. CARES Act Unemployment Benefit Spending per Current Labor Force Participant, by State



Source: Author's calculations using US Department of Labor, Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding to States Through October 8, 2022, https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html; and US Bureau of Labor Statistics, Data Retrieval Tool, https://data.bls.gov/cgi-bin/surveymost?la.

even what those increased costs might be. One thing is clear: Covering the cost of just the federal benefits paid during the pandemic, which would fall short of the benefits that would have been paid under the Wyden-Bennet proposal, would be ruinously expensive, requiring never-before-imagined increases in federal payroll taxes.

There is also no guarantee that, if such automatic stimulus expansions were permanently authorized, federal lawmakers wouldn't also enact further temporary expansions whenever recession recurred to show they were "doing something" to help the unemployed, as they have regularly done since the permanent EB program was created in 1970. That would increase federal spending and ultimately taxes even more.

The proposal also includes a "modernization" of state unemployment benefits, forcing states to expand eligibility for and the duration and amount of state benefits. Yet the Wyden-Bennet proposal's authors are similarly silent on the significant additional costs that would force on employers that pay state payroll taxes and ultimately on the workers whose wages would decline as payroll taxes spiked. Once again, red states—where benefits and payroll taxes tend to be lower today—would face disproportionate pain in the form of relatively greater increases in benefits and thus payroll taxes.

These expensive and irresponsible policies distract from the UI system's most pressing needs—including improved administrative systems and services required to ensure benefits already promised can be delivered promptly, accurately, and without the historic fraud that afflicted them during the pandemic.[44] Especially during a time of divided government, it matters that those changes also are far more likely to enjoy bipartisan support. In the end, the public would be far better served if policymakers focused on solving those real-world issues, instead of attempting to legislate permanent expansions in state and federal benefits that would exceed even the record payments made during the pandemic and whose costs would be prohibitively expensive for taxpayers and ultimately workers.

About the Author

Matt Weidinger is a senior fellow and Rowe Scholar in poverty studies at the American Enterprise Institute, where his work is focused on safety-net policies, including cash welfare and unemployment insurance.

Notes

1. While temporarily fully federally funded during these periods, the Extended Benefits (EB) program paid twice the benefits provided during the remainder of its history dating back to 1970. See Matt Weidinger, "Why Even Permanent Benefit Expansions Are Never Enough," American Enterprise Institute, September 27, 2022, https://www.aei.org/poverty-studies/why-even-permanent-benefit-expansions-are-never-enough.

2. Matt Weidinger, "Democrats Stay Silent as Unprecedented 'Benefits Cliff' Approaches," *National Review*, August 25, 2021, https://www.aei.org/op-eds/democrats-stay-silent-as-unprecedented-benefits-cliff-approaches; and Matt Weidinger, "Visualizing the 1.6 Billion Weeks of Unemployment Benefit Checks Paid During the Pandemic," American Enterprise Institute, March 23, 2022, https://www.aei.org/poverty-studies/visualizing-the-1-6-billion-weeks-of-unemployment-benefit-checks-paid-during-the-pandemic.

3. US Department of Commerce, Economics and Statistics Administration, Bureau of the Census, QuickFacts, https://www.census.gov/quickfacts/fact/table/US/HCN010212.

4. Matt Weidinger, "Answering Ten Key Questions on Pandemic Unemployment Benefits and Fraud," testimony before the Committee on Homeland Security and Governmental Affairs, US Senate, March 17, 2022, https://www.aei.org/research-products/testimony/answering-ten-key-questions-on-pandemic-unemployment-benefits-and-fraud.

5. Heather Boushey, Ryan Nunn, and Jay Shambaugh, eds., *Recession Ready: Fiscal Policies to Stabilize the American Economy* (Washington, DC: Brookings Institution, 2019), 36.

6. See US Senate Committee on Finance, "Detailed Summary of Unemployment Insurance Reform Discussion Draft," April 14, 2021, https://www.finance.senate.gov/imo/media/doc/4.13.21%20UI%20Reform%20Discussion%20Draft%20Summary.pdf.

7. Michele Evermore of the US Department of Labor testified in July 2022 that such changes were needed before the next recession so the system would "respond automatically" and Congress would not again "be required to enact discretionary UI [unemployment insurance] legislation in downturns." See Michele Evermore, "Economic Security Programs Supporting American Livelihood," testimony before the Select Committee on Economic Disparity and Fairness in Growth, US House of Representatives, July 28, 2022, 6, 9, https://fairgrowth.house.gov/sites/democrats.fairgrowth.house.gov/files/documents/EVERMORE%20HHRG-117-EF00-Wstate-EvermoreM-20220728.pdf.

8. CNBC Television, "President Joe Biden on Jobs Report," YouTube, June 4, 2021, https://www.youtube.com/watch?v=F9zwuw24hqQ.

9. These figures are for the week ending October 15, 2022. See US Department of Labor, "Unemployment Insurance Weekly Claims," press release, November 3, 2022, https://oui.doleta.gov/press/2022/110322.pdf.

10. On inflation, see Joseph R. Biden Jr., "Joe Biden: My Plan for Fighting Inflation," *Wall Street Journal*, May 30, 2022, https://www.wsj.com/articles/my-plan-for-fighting-inflation-joe-biden-gas-prices-economy-unemployment-jobs-covid-11653940654. A December 2021 study by Harry J. Holzer, R. Glenn Hubbard, and Michael R. Strain found that, in states that terminated federal benefits early, "the flow of unemployed workers into employment increased by around two-thirds following early termination." Further, "Expanded eligibility and generosity of UI may have both slowed transitions from unemployment to employment." See Harry J. Holzer, R. Glenn Hubbard, and Michael R. Strain, "Did Pandemic Unemployment Benefits Reduce Employment? Evidence from Early State-Level Expirations in June 2021" (working paper, National Bureau of Economic Research, Cambridge, MA, December 2021), https://www.nber.org/system/files/working_papers/w29575/w29575.pdf.

11. By mid-2021, many governors argued federal unemployment benefits were contributing to labor shortages and impeding their states' economic recovery. For the first time ever, dozens of states, including nearly all Republican-led states and Louisiana (led by a Democratic governor), opted to end temporary federal benefits several months before their national expiration in September 2021.

12. For a summary of the Wyden-Bennet proposal, see US Senate Committee on Finance, "Detailed Summary of Unemployment Insurance Reform Discussion Draft." For the draft legislative text, see A Bill to Modernize Unemployment Compensation Benefits,

S. ___, 117th Cong. 1st sess. (2021), https://www.bennet.senate.gov/public/_cache/files/e/7/e76d31fb-44f8-403c-aa05-beeba5e3c3af/A52E96B72709EEEFF911F266B9FFA56F.ui-reform-discussion-draft-g0e21427-.pdf.

13. US Senate Committee on Finance, "Detailed Summary of Unemployment Insurance Reform Discussion Draft," 1.

14. A Bill to Modernize Unemployment Compensation Benefits, S. ___.

15. US Senate Committee on Finance, "Detailed Summary of Unemployment Insurance Reform Discussion Draft."

16. For a review of Pandemic Unemployment Assistance and Pandemic Unemployment Compensation benefits, see Weidinger, "Answering Ten Key Questions on Pandemic Unemployment Benefits and Fraud."

17. See Weidinger, "Why Even Permanent Benefit Expansions Are Never Enough."

18. For further details, see US Senate Committee on Finance, "Detailed Summary of Unemployment Insurance Reform Discussion Draft."

19. A Bill to Modernize Unemployment Compensation Benefits, S. ___. While many states offer 26 weeks of state unemployment insurance (UI) benefits today, some pay benefits for lesser durations. Current EB rules set the duration of program benefits at *the lesser of* 13 weeks or 50 percent of state UI duration, meaning EB benefits could be payable for fewer than 13 weeks per person today. For example, if a worker exhausted 20 weeks of state UI benefits, under current law, 10 weeks (that is, 50 percent of the state UI duration) of EB would be payable. In contrast, the Wyden-Bennet proposal requires that all states offer at least 26 weeks of state UI benefits and that the duration of benefits under the revised EB program be the greater of 13 weeks or 50 percent of state UI in each tier of benefits. Thus, 13 weeks would be the minimum future duration of EB program benefits in each tier, which could increase if a state offered more than 26 weeks of state UI benefits.

20. US Senate Committee on Finance, "Detailed Summary of Unemployment Insurance Reform Discussion Draft," 1.

21. US Senate Committee on Finance, "Detailed Summary of Unemployment Insurance Reform Discussion Draft," 1–2. The proposed legislative text makes it clear that the augmented total unemployment rate (TUR) trigger applies to both state and national TUR rates. It also makes clear that the augmentation is the amount by which the current TUR exceeds prior levels.

22. US Senate Committee on Finance, "Detailed Summary of Unemployment Insurance Reform Discussion Draft," 2.

23. US Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, https://data.bls.gov/timeseries/LNS14000000.

24. The national TUR fell below 5.5 percent in May 2015 before returning to 5.5 percent in June 2015. The proposal's personal phase-out rules would have continued benefits for most current recipients during that one-month gap.

25. These and later state calculations use the extended benefit trigger notice for the last week of each month. Under current law, with rare exceptions, the federal-state EB program did not operate in these months because states did not adopt the optional 6.5 percent TUR trigger. See US Department of Labor, "Conformity Requirements for State UI Laws: Unemployment Insurance Extended Benefits," https://oui.doleta.gov/unemploy/pdf/uilaws_extended.pdf.

26. Fifty-three "states" are in the UI system, including the District of Columbia, Puerto Rico, and the US Virgin Islands, and those jurisdictions are reflected in the counts of "states" throughout this report. The US Department of Labor releases the TUR for each state each week. See US Department of Labor, Employment & Training Administration, Extended Benefits Trigger Notice, July 7, 2022, https://oui.doleta.gov/unemploy/claims_arch.asp.

27. Under the third trigger (i.e., when the state or national TUR is at least 0.5 percentage points higher than the lowest average rate in the preceding 12 months), the program would have begun in all states one month sooner, in February 2008.

28. It is a minimum number because in states with state TURs or augmented state TURs above the US levels, benefits would have been payable longer.

29. The national TUR of 5.1 percent for October 2021 would have been known after the US unemployment rate for September 2021 was released on October 8, 2021, ending the national availability of EB then. See US Department of Labor, Bureau of Labor Statistics, "The Employment Situation—September 2021," press release, October 8, 2021, https://www.bls.gov/news.release/archives/empsit_10082021.pdf.

30. Author's calculations using EB trigger notices for the last weeks of those months, available at US Department of Labor, Employment & Training Administration, Extended Benefits Trigger Notice, July 7, 2022, https://oui.doleta.gov/unemploy/claims_arch.asp.

31. Emily McCormick, "US Job Openings Rose to a Record 11.549 Million in March," Yahoo Finance, May 3, 2022, https://finance.yahoo.com/news/jolts-us-job-openings-labor-department-march-2022-140048416.html.

32. California Employment Development Department, "California's Unemployment Rate Plummets to 3.9 Percent for July 2022," August 19, 2022, https://edd.ca.gov/en/about_edd/news_releases_and_announcements/unemployment-july-2022.

33. Benefits under the permanent law EB program, which was temporarily made 100 percent federally funded during this period, were payable only in states with elevated unemployment rates.

34. US Senate Committee on Finance, "Detailed Summary of Unemployment Insurance Reform Discussion Draft."

35. US Department of Health and Human Services, Administration for Strategic Preparedness and Response, "Renewal of Determination That a Public Health Emergency Exists," October 13, 2022, https://aspr.hhs.gov/legal/PHE/Pages/covid19-13Oct2022.aspx.

36. Isabel Soto, "Ending Federal Pandemic Unemployment Compensation and Its Effect on Unemployment Claims," American Action Forum, September 7, 2021, https://www.americanactionforum.org/research/ending-federal-pandemic-unemployment-compensation-and-its-effect-on-unemployment-claims.

37. For the number of individuals claiming benefits, see US Department of Labor, "Unemployment Insurance Weekly Claims." For the average weekly benefits, see US Department of Labor, Employment and Training Administration, Unemployment Insurance Data, July 7, 2022, https://oui.doleta.gov/unemploy/DataDashboard.asp. The current average replacement rate is approximately 40 percent. See US Department of Labor, Employment and Training Administration, UI Replacement Rates Report, July 7, 2022, https://oui.doleta.gov/unemploy/ui_replacement_rates.asp.

38. Matt Weidinger, "Red State Recovery, Blue State Recession," RealClearPolicy, November 4, 2020, https://www.aei.org/op-eds/red-state-recovery-blue-state-recession.

39. Matt Weidinger, "Even Without the $600 Bonus, Many Will Continue Getting Bigger Unemployment Benefits Than Paychecks," American Enterprise Institute, July 22, 2020, https://www.aei.org/poverty-studies/even-without-the-600-bonus-many-will-continue-getting-bigger-unemployment-benefits-than-paychecks.

40. California Employment Development Department, Unemployed Benefits Data, https://edd.ca.gov/en/Newsroom/facts-and-stats/dashboard.

41. For a discussion, see Matt Weidinger, "Why Even Permanent Benefit Expansions Are Never Enough," American Enterprise Institute, September 27, 2022, https://www.aei.org/poverty-studies/why-even-permanent-benefit-expansions-are-never-enough.

42. Matt Weidinger, "Paying the Bill for the Pandemic-Related Unemployment Benefits," Bulwark, August 19, 2020, https://www.thebulwark.com/paying-the-bill-for-the-pandemic-related-unemployment-benefits.

43. For a discussion, see Nick Timiraos and Jon Hilsenrath, "How the Fed and the Biden Administration Got Inflation Wrong," *Wall Street Journal*, June 13, 2022, https://www.wsj.com/articles/inflation-economy-federal-reserve-11655134682.

44. For a review, see Matt Weidinger, "Lessons from the Unprecedented Fraud and Abuse of the Unemployment Benefits System During the Pandemic," testimony before the Committee on Education and Labor, US House of Representatives, September 21, 2022, https://www.aei.org/research-products/testimony/lessons-from-the-unprecedented-fraud-and-abuse-of-the-unemployment-benefits-system-during-the-pandemic.

© 2022 by the American Enterprise Institute for Public Policy Research. All rights reserved.

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed here are those of the author(s).