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## Historic Unemployment Programs Provided Vital Support to Workers and the Economy During Pandemic, Offer Roadmap for Future Reform

By Nick Gwyn

In March and April of 2020, the economy contracted sharply with the spread of COVID-19, costing the nation 22 million jobs. Many forecasters projected a difficult recovery, including the Congressional Budget Office (CBO), which estimated in May 2020 that unemployment would remain a stubbornly high 8.6 percent through the fourth quarter of 2021.<sup>1</sup>

Responding to this rapid job loss, Congress passed the most expansive set of temporary unemployment benefits in our nation's history. These steps were necessary largely because the permanent unemployment insurance (UI) system does not cover many unemployed workers and often provides inadequate benefits.

The temporary pandemic unemployment programs significantly increased the coverage, duration, and adequacy of unemployment benefits compared to regular UI, substantially reducing hardship and providing important stabilization and impetus for recovery for a sharply declining economy. Without these measures, about 5 million more people would have had annual income below the poverty line in 2020 (and potentially 6 million more in 2021); many additional millions would have had less money for food, shelter, and other necessities for their families; the jobs rebound that far surpassed initial projections would have lost steam; tens of millions of workers not covered by regular UI, especially workers of color, would not have received any benefits; and up to 27,000 more people may have died from COVID-19 in its early months because they needed to work in higher-risk occupations to make ends meet. These enormously beneficial outcomes came without the pandemic unemployment benefits holding back employment growth, despite rhetoric to the contrary.

This paper reviews the research and data behind these impacts, focusing on: (1) hardship; (2) economic stabilization; (3) equity; (4) program administration; and (5) employment.

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<sup>1</sup> CBO, "Interim Economic Projections for 2020 and 2021," May 2020, <https://www.cbo.gov/publication/56368>.

## The Primary Pandemic Unemployment Programs

The CARES Act, which President Trump signed on March 27, 2020, established the primary pandemic unemployment benefit programs, and policymakers extended and modified them through several subsequent measures, including the American Rescue Plan, which President Biden signed on March 11, 2021. These programs expired on September 3, 2021, but half of the states had ended some, or in most cases all, of them in June or July 2021. The programs provided the following federally funded benefits:

- Federal Pandemic Unemployment Compensation (FPUC) supplemented weekly UI benefits by \$600 until the program temporarily expired on July 25, 2020. Policymakers reestablished it as a \$300 weekly supplement for the period of December 26, 2020 to September 3, 2021. (A separate program, Lost Wages Assistance, provided a \$300 supplement to individuals during part of the period between the two forms of FPUC coverage.)
- Pandemic Unemployment Assistance (PUA) provided benefits to individuals who were unemployed due to a specific pandemic-related reason and not otherwise eligible for regular, state-provided UI benefits. Workers covered by PUA included those with low-wage, part-time, and shorter work histories, self-employed workers, and independent contractors (including so-called gig workers).
- Pandemic Emergency Unemployment Compensation (PEUC) provided additional weeks of benefits to workers who exhausted their regular state-provided UI benefits. Before it expired, the program ultimately allowed a total of 49 weeks of additional benefits.<sup>2</sup>

All told, the government provided over \$650 billion in federal pandemic unemployment benefits between March 2020 and September 2021.<sup>3</sup>

### Reducing Hardship

As many as 46 million individuals received unemployment payments in 2020, representing 1 out of every 4 workers, according to a Century Foundation analysis.<sup>4</sup> In the absence of this critical support, the hardship that jobless workers and their families suffered would have been substantially greater.

Without their family's unemployment benefits, 4.7 million more people, including 1.4 million children, would have been below the poverty line in 2020 (under the official poverty measure), the

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<sup>2</sup> Congressional Research Service, "Current Status of Unemployment Insurance (UI) Benefits: Permanent-Law Programs and COVID-19 Pandemic Response, March 23, 2021, [https://www.everycrsreport.com/files/2021-03-23\\_R46687\\_2d2b64cba17ac9d4f0b1bdcb1da50b46a7d6bdc6.pdf](https://www.everycrsreport.com/files/2021-03-23_R46687_2d2b64cba17ac9d4f0b1bdcb1da50b46a7d6bdc6.pdf).

<sup>3</sup> DOL Employment and Training Administration (ETA), Families First Coronavirus Response Act and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding to States through March 5, 2022, [https://oui.doleta.gov/unemploy/docs/cares\\_act\\_funding\\_state.html](https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html).

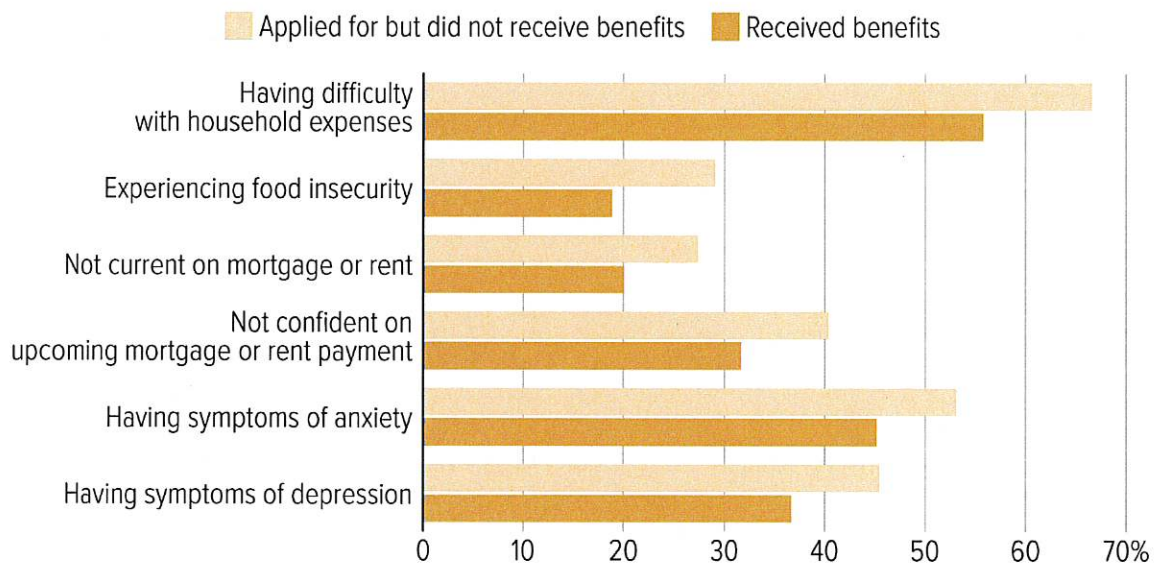
<sup>4</sup> Andrew Stettner and Elizabeth Pancotti, "One on Four Workers Relied on Unemployment Aid During Pandemic," Century Foundation, March 17, 2021, <https://tcf.org/content/commentary/1-in-4-workers-relied-on-unemployment-aid-during-the-pandemic/>.

Census Bureau reports.<sup>5</sup> The poverty reduction was notable for all racial groups but particularly so for Black individuals: a decline of 2.5 percentage points, compared with 1.4 percentage points for the population overall. A more comprehensive federal measure of poverty, known as the Supplemental Poverty Measure (SPM), showed that benefits for jobless workers had an even greater impact on reducing impoverishment, lifting 5.5 million people out of poverty in 2020.<sup>6</sup> While official and SPM poverty numbers are not yet available for 2021, the Department of Health and Human Services’ Office of the Assistant Secretary for Planning and Evaluation estimates that federal and state unemployment payments kept 6 million people out of poverty last year.<sup>7</sup>

FIGURE 1

## Applicants Who Receive Unemployment Benefits Have Less Hardship

Percent of applicants with distress



Source: Bureau of Labor Statistics calculations based on Household Pulse Survey data, August 19 - December 21, 2020

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Unemployment benefits helped millions afford basic needs. People who received unemployment benefits were significantly less likely to experience food hardship (18.9 percent) than peers who applied for benefits but did not receive them (29.1 percent), according to researchers at the Bureau

<sup>5</sup> U.S. Census Bureau, “Did Unemployment Insurance Lower Official Poverty Rates in 2020?” September 14, 2021, <https://www.census.gov/library/stories/2021/09/did-unemployment-insurance-lower-official-poverty-rates-in-2020.html>.

<sup>6</sup> U.S. Census Bureau, “The Supplemental Poverty Measure: 2020,” September 14, 2021, <https://www.census.gov/library/publications/2021/demo/p60-275.html>.

<sup>7</sup> Suzanne Macartney *et al.*, “Federal Economic Stimulus Projected to Cut Poverty in 2021, Though Poverty May Rise as Benefits Expire,” HHS Assistant Secretary for Planning and Evaluation, February 2022, <https://aspe.hhs.gov/sites/default/files/documents/452493535752b7b9e60f7406d6a40a7b/poverty-projections-2021-2022-rb.pdf>.

of Labor Statistics (BLS).<sup>8</sup> (See Figure 1.) Unemployment benefits also helped individuals stay up to date on their rent or mortgage payments, and beneficiaries had fewer symptoms of anxiety and depression, the BLS researchers found.

FPUC benefits helped to substantially mitigate a reduction in health care spending by individuals and families (e.g., paying for doctor visits), due to the income they lost from higher unemployment during the pandemic.<sup>9</sup>

Finally, the financial security that unemployment benefits provided enabled some workers to avoid COVID-19 infection in contact-intensive jobs, especially in the service industry. These workers face a higher probability of infection because they cannot work remotely and often need to interact directly with customers and other workers. Using a model that accounts for infection risk and labor market dynamics, researchers at the Federal Reserve Bank of Atlanta estimated that pandemic unemployment benefits, especially FPUC and PUA, reduced cumulative pandemic-driven deaths by nearly 5 percent, or about 27,000 lives, from April to December 2020.<sup>10</sup>

### Stabilizing the Economy

UI benefits play an important role as a timely and effective economic stabilizer by supporting consumer demand during economic downturns, considerable research shows. For example, researchers from the Harvard Business School and the University of California at Berkeley found that “where unemployment benefits are more generous, the local economy tends to react significantly less sharply to negative shocks.”<sup>11</sup>

When large segments of the economy were temporarily shuttered to prevent the spread of COVID-19, pandemic unemployment benefits helped the economy stabilize and then recover from one of the most rapid and steep job declines in U.S. history. Assessing this impact, a report by the Federal Reserve Bank of Dallas suggested that unemployment payments “threw a lifeline to an economy in freefall as the pandemic struck.”<sup>12</sup> A JPMorgan Chase analysis highlighted the significant difference in spending during the pandemic between unemployed individuals receiving benefits and those who experienced a delay in receiving them, concluding, “UI has not only helped unemployed

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<sup>8</sup> BLS, “Applying for and receiving unemployment insurance benefits during the coronavirus pandemic,” Monthly Labor Review, September 2021, <https://www.bls.gov/opub/mlr/2021/article/applying-for-and-receiving-unemployment-insurance-benefits-during-the-coronavirus-pandemic.htm>.

<sup>9</sup> Luke Shaefer, “Federal unemployment money boosted health care spending,” University of Michigan, Ford School, October, 12, 2021, <https://fordschool.umich.edu/news/2021/federal-unemployment-money-boosted-health-care-spending>.

<sup>10</sup> Lei Fang, Jun Nie, and Zoe Xie, “The CARES Act unemployment insurance program during the pandemic,” Federal Reserve Bank of Atlanta, December 2020, <https://www.atlantafed.org/-/media/documents/research/publications/policy-hub/2020/12/21/16-cares-act-unemployment-insurance-program-during-covid-19-pandemic.pdf>.

<sup>11</sup> Marco Di Maggio and Amir Kermani, “The Importance of Unemployment Insurance as an Economic Stabilizer,” Harvard Business School Working Paper 17-009, March 2016, [https://www.hbs.edu/ris/Publication%20Files/17-009\\_e68959ed-8e3d-4e06-95d1-3985f4e73ebb.pdf](https://www.hbs.edu/ris/Publication%20Files/17-009_e68959ed-8e3d-4e06-95d1-3985f4e73ebb.pdf).

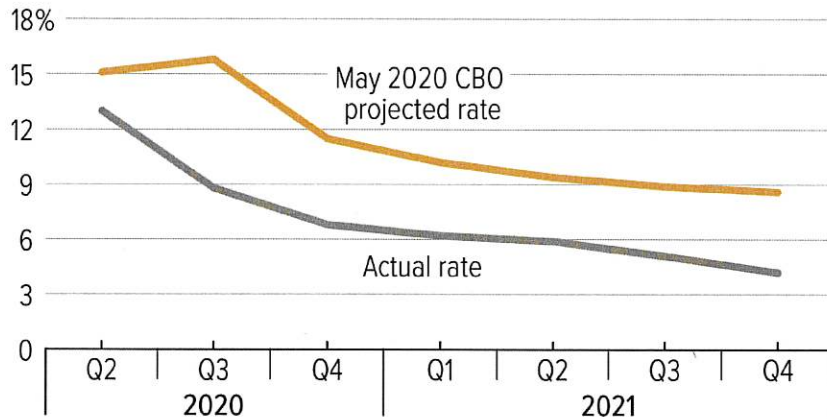
<sup>12</sup> Anil Kumar, “Pandemic Unemployment Benefits Provided Much Needed Fiscal Support,” Federal Reserve Bank of Dallas, 2020, <https://www.dallasfed.org/research/swe/2020/swe2004/swe2004c.aspx>.

households to smooth consumption but also helped to stabilize aggregate demand.”<sup>13</sup> In September 2020, CBO estimated that the pandemic unemployment programs would raise gross domestic product (GDP) by 1.1 percent that year by providing resources to people who had suffered a significant loss in earned income.<sup>14</sup>

In short, along with other relief efforts, pandemic jobless benefits helped the economy recover from an unprecedented shock that all but eliminated a decade’s worth of jobs gains in just two months. So far, unemployment today is significantly lower than what CBO projected in May 2020. (See Figure 2.)

FIGURE 2

### Improvement in Unemployment Rate Far Exceeds Initial Projections



Source: CBPP analysis of Congressional Budget Office (CBO) and Bureau of Labor Statistics data.

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### Promoting Equity

The regular federal-state UI system was providing coverage to less than a third of jobless workers before the pandemic, and on average it replaced only about 40 percent of lost wages for those who received benefits. Significant gaps in UI coverage exist for workers in low-wage, part-time, and intermittent work, while self-employed contractors, including gig workers, are completely shut out of the system. Over the last decade, moreover, ten states have cut the duration of unemployment

<sup>13</sup> JPMorgan Chase, “Consumption Effects of Unemployment Insurance during the Covid-19 Pandemic,” July 2020, <https://www.jpmorganchase.com/institute/research/labor-markets/unemployment-insurance-covid19-pandemic>.

<sup>14</sup> CBO, “The Effects of Pandemic-Related Legislation on Output,” September 2020, <https://www.cbo.gov/publication/56597>.

benefits, and a permanent federal program that's designed to provide extended benefits during recessions has often been ineffective.<sup>15</sup>

These large holes in UI coverage and benefits disproportionately hurt workers of color. Black workers have higher rates of denied UI claims, longer spells of unemployment (and therefore higher rates of UI exhaustion), and lower maximum UI benefit amounts, compared to white workers.<sup>16</sup> There are many reasons for these inequities beyond possible direct bias. Black workers disproportionately live in states with the lowest UI reciprocity and payment rates and work in low-wage jobs with the least access to UI benefits. They also appear less likely to apply for UI benefits. Prior low-wage employment, restrictive state UI programs, relations with prior employers (which can encourage UI applications or alternatively contest UI claims), and historical factors that may affect the trust of Black individuals in government programs, especially in the South, could all help to dissuade potentially eligible Black workers from applying for UI benefits.<sup>17</sup>

Latino workers also are less likely to be eligible for UI benefits because they are overrepresented in low-wage, seasonal, and intermittent jobs.<sup>18</sup> Furthermore, Latino workers similarly appear less likely to apply for UI than white workers, possibly due to their perceptions of eligibility, less internet and computer access, and/or limited English proficiency.<sup>19</sup>

Finally, UI can disadvantage women because they disproportionately work in part-time and low-wage jobs with limited access to UI benefits and because they're likelier to leave work for compelling family reasons.

By expanding coverage, duration, and benefit adequacy, the expired pandemic unemployment benefit programs temporarily helped to partially address these problems. In a detailed analysis of Georgia's UI system during the pandemic, Bloomberg News found that while Black workers were significantly less likely to get regular, state-provided UI benefits than white workers, they represented a disproportionate share of workers receiving federal PUA benefits.<sup>20</sup> That coverage for otherwise marginalized workers appears consistent with national data showing that 3 out of every 4 unemployment claims were for federal pandemic benefits, rather than state-provided UI, before the federal programs expired. (See Figure 3.)

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<sup>15</sup> CBPP, "Policy Basics: How Many Weeks of Unemployment Compensation Are Available?" March 7, 2022, <https://www.cbpp.org/research/economy/how-many-weeks-of-unemployment-compensation-are-available>.

<sup>16</sup> Kathryn Edwards, "The Racial Inequality in Unemployment Benefits," RAND Corporation, July 15, 2020, <https://www.rand.org/blog/2020/07/the-racial-disparity-in-unemployment-benefits.html>.

<sup>17</sup> *Ibid.*

<sup>18</sup> National Employment Law Project, "Why Should Latino Workers and their Families Care About Unemployment Insurance?" 2004, <https://s27147.pcdn.co/wp-content/uploads/2015/03/LatinosandUI.pdf>.

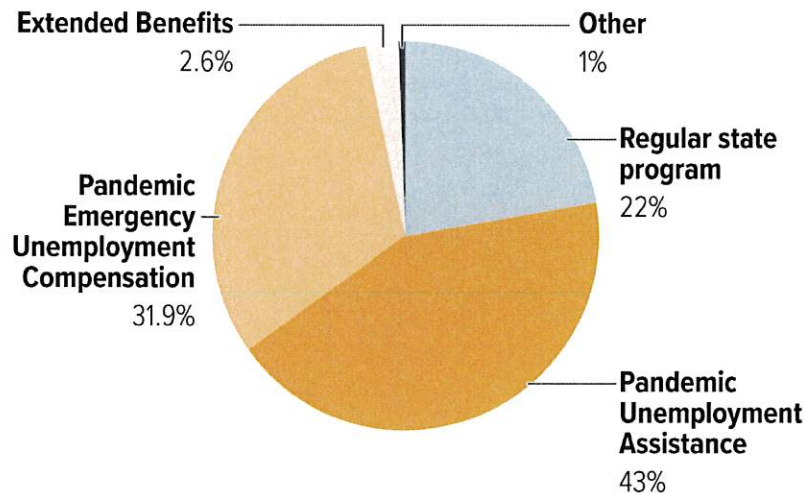
<sup>19</sup> Kim Bojorquez and David Lightman, "Eligible Latino Workers Less Likely to Access Unemployment Benefits," *he Sacramento Bee*, March 5, 2021, <https://amp.sacbee.com/news/politics-government/article249609533.html>.

<sup>20</sup> Shawn Donnan, Reade Pickert, and Madeline Campbell, "Georgia shows just how broken American unemployment benefits are," Bloomberg, November 19, 2021, <https://www.bloomberg.com/graphics/2021-georgia-unemployment-bias/>.

FIGURE 3

## Three-Quarters of All UI Claims Came From Federal Programs Before Their Expiration

Jobless benefits claims for week ending August 21, 2021, by program



Notes: Per Government Accountability Office recommendations, the Department of Labor now says about these data, "Continued weeks claimed represent all weeks of benefits claimed during the week being reported, and do not represent weeks claimed by unique individuals."

Source: Unemployment Weekly Claims Report, Department of Labor, September 2, 2021

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Nevertheless, other research suggests that even with the pandemic programs in place, racial disparities continued. In a preliminary survey of PUA participation in five states, the Government Accountability Office found that in two of the states the percentage of Black PUA claimants who received benefits in 2020 was considerably lower than for white claimants who received those benefits that year.<sup>21</sup> Furthermore, an analysis by Child Trends found that Latino households with children were less likely than all other households to receive unemployment benefits in 2020.<sup>22</sup> These findings are consistent with a BLS study that concluded, "expansions of UI eligibility under the PUA program, while beneficial to workers not normally covered by the regular UI program, did not eliminate gaps in coverage."<sup>23</sup>

<sup>21</sup> Government Accountability Office, "Management Report: Preliminary Information on Potential Racial and Ethnic Disparities in the Receipt of Unemployment Insurance Benefits during the COVID-19 Pandemic," June 17, 2021, <https://www.gao.gov/products/gao-21-599r>.

<sup>22</sup> Dana Thomson, Yiyu Chen, and Lisa A. Gennetian, "Early in the COVID-19 Pandemic, Latino and Low-Income Households With Children Were Less Likely to Receive Unemployment Benefits," Child Trends, December 8, 2021, <https://www.childtrends.org/publications/early-in-the-covid-19-pandemic-latino-and-low-income-households-with-children-were-less-likely-to-receive-unemployment-benefits>.

<sup>23</sup> BLS, "Applying for and receiving unemployment insurance benefits during the coronavirus pandemic," Monthly Labor Review, September 2021, **Error! Hyperlink reference not**

Equitable coverage and adequate benefits should be a paramount goal for UI. That's important not just during recessions, but also during normal economic times when millions of workers still lose their jobs through no fault of their own and need assistance as they look for new ones. The U.S. Labor Department (DOL) provided a helpful start down that road by using American Rescue Plan funding to provide grants to states to promote more equitable access to the permanent UI system.<sup>24</sup> But federal policymakers ultimately need to enact legislation to comprehensively reform the UI system on a permanent basis. The pandemic and its resulting recession provided an important lesson: policy reforms can meaningfully increase UI coverage for historically underserved populations, but robust outreach and oversight also are likely needed to fully address disparities in coverage.

### Struggling With Administrative Challenges

Despite the strenuous efforts of many officials to simultaneously address a massive surge in UI claims while quickly starting up new programs, the state-administered UI system was ill prepared to cope with the enormous wave of unemployment of early 2020. Inadequate staffing, outdated technology, and confusion about new eligibility criteria all likely hindered the system's response. The results were significant delays in processing benefits and higher vulnerability to fraud.

By June 2020 the government was paying only about half of approved UI claims on a timely basis, defined as within 21 days of application, DOL data show.<sup>25</sup> By July of that year, over 100,000 people had waited at least 70 days for their first payment.<sup>26</sup> Many jobless workers also were having enormous difficulty learning about the status of their UI claim. For example, fewer than 1 percent of calls to Wisconsin's Department of Workforce Development were answered between March and June 2020, one report indicated.<sup>27</sup>

At the same time that state agencies were struggling to pay unemployment benefits in a timely manner, they were grappling with a huge surge in fraudulent claims, including by organized crime rings. The Justice Department issued guidance in September 2020 that warned: "Fraudsters, some of which are transnational criminal organizations, are using stolen identities of U.S. citizens to open accounts and file fraudulent claims for UI benefits."<sup>28</sup> While DOL has yet to release estimates for overpayments under the pandemic unemployment programs, fraudulent payments will be

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**valid.** <https://www.bls.gov/opub/mlr/2021/article/applying-for-and-receiving-unemployment-insurance-benefits-during-the-coronavirus-pandemic.htm>.

<sup>24</sup> DOL, "US Department of Labor announces funding to states to modernize unemployment insurance system, combat fraud, address equity," August 11, 2021, <https://www.dol.gov/newsroom/releases/eta/eta20210811>.

<sup>25</sup> DOL, Benefits: Timeliness and Quality Reports.

<sup>26</sup> Greg Iacurci, "Unemployment benefits Delayed? You can collect past the Labor Day cutoff," CNBC, September 9, 2021, <https://www.cnbc.com/amp/2021/09/09/unemployment-benefits-delayed-you-can-still-collect-after-cutoff-date.html>.

<sup>27</sup> Tim Henderson, "Unemployment Payments Weeks Late in Nearly Every State," Pew Charitable Trusts, December 2, 2020, <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2020/12/02/unemployment-payments-weeks-late-in-nearly-every-state>.

<sup>28</sup> Department of Justice, "Unemployment Insurance Fraud Consumer Protection Guide," September 21, 2020, <https://www.justice.gov/file/1324726/download>.



considerable, given initial estimates from some states.<sup>29</sup> (Fraudulent payments are a subset of all UI overpayments, a category that also includes excess benefit payments due to errors by state UI agencies and innocent mistakes by claimants.)

PUA, which for the first time ever covered self-employed workers, apparently was particularly vulnerable to fraud in its first year of operation since benefits were not routinely cross-checked with employer data, as is the case with regular UI benefits. In response, the President and Congress enacted new measures in December 2020 to require documentation, such as 1099 tax forms, to substantiate past employment or self-employment for PUA eligibility.<sup>30</sup> To further improve program integrity, DOL provided several rounds of grants to states to improve efforts to detect, prevent, and recover fraudulent unemployment payments.<sup>31</sup> And most recently, DOL has begun to send federal “tiger teams,” comprised of experts on UI-related issues, out to the states to evaluate and assist efforts to reduce fraud and promote equitable access.<sup>32</sup>

The great difficulty of states to both provide timely payments and guard against fraud during the pandemic highlights the need for more modernization and investment in UI systems. In efforts to reduce fraud, policymakers must not erect new barriers to benefits for eligible workers. Increased customer service will likely be needed to help the most vulnerable individuals comply with any new requirements, particularly those related to identity verification.

Finally, the experience of temporary unemployment programs during the pandemic makes a strong case for permanent federal UI reforms so that states are not forced to rapidly implement major program changes while responding to a deluge of new claims during a recession.

### **Supporting Workers, Not Holding Back Employment**

Perhaps the issue generating the most scrutiny related to the pandemic unemployment programs was their potential impact on employment. Some argue that unemployment benefits reduce the efforts of jobless people to search for work, while recent research finds that, in fact, they primarily enable workers to find jobs better suited to their skills.<sup>33</sup> Additionally, UI benefits generally require people to look for work and therefore prevent workers from dropping out of the labor force.

In considering this issue in the context of COVID-19, we must remember society’s interest in helping certain workers avoid working in jobs with higher risk of getting and spreading the disease, especially before vaccines were available. Additionally, given the 22 million jobs eliminated in March and April 2020, job prospects in the initial ensuing months surely were limited. UI benefits for

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<sup>29</sup> Pandemic Response Accountability Committee, “Key Insights: State Pandemic Unemployment Insurance Programs,” December 16, 2021, <https://www.pandemicoversight.gov/media/file/state-unemployment-insurance-capping-report>.

<sup>30</sup> DOL ETA, Unemployment Insurance Program Letter Number 9-21, December 30, 2020, [https://wdr.doleta.gov/directives/attach/UIPL/UIPL\\_9-21.pdf](https://wdr.doleta.gov/directives/attach/UIPL/UIPL_9-21.pdf).

<sup>31</sup> DOL, “US Department of Labor awards \$195.7M in grants to 58 states, territories, District of Columbia to strengthen fraud detection, prevention efforts,” September 30, 2021, <https://www.dol.gov/newsroom/releases/eta/eta20210930-0>.

<sup>32</sup> DOL ETA, Unemployment Insurance Program Letter Number 2-22, November 2, 2021, [https://wdr.doleta.gov/directives/attach/UIPL/UIPL\\_02-22.pdf](https://wdr.doleta.gov/directives/attach/UIPL/UIPL_02-22.pdf).

<sup>33</sup> Ammar Farooq, Adriana D. Kugler, and Umberto Muratori, “Do Unemployment Insurance Benefits Improve Match Quality?” National Bureau of Economic Research Working Paper 27574, July 2020, [https://www.nber.org/system/files/working\\_papers/w27574/w27574.pdf](https://www.nber.org/system/files/working_papers/w27574/w27574.pdf).

jobless workers during such times help them maintain their purchasing power, which can save the jobs of other workers by continuing demand for their services and products.

To assess the impact of the pandemic unemployment programs on recipients moving into employment, researchers have compared outcomes in the states that prematurely ended the federal pandemic benefits in June or July 2021 to those in states that maintained the benefits through early September 2021.

After tracking anonymous bank data, Kyle Coombs, Arindrajit Dube, and colleagues concluded that ending pandemic unemployment benefits had only a very modest impact on the likelihood of recipients moving into employment. Through the first week of August 2020, their research found, average UI benefits for workers in states ending pandemic benefits early fell by \$278 per week, while earnings rose only by \$14 per week, offsetting just 5 percent of the benefit loss.<sup>34</sup>

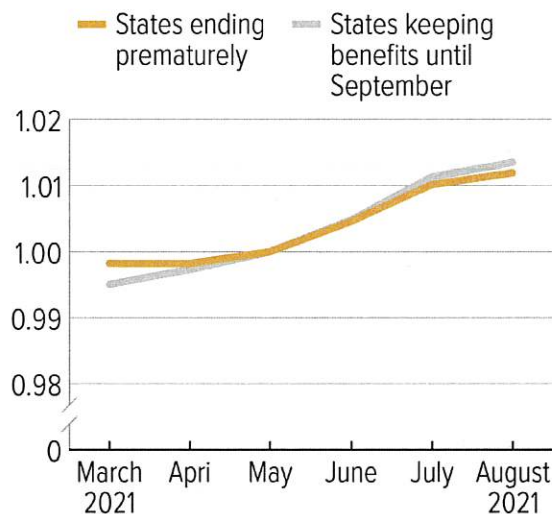
In another study, Harry Holzer, Glenn Hubbard, and Michael Strain found the benefits' influence on employment more significant but still dwarfed by the number of workers and family members whom unemployment benefits protected from hardship. They also compared employment outcomes in states that ended benefits early to states that maintained them. Using Census data, they estimated that the flow of unemployed workers to work rose by 14 percentage points in states that ended benefits early.<sup>35</sup> The study, however, also found that ending pandemic unemployment benefits raised the share of the prime-age, adult population that was having trouble paying their expenses by at least 2.2 percentage points, while raising the employed share of that same population by only up to 0.2 percentage points. This indicates that ending pandemic unemployment benefits early increased the number of people struggling to pay expenses more than ten times as much as it added to the number of people employed.

To gauge the impact of the pandemic unemployment programs on total employment, Peter Ganong compared job growth in states after they ended benefits early to states that maintained benefits and found almost no difference. (See Figure 4.) Most states that prematurely ended

FIGURE 4

### Prematurely Ending Pandemic Unemployment Benefits Had No Impact on Job Growth

Payroll employment, as ratio to May 2021



Source: Calculations by Peter Ganong based on Bureau of Labor Statistics SAE

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<sup>34</sup> Kyle Coombs *et al.*, "Early Withdrawal of Pandemic Unemployment Insurance: Effects on Earnings, Employment, and Consumption," August 20, 2021, <https://files.michaelstepner.com/pandemicUIexpiration-paper.pdf>.

<sup>35</sup> Harry J. Holzer, R. Glenn Hubbard, and Michael R. Strain, "Did Pandemic Unemployment Benefits Reduce Employment?," National Bureau of Economic Research Working Paper No. 29575, December 2021, [https://www.nber.org/system/files/working\\_papers/w29575/w29575.pdf](https://www.nber.org/system/files/working_papers/w29575/w29575.pdf).

pandemic unemployment benefits did so in June 2021, while states that did not end benefits early kept them until their federal termination in the beginning of September. During this interval, job growth in the two sets of states was very similar, with states maintaining the pandemic unemployment benefits having slightly higher growth.

Similarly, job gains before and after the pandemic unemployment benefits ended in every state in early September show very little difference. In the four months before the benefits expired the economy created 2.2 million jobs, compared to 2.3 million jobs in the four months following termination.

To sum up, the evidence strongly suggests that unemployment benefits were not a significant factor in limiting total employment in 2020 or 2021.

## **Conclusion**

Pandemic unemployment benefits provided a lifeline to millions of Americans, while also helping to stabilize an economy in steep decline. These benefits helped to fill gaping holes in the regular UI system, which excludes more unemployed workers than it helps and provides inadequate benefits to many of those it does help. Policymakers need to reform UI to address its major shortcomings and ensure that it's ready not only for the next recession, but also to adequately support workers whenever they lose their jobs.