The Daily Dish

Federal Unemployment Supplement — Part 2?

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Eakinomics: Federal Unemployment Supplement — Part 2?
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Since the passage of the CARES Act, legislators have debated the best course for extending the $600 Federal Pandemic Unemployment Compensation (FPUC). This unemployment supplement will expire on July 31—tomorrow—leaving millions without access to additional income support during one of the country's worst economic downturns in recorded history. As of Tuesday, both parties have released their plans for the future of supplemental unemployment compensation.

The stakes are high. While the unemployed would still receive regular unemployment compensation, this is far from a regular time.

Both parties seem to be in favor of some level of additional income support through the FPUC and even direct assistance to individuals with a second round of stimulus checks, as included in both Senate Republicans' HEALS Act, and House Democrats' HEROES Act. Democratic Senators Wyden and Schumer have also introduced a plan to gradually scale down the FPUC over the next four years. Republicans are concerned with a medium- to long-term work disincentive and the damage of long-term unemployment. Democrats worry that the drop in benefits could mean added difficulty to families that have come to rely on the supplement during an economically unpredictable period.

My latest analysis outlines the concerns of both parties and the costs of their respective plans in more detail.

"A plan introduced by Democratic Senators Wyden and Schumer could cost upward of $960 billion over the next 4 years or longer, given that there is no clear expiration date attached

to their proposed benefits, and would likely cause significant problem in implementation if it were passed. Republicans' plan for unemployment assistance contained in the HEALS Act would reduce the FPUC in two stages—$200 until the end of September and then at 70 percent wage replacement—and would cost $110.7 billion."

Even if legislators are able to come to an agreement quickly, there is still the problem of outdated unemployment insurance (UI) systems that were the main reason behind such a general flat rate benefit in the first place. Both plans will need to contend with the fact that changes to UI are not going to happen overnight, meaning that all those currently receiving benefits will likely see a period of reduced compensation as understaffed unemployment offices with outdated systems implement the new extension.