



The Daily Dish

Helping and Over-Helping People in Response to COVID-19

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Eakinomics: Helping and Over-Helping People in Response to COVID-19

The [Families First Act](#) and the [Coronavirus Aid, Relief, and Economic Security Act](#) provided enormous support for workers and families through checks of up to \$1,200 per person, paid leave, enhanced unemployment insurance, increased nutrition assistance, free testing, retirement account flexibilities, forbearance on mortgage payments and eviction protection, and student loan forgiveness and delayed payments. These are summarized [here](#) and explained in this [report](#) by an AAF cast of thousands.

These programs will provide invaluable resources as families weather the economic fallout of the COVID-19 pandemic. They were enacted remarkably quickly and funded incredibly generously by Congress.

In some cases, however, *too* generously. Among the key provisions in the enhanced unemployment insurance (UI) benefits is a \$600 per week federal supplement to the state unemployment insurance benefit. That is, workers will receive the normal unemployment benefit (for up to 39 weeks) plus an additional benefit of \$600 in cash. That's an extraordinarily rich set of benefits. The average state unemployment insurance benefit is \$385, so the total exceeds the median weekly wage of roughly \$900.

That's not a great incentive to work. Employers have [figured this out](#) as well and can more easily lay off workers knowing that the economic blow will be considerably less than otherwise. In short, both sides of the hiring equation have incentives to put workers on UI. This is a bad idea.

The good news is that the \$600 bonus expires July 31. Since it is unlikely in the extreme that the economy will be fully recovered by then, these poor labor market incentives will not have much of a chance to inflict harm on the recovery.

There is a danger, however. Washington is notorious as the graveyard for good ideas and a fertile environment for the opposite, so there will be pressure on Congress to extend the federal benefit. Under no circumstances should this be permitted to happen.