The Daily Dish

One Last Look at the $300 UI Bonus

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Eakinomins: One Last Look at the $300 UI Bonus

One of the most contentious policy disputes during the recovery from the pandemic recession has been the role of the unemployment programs created under the CARES Act and extended this past December in the Consolidated Appropriations ?Act. These programs provided more money (Federal Pandemic Unemployment Compensation, which provided a $300 weekly unemployment supplement) to a broader set of individuals (Pandemic Unemployment Assistance, which allowed independent workers to collect unemployment compensation) and for a longer period (Pandemic Emergency Unemployment Compensation, which added an additional 13 weeks of extended benefits to claimants). All three programs expired on Labor Day.

Among these programs, the $300 federal bonus has gotten the most attention as a potential impediment to having workers return to their jobs. AAF's Isabel Soto, for example, estimated that 37 percent of workers would receive more from the maximum unemployment insurance (UI) benefit than at their previous work. In normal labor market conditions – and these are most definitely not normal – replacing more than 100 percent of the previous wage is a rock-solid bet to extend the duration of unemployment spells and raise the overall unemployment rate. For this reason, 24 states ended participation in the programs in June or July in an effort to limit spending and encourage more workers to return to the labor market.

Still, *The New York Times* felt safe to conclude "Evidence so far suggests the programs are playing at most a limited role in keeping people out of the work force. States that ended the benefits early, for example, have seen little if any pickup in hiring relative to the rest of the country."

There have been some on the other side of the debate. *The Wall Street Journal* reported that "Economists at Goldman Sachs analyzed the behavior of workers in the July jobs report after adjusting for age, gender, marital status, education, household income, industry and occupation of a respondent's current or prior job. They said they found 'clear evidence that benefit expiration increased the rate at which unemployed workers became employed.'"

Still, no one had directly examined the impact of the UI bonus on claiming UI benefits. Until now. Yesterday, Isabel Soto published her analysis of new claims for UI and continuing claims for UI. She took advantage of the early exits from the programs to compare the difference in benefits across states and over time, as not all 24 early-exit states did so at the same time. Here statistical analysis of the link between the UI bonus and claims yielded:

- *Eliminating the $300 unemployment supplement is correlated with a 14 percent reduction in initial unemployment claims or around 17,500 fewer claims.*

- *Eliminating the $300 unemployment supplement is correlated with a 5 percent reduction in continuing unemployment claims or 47,500 fewer claims, bringing the reduction of total claims to 65,000.*
- *Reducing total claims does not guarantee a comparable boost in jobs, but the expiration of the pandemic unemployment insurance programs should produce a boost in job creation.*

These are entirely reasonable results. UI matters but, especially when continuing to fight the coronavirus, it is not all that matters. As the United States seeks to normalize economic policy and the conduct of commerce, it makes sense to put these programs in the rear-view mirror.