



Press Release

Parsing the Reasons for Layoffs in State and Local Governments

ALLISON EDWARDS | JULY 14, 2020

Because of COVID-19, states and local governments are laying off workers — but revenue shortfalls are likely not the only factor driving these job losses. The work incentives created by the federal unemployment supplement are likely contributing as well, as 62 percent of these workers would make more on unemployment, calculates AAF’s Labor Market Policy Data Analyst Isabel Soto.

Soto concludes:

State- and local-government workers are being laid off in the face of serious budgetary constraints, but those budgetary concerns may not be the entire reason for the high layoff numbers. With \$150 billion from the federal government allocated for states and localities to cover some budgetary strain and an additional \$600 a week for unemployed individuals, government layoffs could be occurring simply because they seem to be a prudent course of action. Before crafting legislation that would allocate additional federal funds to state and local governments, it is important to understand the entire story behind some of these layoffs and how previous policy decisions could be affecting employer decision making.

Read the Research

Please see also the following resources from the American Action Forum on the federal unemployment supplement.

- **Unemployment Benefits and Returning to Work:** AAF’s Labor Market Policy Data Analyst Isabel Soto finds that the maximum unemployment benefit is now greater than the median wage in the majority of states.
- **State Unemployment Benefits and Returning to Work:** Soto finds that 63 percent of all workers make more on unemployment insurance than when working, and reducing the federal supplement to \$100 still leaves 25 percent of workers making more on unemployment.
- **The AAF Exchange — Labor Market Intervention & Unemployment Insurance:** On AAF’s podcast, Soto [discusses](#) federal and state labor market interventions in response to COVID-19, including the unemployment insurance supplement in the CARES Act and its implications for the economic recovery.