



Revisiting Federal Pandemic Unemployment Compensation Under the Biden Administration

ISABEL SOTO | FEBRUARY 8, 2021

Executive Summary

- As part of his \$1.9 trillion COVID-19 relief package, President Biden has proposed increasing the weekly federal unemployment supplement to \$400 from \$300 in addition to extending emergency unemployment programs through September.
- At the \$300 level, 37 percent of workers could make more on unemployment than at work; at the \$400 level, 50 percent of workers could make more on unemployment.
- Increasing the weekly federal supplement will affect each state differently, with one seeing only 25 percent of workers who could make more on unemployment under the change and another seeing nearly 70 percent of workers who could make more on unemployment.

Introduction

President Biden's [\\$1.9 trillion](#) COVID-19 relief package includes provisions to address continued high unemployment as a result of the pandemic. Current unemployment compensation includes regular state benefits in addition to a weekly \$300 federal supplement (Federal Pandemic Unemployment Compensation), extensions for those whose regular unemployment benefits have been exhausted (Pandemic Emergency Unemployment Compensation), and benefits to independent workers (Pandemic Unemployment Assistance). Created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, these emergency unemployment benefits have already been extended once and are set to fully expire April 5, 2021. Under his proposal, President Biden would extend these provisions through September 2021 and increase the weekly Federal Pandemic Unemployment Compensation (FPUC) to \$400 a week. Doing so would raise the cost of the unemployment insurance (UI) program and lead to a large percentage of workers who could make more on UI than at work.

Estimating the Percent of Workers who Could Make More on Unemployment

Previous [American Action Forum](#) (AAF) research explored the consequences and potential work disincentives of different FPUC supplement levels by applying the maximum unemployment benefits in each state. While this approach demonstrated the magnitude of the FPUC increases being proposed, it did not account for the different calculation each state uses to determine employment compensation for each worker at different wage levels.

Combining 2019 Current Population Survey wage data and state unemployment benefit calculations accounts for the variation in benefits across states. In identifying the percentage of workers who would make more on unemployment and the inflection point at which wages are equal to benefits, wages at each 5th percentile were found and then the respective base benefit was calculated. Data was rounded up to the nearest 5th percentile and therefore may reflect a slight overestimate.

The inflection point and percent of workers who could make more on UI was then found for each state's base benefit plus a \$300 FPUC and President Biden's proposed \$400 FPUC. Nationally, based on a weighted average of all states, 37 percent of workers would make more on unemployment under a \$300 federal benefit than at work, and 50 percent of workers would make more on unemployment under a \$400 federal benefit.

Percentage of U.S. Workers Receiving More on Unemployment at Different Federal Benefit Levels? ?

| | Percent of Workers (UI+300>work) | Percent of Workers (UI+400>work) |
|--------------------------|----------------------------------|----------------------------------|
| United States (Averaged) | 37 | 50 |

State Level Data

There is significant variation among states due to their individual benefit formulas, maximum benefit levels, and wage distribution. In some cases, the inflection point falls on the maximum benefit, as seen in Alabama and Louisiana. There are also situations where states with seemingly more generous benefits do not see a much larger percentage of workers who could make more on benefits. In Massachusetts, for example, the maximum benefit is one of the highest in the country at \$823 a week (not including a federal benefit). Only 25 percent of workers, however, could make more on unemployment with a \$300 additional benefit and 40 percent with a \$400 additional benefit. In a similar fashion, Tennessee, a state with one of the lowest maximum unemployment benefit levels, \$275, has a relatively high percentage of workers who could make more on expanded unemployment. At the \$300 benefit level, nearly 40 percent of workers could make more on unemployment, and at the \$400 level, nearly 45 percent of workers could make more on unemployment.

Conclusion

President Biden has proposed extending emergency unemployment benefits and programs created under the CARES Act. His plan includes increasing the amount given to unemployed individuals under the FPUC. The federal benefit is currently at an additional \$300 a week and would increase to \$400 a week under his proposal. Increasing the FPUC amount could mean that 50 percent of workers nationwide may be able to make more on unemployment than at work. The effects of an FPUC increase vary across states due to differences in wage distribution and individual benefit calculations. To enable a sustainable economic recovery, policymakers should keep state variation in mind as well as the potential for work disincentives when crafting additional unemployment support.

Appendix

Percentage of Workers in each State Who Could Make More on Unemployment at Different Federal Benefit Levels

| State | Percent of Workers (UI+300>work) | Base Benefit +300 Inflection Point (\$) | Percent of Workers (UI+400>work) | Base Benefit +400 Inflection Point (\$) |
|-------|----------------------------------|---|----------------------------------|---|
|-------|----------------------------------|---|----------------------------------|---|

| | | | | |
|---------------|----|--------|----|--------|
| Alabama | 35 | 29,900 | 45 | 35,100 |
| Alaska | 25 | 29,744 | 40 | 38,636 |
| Arizona | 35 | 28,080 | 40 | 33,280 |
| Arkansas | 45 | 31,200 | 60 | 41,600 |
| California | 40 | 35,880 | 55 | 44,200 |
| Colorado | 35 | 31,200 | 55 | 41,600 |
| Connecticut | 30 | 31,200 | 45 | 41,600 |
| Delaware | 50 | 35,880 | 55 | 41,600 |
| DC | 20 | 31,200 | 25 | 41,600 |
| Florida | 35 | 29,900 | 45 | 35,100 |
| Georgia | 45 | 34,580 | 50 | 39,780 |
| Hawaii | 45 | 40,924 | 65 | 54,496 |
| Idaho | 40 | 31,200 | 65 | 44,096 |
| Illinois | 25 | 29,432 | 40 | 39,234 |
| Indiana | 30 | 29,432 | 45 | 39,234 |
| Iowa | 45 | 35,880 | 60 | 45,812 |
| Kansas | 45 | 34,866 | 60 | 46,176 |
| Kentucky | 55 | 41,106 | 60 | 49,504 |
| Louisiana | 35 | 28,444 | 65 | 33,644 |
| Maine | 60 | 38,142 | 65 | 43,940 |
| Maryland | 35 | 34,034 | 45 | 43,160 |
| Massachusetts | 25 | 31,200 | 40 | 46,020 |
| Michigan | 40 | 33,410 | 45 | 39,624 |
| Minnesota | 25 | 31,200 | 40 | 41,600 |
| Mississippi | 35 | 27,820 | 45 | 33,020 |
| Missouri | 35 | 32,240 | 45 | 37,440 |
| Montana | 40 | 32,500 | 55 | 43,342 |
| Nebraska | 30 | 31,200 | 50 | 43,680 |
| Nevada | 45 | 31,250 | 65 | 45,188 |
| New Hampshire | 35 | 36,452 | 45 | 43,004 |
| New Jersey | 45 | 39,000 | 55 | 52,000 |
| New Mexico | 50 | 33,540 | 60 | 44,746 |

| | | | | |
|----------------|----|--------|----|--------|
| New York | 35 | 31,200 | 50 | 41,600 |
| North Carolina | 35 | 31,200 | 50 | 39,000 |
| North Dakota | 25 | 31,200 | 40 | 41,600 |
| Ohio | 30 | 31,200 | 50 | 41,600 |
| Oklahoma | 40 | 35,880 | 65 | 47,840 |
| Oregon | 60 | 44,538 | 70 | 54,496 |
| Pennsylvania | 40 | 32,006 | 50 | 42,614 |
| Rhode Island | 30 | 32,864 | 50 | 43,836 |
| South Carolina | 30 | 31,200 | 45 | 37,752 |
| South Dakota | 35 | 31,200 | 50 | 41,600 |
| Tennessee | 40 | 29,900 | 45 | 35,100 |
| Texas | 40 | 32,500 | 55 | 43,342 |
| Utah | 45 | 30,680 | 60 | 41,080 |
| Vermont | 35 | 36,946 | 55 | 47,476 |
| Virginia | 35 | 32,500 | 45 | 40,456 |
| Washington | 35 | 31,226 | 50 | 41,652 |
| West Virginia | 45 | 34,658 | 55 | 42,848 |
| Wisconsin | 40 | 32,500 | 50 | 40,040 |
| Wyoming | 35 | 32,500 | 55 | 43,342 |