



Research

State Unemployment Benefits and Returning to Work

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Executive Summary

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act created a \$600 federal supplement to state unemployment insurance payments, which will expire on July 31st, but as states begin to reopen, this supplement will create a disincentive for people to return to work.
- Nationally 63 percent of workers currently make more on unemployment with the federal supplement than they would working, but even if the federal supplement is reduced to \$100 a week, 25 percent of the U.S. workforce could still make more on unemployment than returning to work.
- Due to variations between states, changing the amount of the federal supplement will affect the incentives for some workers more than others, indicating that a uniform federal policy might not be the best approach.

Introduction

The Coronavirus Aid, Relief, and Economic Security (CARES) Act included an additional federal increase in unemployment compensation of \$600 a week in order to help workers stay at home without having to forgo wages. Now that the majority of states are beginning to reopen parts of their economies, this benefit could discourage workers from returning to work. The policy that was rational during the early stages of the pandemic is not necessarily well equipped to address reopening.

Reducing the amount of the federal unemployment amount could encourage more individuals to begin reentering the workforce and speed up the economic recovery process. Previous [AAF analysis](#) found that 63 percent of all workers could make more on the maximum expanded unemployment benefit than returning to work. This analysis assesses the percentage of workers who may face a disincentive to return to work at different benefit levels. It also breaks out these incentives by state.

Unemployment and Returning Work

Table 1 below contains the percentage of U.S. workers who would make more on unemployment than in wages at different levels of additional unemployment compensation. Even when reducing the \$600 federal supplement to \$100 a week, more than a quarter of U.S. workers would make more on the maximum unemployment benefit than they would working. A reduction to \$400 a week would leave just over half of the U.S. workforce better off on unemployment.

Table 1: Percentage of U.S. workers receiving more on maximum unemployment at different federal benefit levels

Unemployment compensation under CARES Act	Additional \$500 (%)	Additional \$400 (%)	Additional \$300 (%)	Additional \$200 (%)	Additional \$100 (%)
Additional \$600 (%)					
63	58	53	45	36	26

These calculations use the maximum benefit in each state and 2019 wage data. The total number of workers who would make more on unemployment using 2019 data is nearly 93 million, or 63 percent of workers nationwide. Given changes in wages and employment since 2019, the number of people in 2020 who would receive more income on unemployment is likely lower than the 2019 estimate. While these numbers are a helpful way to see wage distribution as it relates to the increased federal unemployment benefit, it's important to note that not everyone will receive or is receiving the maximum benefit amount.

Variation Among the States

The national top-line numbers don't tell the whole story, however. The potential work disincentives differ drastically by state, as the table in the Appendix shows. The District of Columbia, for example, has the least work-disincentive problem because of its unemployment benefit structure and the fact that its wages are typically higher than in other areas of the country. At the maximum benefit under CARES, around 35 percent of D.C. workers face a work disincentive. On the other end of the spectrum are Kentucky and Idaho, where 75 percent of workers face a work disincentive at the maximum CARES benefit. The differences between states make it challenging to effectively support the unemployed while encouraging some to return to work safely. In states such as Kentucky and Idaho, the majority of workers would be making substantially more on unemployment than returning to work, but if the federal benefit is adjusted to account for this incentive, those unemployed lower-wage workers in D.C. may not receive enough support.

Policy Responses

Legislators on both sides of the aisle recognize some of the problems with the additional \$600 added to unemployment compensation. To get individuals back to work, several states are planning to [reinstate job-search requirements](#), which makes it more challenging to stay on unemployment. [Georgia](#) is using another strategy, allowing workers to keep receiving benefits while working.

On the federal level, House Democrats have introduced the [Health and Economic Recovery Omnibus Emergency Solutions \(HEROES\) Act](#), which would extend the \$600 federal benefit to January 31st, 2021, and extend the disincentive for individuals to return to work. Insofar as any federal legislation sets a particular number for a federal supplement, however, it is unlikely that federal legislation could address the particular needs of states in a way that would keep the unemployed financially stable while encouraging work for those who can find it.

Appendix

Percentage of workers in each state receiving more on maximum unemployment at different federal benefit levels

State	Unemployment compensation under CARES Act Additional \$600 (%)	Additional \$500 (%)	Additional 400 (%)	Additional \$300 (%)	Additional \$200 (%)	Additional \$100 (%)
Alabama	60	55	50	35	25	10
Alaska	50	40	35	25	15	<10
Arizona	55	50	35	25	10	<10
Arkansas	75	70	65	55	50	35
California	55	50	50	40	30	20
Colorado	65	60	55	50	45	35
Connecticut	60	55	55	50	40	35
Delaware	65	55	50	40	30	20
District of Columbia	35	25	25	15	10	<10
Florida	60	55	45	35	25	<10
Georgia	60	55	50	45	35	20
Hawaii	70	65	60	55	45	40
Idaho	75	65	60	50	45	30
Illinois	60	55	50	45	40	30
Indiana	65	60	55	45	35	20
Iowa	70	65	55	50	40	30
Kansas	70	65	60	50	45	35
Kentucky	75	75	65	60	50	45
Louisiana	60	55	45	35	25	10
Maine	70	60	55	50	35	25
Maryland	55	50	45	35	30	20
Massachusetts	70	65	60	55	50	45
Michigan	60	55	50	40	30	15
Minnesota	75	70	65	60	55	45
Mississippi	65	60	50	40	25	<10
Missouri	60	55	50	35	25	15
Montana	75	70	65	60	50	40
Nebraska	65	60	55	50	35	25
Nevada	70	65	60	50	45	30
New Hampshire	60	55	50	40	30	20
New Jersey	65	65	60	55	50	45
New Mexico	75	65	60	55	50	40
New York	60	50	50	40	30	25
North Carolina	60	55	50	40	30	20
North Dakota	75	70	60	55	50	35
Ohio	65	60	55	50	40	30
Oklahoma	75	70	65	60	50	40
Oregon	70	65	60	55	50	40
Pennsylvania	70	65	60	55	50	40
Rhode Island	65	60	55	50	40	35
South Carolina	65	60	50	45	30	20
South Dakota	75	70	60	50	40	25
Tennessee	60	55	45	35	25	10
Texas	70	65	60	55	45	35
Utah	75	70	60	55	50	40
Vermont	70	60	55	50	40	25
Virginia	55	50	45	35	30	20
Washington	70	65	60	55	50	45
West Virginia	75	65	60	50	45	30
Wisconsin	60	55	50	40	25	15
Wyoming	65	60	55	50	40	30

