



Research

Unemployment Benefits and Returning to Work

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Executive Summary:

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act increased the unemployment benefit amount so much that the maximum unemployment benefit is greater than the median wage in the majority of states.
- While the expanded unemployment benefit is only in effect until July 31st, it could pose an incentive problem for those states that are planning to reopen parts of their economy before then and need to bring back workers.
- An upper-bound estimate of 92.8 million workers typically make below the maximum weekly unemployment benefit; nearly 3 million workers in 10 states could seek to return to work in the next week.
- Georgia has issued an emergency rule that allows workers who make \$300 a week or less to continue receiving unemployment benefits. This rule would affect less than 10 percent of the state labor force but enables low-wage employees to return to work without seeing a drastic drop in their earnings.

Introduction

Due to stay-at-home orders and social-distancing guidelines, many businesses have had to close or cut hours and jobs, leading to a substantial increase in unemployment claims—over 26.4 million.ⁱ Massive layoffs have required an expanded unemployment system, not only to support laid-off workers, but also to incentivize workers to stay home to reduce the spread of the virus. With the federal government boosting unemployment benefits by \$600 a week until the end of July, many workers are now receiving more on unemployment than they would if they had continued working.

As coronavirus cases continue to rise nationally, President Trump has stated that social-distancing guidelines may be extended into the summer, but he is leaving decisions regarding stay-at-home orders up to states.ⁱⁱ There has been considerable debate within and among different states about when individuals can return to work, with some states extending stay-at-home orders while others prepare to reopen certain segments of their economies. Any state considering reengaging their labor force before the end of expanded unemployment on July 31st faces challenges surrounding worker incentives to return.

Returning to work

On April 24th, Georgia and Alaska became the first states to begin easing stay-at-home guidelines.ⁱⁱⁱ Seven other states have announced plans for partial reopening by May 1st. Stay-at-home orders are set to expire in an additional seven states on April 30th.^{iv} Those states may choose to extend restrictions and stay-at-home orders or begin the first phase of reopening.

The states that are planning to reopen are listed below with their respective initial unemployment claims from the first week of March to April

11th.v Over 3 million workers could seek to rejoin the workforce in the next week.

State	Initial UI claims since March
Alaska	50,153
Colorado	236,696
Georgia	865,687
Minnesota	435,759
Mississippi	131,160
Montana	73,162
Oklahoma	188,090
South Carolina	278,003
Tennessee	319,384
Texas	1,051,566
TOTAL	3,629,660

With over 26.4 million jobless claims since mid-March, it is important that individuals have the proper incentives and support to join the workforce when the time comes. Before states begin officially reopening, it is crucial that state leaders and employers be aware of the potential roadblocks to reopening the economy — namely that in most states, many individuals are making more on unemployment than they would if they were employed.

Unemployment benefits

The CARES Act allocated \$1 billion for the expansion of unemployment benefits. Typically available for 26 weeks, the CARES Act provides for 39 weeks and an additional \$600 a week on top of base payment through July 31st. Eligibility has also been extended to alternative workers and other individuals who typically do not receive benefits.

While it is important for individuals to have the ability to stay home and be financially stable doing so, having unemployment benefits be significantly higher than wages creates a serious incentive challenge in getting people back to work when the time comes.

The unemployment system is one that differs drastically depending on the state, with the average wage–replacement rate being around 50 percent.

Comparing the maximum unemployment benefit and each state’s median wage can provide an idea of how many workers could be affected by incentives to remain on expanded unemployment if states begin reopening their economies before the provision sunsets on July 31st.

At the maximum benefit amount, unemployment benefits are greater than median wage in all states except the District of Columbia. Minnesota has the largest difference between median wage and benefits. In that state, the maximum unemployment benefit provides \$491 more a week than the median wage.

Using 2019 wage and unemployment data, an upper–bound estimate of 92.8 million workers (or 63 percent of the workforce) typically make below the maximum weekly unemployment benefits under the CARES Act.

State–level changes to unemployment

In order to address some of the challenges to reopening posed by an expanded unemployment system, Georgia’s Governor Brian Kemp and the state’s Department of Labor have put in place an emergency rule. According to the new rule, workers returning to work can earn up to \$300 a week and continue to retain their state unemployment benefits, including the \$600 bump.^{vi} Anything above the \$300 a week will be deducted from the unemployment benefits. Structuring reopening in a way that allows individuals to gradually reattach to the labor force, while not immediately cutting off benefits, will make individuals more likely to seek employment during the time that expanded unemployment benefits are in effect. A worker making \$300 a week collecting even a dollar of unemployment benefits would also be eligible for the weekly Federal Pandemic Unemployment Compensation (\$600), bringing total weekly earnings to over \$900 a week. By continuing to provide some benefit to reengaged workers, part-time work incentives can reasonably compete with the \$965 maximum benefit provided under the CARES Act. At the most, workers could make \$1,265 a week (\$300 in wages with the max benefit of \$965 seen in Table 1).^{vii} This emergency rule will cover mostly low–wage earners working part-time. According to 2019 wage data, less than 10 percent of Georgia’s workforce (or fewer than 447,000 workers) would likely qualify to continue receiving benefits.^{viii} There is no way of knowing exactly how employers will behave given the current situation, however; employers may choose to hire back many of their formerly full–time workers on a part-time basis, allowing more individuals to make use of the state’s emergency rule. Other states may emulate Georgia’s gradual approach to returning to work, especially those states that have a larger gap between weekly wage and weekly unemployment benefits.

Conclusion

With several states looking to ease stay–at–home guidelines, it is important to understand how new legislation could affect individuals’ choices about returning to work or remaining on expanded benefits. With over 14 states potentially reopening in some form over the next two weeks, making the transition from benefits to part-time work will be crucial in restabilizing the labor market and encouraging workers to attach to the labor force before expanded benefits disappear at the end of July.

Appendix

Table 1:

Maximum benefits under CARES Act, median weekly wage, and number of workers who typically make less than the benefit by state

State	Max benefit under CARES (\$)	Median weekly wage (\$)	Number of workers making less than max benefit
Alabama	875.00	669.2	1,184,502
Alaska	970.00	933.6	158,545
Arizona	840.00	738.4	1,576,751
Arkansas	1,051.00	633.6	913,065
California	1,050.00	849.6	9,560,320
Colorado	1,218.00	851.2	1,741,018
Connecticut	1,249.00	933.2	999,060
Delaware	1,000.00	786.4	293,735
District of Columbia	1,044.00	1429.6	253,228
Florida	875.00	689.2	5,276,430
Georgia	965.00	710	2,683,116
Hawaii	1,248.00	854	444,850
Idaho	1,048.00	680	545,370
Illinois	1,084.00	789.6	3,615,474
Indiana	990.00	710.8	1,997,892
Iowa	1,081.00	736.4	1,084,622
Kansas	1,088.00	711.6	974,736
Kentucky	1,152.00	683.6	1,422,675
Louisiana	847.00	666.4	1,153,170
Maine	1,045.00	738	427,819
Maryland	1,030.00	884	1,485,555
Massachusetts	1,423.00	965.6	2,533,748
Michigan	962.00	744	2,606,538
Minnesota	1,340.00	848.4	2,160,487
Mississippi	835.00	600	733,382
Missouri	920.00	715.2	1,692,366
Montana	1,152.00	700.4	351,000

Nebraska	1,040.00	738.4	638,326
Nevada	1,069.00	700.4	974,876
New Hampshire	1,027.00	798	396,288
New Jersey	1,313.00	865.6	2,657,167
New Mexico	1,111.00	681.2	617,677
New York	1,104.00	897.6	5,713,788
North Carolina	950.00	710	2,677,680
North Dakota	1,218.00	817.6	316,890
Ohio	1,080.00	741.6	3,541,057
Oklahoma	1,139.00	687.2	1,213,042
Oregon	1,248.00	793.2	1,334,102
Pennsylvania	1,172.00	759.6	4,131,113
Rhode Island	1,186.00	849.6	314,327
South Carolina	926.00	667.2	1,370,044
South Dakota	1,014.00	668.4	318,855
Tennessee	875.00	690.4	1,804,626
Texas	1,121.00	731.2	8,701,840
Utah	1,180.00	729.2	1,128,052
Vermont	1,113.00	787.2	214,410
Virginia	978.00	812	2,133,323
Washington	1,390.00	926	2,322,957
West Virginia	1,024.00	652.4	526,575
Wisconsin	970.00	751.6	1,722,030
Wyoming	1,108.00	800.8	177,671
		TOTAL	92,816,174

Table 2:

Workers below maximum benefit and unemployment claims

State	Number of workers who make below max benefit	Unemployment claims (March 7 – April 11)	Unemployment claims/workers who make under max benefit (percent)
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Alabama	1,184,502	279,612	24
Alaska	158,545	50,153	31
Arizona	1,576,751	356,448	23
Arkansas	913,065	137,971	15
California	9,560,320	2919935	31
Colorado	1,741,018	236,696	14
Connecticut	999,060	131,808	13
Delaware	293,735	63,012	22
District of Columbia	253,228	57,318	23
Florida	5,276,430	664,889	13
Georgia	2,683,116	865,687	32
Hawaii	444,850	148,095	33
Idaho	545,370	97,931	18
Illinois	3,615,474	654,333	18
Indiana	1,997,892	444,513	22
Iowa	1,084,622	209,451	19
Kansas	974,736	160,192	16
Kentucky	1,422,675	401,272	28
Louisiana	1,153,170	354,065	31
Maine	427,819	90,976	21
Maryland	1,485,555	307,237	21
Massachusetts	2,533,748	585,496	23
Michigan	2,606,538	1,053,590	40
Minnesota	2,160,487	435,759	20
Mississippi	733,382	131,160	18
Missouri	1,692,366	347,131	21
Montana	351,000	73,162	21
Nebraska	638,326	85,054	13
Nevada	974,876	310,831	32
New Hampshire	396,288	126,369	32
New Jersey	2,657,167	695,787	26
New Mexico	617,677	92,688	15

New York	5,713,788	1,214,053	21
North Carolina	2,677,680	549,913	21
North Dakota	316,890	42,945	14
Ohio	3,541,057	869,696	25
Oklahoma	1,213,042	188,090	16
Oregon	1,334,102	203,344	15
Pennsylvania	4,131,113	1,322,302	32
Rhode Island	314327.00	116,207	37
South Carolina	1,370,044	278,003	20
South Dakota	318855.00	23,434	7
Tennessee	1,804,626	319,384	18
Texas	8,701,840	1,051,566	12
Utah	1,128,052	108,097	10
Vermont	214,410	45,658	21
Virginia	2,133,323	415,995	20
Washington	2,322,957	649,321	28
West Virginia	526,575	49,395	9
Wisconsin	1,722,030	347,030	20
Wyoming	177,671	23,437	13

i <https://www.usnews.com/news/economy/articles/2020-04-23/more-than-26-million-americans-file-for-unemployment-amid-coronavirus-outbreak>

<https://oui.doleta.gov/unemploy/claims.asp>

ii <https://www.cbsnews.com/news/coronavirus-task-force-update-covid-19-response-watch-live-stream-today-2020-04-23/>

iii <https://www.cnn.com/2020/04/25/politics/georgia-reopening-rural-urban-coronavirus/index.html>

iv <https://www.nytimes.com/interactive/2020/us/states-reopen-map-coronavirus.html> ;
<https://www.texastribune.org/2020/04/28/texas-reopening-restaurants-greg-abbott/>

v most recent accurate state unemployment numbers

vi https://www.georgiapol.com/2020/04/22/governor-kemp-and-gadol-clarify-unemployment-options/?fbclid=IwAR0Kfkr6G45ti75_Nz_QdhxfHZ-tTZfX_hJqJthjk5DR6RiQOncDEy02AiM

vii <https://www.wrdw.com/content/news/Unemployment-benefits-answering-the-publics-important-questions-569910131.html>

viii <https://explorer.gdol.ga.gov/vosnet/analyzer/results.aspx?enc=89GrFwVduKBsnTQJdTC3xQ==>