SOUTHERN ECONOMIC ADVANCEMENT PROJECT

The Impending Calamity of State FPUC Withdrawals

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ABOUT THE SOUTHERN ECONOMIC ADVANCEMENT PROJECT (SEAP)

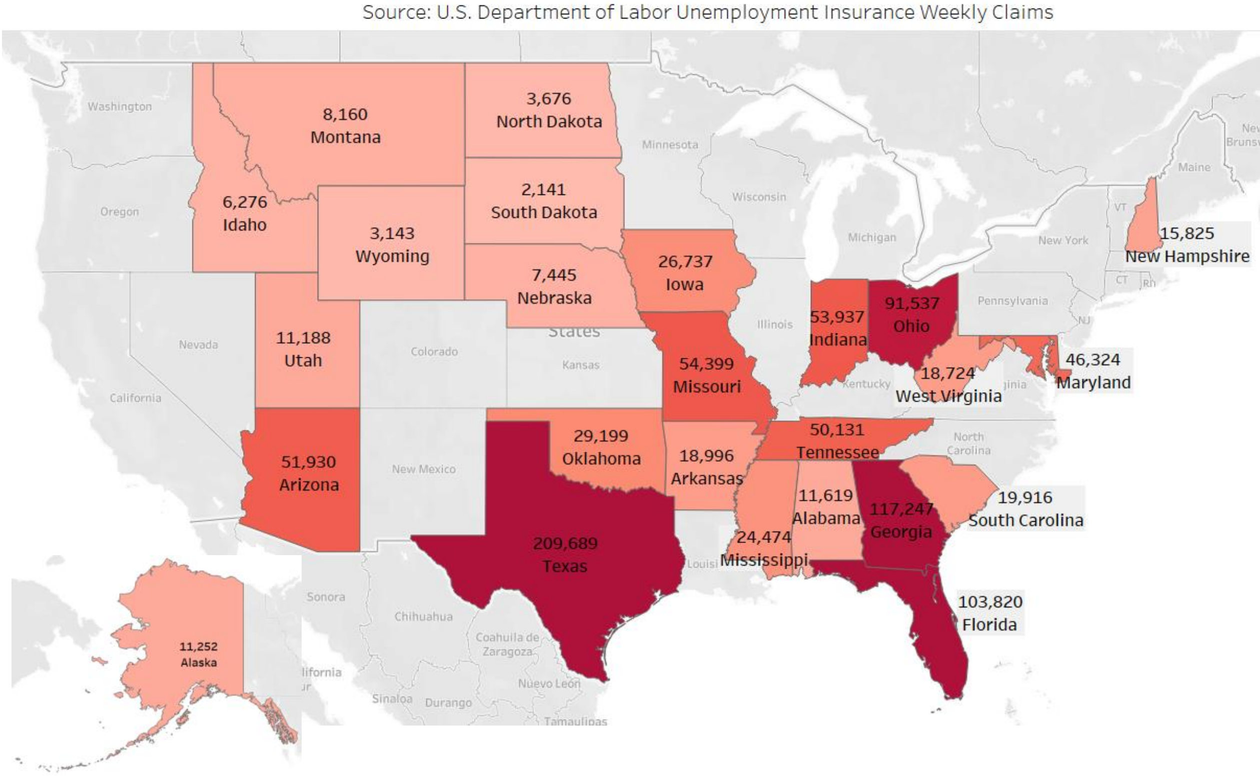
SEAP is your partner and resource. We amplify the efforts of existing organizations and networks that work towards broadening economic power and building a more equitable future.

Broadening economic power brings attention to how race, class and gender intersect social and economic policy in the South. We explore policy ideas designed to directly address these connections. SEAP focuses on 12 Southern states and marginalized/vulnerable populations within the region and is a fiscally sponsored project of the Roosevelt Institute.

Introduction

Policymakers in 25 states have chosen to stop American workers from receiving federal pandemic unemployment compensation supplements as early as June 12[1]. The most recent available weekly unemployment continued claims figures show that 36.6 percent of the workers impacted – 364,927 of the 997,785 – reside in eight Southern states. Terminating state participation in federal unemployment compensation programs will undoubtedly harm families, businesses, and communities. This brief explains why.

Insured Unemployed Advanced State Claims
Week Ending May 22, 2021 - Not Seasonally Adjusted
Source: U.S. Department of Labor Unemployment Insurance Weekly Claims



Pandemic Relief

In March 2020, Congress passed the most expansive effort to address mass unemployment in America's history when it legislated the CARES (Coronavirus Aid, Relief, and Economic Security) Act. The Act was a bipartisan effort that directly addressed the record levels of unemployment caused by the COVID-19 pandemic by supplementing state unemployment benefits by $600 a week and expanding unemployment benefits to previously ineligible workers (1099, Gig Workers, etc.). The weekly supplement was packaged under the Federal Pandemic Unemployment Compensation program (FPUC), which expired on July 31, 2020 and was later renewed with a lower weekly supplement. In its current iteration under the America Rescue Plan – signed in to law by President Joe Biden on March 11, 2021 – FPUC provides unemployed workers with a $300 weekly supplement in addition to state benefits.

In the one year since the pandemic began, a monthly average of 11 million workers received unemployment compensation benefits.[2] In effect, for the past year the federal unemployment weekly supplement has served to support the living standard of families and prevent local economies from sinking further into recession amidst record-high unemployment. More recently, in the week ending on May 22, 2021, 3.5 million American workers received unemployment compensation (not seasonally adjusted).[3] As a point of contrast, the four-week average of unemployment compensation claims before the pandemic on the week ending on March 13, 2020 was 2 million.

Preventable Policy Calamity

The most recently available monthly data suggest that eliminating the $300 weekly FPUC supplement would reduce the incomes of the 997,785 unemployed workers by $299.3 million a week. The eight Southern states of Alabama, Arkansas, Florida, Georgia, Mississippi, South Carolina, Tennessee, and West Virginia would forego $109.5 million a week in FPUC supplements. Georgians are set to experience the greatest losses of the Southern states: about $35.2 million a week from Gov. Brian Kemp's decision to withdraw from FPUC program that currently covers 117,247 unemployment compensation claimants in the state. Floridian's will experience the second greatest income loss in the South with $31.1 million a week from Gov. Ron DeSantis' choice to end Florida's FPUC participation.

Comparing the eight Southern states that are ending FPUC with the nine non-Southern states we find that Southern Black and female workers will be disproportionately negatively impacted. The most recent monthly claims data shows that Black workers make up 38.8 percent of all claimants in these Southern states compared to 19.1 percent in non-Southern states. Similarly, female workers comprise 50.3 percent of claimants in the South and 45 percent elsewhere. It is also notable that these six of the eight Southern states are among the 10 least vaccinated states in the U.S. with single-dose vaccination rates at or below 40.8 percent and fully vaccinated rates of 33.6 percent or below.[4] In particular, Mississippi is the least vaccinated state in the U.S. based on both single and full vaccination rates, 33.9 percent and 27.1 percent respectively.

Despite the disparate demographic impacts among states in ending the FPUC supplement there is a shared myth among policymakers that is driving the withdrawal. Policymakers in these 25 states wrongly believe that the FPUC supplement is discouraging work, especially among younger adults in the hospitality and retail industries.

First, younger adults are the minority of unemployment compensation claimants. Across the 25 states scheduled to end FPUC, 40.8 percent of claimants are aged 45 and over and 48.8 percent of claimants are between the ages of 25 and 44 – only 10.5 percent of claimants are under age 25. According to research from the Economic Policy Institute, older workers are more likely to face a harder time becoming reemployed due to the increased incidence of disabilities and their greater exposure to economically depressed areas.[5] Therefore, ending FPUC supplements will likely amplify the economic insecurity of communities where older workers are concentrated and likely drive a vicious cycle of further economic depression.

Second, data show that only a small share of unemployment compensation claimants in these states are in the Accommodation and Food Services or Retail Trade industries,22.2 percent. Instead, a greater share of claimants are in the Construction, Manufacturing, and Administration and Support/Waste Management/ Remedial Services industries, 35.1 percent. This evidence suggests that there is a broader depressed level of demand that multiple industries are experiencing that has sustained high levels of unemployment. This data signals that businesses have yet to fully recover and recalled laid off workers across multiple industries.

Lastly, there is no evidence that FPUC is discouraging work because of the occupational data showing lingering depressed demand across the broader economy: data show that 22.6 percent of unemployment compensation claimants are in occupations focused on Food Preparation and Serving or Sales and Related occupations while 46 percent of claimants come from occupations in Construction and Extraction, Production, Management, Transportation and Material Moving, and Office and Administrative Support. According to data from the U.S. Bureau of Labor Statistics, Management occupations have a median monthly wage of $9,147 – well above the $1,300 a month provided by the current FPUC supplement.[6] Similarly, occupations in Construction and Extraction, Production, and Transportation and Material Moving all have a median monthly wage of at least $2,840. This data supports findings from the JP Morgan Chase Institute that show that the FPUC program had a negligible impact on the job-finding rate.[7] Instead, they find that employer recall and hiring had the greatest impact on reemployment.

Conclusion

Continuing state participation in the FPUC program is critical for families, communities, and local economies. In the absence of the FPUC supplements the unemployed workers of America would have received little income support from states alone. In Louisiana, the average weekly benefit is $193, the lowest in the U.S.[8] Even in the state with the highest average weekly benefit – $521 in Massachusetts – a modest standard of living can hardly be achieved. The FPUC program is an example of sound policy that supports both families and the economy and ending the program will be a betrayal of both.

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[1] Alabama, Alaska, Arizona, Arkansas, Florida, Georgia, Idaho, Indiana, Iowa, Maryland, Mississippi, Missouri, Montana, Nebraska, New Hampshire, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, West Virginia, and Wyoming.
[2] U.S. Department of Labor. (2021). *Characteristics of the Unemployment Insurance Claimants*.
[3] U.S. Department of Labor. (2021). *Unemployment Insurance Weekly Claims Data*.
[4] Mayo Clinic. (2021). *U.S. COVID-19 Vaccine Tracker: See your state's progress*.
[5] Morrissey, M. (2020). *A Coronavirus Recovery: How to ensure older workers fully participate*. Economic Policy Institute.
[6] U.S. Bureau of Labor Statistics. (2021). *Employment by Major Occupational Group*. Occupational Employment Statistics Program.
[7] Ganong, P., Greig, F., Liebeskind, M., Noel, P., Sullivan, D. M., Vavra, J. (2021). *Spending and Job Search Impacts of Expanded Unemployment Benefits: Evidence from Administrative Micro Data*. JP Morgan Chase Institute.
[8] U.S. Department of Labor. (2021). *Monthly Program and Financial Data: Average Weekly Benefit for Weeks of Total Unemployment*.