Unemployment Benefits Expire for Millions Without Pushback From Biden

The president has encouraged some states to continue helping the long-term unemployed, but administration officials said it was time for enhanced federal aid to end.

A restaurant in New York in August. Business lobbyists and Republican lawmakers have blamed the benefits for the difficulties some business have faced in hiring workers. Credit...Gabriela Bhaskar/The New York Times

Jim Tankersley and Ben Casselman
New York Times
Sept. 7, 2021

WASHINGTON — Expanded unemployment benefits that have kept millions of Americans afloat during the pandemic expired on Monday, setting up an abrupt cutoff of assistance to 7.5 million people as the Delta variant rattles the pandemic recovery.

The end of the aid came without objection from President Biden and his top economic advisers, who have become caught in a political fight over the benefits and are now banking on other federal help and an autumn pickup in hiring to keep vulnerable families from foreclosure and food lines.

The $1.9 trillion economic aid package Mr. Biden signed in March included extended and expanded benefits for unemployed workers, like a $300-per-week federal supplement to state jobless payments, additional weeks of assistance for the long-term unemployed and the extension of a special program to provide benefits to so-called gig workers who traditionally do not qualify for unemployment benefits. The expiration date reached on Monday means that 7.5 million people will lose their benefits entirely and another three million will lose the $300 weekly supplement.

Republicans and small business owners have assailed efforts to extend the aid, contending that it has held back the economic recovery and fueled a labor shortage by discouraging people from looking for work. Liberal Democrats and progressive groups have pushed for another round of aid, saying millions of Americans remain vulnerable and in need of help.

Mr. Biden and his advisers have pointedly refused to call on Congress to extend the benefits further, a decision that reflects the prevailing view of the state of the recovery inside the administration and the president's desire to focus on winning support for his broader economic agenda.

The president's most senior economic advisers say the economy is in the process of completing a hand off between federal assistance and the labor market. As support from the March stimulus law wanes, they say, more and more Americans are set to return to work, drawing paychecks that will power consumer spending in the place of government aid.

And Mr. Biden is pushing Congress this month to pass two measures that constitute a multi-trillion-dollar agenda focused on longer-run economic growth: a bipartisan infrastructure bill and a larger, partisan spending bill with investments in child care, education, carbon reduction and more. That push leaves no political oxygen for an additional short-term aid bill, which White House officials insist the economy does not need.

President Biden and his advisers have pointedly refused to call on Congress to extend the benefits further.Credit...Oliver Contreras for The New York Times

Administration officials say money that continues to flow to Americans from the March law, including new monthly payments to parents, will continue to sustain the social safety net even as the expanded federal jobless aid expires. Mr. Biden has called on certain states — those with high unemployment rates and a willingness to continue aid to jobless workers — to use state relief funds from the March law to help the long-term unemployed. So far, no state has said it plans to do so.

On Sunday, Mr. Biden's chief of staff, Ron Klain, told CNN's "State of the Union" that the March law was also allowing states to help those out of work by offering employment bonuses and job training and counseling.

"We think the jobs are there," Mr. Klain said, "and we think the states have the resources they need to move people from unemployment to employment."

Mr. Biden has faced criticism from the left and the right on the issue, and he has responded with a balancing act, supporting the benefits as approved by Congress but declining to push to extend them — or to defend them against attacks by leaders in some states.

Throughout the summer, business lobbyists and Republican lawmakers called on the president to cut off the benefits early, blaming them for the difficulties some businesses were facing in hiring workers, particularly in lower-paying industries like hospitality. Soon after the backlash began, Mr. Biden defended the benefits but called on the Labor Department to ensure that unemployed workers who declined job offers would lose their aid.

But roughly half of the states, nearly all of them led by Republican governors, moved to cut off benefits early on their own. Mr. Biden and his administration did not fight them, angering progressives. The administration is essentially extending that policy into the fall, by calling on only willing states to fill in for expired assistance.

"I don't think we necessarily need a blanket policy for unemployment benefits at this point around the country," Labor Secretary Martin J. Walsh said in an interview on Friday, "because states are in different places."

Privately, some administration officials have expressed openness to the idea that economic research will eventually show that the benefits had some sort of chilling effect on workers' decision to take jobs. Critics of the extra unemployment benefits have argued that they are discouraging people from returning to work at a time when there are a record number of job openings and many businesses are struggling to hire.

Evidence so far suggests the programs are playing at most a limited role in keeping people out of the work force. States that ended the benefits early, for example, have seen little if any pickup in hiring relative to the rest of the country.

Even in the industries that have had the hardest time finding workers, many people don't expect a sudden surge in job applications once the benefits expire. Other factors — child care challenges, fear of the virus, accumulated savings from previous waves of federal assistance and a broader rethinking of work preferences in the wake of the pandemic — are also playing a role in keeping people out of work.

"I think it's a piece of the puzzle but I don't think it's the big piece," said Ben Fileccia, the director of operations and strategy for the Pennsylvania Restaurant & Lodging Association. "It's easy to point to, but I don't think it's the true reason."

Progressives in and outside of Congress have grown frustrated with the administration's approach to the benefits, warning it could backfire economically. Job growth slowed in August as the Delta variant spread across the country.

"Millions of jobless workers are going to suffer when benefits expire on Monday, and it didn't need to be this way," Senator Ron Wyden, Democrat of Oregon and the chairman of the Finance

Committee, said in a news release last week. “It’s clear from the economic and health conditions on the ground that we shouldn’t be cutting off benefits now.”

Elizabeth Ananat, a Barnard College economist who has been studying the impact of the pandemic on low-wage workers, said that cutting off benefits now, when the Delta variant has threatened to set back the recovery, was a threat to both workers and the broader economy.

“We’ve got this fragile economic recovery and now we’re going to cut income from people who need it, and we are pulling back dollars out of an economy that is still pretty unsteady,” she said.

Ms. Ananat has been tracking a group of about 1,000 low-income parents in Philadelphia, all of whom were working before the pandemic. More than half lost their jobs early in the pandemic last year. By this summer, 72 percent were working, reflecting the strong rebound in the economy as a whole. But that still left 28 percent of the group who were unemployed, either because they could not find work or because of child care or other responsibilities.

“We’re going into a new school year where there’s going to be a lot more uncertainty than there was this spring for parents,” Ms. Ananat said. “Employers are again going to be dealing with a situation where they have people who want to work, but what the heck are they supposed to do when their kid gets sent home to quarantine?”

Measures of hunger and other hardship have fallen this year, as the job market has improved and federal aid, including the expanded child tax credit, has reached more low-income families. But the cutoff in benefits could change that, Ms. Ananat said. “In the absence of some kind of solution, this cliff comes and that number is going to go back up," she said. "This is a significant group of people who are going to be in a lot worse shape."

Millions in U.S. lose jobless benefits as federal aid expires, thrusting families and economy onto uncertain path

Federal funds meant to ease the economic shock of the pandemic are coming to an end. 'It just feels like being discarded,' one worker said

Yeganeh Torbati, Andrew Van Dam, and Alyssa Fowers
Washington Post

September 5, 2021

More than 7 million out-of-work people across the United States are set to lose all of their jobless benefits this week as three federal programs expire on Monday, in what several experts described as one of the largest and most abrupt ends to government aid in U.S. history.

In addition to the more than 7 million people who will lose all their benefits, nearly 3 million more people will lose a $300 weekly boost to their state unemployment benefits.
The cessation of this jobless aid, first put in place by Congress nearly 18 months ago, could upend the lives of millions of Americans still struggling to find work at a time when the pandemic's delta variant is wreaking fresh havoc across a number of states. It could also lead to a sharp pullback in spending, particularly in certain areas of the country, impacting a wide range of restaurants and other businesses that rely on consumer dollars.

"I don't understand how anyone in Washington cannot know normal people, their friends, families, cousins who are going through this," said Kathleen Fox, a producer in New York whose past work has been recognized with a prestigious Peabody Award but who has struggled to find work after the pandemic upended her industry. "The [Biden] administration has lost interest in this cause and they've moved on to other things."

The White House has wrestled with how to deal with these expiring benefits, an internal debate that exposes the fraught political and economic consequences of inaction. President Biden said in June that it "makes sense" for one of the programs, which boosted unemployment checks by $300 each week, to lapse in September, but senior aides have also called on states to reallocate other money in a way that would continue offering some support. No states appear inclined to take action, though, leading to this week's sudden cutoff.

Now there is heightened anxiety, even within the White House, that pulling so many people off government support so abruptly could push millions of people into poverty and cut off access to food or nutrition for people caught on the wrong side of this uneven economy. The jobless rate has fallen and the stock market is near record levels, but many Americans have found themselves unable to recover from the pandemic's devastating blow.

"I'm predicting a silent type of pain," said Andrew Stettner, a senior fellow at the Century Foundation think tank and an expert on unemployment insurance, who has estimated that some 7.5 million people will be cut off from aid on the programs' expiration date. "If past periods have been an indicator, many will be caught in a spiral that will lead to a downward quality of life."

The programs initially boosted jobless benefits by $600 a week before Congress lowered the amount to $300 a week. They also expanded the pool of workers eligible for government aid and increased the number of weeks workers could draw on unemployment insurance. But this assistance has also emerged as a divisive flash point in a political debate over whether government assistance discourages people from returning to work.

Republicans and numerous business groups have argued the extra benefits were contributing to a labor shortage and slowing the economic recovery, alleging it had become too lucrative for people to stay home rather than get a job. They have called for investigations of fraud in the programs, alleging hundreds of billions of dollars in unemployment aid may have been stolen. Many Americans who are frightened about the sudden lack of income feel they have been unfairly swept up in a bitter political debate.

"It just feels like being discarded," said Fox, who was set to see her new projects premiere at major festivals in 2020 before the coronavirus devastated those plans. Now, she applies for around three jobs per day, including ones where she would make far less money than in her last full-time position at an advertising agency, all to no avail. If she is unable to find a job after losing her benefits, she faces the prospect of being forced to sell her apartment.

"The stress of everything has just caused me a lot of emotional distress that I didn't have before," she said.

Over the summer, 26 states announced they would end these benefits early, providing a glimpse of what millions of other Americans will now face. Since then, economists have studied data on job gains and spending to see how local economies have reacted to the withdrawal of benefits amid a pandemic, and to determine whether the extra aid was holding back job growth.

Their conclusions are ominous: one study found that for every eight workers who lost benefits, just one managed to find a new job, and found a dramatic reduction in spending, suggesting the people who lost benefits were left in a precarious financial situation.

The cutoff marks the end of a colossal spigot of stimulus funds. About $680 billion in emergency unemployment benefits have been distributed since March 2020, making it one of the biggest coroanvirus-era assistance programs, just behind the Paycheck Protection Program ($835 billion), according to the nonpartisan Committee for a Responsible Federal Budget.

The emergency jobless aid was first approved in the spring of 2020 when the economy appeared to be in free-fall and close to 1 million Americans were losing their jobs each day. It was designed to be temporary because of its cost and because lawmakers assumed the pandemic wouldn't last long.

When they designed the aid package last year, lawmakers created a new type of unemployment aid called Pandemic Unemployment Assistance, which covers workers who normally wouldn't qualify for unemployment insurance, such as gig workers, caretakers and the self-employed. Those workers tend to be younger and lower-income than those who received benefits from standard unemployment insurance, according to a recent JPMorgan Chase study of banking transactions. The expiration of that program this week means these workers — who make up about 40 percent of all UI claims during the pandemic — will no longer be eligible for any unemployment insurance programs.

"I worry that we're pinning heavy hopes on the economic upside of turning off these benefits when these benefits weren't the primary factor holding people back from returning to work, and they're also providing an important boost to spending," said Fiona Greig, co-president of the JPMorgan Chase Institute.

Recent research by academic scholars found that in states that cut benefits early, every dollar lost in benefits was offset by about 7 cents in increased earnings. That means the Labor Day weekend cuts could cause "something like $8 billion in reduced spending during September and October," said Arindrajit Dube, an economist at the University of Massachusetts at Amherst and one of the researchers who analyzed the effect of the early benefits cutoffs.

Michael Strain, director of economic policy studies at the American Enterprise Institute, cautioned that more months of data are needed to make firm conclusions about the effect of the programs on the labor market. He said he would have preferred for the jobless aid to phase out over several months rather than come to an abrupt end, but that overall it is time for the unemployment benefits to "normalize."

"The unemployment rate is falling, not rising," Strain said. "Workers clearly are on the whole going to go out and get jobs."

It is still unclear whether businesses struggling with labor shortages will find it easier to hire workers in the coming weeks, even as the benefits end. Argosy Cruises, a company offering boat tours in the Seattle area, had a pre-pandemic head count of around 250 people, before it was forced to lay off 85 percent of its staff in August 2020, said chief operating officer Molly Schlobohm. The company gradually relaunched in April, and hiring has been "incredibly challenging," she said, despite wage increases and signing bonuses.

But even as the cut in benefits looms over the state's jobless, Argosy has seen no recent change in application numbers, Schlobohm said.

“I don’t really think that the extended unemployment benefits are the sole reason for the labor shortage,” she said. “I’m seeing and hearing from candidates and employees that affordable, quality child care is more of an issue,” she said, along with affordable housing in the Seattle area.

Lisa Lunsford, co-founder of an automotive manufacturing firm in Livonia, Mich., said her company has around 20 immediate job openings, and has received a steady stream of applications for those jobs since July, with no noticeable uptick in recent weeks as the benefits cliff approached.

“I don’t think it’s just that simple. There are so many things that are going on,” Lunsford said. Some people are still afraid to come into the workplace, for instance, and the company has tried to be flexible in creating work arrangements that meet their needs, she said.

Last month, the Biden administration gave states a potential path to helping people who were about to lose benefits: they could use funds provided to states in a March stimulus law, the American Rescue Plan Act, to fill in for some of the lost aid.

The *Washington Post* asked officials in 24 states and D. C. — the jurisdictions that had continued the federal benefits as long as possible — whether they plan to extend the benefits using the ARPA funds. Of those who responded, nearly all said they had no such plans, or indicated that a decision to do so rested with their state legislatures.

“This gives states express ‘permission’ to use the funds we already have, but there are too many unaddressed issues for many to continue to offer pandemic unemployment assistance beyond the week of Sept. 6,” said Mike Faulk, a spokesman for Washington state Gov. Jay Inslee (D), in an email on Aug. 25. “There’s not much ARPA left and a high cost to maintain weekly benefits.”

A spokesman for the U.S. Department of Labor, Egan Reich, said states do not need to tell the administration if they want to disburse ARPA funds to unemployed workers, so the agency does not have a list of states that may be doing so.
Workers still depending on the benefits described numerous obstacles to finding work, including industries that had not fully staffed back up to pre-pandemic levels and fear of contracting the delta variant.

Lauren Bailey, of Silver Spring, Md., was earning money as an Uber driver when the pandemic hit. She has underlying health problems, so she stopped driving in March 2020 and applied for unemployment benefits, and was able to cover her costs as long as they were in place. When the federal benefits expire, she will be ineligible for state aid because gig workers do not traditionally qualify.

Bailey, 51, has a bachelor’s degree from Smith College and a master’s degree from Howard University. She is a Black woman — a demographic that faced an unemployment rate of 8.6 percent in August, significantly higher than the comparable national rate of 5.1 percent. She has been applying for positions in social media management, in marketing or as a virtual assistant, and has had interviews every month, though they have yet to result in a job. She is fully vaccinated, but fears a breakthrough infection and would prefer to work from home.

“I’m not afraid of death,” Bailey said. “I’m more afraid of long covid,” she added, referring to the prospect of weeks or even months of lingering illness after being infected by the virus.

States That Cut Unemployment Benefits Saw Limited Impact on Job Growth

Sarah Chaney Cambon and Danny Dougherty
Sept. 1, 2021
Wall Street Jounral

States that ended enhanced federal unemployment benefits early have so far seen about the same job growth as states that continued offering the pandemic-related extra aid, according to a Wall Street Journal analysis and economists.

Several rounds of federal pandemic aid boosted the amount of unemployment payments, most recently by $300 a week, and extended them for as long as 18 months. The extra benefits are set to expire nationwide next week. But 25 states ended the financial enhancement over the summer, and most of them also moved to end other pandemic-specific unemployment programs such as benefits for gig and self-employed workers.

Nonfarm payrolls rose 1.33% in July from April in the 25 states that ended the benefits and 1.37% in the other 25 states and the District of Columbia, the Journal analysis of Labor Department data showed. The payroll figures are taken from a government survey of employers. The analysis compared July totals with April, before governors in May started announcing plans to end or reduce the benefits during the summer.

Economists who have conducted their own analyses of the government data say the rates of job growth in states that ended and states that maintained the benefits are, from a statistical perspective, about the same.

“If the question is, ‘Is UI the key thing that’s holding back the labor market recovery?’ The answer is no, definitely not, based on the available data,” said Peter Ganong, a University of Chicago economist, referring to unemployment insurance.

Economists caution against concluding from these results that expiring benefits had no effect on employment. First, they say it might be too early to detect such an effect. Second, offsetting effects from state reopenings and virus-related restrictions by local governments could be masking the impact of the expiring benefits.

Economists at Goldman Sachs analyzed the behavior of workers in the July jobs report after adjusting for age, gender, marital status, education, household income, industry and occupation of a respondent's current or prior job. They said they found "clear evidence that benefit expiration increased the rate at which unemployed workers became employed."

Goldman Sachs estimated that if all states had ended benefits, July payroll growth would have been 400,000 stronger. Economists at the firm projected the nationwide benefit cutoff this month will account for 1.5 million job gains through the end of the year.

Economists generally agree the enhanced benefits caused some people to stay out of the labor market, but they also point to several other factors that have held back job growth this year, including family-care responsibilities, school closures, an imbalance of available jobs and worker location and skills, fear of Covid-19 and employee retirements.

Those problems have caused many workers to drop out of the workforce and others to take longer to hunt for jobs. The labor market's recovery will depend on whether these factors ease, reverse or persist, an outlook clouded by the recent rise in Covid-19 infections and hospitalizations driven by the Delta variant of the virus, the economists say.

The extra benefits became a political flashpoint after Democrats extended the $300 weekly payments through early September as part of a $1.9 trillion pandemic aid package enacted in March, saying the unemployed needed the financial aid as the pandemic continued. Republicans opposed the extension, saying they were keeping people from taking jobs, and many employers soon said it was harder to find workers at the wages offered when some could earn about as much or more collecting benefits.

After the Labor Department reported much less job growth than expected in April, governors in primarily Republican states started announcing plans to end the benefits early.

Around the same time, many states eased restrictions on business activity during the pandemic, likely helping accelerate the jobs recovery. The reopening process created a burst of demand for low-wage workers at restaurants, baseball stadiums, airports and other leisure-and-hospitality businesses.

These service providers shed millions of jobs last year and pay many workers less than they could collect through enhanced unemployment benefits, on average the equivalent of being paid more than $15 an hour for a 40-hour week. Jobs in the leisure-and-hospitality sector grew 6.52% in July from April in states that kept the extra unemployment benefits, compared with 4.76% in states that ended them.

Stronger leisure-and-hospitality job growth in states that kept the benefits likely reflects that many of those states, such as California, Massachusetts and New Mexico, were in the process of fully reopening their economies this spring and summer. Many states that cut the benefits, including several in the South, had operated with fewer business restrictions throughout the pandemic.

The nationwide expiration of the enhanced benefits in September will offer a much larger case study. By early next week, about 11.2 million Americans will lose some form of federal unemployment benefits, according to estimates from forecasting firm Oxford Economics. About 3.5 million people lost benefits in the 25 states that cut them this summer.

Many people haven't found a job since the extra unemployment benefits ended. Some, like Amy Kaplan, haven't regained employment in their desired field.

Ms. Kaplan, a park ranger, drew on unemployment benefits during the pandemic, including the most recent $300 top-off. She hasn't landed a job since Idaho—the state where Ms. Kaplan last worked and received benefits—cut off those benefits in mid-June.

Ms. Kaplan, who now lives in Rociada, N.M., said she has applied for at least 100 jobs in the National Park Service since the pandemic hit. Unemployment insurance helped her pay bills while she looked for a job that aligned with her skills.

“No, I’m not going to go work at McDonald’s,” she said. “I have a career. I’ve worked really hard at it.” She added: “What I like most is every park is its own place, and it has a story or it has many stories.”

Before the start of the pandemic last year derailed her plans, Ms. Kaplan intended to start work as a park ranger at Chaco Canyon in New Mexico—a region of Native American ruins. It would have been a great place for her to tell stories to park visitors, she said, because of its rich history.

State-level comparisons show how states that cut off benefits and those that didn’t have so far seen roughly similar job growth.

Take Texas and California, two states with large populations and diversified economies. Texas, which reopened in March and terminated benefits at the end of June, saw 1.45% payroll growth in July from April. California, which lifted all restrictions in mid-June and has maintained enhanced benefits, saw a 1.73% gain.

Arizona, which cut the extra $300-a-week benefit in July, and New Mexico, which maintained all federal benefits, saw payroll employment gains of 2.63% and 2.50%, respectively, over the April-to-July period.

Employers added 943,000 jobs nationwide in July, but there were still 5.7 million fewer jobs that month than in February 2020, before the pandemic. Covid-19 infection and hospitalization rates were abating in the spring and earlier this summer, helping to spur job growth. The surge of the Delta variant has begun to dent business activity and could slow labor-market progress.

Many economists say the extra benefits are keeping some people from returning to work.

Analysis by Federal Reserve Bank of San Francisco researchers Nicolas Petrosky-Nadeau and Robert G. Valletta has found that while the extra benefits have kept some people from returning to work, the impact is limited. Mr. Valletta said their research helps explain why employers are citing the extra jobless benefits as a reason for hiring difficulties.

“They’re probably experiencing a meaningful incidence of workers turning down job offers in favor of remaining on [unemployment benefits] because of the extra $300 a week that’s available to them,” Mr. Valletta said. “But it’s a pretty small effect, and it’s much less important, I think, than child-care responsibilities and general concerns about safety and health with the pandemic still continuing.”

Sizzling Platter LLC, a Murray, Utah-based company that operates about 500 quick-service restaurants in the U.S., is benefiting from the expiration of expanded benefits, said Chief Executive Jim Balis.

Applications to the company’s restaurants in Utah, Indiana and Ohio—which include Little Caesars, Dunkin’ Donuts and Red Robin—increased about 20% after those states withdrew from federal pandemic unemployment programs, he said.

“There appears to be a correlation between states offering unemployment subsidies and people wanting to stay at home and collect those versus going back to work,” he said. “We saw a material difference in the states that pulled benefits back.”