

Safety Net Benefits in the Pandemic and Beyond

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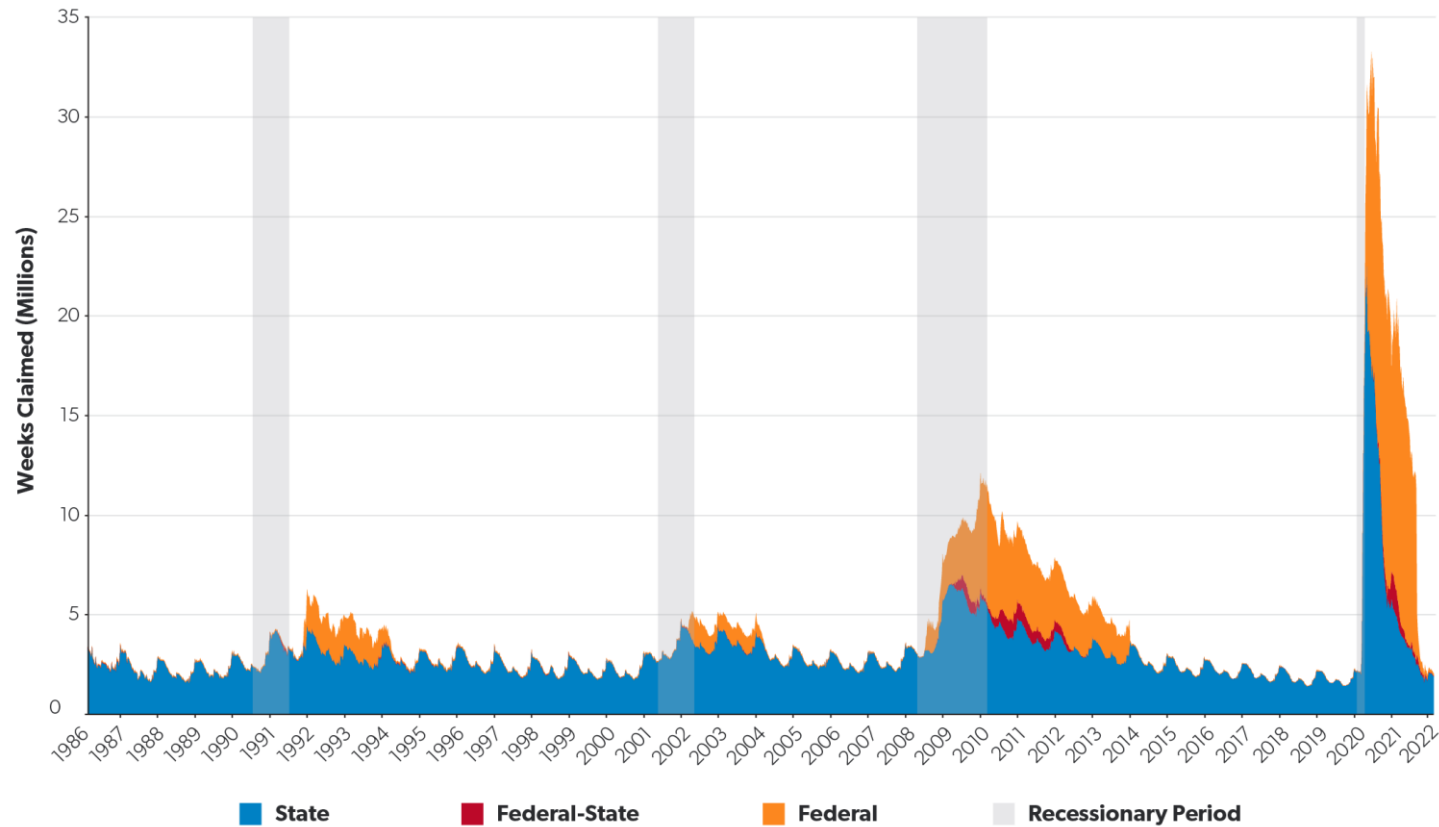
American Enterprise Institute

Record Expansion of Unemployment Benefits

- For the first time, benefits more than replaced lost wages
 - \$600-per-week bonuses (March-July 2020; later \$300 per week (August-September 2020 and January-September 2021))
- Pandemic Unemployment Assistance (PUA), a first-time program for independent contractors, gig workers, and part-time workers not eligible for state UI
- Federal extended benefits (nationalize EB, plus Pandemic Emergency Unemployment Compensation)

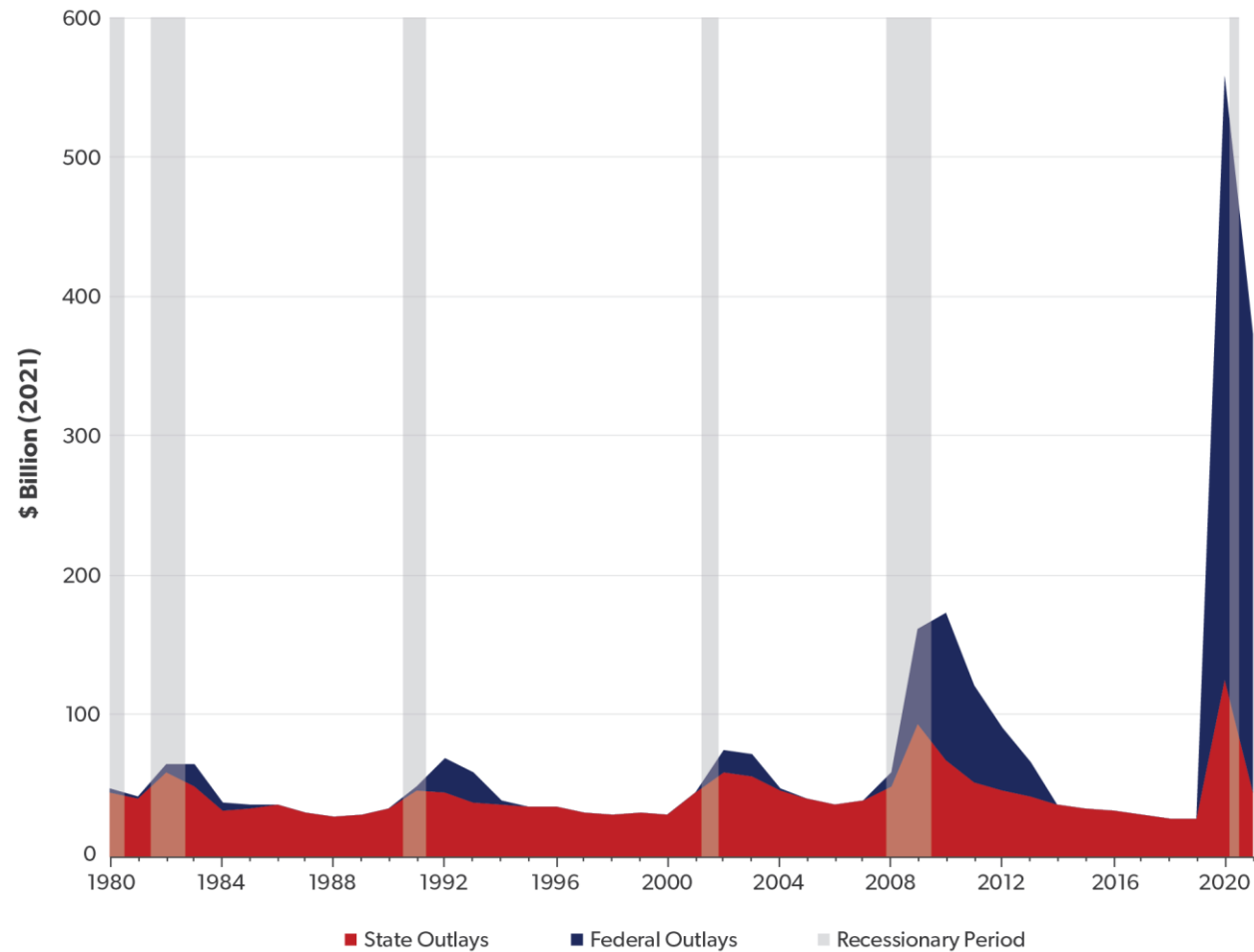
Unprecedented Unemployment Claims

Weeks Claimed in All State and Federal Unemployment Benefit Programs, 1986-present



Unprecedented Unemployment Payments

State (Red) and Federal (Blue) Unemployment Benefit Spending by Fiscal Year, Recent Recessions



Maximum per person

- On benefits April 2020 through Labor Day 2021 (74 weeks)
 - State UI: \$325 times 26 weeks \$8,450
 - Federal PEUC: \$325 times 48 weeks \$15,600
 - Federal PUC (\$600): \$600 times 17 weeks \$10,200
 - Federal LWA: \$300 times 6 weeks \$1,800
 - Federal PUC (\$300): \$300 times 35 weeks \$10,500
 - \$46,550**
- On PUA (guaranteed minimum; all federal) **\$34,525**

Unprecedented Fraud

- Poor program design, especially for PUA
 - Eligibility based on “self-certification”
 - No confirmation of identity or prior work
- Large (initially over \$750/week) PUA minimum benefit
- Rush to get benefits out the door in first week
- March 2022 DOL IG estimate of fraud: \$163B
- Unofficial estimates range to \$400B

Monthly Child Allowances

- March 2021 American Rescue Plan provided \$250 or \$300/per child/per month checks from July-December 2021
- More new monthly check recipients within 6 months of Biden inauguration than 1930s Social Security programs
- Fully refundable so no work or earnings required
- Mostly new benefits, not “tax relief” as billed

Other Benefit Expansions

- Stimulus checks (\$1400/per person in ARP)
- Expanded food stamps
- Rental relief
- Universal school meals
- ACA subsidies
- Tuition loans pause/waived, and more

Common Themes

- Massive precedents for future (like \$25 FAC in 2009-10)
- Record federal general revenues for “social insurance”
- Unemployment more like welfare than “earned” benefits
- Replace tax relief program for workers with new entitlement for nonworkers (i.e. expired child allowance)
- Labor shortage, wage hikes, inflation

Perpetuating the Pandemic Response

- Plans to revive as “automatic stimulus”: Brookings’ *Recession Ready* (2019) and *Recession Remedies* (2022)
- Argue Obama stimulus was too small and ended too soon
- Need permanent unemployment rate “triggers” to start and maintain “temporary” stimulus benefits indefinitely
 - Wyden April 2021 unemployment “modernization” bill
 - *Recession Ready* proposed applying triggers to stimulus checks, federal aid to states, bigger food stamp benefits, more welfare checks, and even infrastructure spending

What If Automatic Stimulus Applied Now?

- Pandemic unemployment still payable in California today
- Subsidizes blue states where unemployment is higher
- If national triggers, would red states opt out? Could they?
- Converts temporary “emergency” benefits into permanent benefits triggered on whenever unemployment is elevated, requiring massive tax hikes/budget gimmicks if “paid for”
- Creates permanently higher baseline of federal spending on nonworkers and others (elevated further by politically inevitable future “temporary” programs)