

Research Briefing | US

Unemployment benefits end early for millions

Economist

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- More than 3mn individuals lost access to emergency unemployment benefits in June as 26 states terminated benefits ahead of the original American Rescue Plan deadline of September 6. Additionally, nearly 1mn out of the 3.2mn pool receiving regular unemployment benefits are no longer receiving the \$300 weekly top-off.
- While states implementing an early termination have argued that benefits are impeding labor supply, we find only a marginal effect. As such, benefits discontinuation may end up doing more bad on the personal income ledger than good on the employment ledger of the economy.

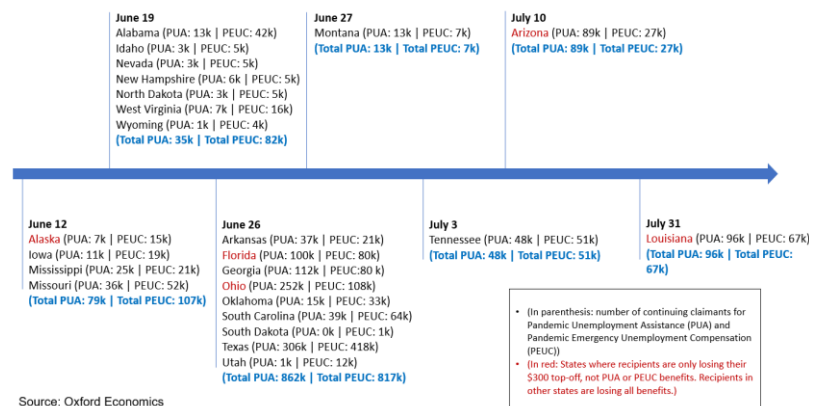
The American Rescue Plan extended emergency unemployment benefits through September 6. The extension applied to the \$300 weekly federal top-off to regular benefits, the Pandemic Unemployment Assistance (PUA) program providing benefits to formerly ineligible workers (including part-time, independent & gig workers), and the Pandemic Emergency Unemployment Compensation (PEUC) program providing long-term benefits. Over the past couple of months, 26 states have decided to end emergency benefits early, affecting about 3.5mn individuals:

- 990,000 individuals collecting regular benefits losing the \$300 top-off only
- 1.3mn individuals losing PUA benefits plus the weekly top-off
- 1.2mn individuals losing PEUC benefits plus the weekly top-off

About 3mn have seen their benefits expire as of the end of June, and 500k will see benefits run out by the end of July.

Figure 1: Expiring emergency unemployment benefits

US: States ending emergency unemployment benefits early



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Timeline

As of mid-July, 25 out of the 26 states that had announced early termination of emergency unemployment benefits have effectively done so. The last one will be Louisiana at the end of July (Figure 2). Maryland which had initially rescinded benefits has now reinstated them and Indiana will do so end of July. Texas and Ohio have been sued by unemployed individuals seeking to have the benefits reinstated.

The expiry took the form of three main waves with Alaska, Iowa, Mississippi and Missouri terminating their benefits in mid-June, followed by a group of eight states in ending their benefits after the week-ended June 19 and another larger cohort of nine states terminating emergency benefits in late June (Figure 3). Nearly 1mn claimants in Texas alone and over 350,000 in Georgia lost their benefits that week (Figure 3 and 4).

Impact on claims data... with a delay

Since continuing claims data general lags by a few weeks, we're only just starting to observe the effect of the benefits expiring in the data. In the [week-ended June 26](#), the PUA continuing claims fell 138k to 5.7mn while the PEUC fell 198k to 4.7mn. This is most likely reflective of the second wave of benefits running through the week-ended June 19, with Alabama, Idaho, Nebraska, New Hampshire, North Dakota, West Virginia and Wyoming seeing continuing claims fall toward zero.

In next week's unemployment claims report, we expect to see even more significant declines with benefits expiring for 1.6mn PUA and PEUC claimants and nearly 500,000 losing access to the \$300 weekly top off.

Impact on income and employment

The early expiry of unemployment benefits will affect roughly a quarter of benefit claimants. Based on the benefits paid in the affected states, we estimate a reduction in household income of \$1.2bn per week in June, or \$60bn (annualized) for the month. This should represent a drag on personal income growth worth around 0.3% in June.

As previously stressed, enhanced unemployment benefits represent [only a marginal disincentive to work](#). The disincentive is greatest among lower-wage workers in states where unemployment benefits are the highest relative to prevailing wages.

Figure 2: A map of states ending emergency unemployment benefits early

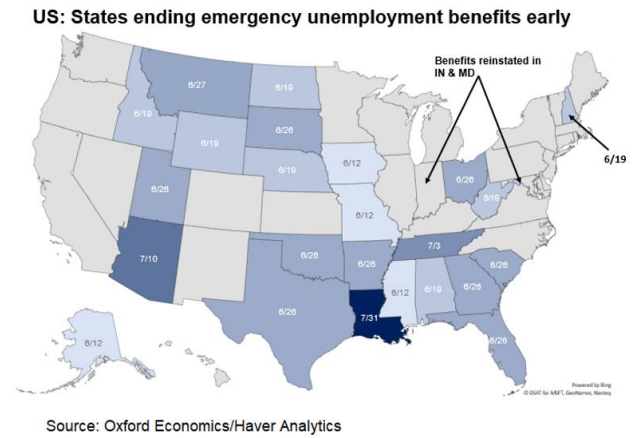


Figure 3: An increasing number of benefits claimants lost benefit access in June

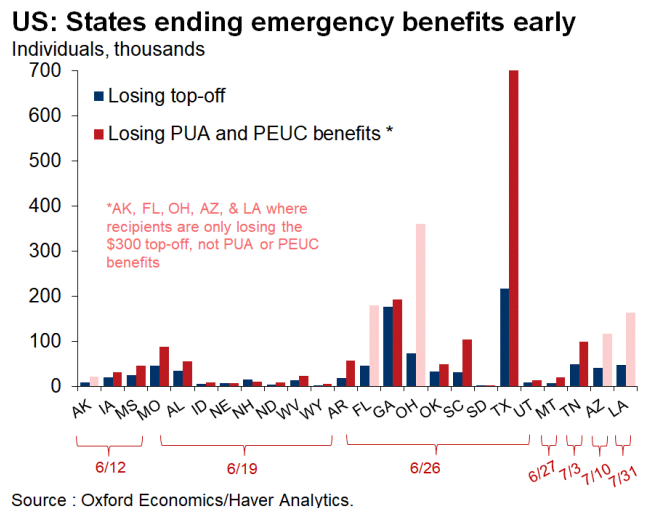


Figure 4: By the end of June, over 3 million claimants had lost access to emergency

