Biden administration endorses dropping of supplemental unemployment benefits

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As Republican governors across the US move to end access to the $300-a-week federal supplemental unemployment benefits, the White House announced Friday that the assistance will come to an end in September.

The cutoff was provided for in the $1.9 trillion emergency legislation enacted earlier this year, and some Democrats at the time suggested the expiration date might be extended. But in the face of mounting demands by business groups and Republican state governments that the supplemental benefits be terminated immediately, Biden said Friday they would be allowed to expire.

Biden announced the decision after a jobs report released Friday showed the US added about 559,000 jobs in May. He said the extra money has been helpful to the unemployed but that it “makes sense it expires in 90 days.”

When the April jobs report showed fewer than 300,000 jobs created, business lobbyists and Republicans howled that the federal supplemental benefits were encouraging workers to remain idle instead of taking jobs. Now that the May report shows a more rapid expansion, the same forces claim that workers don’t need the supplemental benefits because there are supposedly plenty of jobs to take. At the root of this circular logic is that workers must be compelled by semi-starvation to take whatever job they are offered.

The emergency federal unemployment supplement was first enacted as part of the $2.2 trillion CARES Act passed by Congress in March 2020. Under the CARES Act, individuals seeking unemployment benefits were provided with an extra $600 per week. Congress allowed the program to lapse in the summer of 2020, only restoring it halfway, to $300 a week, in legislation enacted in December 2020. Congress extended this supplement as part of the American Rescue Plan that passed in March 2021, which is set to expire on September 6, 2021.

Approximately 15 million Americans are currently receiving some form of federal unemployment benefits. Although the majority of unemployed workers receive the federal payments on top of state-level unemployment payments, roughly 6 million workers, including gig workers and independent contractors, only receive unemployment benefits through the federal programs created in response to the COVID-19 pandemic.

According to Labor Department data, US payrolls are still 7.6 million jobs below their pre-pandemic level. Economists and officials at the Federal Reserve had hoped for a gradual increase in employment as vaccinations spread and states moved to fully reopen their economies. In April, Fed chair Jerome H. Powell pointed approvingly to the March jobs report, which showed nearly a million jobs added in the US.

But the pace of hiring has slowed in recent months. The US added 559,000 jobs in May, falling short of the expected 675,000. In April, only 278,000 were added when analysts were expecting a million. Although economists have said multiple factors are driving America’s job shortage, including the fact that the pandemic is ongoing, Republicans have blamed the enhanced unemployment benefits for discouraging people from returning to work.

In a bid to force workers back to work, multiple Republican governors announced they will stop participating in the federal government’s supplemental unemployment benefits program in June. Millions of workers will receive their final federal benefits this month, as these governors pull the plug on the federal assistance, claiming the money has caused a "worker shortage."

The states opting out of the program include: 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.

According to a CNBC analysis, as many as 4 million workers will be impacted by the planned cuts in Republican-controlled states. Senate Budget Chair Bernie Sanders protested that the Biden administration is legally required to pay workers the benefits if their states refuse to do so, but officials have made it clear no action will be taken to help struggling workers.

When asked if the federal benefits were impacting employment, White House Press Secretary Jen Psaki told reporters, "I think that's a really difficult thing to analyze given that we have created a historic number of jobs in the last four months … I would leave it to you and your outside analysts to decide whether that is a big factor in terms of economy and date or whether that is a political discussion we're having."

Psaki added that governors "have every right" to "not accept" the extra benefits and "that's OK." It is, however, not the Republican governors who are being hurt, but the unemployed workers who have the misfortune to live under their rule. But "that's OK," says the White House. So much for the Biden administration's supposed sympathy for working people and the "middle class," about which he speaks endlessly.

In reality, multiple studies have found little to no correlation between the federal benefits and the labor shortage. A report from the Federal Reserve Bank of San Francisco showed few out-of-work Americans would turn down a job offer just to continue receiving an extra $300 a week in supplemental federal jobless aid, except in the case of the lowest-paid positions.

Another report from Congress's Joint Economic Committee found that ending the federal programs early will cost those states' local economies over $12 billion. Workers receiving supplemental assistance through the program will lose over $755 million. The report estimated every dollar of financial assistance to unemployed workers generates $1.61 in additional economic activity.

Child care is also a concern of millions of workers who are also parents. The child care industry was decimated during the pandemic with parents keeping their children at home. The industry is rebuilding but in some areas, child care is still in short supply. Furthermore, workers are concerned with returning to the workplace and interacting with unvaccinated coworkers. Although 52 percent of the adult population has been fully vaccinated, the percentage is misleading because a high percentage of adults over 65 are not part of the workforce.

Meanwhile, the Fed is buying $120 billion in bonds every month and holding its main policy interest rate at near-zero, policies that benefit the ultra-wealthy. These bond purchases are more than seven times what the government spends monthly on unemployment benefits.