



Senate Bill Aims to Plug Holes in Unemployment

Analysts argue the Senate bill's expanded unemployment protections are necessary as the economy plunges into a slowdown without historical precedent.

By Andrew Soergel, Senior Writer, Economics
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REINFORCEMENTS ARE coming for the nation's strained unemployment insurance programs as the U.S. weathers what government officials in Connecticut, Georgia and Ohio all describe as an "unprecedented" joblessness situation.

Lawmakers in the U.S. Senate on Wednesday night signed off on a \$2 trillion stimulus package that will direct \$250 billion to expanded unemployment insurance options for Americans who lose their jobs.

Senate Minority Leader Chuck Schumer of New York has described the package as "unemployment insurance on steroids."

But some experts believe Congress isn't moving fast enough, as it took the Senate days to advance a bill that will still need House approval before advancing to President Donald Trump's desk. Just last week, initial unemployment claims spiked by more than 3 million, more than quadrupling the previous unemployment claims record of 695,000 set in October 1982.

James Bullard, president and CEO of the Federal Reserve Bank of St. Louis, predicted earlier this week that unemployment could rise to 30% before the virus and associated economic decline are brought under control.

And, anecdotally, data analytics company SEMrush estimates Google searches for "unemployment" grew by 400% between Feb. 20 and March 20. Searches for the phrase "How do I file for unemployment?" have spiked 900% since March 14.

"We have now entered the eye of this biological storm and, as expected, the economic turbulence has been merciless," **Bernard Baumohl, chief global economist at the Economic Outlook Group**, wrote in a research note on Thursday. "There is absolutely no historical precedence for this."

In a bid to cushion the blow, lawmakers' third coronavirus aid package would add an extra \$600 each week to Americans' state-level unemployment benefits for up to four months. Benefits vary by state but average out to roughly \$385 each week, according to the Center on Budget and Policy Priorities. The center also notes that most basic state programs only last roughly 26 weeks and replace about half of workers' previous wages.

So the extra \$600 and extended timeline is expected to go a long way for those who lose their jobs.

"Our analysis shows that just the \$600 weekly supplement alone could deliver more than \$100 billion in additional benefits to some 11 million affected families over the next four months," Andrew Stettner, a senior fellow at the Century Foundation, said in a statement on Thursday. "This will enable many workers to receive close to 100 percent of their recent wages – something that is both morally and economically right during this unprecedented time."

The bill also aims to plug what more progressive analysts have described as holes in America's current unemployment insurance landscape. By establishing a Pandemic Unemployment Assistance program, the bill extends some unemployment insurance eligibility to gig economy and self-employed workers and to some who otherwise may not qualify for assistance.

"These new provisions will be very helpful for the lowest wage workers who often do not qualify due to their low earnings or limited work histories," a team of economists at the left-leaning Economic Policy Institute wrote in a research note on Thursday, suggesting the pandemic-driven economic slowdown will be "hardest on low-wage workers" and service industry professionals across the country.

Passage of the bill "is desperately needed and will certainly lead to greater numbers of previously disenfranchised low-wage workers eligible to receive unemployment insurance," they wrote.

The bill was held up for days in the Senate by a partisan standoff over its details. Democrats are believed to have pushed for the four-month unemployment benefits that were included in the Senate's final bill – a month longer than GOP lawmakers had previously signed off on. It eventually sailed through the congressional upper chamber in a 96-0 vote.

Passage through the House is expected on Friday, though "only after congressmen take some time to pontificate," according to Scott Clemons, chief investment strategist at Brown Brothers Harriman financial services company.

In a research note on Thursday, he wrote that lawmakers are trying to "bridge an intentional contraction of economic activity" as businesses close and consumers remain at home to stem the spread of the disease.

As of Thursday afternoon, more than 79,000 Americans are confirmed to have been infected with the coronavirus, according to data from Johns Hopkins University. More than 1,100 have died. Globally, more than 521,000 cases have been confirmed, and more than 23,000 have died.

"With partial lockdowns across the country leading to a sudden stop in economic activity, the U.S. will experience the largest economic contraction on record with the most severe surge in unemployment ever," a team of researchers at Oxford Economics wrote in a research note on Wednesday. "The latest stimulus measures will reduce the risk of an even deeper depression in activity and employment and support a post-virus rebound in activity – but it won't prevent the ongoing recession."

The bill also incentivizes states to establish work-sharing initiatives – helping workers whose hours have been reduced by their employers without being formally laid off. But experts note that hourly and part-time workers may still slip through the cracks.

"Moving forward, we should expand (unemployment insurance) eligibility to young people and the millions more currently left out of the program, and shore up a system under greater strain than it's ever faced before," Stettner said, calling the bill "a good and needed first step."

"But we must do more," he said.

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