



Colorado Center on Law & Policy Issue Brief:
**Congress Must Extend Expanded Unemployment
Insurance Benefits**

By Charles Brennan

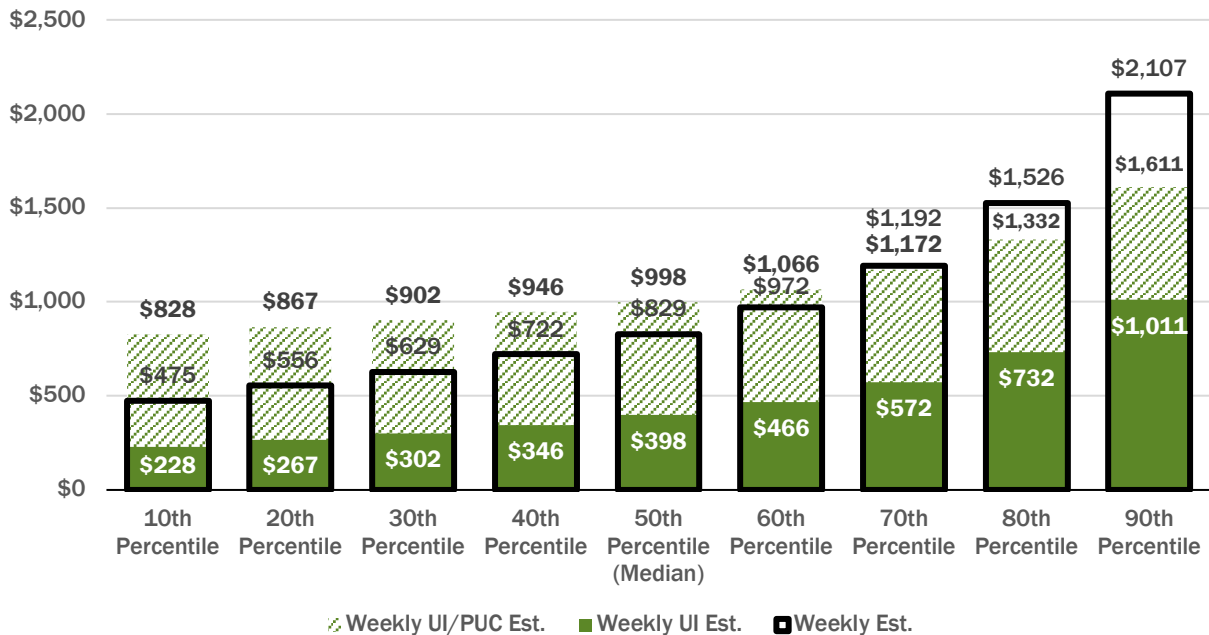
Introduction

The week ending in July 25 was the last week the nearly 240,000 Coloradans who are on or currently applying for unemployment insurance will receive an expanded \$600 weekly benefit. Officially known as Pandemic Unemployment Compensation (or PUC), this expanded benefit was designed to ensure the unemployment insurance programs in every state replaced 100 percent of workers' wages.¹ Unlike regular unemployment benefits, PUC was paid for by the federal government, not the states' unemployment trust funds.

As a result of this expansion, all but the highest-paid workers who were laid off or furloughed due to state-mandated business closures and stay-at-home orders in Colorado received the equivalent of their full wages, or more, when approved for unemployment benefits. In Colorado, the average wage replacement rate for those receiving unemployment insurance was approximately 48 percent in 2019 and the first quarter of 2020. Given this replacement rate, the bottom 70 percent of wage earners who applied for unemployment insurance likely received benefits that exceeded what they earned in their previous job, providing workers in our state with much needed additional income to support themselves and their families, as well as spend in our state's economy at a time of extraordinary economic decline (Figure 1). This additional income also created a cushion for workers of color and low-wage workers, who are far less likely than white or higher-wage workers to have savings on which they can draw on to weather this period of economic uncertainty.

¹ The average unemployment benefit across the country is \$371.88 per week, which replaces 38% of the national average weekly wage; if you add \$600, the weekly benefit replaces about 100% of the national average.

Figure 1
Estimated Unemployment Benefits for Coloradans by Wage Decile



Note: Estimates use an average of monthly wage data from the 2019 Current Population Survey in order to provide a more accurate picture of what Colorado’s economy and labor market was like prior to the disruptions due to the COVID-19 pandemic.

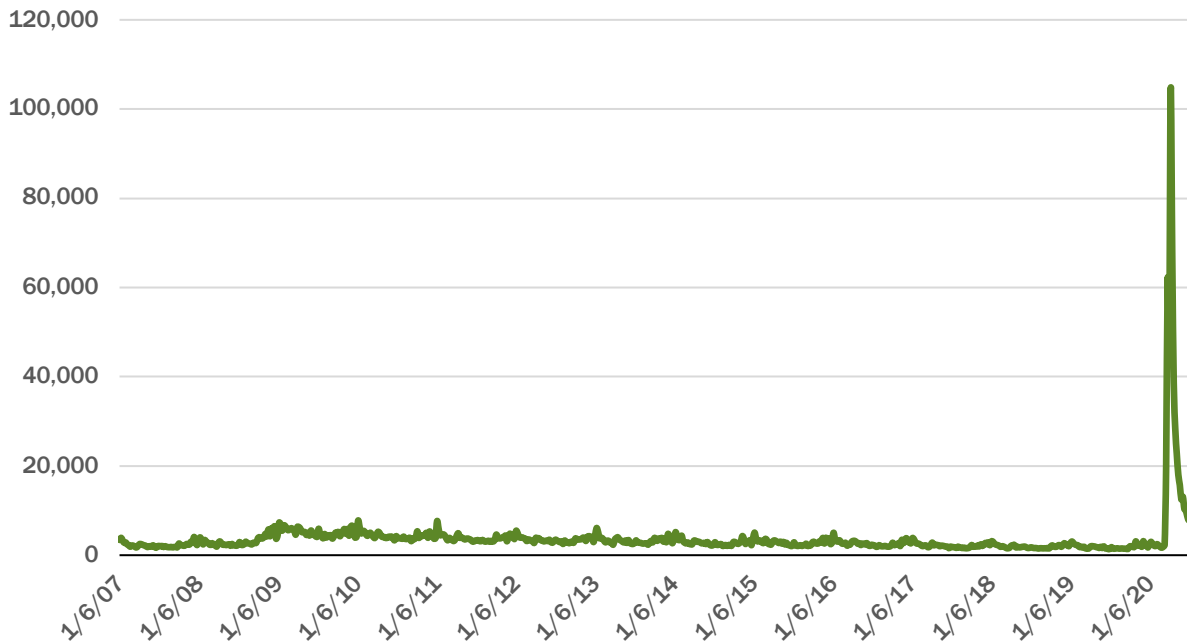
Source: Economic Policy Institute analysis of Current Population Survey Data; U.S. Department of Labor, Employment and Training Administration; Colorado Center on Law and Policy

Colorado’s Economy is Still in a Deep Recession

While the past months have seen a record number of jobs gained, our state is still experiencing an unprecedented economic situation. It is too early to tell how quickly the economy will recover, what that recovery will look like, or if things will get worse before they get better as new cases of COVID-19 continue to rise. Although one month worth of data does not make a trend, it appears as though job growth is slowing. During May 2020, the economy added 71,000 non-farm jobs compared to 55,000 non-farm jobs in June 2020.² This slowdown makes sense given continued statewide public health regulations meant to slow the spread of COVID-19. For instance, even if a restaurant was able to reopen in recent months, it may not be able to rehire all the staff it employed in February given the limited number of patrons it can serve under current state guidelines. Until our state and nation can effectively control and trace the spread of COVID-19, it seems unlikely more of the economy will be able to reopen, placing a limit on the number of jobs (in-person service jobs, in particular) that will be able to come back in the short-term. Even though Colorado has reopened its economy, workers are still losing their jobs at a record rate. While initial unemployment claims are down from their peak of 104,572 for the week ending in April 11, 2020, more Coloradans filed initial claims during the week ending in July 11 than they did during the peak of the Great Recession. Troublingly, the week of July 11 also saw an increase of approximately 2,500 initial claims compared to the previous week.

² U.S. Bureau of Labor Statistics, Current Establishment Survey. Data are seasonally adjusted. <https://www.bls.gov/news.release/laus.t03.htm>

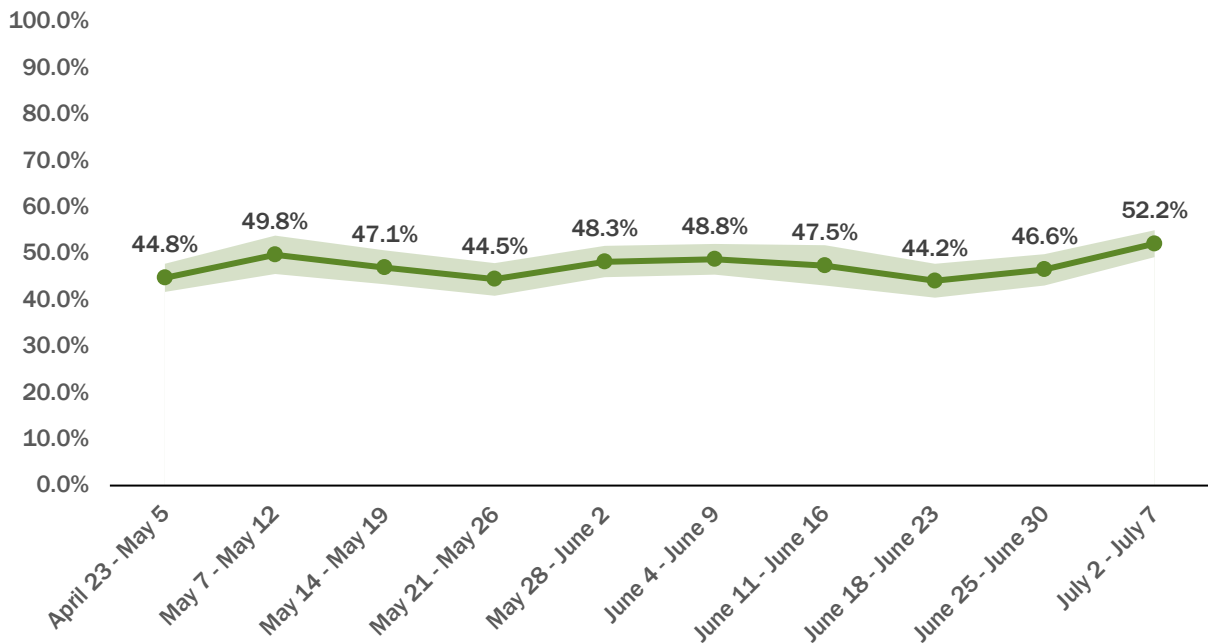
Figure 2
Initial Weekly Unemployment Claims Since January 2007, Colorado



Source: Economic Policy Institute analysis of U.S. Department of Labor data

This sharp increase in unemployment has affected a majority of households in the state. The U.S. Census Bureau reports that during the week of July 2 to July 7, 52.2 percent of Coloradans over the age of 18 lived in a household where someone had experienced a loss of employment income since March 13, 2020. This is up from two weeks prior, when the share was 44.2 percent of adults—the opposite trend we would expect to see if the economic situation for Coloradans was improving. A loss of income has wider economic implications. Consumer spending is a large driver of our state economy—if households are unable to buy goods and services, such as groceries or clothing, it has a ripple effect on the businesses who depend on that spending to remain open and employ their own workers. Stimulus measures provided as part of the federal CARES Act in March, such as PUC and the \$1,200 stimulus checks, were intended to mitigate the amount households cut back on spending, likely preventing even greater job losses than we saw during the month of April.

Figure 3
Share of Colorado Adults in Households that Experienced a Loss of Employment Income Since March 12, 2020



Note: Shaded area represents margin of error with a 90% confidence interval.

Source: U.S. Census Bureau, Household Pulse Survey

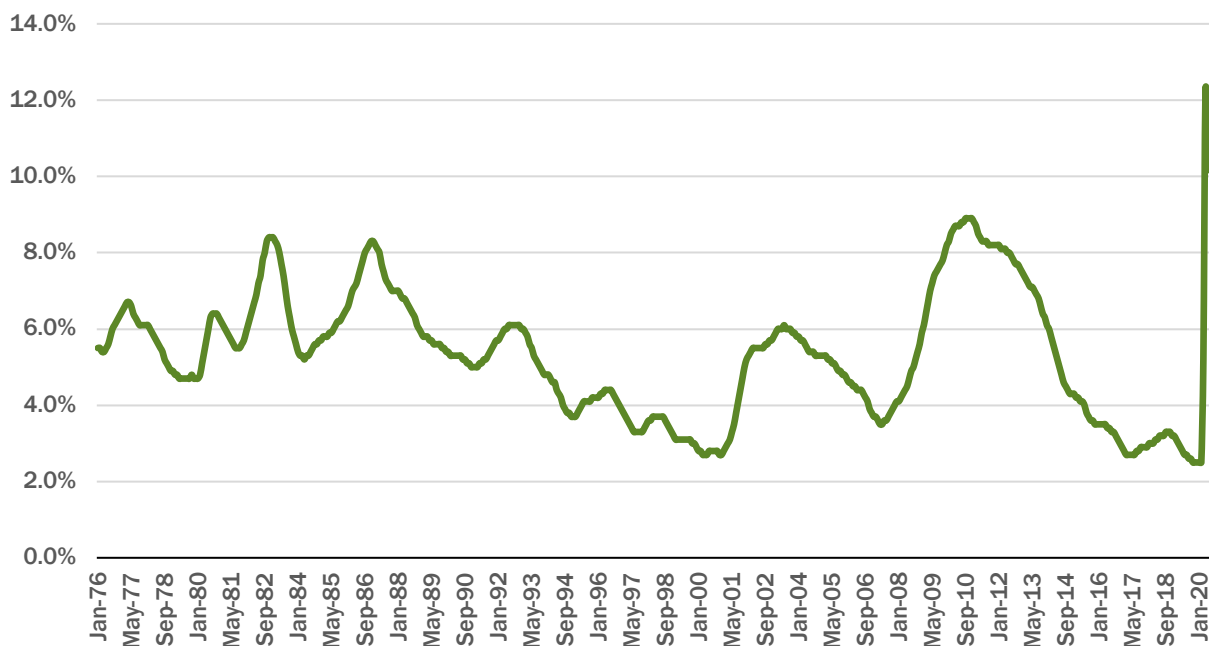
In addition, it seems as though unemployed Coloradans are having difficulty finding new employment. Not only is the number of Coloradans filing continued weekly unemployment claims still significantly higher than at the beginning of March, employment remains well below where it was in February 2020. As a result of business shutdowns and the stay at home order issued by Governor Jared Polis, Colorado lost 342,300 non-farm jobs during March and April, according to the U.S. Bureau of Labor Statistics.³ While 126,000 non-farm jobs were created between May and June, our state still needs to gain 216,300 non-farm jobs to return to February 2020 levels of employment.⁴ Worryingly, Colorado's unemployment rate increased between May and June from 10.2 percent to 10.5 percent, signaling that a growing number of Coloradans looking for work were unable to find employment during the previous month. This increase was likely driven by the growth in Colorado's labor force. Despite claims that the generous unemployment insurance benefits provided through PUC would encourage workers to remain on unemployment insurance instead of looking for employment, the number of Coloradans employed or unemployed but looking for work (i.e., the labor force) actually increased by over 114,500 between April and June.⁵ And it's important to remember that even a 10.2 percent unemployment rate is the highest Colorado has seen in at least 44 years, if not since the Great Depression.

³ *Ibid.*

⁴ For reference, our state lost 144,200 jobs during the Great Recession.

⁵ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics. <https://www.bls.gov/news.release/laus.t01.htm>

Figure 4
Colorado's Monthly Unemployment Rate



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics. Data are seasonally adjusted.

Colorado's Lowest Paid Workers Remain Most Affected

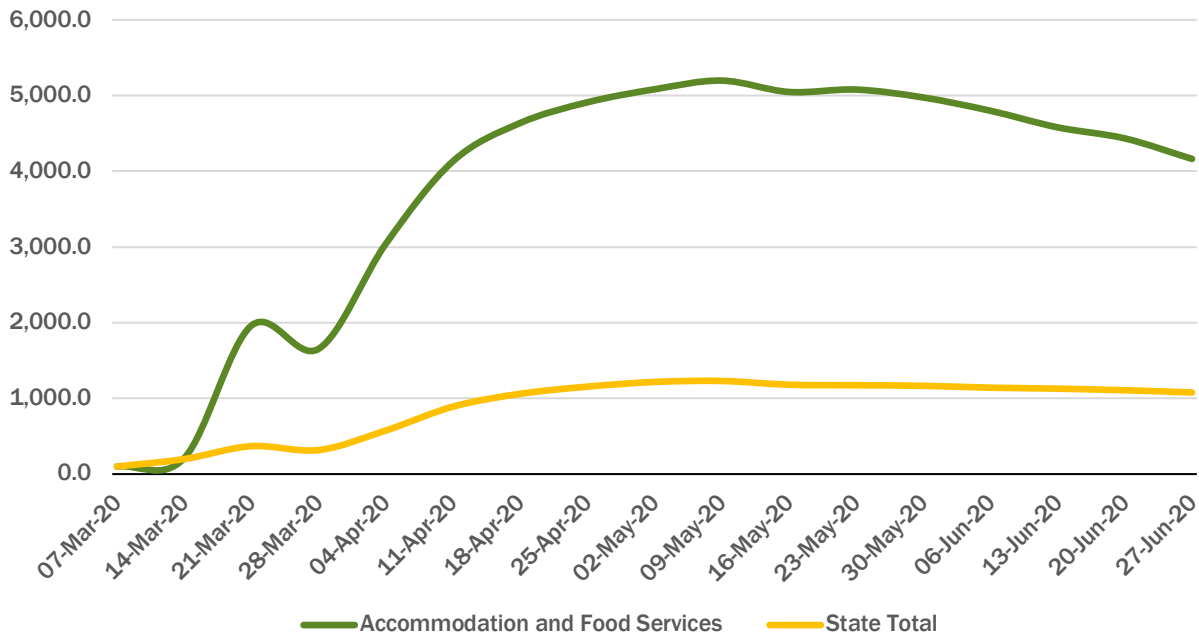
Now is not the time to be removing the critical lifeline expanded unemployment benefits represent for Colorado's unemployed labor force. This is especially true since nearly a quarter of current unemployment insurance recipients in Colorado were employed in the accommodation and food services sector, on average the lowest paid workers in the state (the average worker in this industry earned \$477 per week in 2019).⁶ Despite seeing job growth in this sector over the past two months, accommodation and food service workers still make up the largest share of those filing continued unemployment insurance claims in the state.⁷

⁶ U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

⁷ Colorado Department of Labor and Employment

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Figure 5
Change in Weekly Continued Unemployment Claims Since March 2020



Note: Although it is hard to see due to the scale of the increase in accommodation and food service workers receiving unemployment insurance benefits, the values shown above are indexed, with 100 equal to the number of workers receiving unemployment insurance as of March 7, 2020. In other words, there has been over a 4,000 percent increase in the number of workers in this sector receiving unemployment insurance, compared to a 978 percent increase for all workers in the state, since March 7, 2020.

Source: Colorado Department of Labor and Employment

Restaurant workers were particularly affected by COVID-19 business closures in Colorado and were the No. 1 filers of initial unemployment claims for 16 weeks in a row starting the week of March 21.⁸ During these weeks, restaurant workers accounted for an average of 13.7 percent of initial unemployment filers. These workers are particularly vulnerable, as they earn, on average, even less than workers in the accommodation and food services sector. In 2019, the average restaurant worker earned \$439 per week in Colorado.⁹ Assuming a wage replacement rate of 48 percent, a worker receiving unemployment benefits would earn approximately \$229 per week, or \$916 per month. However, with the expanded unemployment insurance benefits provided through PUC, a restaurant worker in Colorado would instead receive \$829 per week, or \$3,316 per month, an increase of 285 percent. This extra money could mean the difference between a laid off or furloughed restaurant worker being able to pay rent, buy food, or pay for medical care.

As Figure 5 demonstrates, despite recent restaurant re-openings an incredible amount of workers in the accommodation and food services sector are receiving unemployment insurance benefits. Although declining from its peak at the beginning of May, the number of accommodation and food services workers filing for continued benefits was 4,063 percent higher during the week ending in June 23 than it was during the week ending in March 7. This is far above the change in weekly continued claims filed by the workforce as a whole, which was still 978 percent higher than in the week ending in March 7.

⁸ Colorado Department of Labor and Employment

⁹ U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

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Accommodation and food service workers are just one group of low-wage workers who are likely depending on PUC as they wait for more jobs to become available, or for job/skill training opportunities that will help them find jobs in other sectors of the economy. Unless they are lucky enough to find another job for which they are qualified, these workers will involuntarily remain unemployed with no other options for income besides unemployment insurance as a result of the pandemic.

Unemployment Insurance Stimulates Economic Activity

Another reason to extend expanded unemployment benefits is due to the stimulatory effect they have on our state's economy. Under favorable economic and labor market conditions Colorado's unemployment system does not replace 100 percent of an unemployed worker's wage in order to incentivize unemployed workers to find new employment as quickly as possible. However, given there are currently more unemployed workers than jobs available, this logic does not make sense as there are no jobs for unemployed workers to fill. Even if workers were able to find jobs, the business closures and stay at home orders issued by Gov. Polis were intended to do just that—keep people at home in order to slow the spread of the COVID-19 virus. Providing an expanded unemployment insurance benefit allowed laid off or furloughed workers who were unable to work from home the ability to stay at home while still receiving their previous wages.

In addition, it discouraged laid off or furloughed workers from cutting back on spending, limiting the economic contraction that came with shutting down our state's economy. For example, during the week ending in June 27, 2020, the expanded unemployment insurance benefits added an additional \$131.4 million into the pockets of Coloradans receiving unemployment insurance that could then be spent in the state's economy.¹⁰ Since April 2020, PUC provided a cumulative \$1.7 billion of economic stimulus to Colorado. Research from past recession has shown that each dollar spent on unemployment insurance benefits generates as much as \$2 of indirect spending in the economy.¹¹ In addition to supporting the economy, this spending supports jobs that otherwise would have been lost. According to analysis by the Economic Policy Institute, failing to extend PUC at its current level for another year (through July 2021) could lead to a loss of 66,900 jobs over the next year.¹² Assuming these losses occur, it would more than cancel out the job gains seen in June 2020 and require the state to create a total of 283,100 jobs instead of the 216,300 it currently needs to reach February 2020 levels of employment. The effect eliminating PUC would have on our state's economy is even more concerning given recent cuts to state and local government budgets in Colorado. State and local government spending also has a stimulatory effect on the economy, particularly when private spending by consumers and businesses is constrained during an economic downturn.

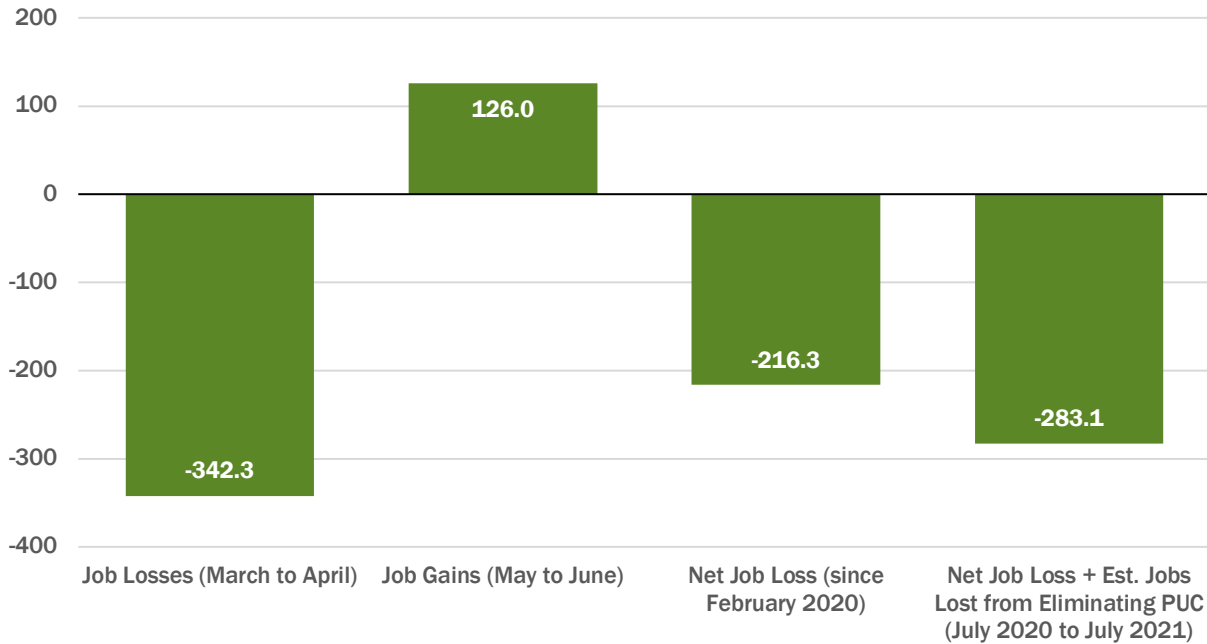
10 \$600 multiplied by the 218,955 Coloradans filing continued unemployment insurance claims that week.

11 Economic Policy Institute, "Cutting off the \$600 boost to unemployment benefits would be both cruel and bad economics."

<https://www.epi.org/blog/cutting-off-the-600-boost-to-unemployment-benefits-would-be-both-cruel-and-bad-economics-new-personal-income-data-show-just-how-steep-the-coming-fiscal-cliff-will-be/>

12 *Ibid.*

Figure 6
Actual and Estimated Changes in Employment Since February 2020, in thousands



Note: "Potential Add'l Job Losses by End of 2021" represent the estimated number of jobs lost due to the expiration of PUC and state and local budget cuts in Colorado. Depending on the amount, extending PUC and providing federal aid to state and local governments would reduce this number significantly.

Source: Bureau of Labor Statistics; Economic Policy Institute

PUC Should Remain Until the Pandemic is Over

Neither Colorado workers nor the Colorado economy can afford to lose the economic support provided through Pandemic Unemployment Compensation. Thousands of Coloradans could face eviction and hunger as they see their incomes cut by half or more starting in August. Landlords, restaurants, and other local businesses will also be affected as they lose tenants or customers. As households cut back on spending, economic activity will continue to decline and our state's recession will worsen. Unless there is a significant reversal in recent trends of new COVID-19 cases, it seems unlikely more of our economy will be able to come back as we might have hoped it would in May.

Congress is currently debating a number of options for extending this program, but they did not reach an agreement before benefits lapsed at the end of July. They must act quickly to reinstate the full \$600 weekly benefit, and ensure it remains available until the pandemic is under control and the economy begins to improve.