

POLICY SOLUTIONS FOR THE PANDEMIC

POLICY MEMO: DECLINING EXTRA UNEMPLOYMENT BENEFITS WILL HELP GET OHIO BACK TO WORK MAY 13, 2021

The Buckeye Institute's Recommendation

If Washington won't withdraw the American Rescue Plan's expanded unemployment supplement to states, Ohio should decline the additional federal money and work instead to reduce labor shortages and get Ohioans back to work.

Background

Many factors have raised unemployment rates across the country since the start of the pandemic. COVID-19 made households less willing to spend, reducing consumer demand. School closures forced families—especially women—to forgo work, reducing household income. And Washington offered \$300 per week in extra unemployment benefits, reducing incentives to work.

The April jobs report significantly underperformed optimistic expectations, with the country adding just **266,000 jobs** in April instead of the anticipated **one million**. Furthermore, March's job gains were revised down more than 140,000 jobs to only a **770,000 gain**. The labor market is not moving in the right direction, but enhanced unemployment benefits from Washington are not the right answer.

Early in the pandemic, extra unemployment benefits made more sense than they do today. At that time, job applications outstripped available jobs, so reducing applications did not significantly affect hiring. **Research** generally had shown then that unemployment benefits were not causing a significant decline in job creation.

But circumstances have changed. Job postings recently hit an **all-time high** of **8.1 million** as industry now struggles to find workers. Job openings in the hard-hit leisure and hospitality sector **dramatically increased** over the past month and wages have **begun to rise** to compete with Washington's largesse. **According** to the National Federation of Independent Business 42 percent of small businesses cannot fill job openings. And Google job search activity fell 15 percent in March—and that was before the American Rescue Plan expanded unemployment benefits.

Ohio's economy and unemployment rates are **outperforming** much of country, but the state is still down more than 243,000 jobs compared to March 2020. As the economy improves and vaccines become more available, unemployment insurance will likely revert to having its pre-pandemic **perverse effect** on employment. So instead of accepting more federal unemployment assistance, Ohio should decline Congress's misguided generosity and prioritize policies and incentives that get Ohioans back in the labor force. States from Alabama to Idaho have already done so, and Ohio should follow suit.



Conclusion

Expanded unemployment insurance drives a wedge between businesses and productive workers. As the pandemic recedes and Ohio's economy reopens, state lawmakers should avoid a weakened recovery and reject Washington's expanded unemployment benefits. Businesses should compete with each other for workers—not with over-sized handouts from Washington.