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WORKING AFTER THE CORONAVIRUS

Congress gives workers more to stay at home than some employers pay.

By The Editorial Board
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So much for full employment. That ended this month with the attack of the coronavirus and Thursday's record spike of three million new jobless claims. Millions more will follow in the coming weeks, and the goal of public policy should be to get them back to work as soon as possible – not to keep them on the government's unemployment tab.

That point may seem obvious but you wouldn't know it from this week's flap over the enhanced jobless benefits in the Senate's $2 trillion coronavirus relief bill. The bill increases unemployment benefits for all workers by $600 per week for the next four months. Even the liberal Economic Policy Institute says this expansion would provide a "100 percent replacement of wage income for the bottom half of the workforce." Some will earn more by not working.

Republican Senators Ben Sasse, Lindsey Graham, Tim Scott and Rick Scott warned that this might hurt small employers in their states by encouraging workers to stay at home for longer. Speaker Nancy Pelosi called them "cruel" – the word is her version of Donald Trump's "incredible" – and the media echoed her.

The Senators are right if you know anything about labor markets and incentives to work. Jobless benefits are administered by the states, each of which sets its own eligibility requirements and payment levels. Benefits are typically based on a worker's prior earnings and limited to between 50 percent and 70 percent of a state's average weekly wage. The maximum benefit runs up to $823 in Massachusetts while the minimum is as low as $10 in Louisiana for low-earners.

The current economic crisis is like no other because government has literally forced hundreds of thousands of businesses to shut down. And because so many workers are likely to lose their jobs, more generous benefits will cushion the short-term blow. But the goal should be returning people to private payrolls when the crisis passes, and the risk is that benefits at 100 percent of wages for the long term will do the opposite and slow the recovery.

The blunt Democratic solution, which Republicans too easily agreed to as a price of the bill, is to give all laid-off workers a $600 benefit increase on top of their normal unemployment compensation for up to four months. So workers will now make at least $15 an hour (assuming a 40-hour workweek) and as much as $35 an hour in places like Massachusetts – for not working.

Amazon, Walmart, CVS and delivery services are seeking to hire hundreds of thousands of workers to meet a surge in demand even as the virus spreads. Many are boosting pay, but how are they supposed to compete with workers who can stay at home and make more?

The experience after the 2008-2009 recession is instructive. Congress repeatedly extended unemployment benefits, which expire after 26 weeks in most states, to up to 99 weeks until

December 2013. The national jobless rate stayed high far longer than in a typical recovery and the incentive not to work is one reason.

The economic evidence on this incentive point isn’t controversial or partisan. In March 2010 economists at the liberal Brookings Institution reported that jobless insurance extensions “correspond to between 0.7 and 1.8 percentage points of the 5.5 percentage point increase in the unemployment rate witnessed in the current recession.”

The enhanced benefits expire after four months, but we’ll bet Speaker Pelosi’s pension that Democrats will be back demanding an extension through the end of the year and calling Republicans “cruel” if they disagree. America needs an economic recovery from the virus recession that is faster and stronger than the last expansion. That means helping laid-off workers for the short term rather than providing a reason not to return to work.