DATA POINT

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CALIFORNIA POLICY LAB

The role of the $600 FPUC benefit in California during the COVID-19 Pandemic

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SUMMARY

The Unemployment Insurance (UI) system in the United States is designed to provide a short-term cushion for unemployed individuals while they find work. In California, regular UI benefits replace 50% of prior earnings for most claimants, though the Weekly Benefit Amount (WBA) is capped at $450. In March, in recognition of the unique challenges posed by the COVID-19 pandemic, Congress passed the CARES ACT, which authorized adding an extra $600 payment to all regular UI benefits from March 29th until July 25th.

This program, known as the Federal Pandemic Unemployment Compensation Program (FPUC), expired on July 25th, and various proposals to continue, modify, or replace it are currently being debated by Congress. Low-income workers have been disproportionately impacted by the COVID-19 crisis and FPUC has played a key role in helping support these workers, especially in light of high housing costs in California. This Data Point provides an overview of the impact of FPUC on California as well as policy considerations for any program that replaces FPUC.

FPUC PAYMENTS INJECTED $26 BILLION INTO CALIFORNIA'S ECONOMY SINCE LATE MARCH

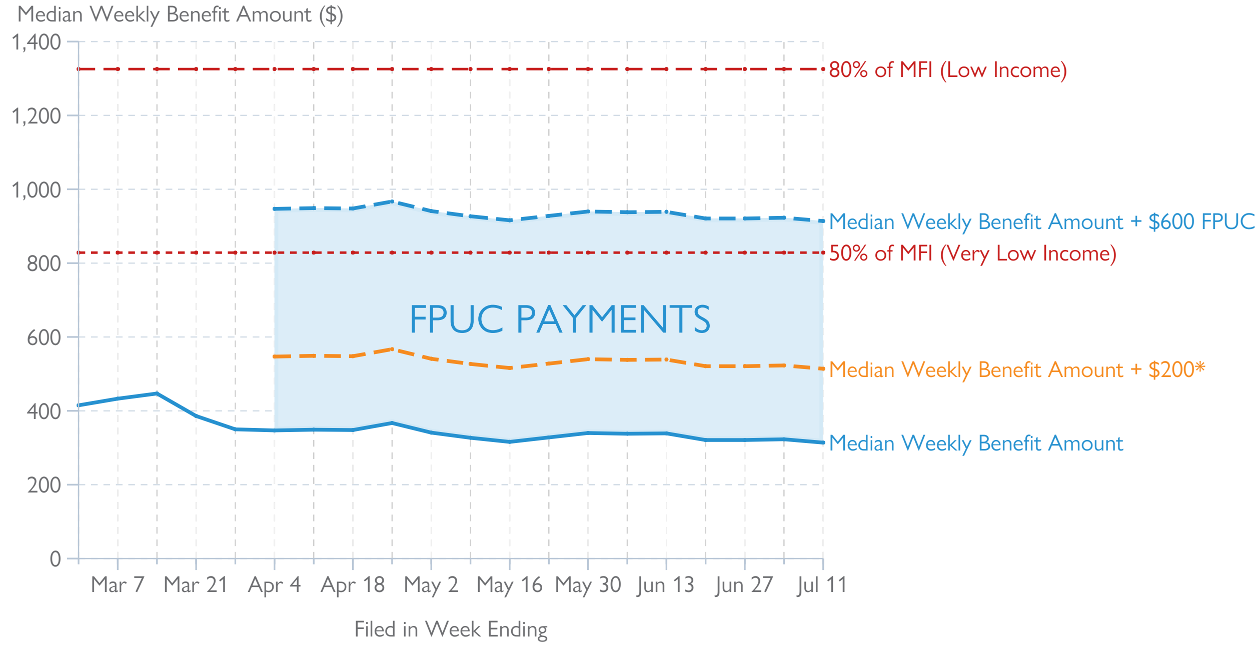
Forty-four million FPUC payments have been made to Californian recipients from the start of the program to late June, totaling $26 billion. Lower-income workers have been the most impacted by job losses during this pandemic, and it is likely most of the money from FPUC benefits has helped support the state's economy as UI claimants use the money to pay for their necessary household expenses like rent and food. Close to 80% of low income workers in California spend more than 50% of their income on rent, and would not be able to afford rent based on regular UI benefits (without the extra $600 from FPUC) for a single earner alone.[1]

WITHOUT FPUC, THE POTENTIAL MEDIAN WEEKLY BENEFIT AMOUNT WILL DROP DOWN TO $339 A WEEK, LESS THAN A QUARTER OF THE CALIFORNIA MEDIAN INCOME

California's median family income is $86,165 and the Department of Housing and Urban Development (HUD) defines "very low income" as 50% of the median family income, while "low income" is defined as earning 80% of the median family income.[2] To get a sense of where UI benefits would locate an individual in the income distribution, we divide the annual median family income by 52, which results in a weekly income amount of $1,657.

The Weekly Benefit Amount (WBA) is the maximum payment a claimant can receive in a given week. Realized payments are sometimes less for individuals reporting reduced income from work, ("Partial UI"), while individuals who earn above a certain threshold (from work income) will not receive any UI payments at all for a given week, despite being assigned a WBA upon initial filing. The median WBA for initial claimants for regular UI benefits without the FPUC benefit was $339 per week.[3] Since reduced payments reflect earned income, the WBA at initial filing reflects the potential benefits UI claimants could have obtained had they not worked. Hence, this is a key measure of the generosity of the UI system.

Figure 1: Federal Pandemic Unemployment Compensation Significantly Raises Weekly Benefits Received by California Claimants

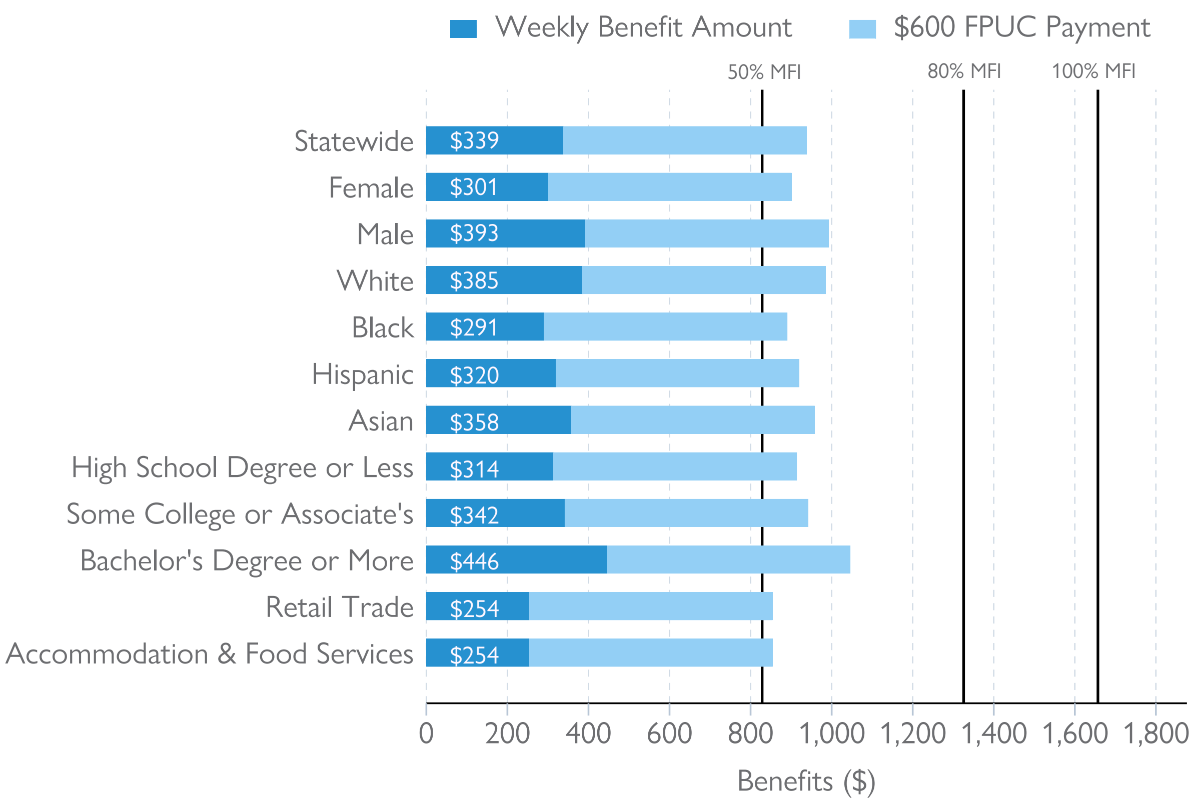


X-axis Labels Correspond to Saturdays. Median weekly benefit calculation excludes claimants receiving no benefits.
California Median Family Income (MFI) is $86,165 (Census, 2018 ACS). Using $86,165/52 weeks gives $1,657/week.
Low Income and Very Low Income definitions from HUD: https://www.huduser.gov/portal/datasets/il/fmr98/sect8.html
Median Weekly Benefit Amount based on initial claims for regular UI, and does not include claims from Pandemic Unemployment Assistance.
*One proposal would reduce the FPUC payments to $200 through September and then starting in October, states would shift to an amount that would replace up to 70% of lost wages (capped at $500), though states could apply for a waiver to pay the $200 for two additional months.

WEEKLY BENEFIT AMOUNTS WITHOUT THE $600 FPUC BENEFIT WOULD PUT ALL CLAIMANTS AT BELOW 50% OF THE MEDIAN FAMILY INCOME IN CALIFORNIA

Including the $600 FPUC payment brings the median claimant's potential benefits (WBA + FPUC) to $939 per week, which is about 57% of median family income. This is above the threshold for "very low income" (50% of MFI), but a claimant would still be considered "low income" (below 80% MFI) absent other income sources in the household. In other words, even with the extra $600 FPUC benefit, 47% of California claimants would still be considered "very low income." As an example, consider a recent claimant from the Retail Trade industry: FPUC lifted their weekly benefits from $254 per week to $854 per week, providing an important boost for a group of workers that were particularly impacted by this crisis.

Figure 2: The Median Weekly UI Benefit Amount for California Claimants without the FPUC benefit is $339.



Weekly Benefit Amount is the median among claimants filing initial claims since March 15th.

THE WORKERS IN SECTORS HARDEST HIT BY THE CRISIS ARE THOSE WITH THE LOWEST WBAs

Previous research by the California Policy Lab shows that Black, female, and lower educated claimants made up a disproportionate share of claimants during the crisis relative to their share of the labor force. Figure 2 illustrates that not only have these groups been hit the hardest, they are also the lowest earners, and therefore receive the lowest WBAs.

This same story holds when looking at the industry of claimants – the Retail Trade industry and Accommodation & Food Services sectors have both been hit exceptionally hard and the median WBA for claimants from these industries is just $254. Even when factoring in the $600 FPUC payment these workers' total benefits are just above the "very low income" threshold (50% of MFI).

ACTUAL BENEFIT AMOUNTS ARE EVEN LOWER SINCE THEY ARE REDUCED BECAUSE OF PART-TIME WORK WHILE ON UI, ESPECIALLY FOR THOSE AMONG SECTORS MOST AFFECTED BY THE PANDEMIC

While each UI claimant is assigned a WBA based on prior earnings when they file their claim, for claimants who report income from part-time work, their benefit payment is reduced accordingly, and they receive a payment less than their WBA. Thus, it is also important to asses how these individuals who report some earnings opportunities fare in terms of realized payments (as opposed to WBAs). When looking at actual payments received while FPUC has been in effect, the average actual payment (not including FPUC) was only $270; with the difference arising to some claimants seeing reduced payments due to Partial UI, incomplete certifications, or payments being deemed ineligible for other reasons (such as excess earnings or full-time work within a week of unemployment). Increases in part-time work are particularly frequent among Accommodation and Food Services and Retail Sales, among others, as these sectors are most affected by opening and closing of the economy due to the COVID-19 epidemic. As they try and return to work, these unlucky workers' WBA's are reduced further. Average payment amounts are shown in Table 1 and are lower for women, less educated claimants, younger claimants, and non-White claimants, many of which work in sectors most affected by the COVID-19 crisis.[4]

POLICY CONSIDERATIONS

1) The continuation of the $600 FPUC benefit should only be adjusted with full consideration of the state of the local labor market. Currently, there is scant evidence that increased benefits are a significant factor holding back employment – rather, a lack of job openings, lack of childcare options, and the resurgent Pandemic (and the accompanying policy responses to it, such as certain sectors being ordered to shut down) appear to be the inhibiting factors. Increased benefits should be continued in the short-term as-is, and tied to measures of labor market tightness going forward, so that payments automatically decrease when jobs become available.

2) Because the FPUC program has already expired, any replacement benefit system should be backdated to provide increased benefits for unemployment in the interim weeks. As claims are already concentrated among individuals with especially low incomes (and less wealth to cushion income shocks like losing this $600 benefit), the impact of missing even a single week of additional benefits could have significant effects among the most vulnerable.

3) Continuing the $600 benefit as-is would translate to fewer administrative challenges for aging computer systems, leading to fewer processing delays. Numerous state unemployment insurance programs have had to handle the overwhelming number of unemployment claims brought on by COVID-19 while at the same time dealing with the challenge of implementing new programs.

4) It is worth considering setting in motion a process by which a fixed weekly payment could be replaced by modification of benefit calculations to yield a higher amount of income replacement. In this way, increased benefits would be tied to the prior income of UI claimants as is usually the case. This process should be tied to financial incentives for states to change the replacement rate, and give states sufficient time to modify their programs.

Table 1: Demographic Breakdown of the Average Benefit Amounts without the FPUC benefit, and Comparison to Implied Weekly FPL and Very Low Income Thresholds

Payments For UI Recipients (Week Ending April 4th - June 20th)

GROUP	AVERAGE PAYMENT AMOUNT WITHOUT FPUC	% OF GROUP WHOSE REGULAR UI PAYMENT (WITHOUT FPUC) IS LESS THAN IMPLIED WEEKLY FPL	% OF GROUP WHOSE TOTAL BENEFIT (UI + FPUC) IS STILL LESS THAN "VERY LOW INCOME"
Statewide	270	48.3	45.0
		By Gender	
Female	253	53.7	50.2
Male	286	43.8	40.8
		By Age Group	
16–19	145	91.0	88.7
20–24	215	65.3	60.6
25–34	280	42.9	39.5
35–44	288	43.1	40.3
45–54	287	44.2	41.3
55–64	284	45.2	42.3
65–85	260	54.3	51.3
		By Education Group	
High School Degree or Less	279	41.6	37.7
Associate's Deg., Some College	279	42.4	38.9
Bachelor's Degree or More	320	30.7	28.0
		By Race and Ethnicity	
White	277	47.1	44.3
Hispanic	270	45.6	41.7
Asian	263	52.1	49.0
Black	255	53.5	50.2

Acknowledgments

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The California Policy Lab builds better lives through data-driven policy. We are a project of the University of California, with sites at the Berkeley and Los Angeles campuses.

Endnotes

1 See Figure 2 of https://calbudgetcenter.org/resources/californias-housing-affordability-crisis-hits-renters-and-households-with-the-lowest-incomes-the-hardest/

2 https://www.huduser.gov/portal/datasets/il/il20/Medians2020r.pdf

3 See our July report. For all initial claimants between June 7th and June 20th projected to qualify for regular UI benefits, the median WBA was $330 per week (Table 10).

4 See Table 10: https://www.capolicylab.org/wp-content/uploads/2020/07/July-2nd-Analysis-of-UI-Claims-in-California-During-the-COVID-19-Pandemic.pdf