

\$600 federal add-on benefit ends

\$87 million less per month for unemployment claimants

By LENNON WELLER and DAN ROBINSON

For the last four months, the federal CARES Act provided an extra \$600 a week in unemployment benefits. That \$600 add-on, intended to help people stay afloat amid pandemic-related job losses, was a substantial increase to Alaska's average weekly benefit of about \$275.

The add-on expired at the end of July, so barring a last-minute legislative extension, that means the average claimant in Alaska will go from receiving about \$875 a week to around \$275 a week, a major reduction for the state's economy as well as individuals.

The economic role the state's unemployment insurance system will play in the coming months is a complicated and developing issue, but for now, we'll look at the estimated direct cost to the state's economy of eliminating the \$600 supplement.

A loss of \$87 million in August

In June, the most recent month for which detailed information is available, 46,481 people collected a total of \$126.9 million in benefits, not including the newly created Pandemic Unemployment Assistance program for the self-employed and other workers not traditionally eligible for unemployment benefits.

For context, Alaska's total population is about 731,000, and our population 16 and older is around 566,000. That means about 8 percent of the state's working-age population, and about 6 percent of our total population, collected benefits in June.

Around 69 percent of the nearly \$127 million in benefits paid in June came from that \$600-per-week federal add-on (\$87.2 million). For comparison, in August 2019, Alaska employers paid about \$1.6 billion in total wages. So the loss of \$87 million would equate to roughly 5 percent of wages paid during a normal Alaska August.

If a loss of that magnitude seems underwhelming, keep in mind that the annual wage loss during the state's recent recession was about 3.8 percent at its worst, from 2015 to 2016.

Can jobs replace the \$600 add-on?

Whether claimants will be able to replace that lost income by returning to work is a key question. Disagreement over the answer, and ideological differences over whether the extra \$600 created a disincentive to work, were the stumbling blocks that delayed a full or partial extension. Both sides agree that the pandemic-weakened economy justifies some extended period of higher benefits, but views differ widely on whether to continue paying \$600 extra per week or something less.

As we wrote last month, some who were collecting unemployment benefits have returned to work. At the high end, about 25 percent of health care claimants had apparently resumed working in May, and at the low end, just 6 percent of claimants from seafood processing had returned.

In the short term, wages earned by those who return to work probably won't replace a big portion of the \$87 million removed from the economy when the federal benefit ends. Most jobs will return eventually, but until the pandemic-related disruptions are behind us, many jobs simply won't exist. A hotel banquet worker, for example, or a whale watching boat captain may not have the option to return to work any time soon.

Consequently, Alaska faces a sizable economic shock in August. While we can't quantify all the downstream effects of removing that much income from the economy, a look at claimants by industry and location reveals a few relevant patterns.

Consumer spending will fall

Of the 46,000-plus June claimants, 25 percent had worked in retail or food service, primarily in restaurants and bars — jobs that pay less than average. Retail trade jobs paid about \$33,000 a year in 2019 and jobs in restaurants and bars paid about \$23,000, both substantially less than the \$57,000 annual wage across all industries.

Lower-wage workers spend a higher percentage of their income than higher-wage workers, which means the reduction in benefits will disproportionately

Breakdown of June unemployment benefit payments by area

Borough/census area	June claimants	Regular benefits paid	Temporary \$600 federal add-on	Total UI benefits paid
Anchorage, Municipality	17,489	\$15,042,723	\$34,356,600	\$49,399,323
Interstate	5,852	\$5,126,049	\$10,726,800	\$15,852,849
Matanuska-Susitna Borough	5,388	\$4,694,819	\$10,280,400	\$14,975,219
Fairbanks N. Star Borough	3,934	\$3,400,670	\$7,580,400	\$10,981,070
Kenai Peninsula Borough	3,326	\$2,834,675	\$6,130,200	\$8,964,875
Juneau, City and Borough	1,831	\$1,533,223	\$3,555,000	\$5,088,223
Ketchikan Gateway Borough	975	\$799,013	\$1,786,800	\$2,585,813
Bethel Census Area	1,001	\$846,135	\$1,687,200	\$2,533,335
Kodiak Island Borough	852	\$731,496	\$1,417,200	\$2,148,696
Sitka, City and Borough	507	\$428,293	\$945,600	\$1,373,893
Nome Census Area	531	\$447,353	\$919,800	\$1,367,153
Kusilvak Census Area	543	\$446,304	\$876,600	\$1,322,904
Aleutians West Census Area	541	\$473,057	\$727,800	\$1,200,857
Northwest Arctic Borough	430	\$367,528	\$707,400	\$1,074,928
Chugach Census Area	355	\$293,133	\$592,800	\$885,933
Prince of Wales-Hyder Census Area	316	\$261,793	\$571,200	\$832,993
Yukon-Koyukuk Census Area	328	\$274,727	\$542,400	\$817,127
Copper River Census Area	313	\$258,704	\$526,200	\$784,904
Haines Borough	246	\$194,958	\$421,800	\$616,758
Skagway, Municipality	232	\$190,998	\$424,200	\$615,198
North Slope Borough	189	\$171,210	\$340,200	\$511,410
Dillingham Census Area	194	\$165,516	\$345,000	\$510,516
Aleutians East Borough	244	\$206,361	\$289,200	\$495,561
Hoonah-Angoon Census Area	190	\$148,856	\$311,400	\$460,256
Petersburg Borough	147	\$123,597	\$255,000	\$378,597
Denali Borough	149	\$118,298	\$224,400	\$342,698
Wrangell, City and Borough	112	\$94,364	\$196,800	\$291,164
Southeast Fairbanks Census Area	111	\$93,001	\$196,200	\$289,201
Lake and Peninsula Borough	80	\$64,714	\$140,400	\$205,114
Bristol Bay Borough	39	\$34,745	\$66,000	\$100,745
Yakutat, City and Borough	25	\$20,552	\$42,000	\$62,552
Unknown	11	\$9,957	\$21,000	\$30,957
Total	46,481	\$39,896,822	\$87,204,000	\$127,100,822

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

reduce spending in a range of household categories. Separate federal and state programs will partly address some of those losses, but a large drop in consumer spending is certain as tens of thousands of Alaskans will simply have less to spend.

All parts of Alaska will be affected

The table above shows the total reduction will range from \$42,000 in Yakutat to more than \$34 million in Anchorage. Note that almost \$11 million of the supplemental \$87 million paid in June went to interstate claimants: workers who became eligible for Alaska benefits by working here, but filed from another state.

Nonresident job losses will have a smaller impact, but the economy is still hurt by the loss of nonresident workers because they won't rent housing, buy groceries and restaurant food, or otherwise spend a portion of their wages in Alaska.

People's ability to find work in their area is another factor. Places that depend on summer tourism will suffer more from the reduced benefits because residents will have fewer options for replacing lost jobs. Someone who would normally work in a restaurant in the Denali Borough or Skagway, where most customers are cruise ship passengers, will be far less likely to return to work or find another job than an Anchorage hospital worker who was temporarily unemployed when elective surgeries halted during the shutdown.

Conversely, areas that have more diverse economies, and especially those that control the virus' spread so businesses can safely reopen, will notice less harm from the loss of the \$600 supplement.

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