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Continuing COVID-19 Relief for Workers and Families

Economic triggers that enhance and extend support are critical during uncertain times

The Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security (CARES) Act are providing critical, initial support to American families during the coronavirus pandemic. This includes funding to test the uninsured, enhanced unemployment compensation, nutrition assistance, direct payments to working families, and other targeted support. As Congress works to address both the public health crisis and economic fallout, we must give the American people confidence that the federal government will stand by them as they face an uncertain return to their daily lives once the public health emergency has ended.

The best way to do this is to ensure that workers and families continue to receive the support they need for as long as economic conditions warrant it. Tying the extension of expanded automatic stabilizer programs – such as the enhanced unemployment compensation included in the CARES Act – and other federal relief to economic conditions is especially critical now, given the unprecedented speed and breadth of this ongoing crisis. We do not yet know when the public health crisis will subside, when social distancing efforts can be suspended, and when the economy may fully reopen.

Lessons Learned from the Great Recession — One of the key lessons learned from the Great Recession is that painfully high unemployment can persist well beyond the initial downturn. The unemployment rate rose more than five percentage points over the course of the crisis and reached its peak of 10 percent in 2009 – almost two years after the recession began. Unemployment remained doggedly high over the next several years and did not return to its pre-recession level until 2016 – seven years after the recession "officially" ended.

The slow recovery was largely due to the fact that fiscal relief efforts were too small and were withdrawn too soon. Congress' abrupt and unnecessary turn to deficit reduction in 2011 – even as the unemployment rate remained over eight percent – shaved more than a percentage point off of economic growth that year and continued to serve as a severe drag on our economy years into the recovery. Had government spending in the wake of the Great Recession tracked the spending that followed the early 1980s recession (which was less severe), it would have been nearly $1 trillion higher in 2016 alone. That additional support would have helped the labor market to recover job losses much earlier than it did.

The Families First Act and the CARES Act represent historic investments in families and small businesses, with Congress responding more aggressively and rapidly than it did in response to the Great Recession. **But policymakers risk repeating the mistake of withdrawing fiscal supports too soon.** To give families a piece of certainty during incredibly uncertain times and ensure they continue to get the support they need, Congress should explore an evidence-based approach to extend much-needed aid and relief beyond the current public health crisis.

An Economic Trigger Could Extend Relief In A Data-Driven Way — Congress passed the Families First and CARES Act to provide resources for health care professionals, families, states, and small businesses in late March, a time of enormous uncertainty about the depth and breadth of the economic crisis. Some relief included in the legislation, such as enhanced unemployment payments, will expire this summer, while others will expire at the end of the year. Given the uncertainty, these expiration dates are arbitrary, and families and the economy may still need fiscal relief beyond these dates. **A trigger mechanism to extend core automatic stabilizer programs provides certainty for families that relief will continue if economic conditions warrant it.**

This trigger would tie the extension and withdrawal of relief to economic data, such as the unemployment rate or employment-to-population ratio. Doing so would ensure that aid continues as labor market conditions worsen and is not withdrawn until a strong economic recovery is underway. It would also allow relief to continue without the need for Congress to repeatedly strike new legislative deals, which could delay critical support and undermine the recovery. In the aftermath of the Great Recession, for example, Congress voted to amend or extend the emergency unemployment compensation program 11 times.

Many of the workers who are on temporary layoff today do not know if they will have a job to return to, and those who were permanently laid off do not know when they will be able to look for work and what kind of labor market awaits them. The Congressional Budget Office (CBO) expects elevated unemployment through at least 2021, with others forecasting only a partial recovery by the end of next year. **In this environment, federal support that automatically continues until the economy is back on its feet – rather than for as long as Congress and the Administration can work out an agreement – can provide workers with some semblance of certainty in addition to a much-needed economic buffer.**

The Long-term Benefits of Supporting Families, States, and the Economy Outweigh the Costs — The economic relief Congress has provided to date will be critical for both minimizing hardship in the near term and for securing a stronger economy and increased opportunities in the future. According to one preliminary estimate, the CARES Act will help soften the decline in GDP in the second quarter of this year – to an annualized rate of 30 percent, compared to 37 percent if the legislation wasn't enacted – and produce 1.5 million new jobs by the end of the third quarter. Over the next two years, CARES is estimated to increase GDP by $800 billion. While much more needs to be done, these early projections make clear that fiscal support is staving off an even more destructive downturn and that Congress must continue to stand with the American people as our nation grapples with the pandemic and economic fallout.

These estimates are also in line with our experience during the Great Recession. Analyses from a variety of sources confirm that Congress' stimulus efforts – most notably, the American Recovery and Reinvestment Act (ARRA) – succeeded in creating millions of jobs, boosting output, and reversing the economy's downward trajectory, even despite the fact that the stimulus was too small and withdrawn too quickly. CBO estimates that without ARRA, real GDP in 2010 would have been up to four percent lower and the unemployment rate would have been up to nearly two percentage points higher. Leading economists also agree that ARRA not only lowered unemployment, but that its economic benefits outweighed its costs.

While Congress' efforts to fight the current crisis will increase deficits in the near term, failure to contain the pandemic's economic damage and promote a strong recovery would be even more costly over the long term. Protecting incomes and keeping businesses afloat through the duration of the downturn will minimize losses to employment, output, and revenues – forestalling worse budgetary outcomes down the line. Ensuring that federal aid is sustained for as long as families and the economy need it (and automatically rolling aid back as that need diminishes) is the best thing we can do to strengthen our fiscal and economic outlooks.

Let's Use this Experience as a Wake-up Call to Proactively Guard Against Future Recessions — Congress' priority today is making relief available to families impacted by the pandemic. This relief should be automatically extended for as long as economic conditions warrant to ensure that households and businesses stay afloat through the economic shutdown and that a strong and broadly shared recovery can take root.

Looking ahead, the unprecedented speed and scale of the current crisis underscores the importance of having effective and reliable systems in place that provide targeted support as fast as possible. As this pandemic has shown, economic disruptions can devastate our entire economy – even when it appears healthy – in a matter of weeks. This time around, Congress has acted quickly to pass important initial relief, but it is not enough, has not reached families fast enough, and, for many, could end too soon. We cannot afford to make the same mistakes of previous years by cutting off relief before the economy and labor market have stabilized or before state and local governments – and families – have the certainty and stability they need. Congress must not only strengthen the ability of automatic stabilizers to respond to this current public health and economic crisis, it should expand the use of economic triggers on a permanent basis to strengthen our country's ability to respond to any future recession.