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Americans Are Leaving Unemployment Rolls More Quickly in States Cutting Off Benefits

Some Missouri businesses see uptick in applications after state set a June end to pandemic jobless aid

By Eric Morath *and* Joe Barrett | *Photographs by Neeta Satam for The Wall Street Journal*

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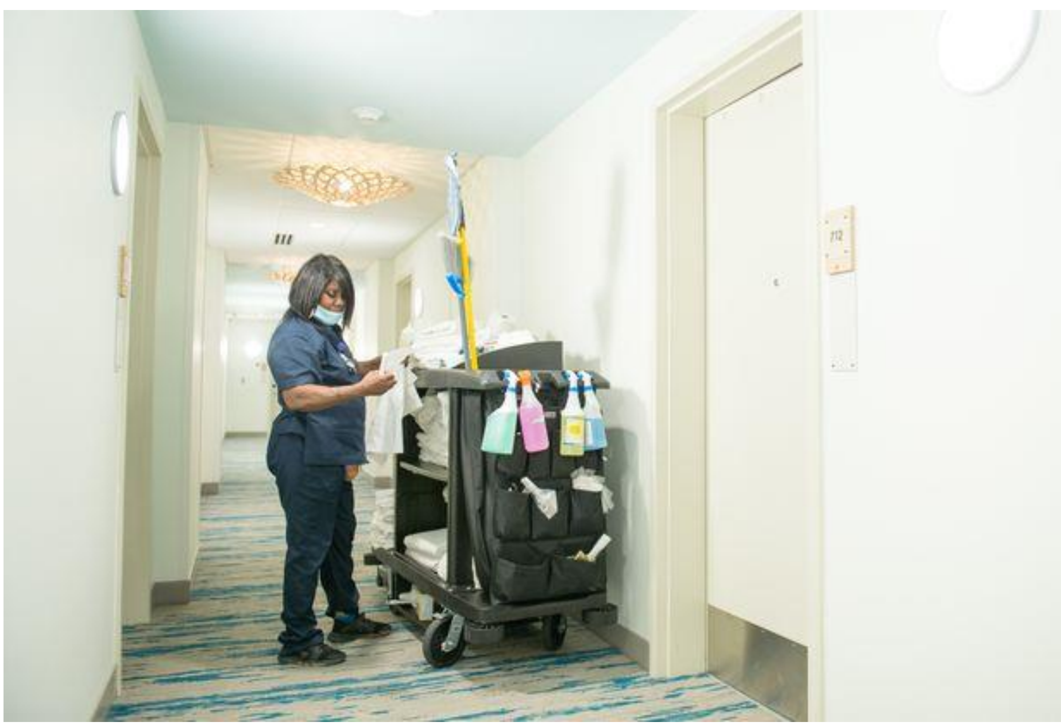
The number of unemployment-benefit recipients is falling at a faster rate in Missouri and 21 other states canceling enhanced and extended payments this month, suggesting that ending the aid could push more people to take jobs.

Federal pandemic aid bills boosted unemployment payments by $300 a person each week and extended those payments for as long as 18 months, well longer than the typical 26 weeks or less. The benefits are set to expire in early September, but states can opt out before then.

Missouri Gov. Mike Parson said the benefits were helpful during the height of the pandemic, but their continuation has “worsened the workforce issues we are facing.”



There were 11 openings at the Element hotel in St. Louis, including housekeeping, front desk and food-service jobs, and all nine people hired showed up for their new jobs.

He, like many other Republican governors, moved to end the federally funded benefits to address businesses' concerns about a labor shortage. The state's unemployment rate was 4.2% in May, well below the national average of 5.8%, according to the U.S. Labor Department.

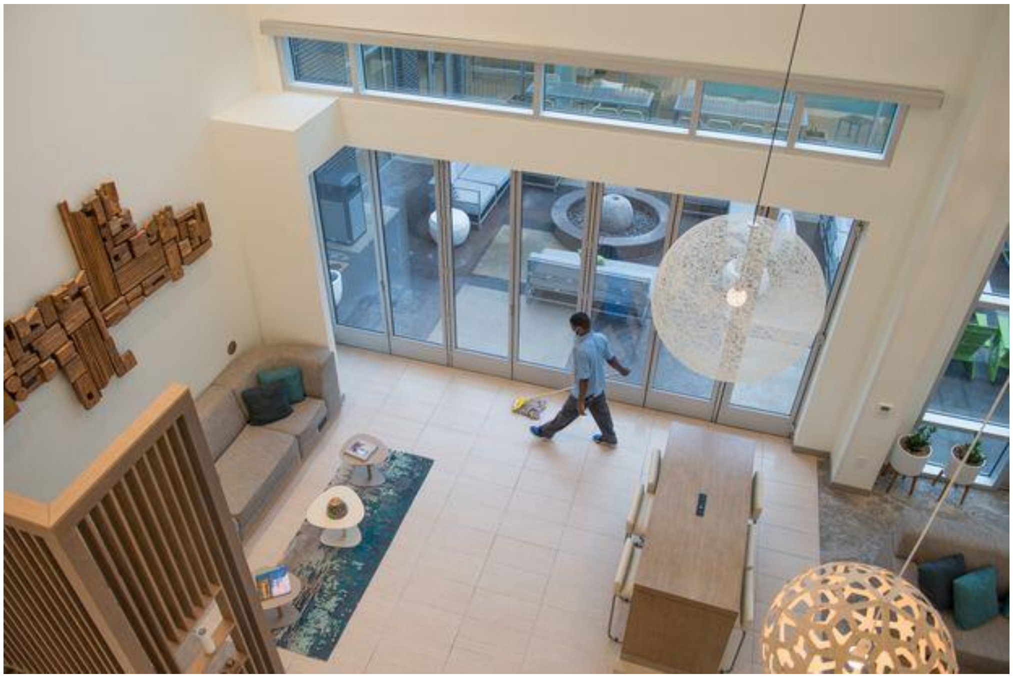
Missouri cut off payments as of June 12, joining three other states as the first to do so. Seven states followed with an end on June 19, and this weekend, benefits are expiring in 10 more states. Four more states will curtail benefits by July 10.

The number of workers paid benefits through regular state programs fell 13.8% by the week ended June 12 from mid-May—when many governors announced changes—in states saying that benefits would end in June, according to an analysis by Jefferies LLC economists. That compares with a 10% decline in states ending benefits in July, and a 5.7% decrease in states ending benefits in September. Workers on state programs would lose the $300 weekly federal enhancement but could continuing receiving the state benefits.

Jefferies also found somewhat larger decreases in the number of people receiving benefits through pandemic programs in states curtailing benefits, though the data lags behind by an additional week. In many cases, those recipients will be cut off entirely when their state ends participation in the federal programs.

"You're starting to see a response to these programs ending," said Aneta Markowska, Jefferies' chief financial economist. In recent months "employers were having to compete with the government handing out money, and that makes it very hard to attract workers."

Other economists and many Democrats say other factors, including lack of child care and fear of Covid-19, are also keeping many potential workers out of the labor force.
Some businesses in Missouri are already noticing a difference since the policy shift.



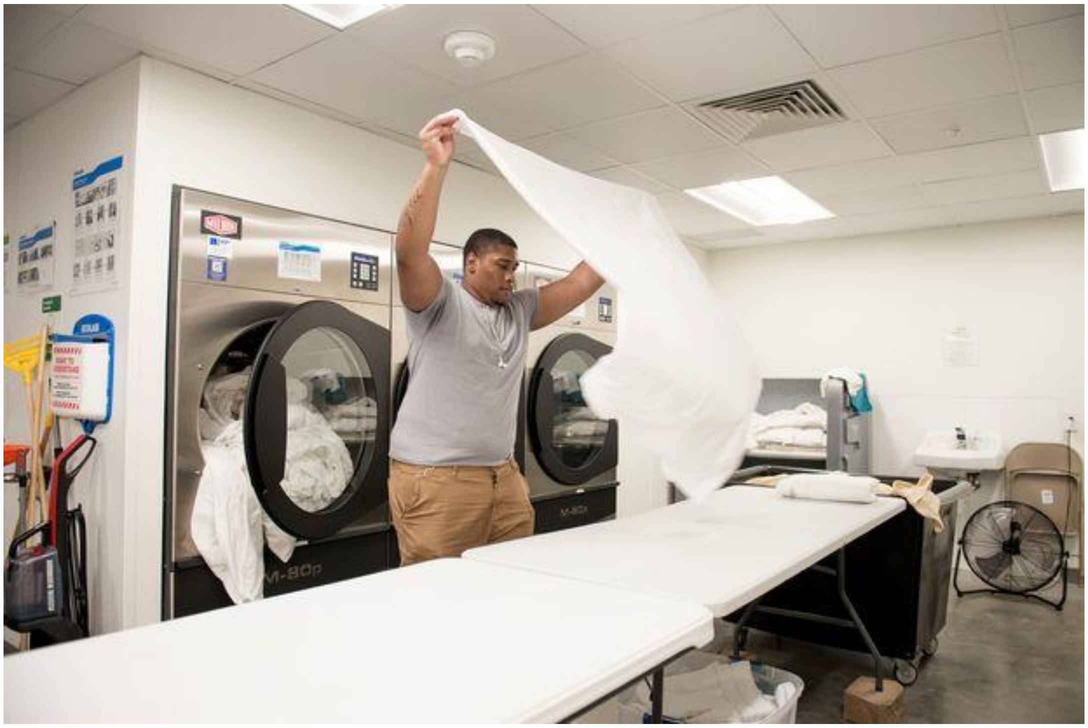
Interest by job applicants began to pick up at Midas Hospitality's Missouri locations a few weeks ago.

Midas Hospitality, a St. Louis-based hotel company with 44 locations around the U.S., started holding job fairs to increase staffing as coronavirus restrictions eased about two months ago. In many cases, no one showed up, said Linda Eigelberger, senior vice president for operations and marketing. Other times, only two people would arrive, immediately get offered jobs and then not show up to start work, she said.

Then a few weeks ago, things began to change at its Missouri locations. At one property, seven people came to a job fair, which Ms. Eigelberger took as a positive sign. Then, two weeks ago, the Element St. Louis Midtown hotel had a breakthrough with 40 job seekers, she said.

"It's crazy how quickly" things seem to be ramping up, she said, noting that workers in other states where Midas operates and the federal benefits are still in place appear reluctant to re-enter the workforce.

The hotel had 11 openings, including housekeeping, front desk and food-service jobs, Ms. Eigelberger said. It offered positions to nine job seekers at the fair, and all of them arrived for their first day of work. Several of the new hires had been out of work for at least six months.



An employee folds laundry at Element St. Louis Midtown, where several of the hotel's new hires had been out of work at least six months.

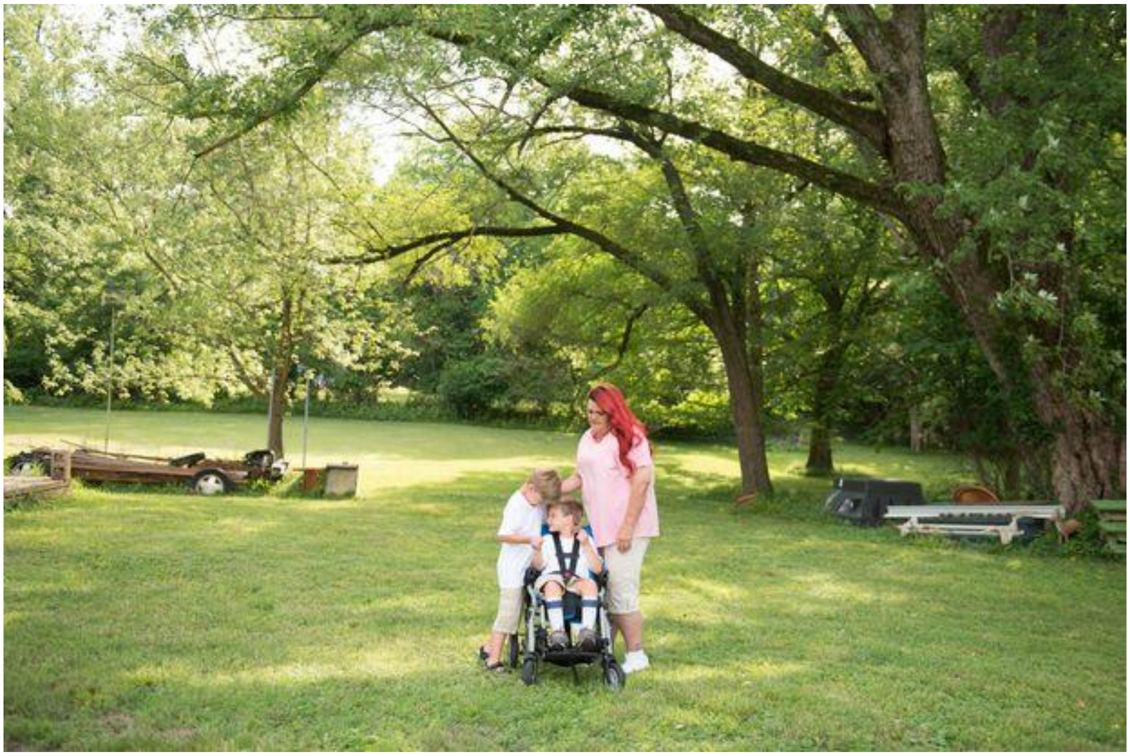
Missouri's economy had a less-severe downturn last year than other parts of the country, especially densely populated cities and tourism hubs. The state's unemployment rate peaked at 12.5% in April 2020, below the 14.8% national average, and fell below 5% by the fall.

Missouri placed fewer restrictions on activity, including not imposing a statewide ban on indoor dining, said Steven Fazzari, economist at Washington University in St. Louis.

Restrictions were lightly enforced, especially outside of the state's bigger cities, and the businesses moved earlier than those in other parts of the country to reopen, he said.

Still, he said he thinks it was a mistake for the state to end extended benefits, in part because the aid would have given job seekers more time to find a match that best fits their skills and location.

"The pandemic was a massive disruption, and many people only were able to receive their vaccines recently," Mr. Fazzari said. "It's reasonable to give them to September to adjust."

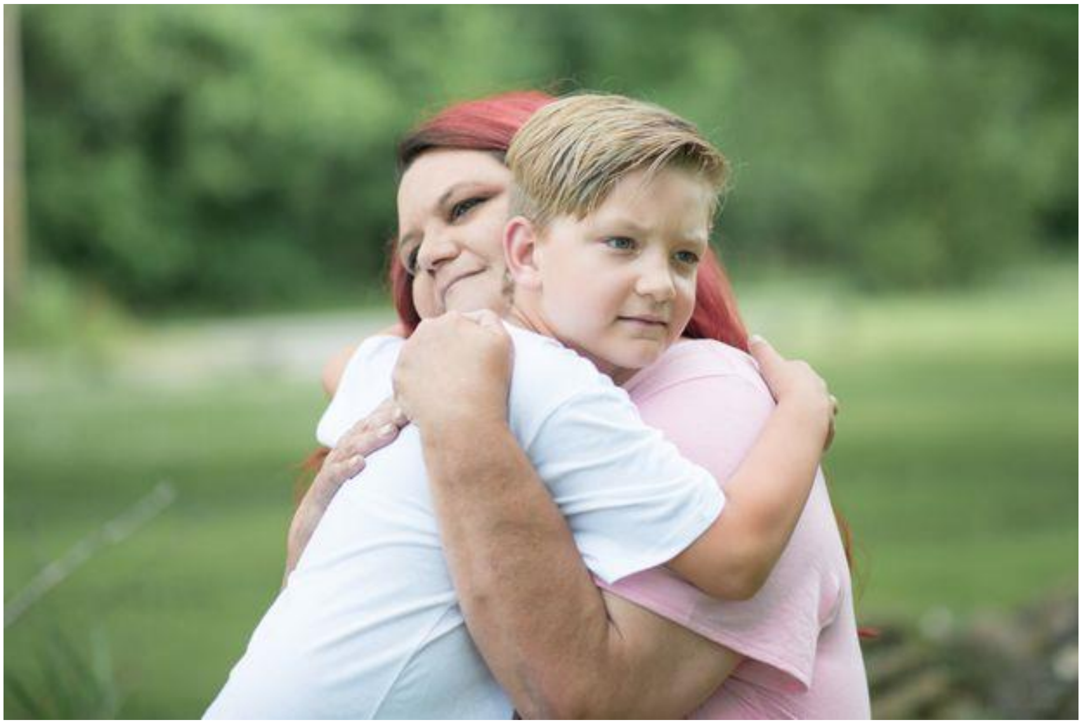


Davina Roberson says the pay available at fast-food restaurants and large retailers would force her to put her sons on Medicaid.

Davina Roberson of Fenton, Mo., said she is scrambling now that her benefits have been cut off. The 45-year-old mother of two boys with special needs was furloughed last year from a corporate-travel agent job that paid her $26 an hour and allowed her to work from home, which helped her manage the boys' care.

Her former employer has kept her on health benefits, which she would forfeit if she took another job. Ms. Roberson said she is now turning to food pantries, and charities like St. Vincent de Paul for food and clothing. She hopes an uptick in corporate travel will lead to her recall. Meanwhile, she said the jobs that are open at fast-food restaurants and large retailers would pay her a fraction of her prior wages and force her to put her boys on Medicaid.

"It's not that I don't want to go back to work," Ms. Roberson said. But "if I took a minimum wage job, I'd be working for health insurance and child care and have nothing left to live on."



With her unemployment benefits cut off, Davina Roberson is turning to food pantries and charities to help support her and her sons.

Some Missouri businesses haven't seen a rapid rise in applications. Blake Day, president of Shick Esteve, a Kansas City-based maker of equipment to move flour and other ingredients via pneumatic tubes through industrial bakeries, has been looking to hire 10 more people for a few months.

"It's been difficult to recruit," he said. "The applicant pool just doesn't seem to be as robust as it has been in the past."

He said he isn't sure if the unemployment benefit specifically is slowing hiring because all of the jobs at the plant pay more than $15 an hour. At the same time, he said, it seems like all manufacturers are going after the same workers.

Mr. Day recently noticed a sign hanging outside a corrugated-packaging plant owned by International Paper Co. that sits next to his plant seeking new hires and offering a starting wage of $18.91 an hour.
"Big and bold," he said of the sign. "Most of our people make more than that, but you can see the competition is out there."

A spokesman for International Paper said the pandemic followed by the improving economy had intensified its need to hire. The company has been able to keep up with demand by adding overtime and, in some cases, weekend shifts, he said.