MARCH 2020 | FACT SHEET

Fixing Unemployment Insurance in Response to COVID-19

The novel coronavirus has brought sudden attention to the unemployment insurance (UI) system and its ability to quickly deliver aid to families and stimulus to the economy. Economists estimate that we will lose nearly 14 million jobs by the summer even with a sizeable stimulus package. Workers in industries heavily dependent on women and workers of color, like food service and retail, have borne the brunt of the pandemic. Policymakers must focus **both** on immediate changes to help these individuals, and structural fixes that can gird the nation for the challenges of a recession and future economic crises.

The UI System Is in Desperate Need of Repair

The basic UI program, operated by the states with federal oversight; the federal-state Extended Benefits (EB) program; and the Disaster Unemployment Assistance (DUA) program are facing this crisis at one of their weakest points in history.

- **Access to UI is Already Extremely Limited:** The percentage of all jobless workers receiving a UI payment has dropped from 43.7 percent in 2001 to just 27.8 percent in 2018, with low-wage workers the least likely to receive benefits.
- **UI Programs Have Been Inadequately Funded for Decades:** During the last recession, 36 state unemployment trust funds went broke, and despite the longest economic expansion in U.S. history, 22 entered the COVID-19 crisis with insufficient savings. Without aid many trust funds will go broke again.
- **UI Benefits are Meager:** The average benefit of $382 per week only represents 32.7 percent of the average wage.
- **UI Administration Has Been Dramatically Under-Resourced:** The federal grants for state operations have been cut by 30 percent since the 1980s, leaving states with threadbare staff and antiquated computer systems overwhelmed by COVID-19. The additional $1 billion appropriated by Congress won't meed the need.
- **Disaster Unemployment Assistance (DUA)** Is ill-equipped to hand this or other crises given its low benefit amounts, unrealistic time limits and limited coverage.

Ongoing Federal Reforms Represent a Timely Down Payment on Overdue Structural Change

The Families First Coronavirus Act and the stimulus package being negotiated go a long way toward addressing the challenges facing unemployed workers during this current crisis.

- The Families First Coronavirus Act delivered $1 billion in aid to states to process the spike in claims, and granted states more flexibility to approve unemployment claims due to the unique circumstances of the COVID-19, such as quarantines and stay-at-home orders. It also provided full federal funding of the federal EB program, which will trigger on when unemployment rises.

- The 3rd COVID-19 response package is reported to have $250 billion in temporary enhancements to unemployment assistance through 2020, including a $600 increase in the weekly checks of unemployed workers, a special disaster unemployment assistance program (Pandemic Unemployment Assistance) that covers the self employed, a temporary 13 week extension of benefits, federal funds to eliminate the waiting week and to support shared work programs.

Now Is the Time to Advance Structural Reforms

Unfortunately, the challenges ahead in the coming months of crisis and recovery will extend beyond the timeline for these shorter-term reforms, which alone are not enough to upgrade the UI system to fully respond to a crisis of this magnitude. Businesses large and small are already closing, and many workers will count on the UI program to weather the many months it will take to find new jobs in an economy slowly regaining its footing. Providing a strong, sustained structure of benefits now is a critical part of the architecture of mitigation and recovery.

In the coming weeks and months, Congress must:

- ***Fix automatic EB triggers:*** Turn on additional weeks of benefits automatically anytime the unemployment rate jumps a half percentage point, and add more weeks when it goes up to 6.5, 7.5, and 8.5 percent.

- ***Require states to enact shared-work programs*** that allow companies to avoid layoffs by putting workers on part-time schedules with partial unemployment benefits and provide federal funding for these programs during economic crises like now.

- ***Create minimum state standards around benefit length and generosity:*** Federal law should require all states provide a minimum of 26 weeks of benefits, reversing the actions of states that reduced the duration of benefits after the Great Recession. State UI programs should also replace at least 60 percent of a worker's weekly wages, with a maximum of 67 percent of state's average weekly wage.

- ***Create a jobseekers allowance*** of 13 weeks, at a lower benefit amount, for workers who are not covered by regular or pandemic unemployment insurance. This includes populations such as new entrants and students graduating into this recession, and returning caregivers, some of whom may need additional wrap-around services to support job search.

- ***Fill holes in the unemployment safety net:*** Increase recipiency of low-wage workers, who are disproportionately people of color and women, by requiring states to count the most recent earnings of UI applicants, treat part-time and full-time workers equally, and recognize unemployment caused by compelling personal issues such as illness, domestic violence, and relocation to follow a partner to a new job.

- ***Adequately fund unemployment benefits:*** Current federal law only requires states to tax $7,000 of each worker's wage. This taxable wage base should be increased over five years to one-third of the Social Security wage base and indexed to gradually increase every year, to provide a stronger foundation for financing. Link any rescue funding for state trust funds to these long term fixes.

- ***Help UI claimants get back to work*** through the Wagner-Peyser Employment Services and periodic reemployment services.

Congress failed to fix these structural flaws in the wake of the Great Recession and the numerous state roll-backs of UI benefits and lingering insolvency that followed. The COVID-19 crisis should be a wake-up call to the need to immediately improve the basic structure of the nation's first responder to economic distress.