An Unemployment Net that Catches Everyone

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Key Points

- At the start of 2020, the nation's unemployment system looked bleak—benefit levels, access, and duration were all at historic lows.
- Federal investments in the unemployment system enabled it to to pay more than $870 billion to 53 million people who lost work during the pandemic, allowing the nation's economy to quickly recover from one of the largest, fastest loss of jobs in U.S. history.
- Joint federal–state efforts moving forward will ensure more equitable access to this essential benefit, improve the unemployment system's infrastructure, and reduce fraud.

In the wake of the chaos that the pandemic wrought on state unemployment insurance (UI) programs, it is easy to lose sight of the incredible strides that many states made in response to the crisis, let alone the fact that the UI system as a whole was able to pay more than $870 billion to 53 million people who lost work during one of the most uncertain moments in recent memory. The economic effect of this investment led to a steeply V-shaped recession, with a recovery from job loss so dramatic reported in May of 2020 that many people following the jobs numbers thought that there must be some mistake or they were the result of some sort of manipulation of the numbers—until more-seasoned economists stepped in to explain how rigorous the Bureau of Labor Statistics' process is for producing the report, and that yes, the national economy was indeed rebounding from having lost 20 million jobs in a month.

Certainly, some states demonized the unemployed and reduced access to benefits in the wake of the 2020 crisis, which will be the subject of analysis and reporting for years to come. But the bigger story is how the majority of states learned from the pandemic that by working together with each other, the U.S. Department of Labor and the National Association of State Workforce Agencies (NASWA), they could improve their own efficiencies. And a sad truth is that while millions of people got enough benefits to tide them over during the pandemic lockdown, the people who got through with relative ease typically did not put out press releases or call their representatives to say how well UI had served them, so someone needs to tell that story. Examining the successes of the UI system during the pandemic as well as the critical reasons for having such a system in place is especially important now, as the unemployed are increasingly being scapegoated for some perceived personal failings during an incredibly strong economy, when what's really happening is that the system is currently doing exactly what it is designed to do, serving more than a million people who lost work through no fault of their own.

Pandemic Era Benefits—Lessons Learned

At the start of 2020, the nation's unemployment system looked bleak. Benefit levels, access, and duration were at historic lows. The number of people who would get a benefit and the amount of income it would replace were so low that it meant the system was unable to provide the

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full countercyclical stabilizer effect that unemployment insurance is intended to provide. This was the state of the unemployment system when it became apparent that drastic measures needed to be implemented—including a nationwide workplace lockdown—in order to flatten the curve of the spread of COVID-19 as health care facilities, morgues, and cemeteries were at capacity.

In late March 2020, Congress wisely addressed those shortcomings in UI duration, access, and benefit levels. First, in a step often taken during severe economic downturns, Congress added thirteen additional weeks to regular benefit entitlement, referred to as Pandemic Emergency Unemployment Compensation (PEUC). Second, Congress realized that people outside traditional eligibility for the regular UI program would need access to benefits during the emerging economic disaster caused by the pandemic. Claimants who lost work through no fault of their own due to the pandemic might not qualify for regular UI, because they either were not in covered employment or did not meet other requirements, such as being unable or unavailable for work due to the disaster. In response, Congress added COVID-19-related reasons to the base structure of the longstanding Disaster Unemployment Assistance (DUA) program, creating an entirely new benefit program called Pandemic Unemployment Assistance (PUA). Third, Congress decided that UI's typical partial income replacement would be insufficient to keep people safely at home when necessary, so it tried to make people whole by approximating 100 percent income replacement. However, due to antiquated technology as well as understaffing and an overwhelming number of new claims, states could not calculate how to supplement existing income replacement with a new federal formula to get to 100 percent. In the first quarter of 2020, the average weekly benefit was about $370 per week and the average weekly wage for qualifying applicants was about $970 per week, so Congress simply made up the average difference with $600 per week through the Federal Pandemic Unemployment Compensation (FPUC) program.

As the pandemic wore on, the Continued Assistance to Unemployed Workers Act passed at the end of December 2020 added additional weeks and restored the then-lapsed FPUC at a reduced amount of $300 per week. Further, the American Rescue Plan Act (ARPA) not only added weeks of duration to all programs, but provided the U.S. Department of Labor with $2 billion to improve timely and equitable payment of benefits and reduce fraud. (The next section will cover the Department of Labor's expenditure of these funds and the important improvements that have already been made using this funding.)

The pandemic-related unemployment programs, without a doubt, saved lives, prevented severe economic hardship, and spread economic benefits to businesses in the economy, allowing them to continue operating during the pandemic. The Center on Budget and Policy Priorities estimates that these interventions kept 5 million people out of poverty in 2020, and 6 million in 2021. That analysis also finds that these benefits potentially saved 27,000 lives and prevented other significant negative outcomes, such as food and housing insecurity as well as depression and anxiety.

Usually, when legislators draft changes to UI, experts recommend giving states two years to implement them. In 2020, states were asked to create and jump-start three entirely new programs—and they did so in thirty-eight days, on average. A number of key refinements improved these systems over the life of the programs. For example, the Biden administration added key qualifying factors to PUA to ensure that more workers who deserved the benefit qualified and also clarified that workers who were asked to return to work without reasonable health and safety safeguards in place would be able to refuse unsafe work assignments. Also, after states reasonably made broad mistakes in implementing PUA, the Biden administration allowed for blanket waivers when those mistakes resulted in technical overpayments where the claimants were not at fault.

At risk of breathing life into a myth, there is one so pervasive that it is effectively the elephant in the room during public discussions of unemployment: with benefits so generous reaching so many jobless workers, people casually following the conversation often come to the conclusion that enhanced benefits must have kept people from returning to work. However, no serious study of the issue has found any kind of notable effect. The most recent examination is a Hamilton/Brookings study published at the end of April 2022. Having had time to analyze these programs well after they concluded, this study demonstrated clearly that there was no significant disincentive to work and the net positive impact on low-income workers and the economy as a whole argues for consideration of both extension of these programs either on a permanent basis or in place to trigger during economic downturns, as well as a reason to consider a permanent replacement rate above the 50 percent average replacement that historic UI reform efforts have advocated.

Another critique of unemployment programs during the pandemic is the fact that, early on, antiquated systems were slow to pay benefits. To the extent that this is true, it is a result of the fact that public and government attention on unemployment waxes and wanes in an inverse relationship to the economic performance, so little effort is given to appropriately funding improving UI when unemployment is low and states have more resources and capacity to look to fixing UI. While this troubling trend is repeating itself legislatively, there is also positive news on this front moving forward. For fiscal year 2023, President Biden has requested a major increase in administrative funding for states to run their programs, and Congress provided a significant funding increase. This will hopefully give states more resources to work with the Department of Labor on another bright spot on UI administration, which is the aforementioned $2 billion for system improvements allocated in ARPA.

The quiet, infrequently told story is that, during the worst days of the pandemic, millions of people did get a benefit relatively easily, and it helped them tremendously. For example, N in California said that his experience using the system was smooth, and the benefits allowed him to take a strategic risk with his career that paid off.[2] Similarly, S from Illinois used the time and money to build a real estate consulting practice and began earning enough to lose UI eligibility within a few months. W from New York was able to save his benefit of 100 percent income replacement to move to a city with better opportunities in his field. This is an important illustration of one of the trends that happened in the pandemic: UI allowing people to find more suitable jobs for themselves. This might have led to some early shifting in the pandemic, but in the long run, this workforce mobility is better for workers, their families and communities, employers, and the economy.

Even for people who had hiccups in getting benefits, they were still a lifeline. For A in California, even though it took a while to get benefits, pandemic unemployment was “the difference between only spending four years of savings and losing our house.” Similarly, K in Washington, D.C. had a complicated claim involving both traditional work and independent contracting income in more than one state, but not getting behind early in the pandemic meant that her later cancer diagnosis did not bankrupt her.

Looking Forward: Exciting Initiatives

The pandemic has prompted promising and serious legislative proposals from relevant committees and the Biden administration. Senators Ron Wyden (D-OR), Michael Bennet (D-CO), and Sherrod Brown (D-OH) have proposed comprehensive UI reform, largely based on some of the best ideas included in two historic bipartisan UI reform commissions. Meanwhile, Representative Steven Horsford (D-NV) of the House Ways and Means Committee has introduced legislation to promote equitable administration of UI benefits and fight fraud. Also, the Biden administration has included ambitious principles for broad UI reform in its budget request.

Much of the promising work that will move UI into a better position to respond to historic inequalities, large-scale layoffs, and widespread recession is occurring between state agencies putting forth a concerted effort to do better and the Biden administration, which received funding from ARPA to improve systems. It should be noted that even prior to receiving this funding, the administration had demonstrated a commitment to moving toward a helping posture with states to ensure they are better able to pay benefits to the right people at the right time. Right now, the five most exciting initiatives for strengthening and improving the nation’s UI system are:

- ***UI system triage.*** The first and most important UI intervention was to stop the bleeding. This approach requires immediate interventions that could be implemented in weeks to months to speed processes and more accurately identify fraud. The Department of Labor funded six "Tiger Teams" that report to the newly created Central Response Division within the Office of Unemployment Insurance. These teams deploy to states, examine their systems to find inefficiencies and bottlenecks, and provide recommendations to get people through systems equitably and promptly to receive their benefits. After receiving these recommendations, states can apply to receive their share of $200 million set aside to implement these improvements. To date, thirty states have volunteered for this assistance. These teams have helped with bottlenecks to speed claim processing and also to make sure that state systems are accessible to underserved communities by improving access for people with limited English proficiency and people with disabilities.
- ***Fraud prevention funding.*** On top of three allocations of $100 million each for fraud prevention through CARES Act funding, the Department of Labor also allocated $140 million to grants to prevent fraud. This funding is critical, as fraudsters tied systems in knots in 2020, jeopardizing the image and the integrity of the unemployment system as a whole and putting money in the pockets of nefarious entities while slowing benefit delivery to real claimants who needed the money. This fraud prevention funding has resulted in states recovering more than $5.7 billion in both fraud and non-fraud overpaments and preventing billions of dollars from flowing to these criminals.[3]
- ***Equity grants.*** The Department of Labor also allocated $260 million to a new equity grant program. This was a new endeavor for the UI program, as states needed to apply for these grants and specifically make the case for specific improvements and explain how they were going to demonstrate that those efforts actually moved the ball on equity. The most important aspect of these grants was that the Department of Labor began a conversation with states about how a legacy of structural racism in the broader society has created challenges to access that need extra effort to correct.
- ***Navigator program funding.*** The Department of Labor also established a pilot navigator program based on the fact that union members, who typically receive guidance from their shop upon job loss, are far more likely to apply for and receive UI. Seven state applications were approved and awarded just over $18 million in funding. One recipient of navigator funding in Maine, Chris Hastedt with Maine Equal Justice, said that she "has never seen such a valuable reach into the community." They and the Maine AFL–CIO have held large awareness-raising events that have included communities with low access to UI, particularly immigrant workers. This has helped with community building and even helped the state agency by batching concerns that the state could address for claimants more broadly.
- ***Information infrastructure improvements.*** Finally, the Department of Labor is looking into the bigger-picture, long-term technology modernization problem. This is a much more intense, difficult project than it may seem. Fifty-three different systems (the fifty states, District of Columbia, Puerto Rico, and the Virgin Islands) all run entirely different programs with entirely different qualifications and vastly different technology with different intersections between functions. However, so far, the department was able to do a couple of effective pilots in figuring out how to be helpful. In Arkansas, where all ID verification was in person, the Department of Labor, in partnership with the U.S. Digital Service, connected the state UI program to login.gov, saving claimants countless hours commuting to offices. In partnership with New Jersey, the teams made the application process more claimant friendly and optimized it for claimants using mobile devices. This has saved claimants more than twenty minutes each on average in applying for benefits.

Unemployment insurance is our nation's number one automatic stabilizer during economic downturns. The pandemic caused one of the most unusual downturns in U.S. history, so an unusual response was required. Congress came through, and state UI systems were able to perform incredible contortions that helped the people who needed it the most, even with the incredibly limited resources they had to work with. People used the money to improve their prospects. The recent history of unemployment insurance is a success story, and it can be even more effective and equitable in the next downturn—as long as states and the federal government continue their cooperation and commitment to the program.