W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

Employment Research Newsletter

Volume 27 | Number 2 Article 2

4-27-2020

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Stephen A. Wandner

Christopher J. O'Leary
W.E. Upjohn Institute for Employment Research, oleary@upjohn.org

Citation

Wandner, Stephen A. and Christopher J. O'Leary. 2020. "An Unemployment Insurance COVID-19 Crisis Response." Employment Research 27(2): 3-4. https://doi.org/10.17848/1075-8445.27(2)-2

An Unemployment Insurance COVID-19 Crisis Response

Stephen A. Wandner and Christopher J. O'Leary

The COVID-19 virus is likely to cause major disruptions in U.S. labor markets for at least 18 months—until a vaccine is developed and widely administered. Any program to help affected workers and stimulate the U.S. economy should be carefully targeted to workers who are most in need of income support and most likely to quickly spend these funds in the local economy.

Four groups of workers will most likely suffer severe problems during the COVID-19 crisis:

- Sick individuals whose jobs do not provide sick leave or sufficient sick leave.
- Unemployed workers who are covered by unemployment insurance (UI) but are deemed ineligible because they do not satisfy the requirements for being able to, being available for, and actively seeking work, among other eligibility requirements.
- Unemployed workers who receive UI benefits but have exhausted their regular UI benefits.
- Workers not covered by the UI program, including the self-employed, contract employees, and, more generally, "gig workers."

These groups may all suffer earnings losses because of illness, public health requirements for social distancing from coworkers or customers during the crisis, and declines in economic demand for the products and services they provide. They may lose labor income, be ineligible for UI, or exhaust their benefits. Unless they have substantial savings, they will be unable to pay for basic needs—food, rent, medical care, car payments—for themselves and their families. Their decreased spending will also harm their local economies.

Proposal

We propose changes to UI programs to provide income to covered unemployed workers, to workers still technically employed but without sick leave, and to those unemployed but not covered by UI. Specifically, two packages of UI initiatives should be undertaken, with each limited to an 18-month time frame.

COVID-19 Unemployment Insurance Program Refinements

- Access to benefits: States should simplify the UI application process and provide telephone support to UI applicants who have difficulty applying for benefits.
- Able and available: Workers suffering from COVID-19 or in a required recovery quarantine should have the "able and available" work requirements to receive UI waived.
- Actively seeking work: Unemployed workers from jobs that do not permit sufficient social distancing from coworkers and customers should have UI's work search requirements lifted. Workers allowed to telecommute must continue to work.
- Benefit standards: All states should be required to offer benefits for a potential duration of at least 26 weeks, and the maximum weekly benefit amount should be two-thirds of the average weekly wage among UI-covered workers in that state.
- Administration: The federal government should substantially increase grants to states to pay for the administration of state UI programs, as well as a new COVID-19 Special Unemployment Assistance program (see below).
- Temporary emergency compensation: A temporary emergency compensation program extending the duration of benefits for 26 weeks should be made available to all UI recipients, in all states, regardless of the unemployment rate. It should be enacted by Congress and paid for from federal general revenue.
- Permanent extended benefits: Extended benefits should be federalized and paid from federal general revenue. This would provide up to 13 weeks of additional UI benefits when the state total unemployment rate is above 5 percent in the preceding month.

COVID-19 Special Unemployment Assistance

During the severe 1974–1975 recession, Congress enacted a Special Unemployment Assistance (SUA) program that paid benefits to workers not covered by the regular UI program. The program was temporary and paid with federal general revenue. A similar temporary program could be created to pay unemployment assistance to workers who become sick from COVID-19 or have been laid off because they were employed in jobs that prevent social distancing and either 1) don't have or have exhausted their sick leave or 2) who become

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unemployed and work in uncovered employment. SUA benefits would

- be payable to self-employed, contract, and gig economy workers;
- be payable for up to 52 weeks;
- be paid using state benefit formulas but with crisis enhancements to amounts and durations listed above;
- determine monetary eligibility by payroll or tax filing records;
- waive "able, available, and actively seeking work" requirements as described above;
- ensure benefit access by having state UI staff assist with the SUA application, whether this be a new process or adapted from the Disaster Unemployment Assistance program.

The temporary UI program refinements and COVID-19 SUA program would together provide income support to the great majority of workers adversely affected by the COVID-19 economic shock. State UI programs across the country are uniquely suited to enroll new participants in income transfer payment programs, process weekly or biweekly cash payments, and rapidly establish programs in times of emergencies. State UI agencies have experience with Disaster Unemployment Assistance, the 9/11 airline unemployment assistance program, and temporary emergency compensation programs during recessions.

Christopher J. O'Leary is a senior economist at the Upjohn Institute.

Stephen A. Wandner is a research fellow at the Upjohn Institute.

Disaster Unemployment Assistance Would Help Gig, Contract, Self-Employed Workers Affected by COVID-19

Stephen A. Woodbury

Many, perhaps most, workers who have lost their jobs as a result of the COVID-19 pandemic will be eligible to receive regular state unemployment insurance (UI) benefits for up to 26 weeks. But many other job losers who have a strong attachment to the labor force and depend on their earnings—self-employed workers, contract workers, gig workers, and others—are ineligible for UI because they have not been on the payroll of an employer who has paid UI taxes on their earnings.

Disaster Unemployment Assistance (DUA) would make these self-employed workers, contract workers, and gig workers eligible to receive UI benefits. It is almost certainly the most effective fiscal policy tool available to the federal government to quickly blunt the economic damage resulting from the COVID-19 pandemic.

DUA is normally paid to workers who lose their jobs, but do not qualify for regular UI benefits, following natural disasters such as hurricanes, floods, tornadoes, and geological disasters like earthquakes and volcanic eruptions. The program is initiated by a presidential disaster declaration and administered by the state UI agencies, which in turn are overseen by the U.S. Department of Labor.

DUA requires no new congressional legislation—it is authorized by the Stafford Act of 1988—and the administrative structure needed to make it run already exists. Because DUA is funded by the Federal Emergency Management Agency, it side-steps the eligibility problem faced by self-employed workers under the regular state UI program.

The advantage of DUA over other modifications to UI being considered, such as extended benefits, is that it assists workers who would otherwise not receive benefits, and it does so quickly—typically within two to three weeks of job loss. As a result, it is targeted to individuals whose work and incomes have been interrupted and who will likely require income for basics such as rent and utilities, car payments, and groceries.

In short, DUA would target federal financial assistance to a large group of workers whose work and pay have ended as a result of the COVID-19 pandemic, but who are ineligible for UI benefits because of their self-employment status. The legislative authority exists, and the apparatus to run the program is ready to go. Only a presidential disaster declaration is needed to start what could now be the most beneficial single fiscal policy action available to the federal government.

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Stephen A. Woodbury is a senior economist at the Upjohn Institute.