

Appendix D: Summary of Policy Proposals for the UI System

(1) Unemployment Insurance (UI)

Proposed Changes at the Federal Level

The Emergency Unemployment Insurance Stabilization and Access Act of 2020¹ provides for the Secretary of labor to make emergency administration grants to states in the Unemployment Trust Fund. States are directed to demonstrate steps toward easing eligibility requirements and expand access to unemployment compensation for claimants directly impacted by COVID-19. Specifically, the key UI-related provisions of the Act are as follows:

- Congress has provided \$500 million for states that experienced a sharp increase in unemployment insurance claims,² given that the receiving state commits to raise access to UI benefits, including easing eligibility such as waiving job search requirements and waiting period. Similarly, states receiving these funds should not raise the payroll taxes of firms whose employees received UI because they were affected by Covid-19.³
- For the states satisfying these requirements, the law provides 100% federal funding for states' Extended Benefit programs (rather than a 50% match) for states that experience a 10% or higher unemployment rate compared to the previous year.
- Congress provided \$500 million for assisting with the administration of states' UI programs.

In addition, the federal government should consider the following:

- **Pass federally funded benefit increases.** Many individuals and families may find it difficult to make ends meet over an extended period of time at an average replacement rate of earnings of 40%. Since in times of crisis the risk of making job search less attractive is low, in previous recessions the federal government has funded benefit increases, and it is worth considering in the Covid-19 crisis.⁴

¹ Section D of the [Families First Coronavirus Response Act](#)

² I.e., for states where unemployment insurance claims increased by at least 10% over the same quarter in the previous calendar year.

³ In order for States to receive emergency transfers for unemployment compensation administration, a State must demonstrate steps it has taken or will take to ease eligibility requirements and access to unemployment compensation for claimants, *“including waiving work search requirements and the waiting week, and non-charging employers directly impacted by COVID–19 due to an illness in the workplace or direction from a public health official to isolate or quarantine workers.”* ([§4102-3-B](#))

⁴ The [Federal Additional Compensation](#) program offered an extra \$25 per week to all UI benefit recipients between February 22, 2009, and December 11, 2010, and was 100 percent funded from Federal general revenues.

Proposed Changes at the State Level

In order to receive federal funds allocated through the Families First Coronavirus Response Act, states should:⁵

- **Waive job search requirements:** States should waive requirements that workers be able and available to work. Among others, states should increase the allowed number of hours each week claimants can report being unable to work while still maintaining eligibility for benefits, and also expand the scope of allowed search to include part-time work.⁶
- **Waive the waiting period** between when an individual loses employment and the state processes their UI claim, as was recently done in [California](#).⁷
- Do not charge firms UI accounts whose workers applied for UI because they were unable to work due to Covid-19.

Changes in the Generosity of UI Benefits:

- **Temporarily increase the “replacement rate” for benefits.** States calculate a weekly benefit amount using a variety of formulas, calculating a base period wage, and paying benefits equal to some fraction of that (for example, California replaces about 45% of weekly wages, on average⁸). Research suggests that an optimal replacement rate exceeds 50% of the wage.⁹ Given the current state of the economy, states should aim to raise their average replacement rates to *at least* this level.
- **States not already providing allowances for dependents when calculating benefits should consider doing so.** Given many families in areas affected by Covid-19, they may face difficulties taking on full-time work and may require additional support. Though base period wages are the primary factor in determining the size of the payment a claimant receives each week, some states’ laws provide for a dependents’ allowance above and beyond the basic benefit amount payable.

⁵ The Act gives states flexibility in modifying their UI programs with respect to “work search, waiting week, good cause, or employer experience rating on an emergency temporary basis.”

⁶ In determining if a claimant is “able and available”, some states require the individual to be unavailable no more than 4 hours per week. Currently, part-time work is only an option for people whose UI claim is based on part-time work and reasonable demand exists for the claimant’s part-time services

⁷ A comparison of States’ waiting periods is available in Table 3-7 of the [Comparison of State Unemployment Insurance Laws](#).

⁸ https://oui.doleta.gov/unemploy/ui_replacement_rates.asp

⁹ http://www.rajchetty.com/chettyfiles/mh_liq_ui_jpe.pdf

Changes in Eligibility Criteria for UI Benefits

- **Temporarily expand benefit eligibility to additional types of workers not traditionally covered by Unemployment Insurance.** Examples include: real-estate agents, students laid off from work-study jobs, and other types of casual labor excluded from coverage. For example, in California, Assembly Bill 5, passed in 2019, classified many gig-economy workers (such as Uber and Lyft drivers) as employees, as opposed to independent contractors, thus entitling them to UI and other benefits, while placing the burden of proof on the employer to demonstrate otherwise.¹⁰ Other states should consider following suit.

Lower Administrative Burden of Processing Claims:

- **Reduce administrative burden by fast tracking certain claims.** Help reduce administrative burden of processing rapidly increasing numbers of claim caused by Covid-19 by not reviewing claims that are deemed very likely to be eligible. Claims could then be reassessed and if need be corrected through the tax system when the crisis has subsided. There are multiple options to choosing which claims are fast tracked, including claims coming from certain industries, firms, or region, depending on the experience with prior claims and the administrative needs of the UI agency.
- **Consider temporarily waiving repayment of any overpayments made due to (non-fraud) errors at the time of the initial claim.** The process for dealing with over-payments can take multiple weeks, contributing to bottlenecks at UI departments.¹¹ As initial jobless claims rise rapidly, and these UI departments become overloaded with cases, the costs associated with such processes (diverting resources away from processing other claims) rises significantly. Given these costs, and the changing eligibility restrictions for UI and other benefits, we recommend that in cases where overpayments are not due to willful misrepresentation, waivers are automatically granted (up to a certain amount) until the economy has recovered.

Proposed Changes if Crisis Lasts Longer

- **Instate (or Re-Instate) State Self-Employment Assistance Programs (SEAs).** SEA programs help unemployed workers generate their own jobs through small business creation. SEA waives state UI work search

¹⁰ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB5

¹¹ In most cases, if a claimant receives overpayments that are not due to willful misrepresentation, the state will ask for repayment, or deduct money from future UI benefits. The claimant may then make an appeal, and if that appeal is denied, may ask for a waiver, which would forgive all or part of the benefits the claimant is asked to repay. A list of overpayment waiver policies by state is available [here](#)

requirements for those individuals who are working full time to establish their own small businesses. SEA programs provide a weekly allowance in the same amount and for the same duration as regular UI benefits, available only to individuals who would otherwise be entitled to UC benefits but have been determined likely to exhaust their UC benefits. These programs could provide people with additional options or flexibility when aggregate demand returns.

- **Consider options for expanding participation in education and training.** In California, for example, this would involve expanding occupational training via the California Training Benefits program. States should ensure that eligible training providers list is up-to-date and increase awareness for UI claimants. Given significant labor market re-allocations, States should consider subsidizing education and training programs, allowing workers stuck in low-growth industries, who now face lower opportunity costs of investing in new skills, to change trajectories.
- **Temporarily allow UI recipients to be exempt from the “able and available” requirement if enrolling in traditional or online schools** (outside of the standard training benefits system). Currently UI recipients attending schools must technically be searching for work; in the course of the Covid-19 crisis, workers should be allowed to pursue short-term full time schooling, whether online during the crisis or in person during the economic recovery.
- **Consider Raising the Tax Base to Avoid Mandatory Payroll Increases.** UI is paid for by state UI payroll taxes. These taxes are not imposed on all wages, but on a portion of wages referred to as the “taxable wage base”, which varies significantly by State.¹² States with a low tax base risk exhausting trust funds very quickly in times of economic distress. This leads to federal loans, which trigger costly automatic payroll tax increases. These mandatory increases are likely to hit during the recovery period, hindering needed employment growth. Instead, states should replenish trust funds through expanding tax base, To avoid raising taxes in a recession, states could consider delaying tax base increases until after the economy has recovered.

¹² A comparison of states’ tax bases is available [here](#). For example, in VA, the taxable wage base is \$8,000, while in WA it is \$49,800.

(2) Partial Unemployment Insurance

Proposed Changes at the Federal Level

- **The federal government should provide incentives to states to temporarily increase their disregard and offset amounts**, increasing the total income of partial UI claimants and incentivizing participation.

Proposed Changes at the State Level

- **Increase benefits by temporarily raising earnings disregard.** Earnings disregard amounts vary drastically between states, and should be increased for States towards the bottom of the distribution.¹³
- **Increase benefits by temporarily lowering earnings offset.** Instead of offsetting benefits at a dollar for dollar basis after earning above the disregard amount, temporarily change the offset to the weekly benefit amount by 50 cents per dollar earned, as Minnesota and Michigan do.
- **Spread greater awareness through information campaigns and cross-program outreach.** There is recognition at the Federal level that UI and SNAP have overlapping participants and that actions taken at local offices can facilitate cross-program access for eligible participants.¹⁴
- **Temporarily suspend experience ratings for partial UI claims**, which may prevent firms from providing the documentation necessary for workers to file claims.
- **Temporarily allow workers to self-attest to earnings reductions, which can later be reconciled through tax returns.** Currently, employers must verify the earnings reductions, and have little incentive to do so, potentially leading to costly delays in the receipt of benefits.

(3) Short-Time Compensation (STC)

Proposed Changes at the Federal Level

- **An expansion of STC should be financed directly by the federal government.** While the Families First Coronavirus Response Act provides technical assistance and guidance for states wishing to establish STC programs, the Federal government should go further to encourage implementation.¹⁵ For instance, expansive STC programs in Europe are typically subsidized and financed separately from UI benefits, which avoids burdening states' UI trust funds and damaging increases in payroll taxes.

¹³ A comparison of different states' disregard amounts is available in Table 2-1 [here](#).

¹⁴ https://www.ers.usda.gov/webdocs/publications/45143/40626_err157.pdf?v=0

¹⁵ [Emergency Unemployment Insurance Stabilization and Access Act of 2020](#); §4104

- **Do not use STC funds to relieve UI trust fund.** States receiving federal funds for STC should have to commit to not raise the payroll tax rates of firms participating in STC.
- **Increasing awareness and take-up of the program.** Lack of information was identified as a major hurdle for take up of STC in the Great Recession. This could entail.
 - A concerted effort to incorporate STC with other relief effort for firms, such as emergency credit lines.
 - Funding outreach programs to employers and workers should accompany an extension of STC programs.
 - Extensions of STC should be tied to states ability to increase participation.
- **Federal eligibility should be temporarily increased so even firms with very large employment reductions can participate.** Currently, federal law only permits employees with work reductions between 10% and 60% of regular work to participate.
- **The Federal government should provide incentives for states to adopt STC program with assistance from the U.S. Department of Labor.**

Proposed Changes at the State Level

- **States that do not have an STC program should adopt it.**
- **States with an STC program should engage in outreach campaigns.**
- **States which have further restricted eligibility beyond the federal policy of 10%-60% work reduction should remove such restrictions.** For instance, to be eligible for Colorado’s work-share program, employers cannot have reduced weekly work hours by more than 40 percent.¹⁶
- **States should remove or weaken restrictive participation criteria aimed to stem abuse.** Out of concern for abuse, several states have put in place criteria that in the current environment risk being overly restrictive.¹⁷ These criteria should be waved temporarily.

(4) Disaster Unemployment Assistance (DUA)

Proposed Changes at the Federal Level

- **The President should declare a nation-wide disaster for purposes of Disaster Unemployment Assistance.**
 - Individuals can become eligible for DUA if they have lost a majority of income or revenue because the employer or self-employed business was

¹⁶ <https://www.colorado.gov/pacific/cdle/layoffassistance>

¹⁷ Examples include: excluding employers with negative employment experience from participation, excluding employers paying the maximum tax rate from participation, and excluding employers that are subject to a “new employer” tax rate from participation ([NELP](#)).

damaged, destroyed, or closed by the federal government.¹⁸ The widespread closing of non-essential businesses due to the risks associated with Covid-19 should qualify as a disaster, and this program is particularly well suited to provide relief to the self-employed, a population largely missed by the safety net UI provides.

¹⁸ <https://www.fema.gov/media-library-data/1528984254955-49515ab3f8eeca0627f777a8abe4347a/DisasterUnemploymentAssistance.pdf>