Appendix D: Summary of Policy Proposals for the UI System

Till von Wachter

UCLA and NBER

(1) Unemployment Insurance (UI)

Proposed Changes at the Federal Level

The Emergency Unemployment Insurance Stabilization and Access Act of 2020 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, 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.

- 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.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to expand UI benefits to those not traditionally eligible for the program (self-employed, independent contractors, those with limited work history, and others) and are unable to work as a direct result of the coronavirus public health emergency. The program also offers a

1 Contact: tvwachter@econ.ucla.edu
2 Section D of the Families First Coronavirus Response Act
3 I.e., for states where unemployment insurance claims increased by at least 10% over the same quarter in the previous calendar year.
4 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-R)
supplement $600 per week payment on top of regular state UI benefits. The Pandemic Unemployment Assistance program and the supplement fully funded by the federal government.

**Proposed Changes at the State Level**

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

- **Waive job search requirements:** States should waive requirements that workers be able and available to work. Among others reforms, states should increase the allowed number of hours each week claimants can report being unable to work while still maintaining eligibility for benefits, while also expanding the scope of allowed search to include part-time work.

- **Waive the waiting period** between when an individual loses employment and the state processes their UI claim. The CARES act provides full federal funding for the first week of benefits in States which waive the waiting week, an opportunity States should take advantage of, and can be immediately implemented, as done with an executive order in California.

- **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:**

- **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.

**Lower Administrative Burden of Processing Claims:**

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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.
• **Reduce administrative burden by fast tracking certain claims.** Help reduce administrative burden of processing rapidly increasing numbers of claims 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. 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 expanded eligibility restrictions for Pandemic Unemployment Assistance, 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 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-

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8 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.
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. 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.

(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. While partial UI claimants are eligible for the $600 supplement provided by the CARES Act, partial UI will remain an important resource for workers once the act expires. Congress should work on appropriate legislative guidelines and incentives well before CARES Act funding for Pandemic Unemployment Assistance is set to expire.

**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

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9 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.
States towards the bottom of the distribution. States should make legislative changes well before CARES Act funding for Pandemic Unemployment Assistance is set to expire.

- **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.

- **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)

The Coronavirus Aid, Relief, and Economic Security Act, or “CARES ACT”, temporarily provides States with STC programs already in place federal funding for 100 percent of STC payments to individuals. States without already-established STC programs who create such a program are eligible for federal funding of 50 percent of STC payments, while the Families First Act provides $500 million in grants towards the administration of STC programs.

Proposed Changes at the Federal Level

- **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.

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10 A comparison of different states’ disregard amounts is available in Table 2-1 here.
12 Sec. 2108 CARES Act
• **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:
  
  o A concerted effort to incorporate STC with other relief effort for firms, such as emergency credit lines.
  
  o 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.

Proposed Changes at the State Level

The CARES Act also provides $100 million in grants to States for the implementation and improvement of the administration of STC programs, along with promoting STC programs and enrolling additional employers. States should take advantage of such grants by doing the following:

• **Increase Outreach to Businesses:**
  
  • Create and support rapid response teams to advise employers about the benefits of STC programs as an alternative to layoffs.
  
  • Provide education or assistance to employers to help them assess the feasibility of participating in STC programs.

• **Develop web-based platforms to automate:**
  
  • **The submission and approval of STC plans.** Each state should provide a fully on-line application process, in addition to already existing mail-in processes. Technical support staff should be significantly expanded to facilitate a quicker and easier application process.
  
  • **The calculation of STC benefits.** States should create a platform for employers to upload the SSNs of workers participating in STC programs to the State employment agency. The State agency can then use already-existing income records to calculate the base wage rate of workers, and use this to provide employers the benefit amounts for employee, fully cutting out the manual entry of wages and work histories leading to bottlenecks and delayed payments.

13 Sec. 2110 CARES Act
• The filing and approval of new and ongoing STC compensation claims. States should ensure that STC claims are able to be submitted online, while providing technical support to claimants as well.

• Allow employers to administer STC payments to workers. This could remove the need for individuals to file their own claims through the UI department, lessening the burden on UI departments at a time when bottlenecks are especially costly. Less paperwork, and simplified payments also makes workers more amiable towards participation.

• Reimburse firms’ STC payments during the Covid-19 crisis through a refundable federal tax credit— that is, have the federal government pay the firms directly rather than processing funds through the state’s UI systems.

• States that do not have an STC program should adopt it. Sec 2110 of the CARES Act provides $100 million in grants to states that enact STC programs to assist in the implementation and administration of these programs. These grants, along with the 50% funding of STC costs provided in Section 2109, means the cost of creating an effective STC program has never been cheaper. States currently without functioning STC programs should seize the opportunity to create one.

• States with an STC program should engage in outreach campaigns. The grants provided through the CARES Act are eligible for the following uses, each of which States should utilize funds for:
  - The creation and support of rapid response teams to advise employers about how STC can function as an alternative to layoffs
  - The provision of education or assistance to employers to enable them to assess the feasibility of participating in work-sharing programs
  - The development or enhancement of systems to automate:
    - The submission and approval of plans
    - The filing and approval of new and ongoing short-time compensation claims

• 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.15

- **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.16 These criteria should be waved temporarily.

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15 [https://www.colorado.gov/pacific/cdle/layoffassistance](https://www.colorado.gov/pacific/cdle/layoffassistance)

16 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](https://www.neelpproject.org)).