



## Partisan Attacks on Unemployment Insurance Are Nothing New

Unemployment Insurance (UI) has played a key role both in helping workers replace lost income and acting as a macroeconomic stabilizer since it was introduced during the Great Depression.<sup>1</sup> In spite of decades of neglect, the program has repeatedly saved jobs and kept working Americans and their families out of poverty when they've lost a job through no fault of their own.<sup>2</sup>

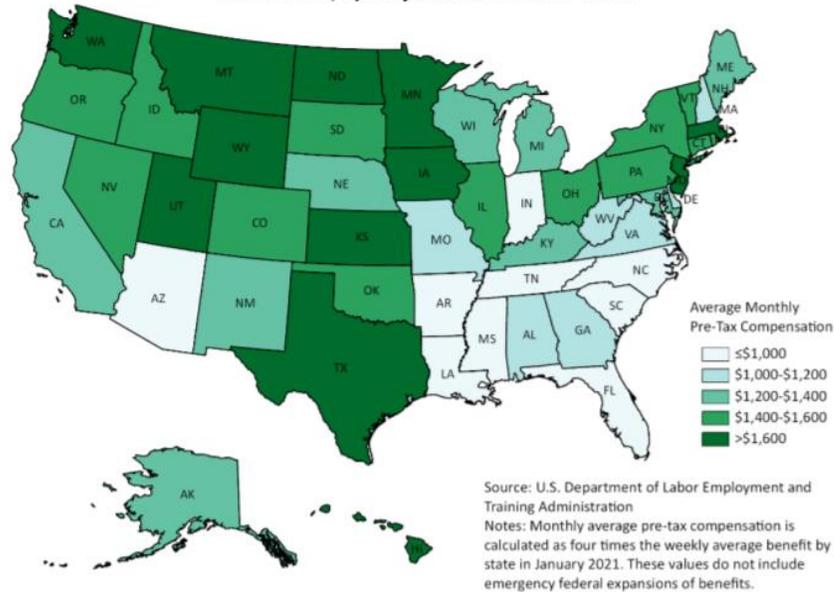
Despite the breadth of empirical evidence of the economy-wide benefits of UI, detractors have made unfounded claims for decades about the program to undermine its reputation and build political support to aggressively defund it. Unfounded partisan complaints regarding UI appear in congressional testimony, public statements, op-eds and actual policymaking.<sup>3</sup> Versions of these statements and actions, which predictably occur every time the program is working as designed—providing financial support to working families during economic downturns and stabilizing the overall economy—have been called political and philosophical by nonpartisan analysts.<sup>4</sup> Partisan talking points attacking UI are consistently *not grounded in evidence*, but rather harmful anecdotes that purposefully paint a misleading picture of UI in order to undermine popular support for this vital program.

### *UI enhances worker power in the labor market while encouraging work*

Attacks on the unemployment insurance system routinely ignore basic facts.<sup>5</sup> UI enables displaced workers to meet basic needs when they've lost a job through no fault of their own and while they actively search for a new one through modest, time-limited income support. For those who receive UI, it is a bridge—not a barrier—to a new job. Critics who believe that UI discourages work have a narrow, negative view of what motivates workers and ignore basic facts about our UI system, such as:

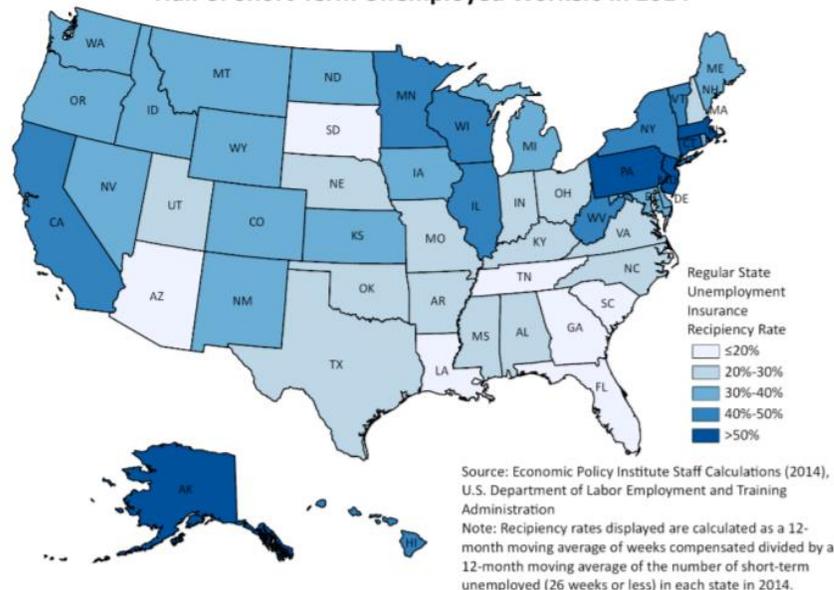
- **Standard unemployment benefits replace only a small portion of previous wages.** On average, standard UI benefits replace just 40% of a worker's prior earnings.<sup>6</sup> The value of UI is insufficient to live on anywhere in the country: the average pre-tax monthly unemployment benefit of \$1,382 for one worker is not sufficient to keep a family of two or more above the poverty line.<sup>7</sup>

**9 States Pay Average Unemployment Benefits of Less than \$1,000/Month Before Taxes**



- **Only a small percentage of unemployed workers actually get UI.** In 2019, only 28% of all unemployed workers in the United States actually received UI benefits.<sup>8</sup> This low percentage obscures a great deal of variation across states, ranging from 9% of unemployed workers in North Carolina to 59% in New Jersey. The reason is that states set their own eligibility standards and often choose requirements, such as a minimum earnings threshold, that carve out low-income workers, especially low-income workers of color.<sup>9</sup>

**Only 5 States and DC Actually Paid Out Unemployment to More than Half of Short-Term Unemployed Workers in 2014**



- **Workers earn UI benefits through previous work experience and can only qualify for benefits if they lose a job through no fault of their own and are actively looking for a new job.**

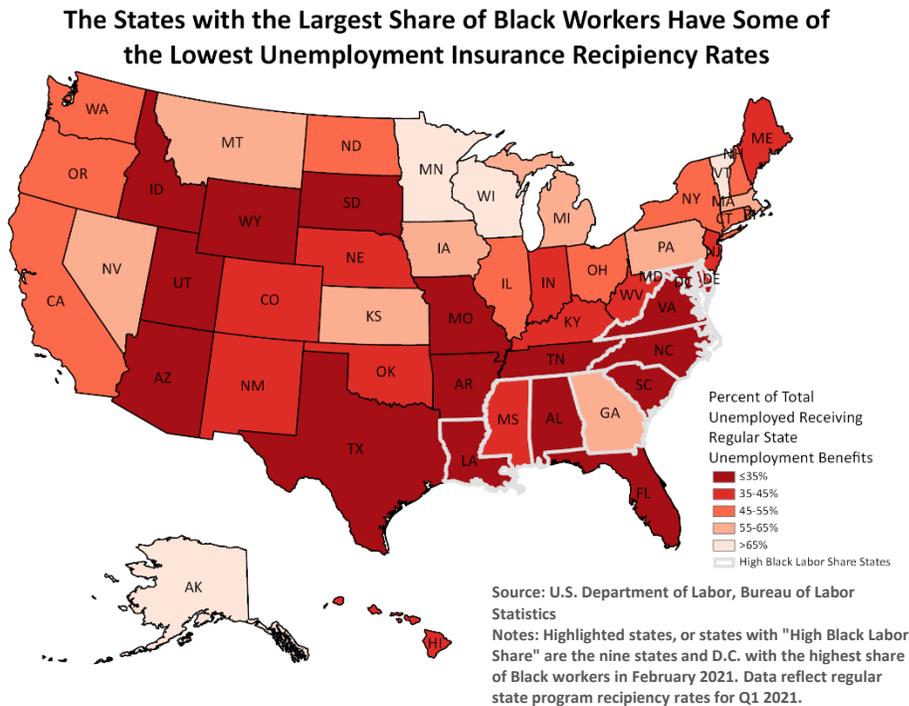
A short-term payment is not a replacement for a long-term job, and evidence has repeatedly shown that displaced workers try to find stable work as best they can. Even in May and June of 2020, immediately after the initial pandemic-induced shutdown—with the supplemental \$600 in place—7.5 million people went back to work. Many of these workers risked their health and the health of their loved ones to do so. About 70% of likely UI recipients who returned to work at that time were making more on UI than their prior wage.<sup>10</sup> Unemployed workers were well aware that any job they turned down in May and June of 2020 may not be there when their benefits expired.

Now, unlike in May and June of 2020, as vaccination rates have risen, consumer demand has returned and people feel safer engaging in activities outside their homes again. This means that there's more demand for workers than there are workers in sectors such as restaurants and travel that consumers had avoided last year out of safety concerns. This represents a change in demand for workers and an opportunity for them to pursue jobs that are better suited to their skills and needs (see brief on “Unemployment Insurance, Worker Power and the Recovery”).<sup>11</sup> Blaming UI for labor market friction is anti-competitive, anti-efficiency and anti-worker.

### *Talking about fraud in social insurance is a long-used dog whistle*

Perceptions of who is “deserving” of economic support, as well as the appropriate roles for people of different genders and races in the labor market, has influenced the design of the UI system from its inception. The narrative that UI encourages laziness and indolence and is rife with fraud stems from the same racism that underlies all attacks against income support programs in the United States.<sup>12</sup> From the beginning, these perceptions about who “deserved” economic support were baked into the design of the UI system, with implications that continue to reverberate today.<sup>13</sup> For example:

- **Workers in agricultural, domestic services, small businesses and other sectors of the labor market in which wages are difficult to track were excluded from many of the New Deal programs, including the original UI program.** However, because of the demands of segregationist Southern Democrats, these were also sectors made up disproportionately by Black workers.<sup>14</sup> To this day, these policy decisions made more than 80 years ago continue to reverberate, with the states that have the highest share of Black workers also having the lowest rates of UI reciprocity.<sup>15</sup>



- **Sexist perceptions of the appropriate role of women in the paid labor force led the Senate Finance Committee in 1961 to legislatively require that invasive data be collected on “personal characteristics, family situation, employment background and benefit experience of those who drew benefits” to “furnish ammunition” for those who wanted to push a narrative of fraud and abuse among workers perceived to be less deserving of income support.<sup>16</sup> This is just one example of how problematic assumptions about workers’ credibility and reliability have constrained access to UI, which today reaches fewer than 3 in 10 unemployed workers.<sup>17</sup>**
- **Recently, fearmongering over misrepresentation of eligibility for UI has been updated to target immigrants, who are generally portrayed as undocumented workers here to take advantage of income support programs. This idea is pervasive despite the fact that the vast majority of immigrants are in the United States legally, and those who are not are ineligible for UI anyway.<sup>18</sup>**

While evidence of people willfully misrepresenting their eligibility for UI is nearly nonexistent, there is ample evidence of millions of Americans eligible for—but unable to access—vital UI support.<sup>19</sup> The only fraud that has been detected is carried out by professional cyber-criminals, not by individuals misrepresenting their eligibility for UI.<sup>20</sup> Workers themselves are frequently the victims of this kind of fraud, and policymakers should not use this as an excuse to make life more difficult for unemployed workers.

Furthermore, the program that has been the primary target of professional criminals, the Pandemic Unemployment Assistance (PUA) program, was created because of holes in the regular UI system that millions of workers would have fallen through.<sup>21</sup> If the regular UI system had been modernized to include those workers from the beginning, a brand new program—

enacted in the middle of a global pandemic, vulnerable to hackers and the source of most of the fraud—would not have been necessary to enact in the first place.<sup>22</sup>

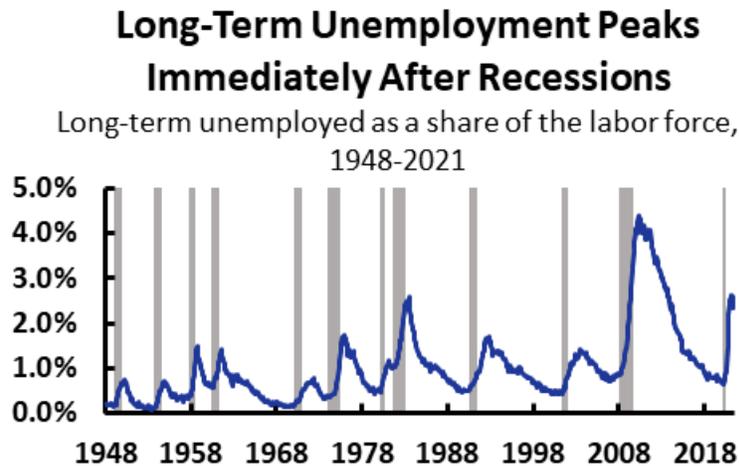
**Shoring up UI, especially finding a long-term, sustainable way for the workers covered by PUA to be eligible for regular UI in the future, is the solution to concerns about fraud.**

Further constraining the reach of critical economic support for workers, buffeted by economic forces outside of their control, is not a solution.

*Calls to shorten the duration of UI ignore economic evidence that long-term unemployment increases during recessions, through no fault of workers*

It is an observable fact that long-term unemployment increases in recessions and continues to increase directly after, often peaking *after an economic recession has technically ended*.<sup>23</sup>

Furthermore, those workers already facing disadvantages in the labor market, such as less-educated workers or workers of color, have historically been overrepresented among the long-term unemployed.<sup>24</sup> Critics' place blame on the long-term unemployed, assigning responsibility to individuals for macroeconomic trends.<sup>25</sup>



Source: Bureau of Labor Statistics, National Bureau of Economic Research  
Note: Long-term unemployment is defined as 27 weeks or more of unemployment. Data are seasonally adjusted.

Much of the conversation regarding ending the coronavirus-spurred, enhanced federal UI programs mirrors similar conversations that have taken place near the end of every recession since Extended Benefits (EB) were first conceived.<sup>26</sup> Throughout the summer, governors have prematurely cut off emergency federal UI programs despite evidence that UI does not disincentivize returning to work.<sup>27</sup>

*The UI system has been inadequate for decades. Now is the time to act.*

In 1954, the Eisenhower White House identified deficiencies in the UI system that hampered its efficiency as a macroeconomic automatic stabilizer and as social insurance for workers who lose their jobs through no fault of their own—three of which remain primary barriers to effective UI today:

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- Inadequate coverage,
- Inadequate replacement rates
- And insufficient duration of benefits.<sup>28</sup>

Since 1954, there have been numerous bipartisan commissions to study the shortfalls of UI and how the program could be improved, including in 1981, 1994, 1995 and 1996—not to mention books and studies—that outline familiar themes, problems and evidence-based solutions for permanent UI reform.<sup>29</sup>

Each of these bipartisan or non-partisan sources propose essentially the same solutions as the Eisenhower Administration did in 1954. And, most importantly, they all say that despite decades of neglect and widespread misinformation, *UI works exceptionally well at the purpose for which it was intended*—providing people the economic support necessary to pay their bills and bolstering the entire economy through periods of downturn.

### *Conclusion*

UI gives some workers modest, time-limited economic support that allows them to meet basic needs when they've lost a job through no fault of their own and while they actively search for a new one. It provides vital support to allow families to continue to pay their bills while simultaneously serving as a macroeconomic stabilizer, minimizing the economy-wide effects of an economic downturn.<sup>30</sup> Partisan attacks against UI ignore basic facts about the program and are part of a long record of undermining critical programs that support working families during economic downturns.

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<sup>2</sup> Rachel West, Indivar Dutta-Gupta, Kali Grant, Melissa Boteach, Claire McKenna and Judy Conti, "Strengthening Unemployment Protections in America," Center for American Progress, June 16, 2016, <https://www.americanprogress.org/issues/poverty/reports/2016/06/16/138492/strengthening-unemployment-protections-in-america/>.

<sup>3</sup> Sylvan Lane, "Bad Jobs Report Amplifies GOP Cries to end \$300 Benefits Boost," *The Hill*, May 7, 2021, <https://thehill.com/policy/finance/552432-bad-jobs-report-amplifies-gop-cries-to-end-300-benefits-boost>; Jim Jordan, "Hybrid Hearing On 'Lessons Learned: The Federal Reserve's Response to the Coronavirus Pandemic,'" U.S. House of Representatives Select Subcommittee on the Coronavirus Crisis, June 22, 2021, <https://coronavirus.house.gov/subcommittee-activity/hearings/hybrid-hearing-lessons-learned-federal-reserve-s-response-coronavirus>; Rob Portman, "It's Time to Stop Paying Americans to Stay Home," *Barron's*, May 24, 2021,

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<sup>4</sup> Juliana Kaplan and Joseph Zeballos-Roig, “The Decision to Cut \$300 Federal Unemployment Benefits in GOP States is ‘Tied to Politics, Not Economics,’ JP Morgan Says,” *Business Insider*, May 26, 2021, <https://www.businessinsider.com/labor-shortage-unemployment-jpmorgan-says-politics-not-economics-2021-5>; Greg Iacurci, “Republicans Call the \$600 Unemployment Boost a Disincentive to Work. Many Experts Disagree,” *CNBC*, August 3, 2020, <https://www.cnbc.com/2020/08/03/is-600-unemployment-boost-a-disincentive-to-work-no-economists-say.html>; U.S. House of Representatives Ways and Means Committee, “Hearing: Unemployment Insurance,” March 21-24, 1934, Retrieved from ProQuest Congressional.

<sup>5</sup> U.S. House of Representatives Ways and Means Committee, “Hearing: Unemployment Insurance,” March 21-24, 1934, Retrieved from ProQuest Congressional.

<sup>6</sup> Josh Bivens, Melissa Boteach, Rachel Deutsch, Francisco Diez, Rebecca Dixon, Brian Galle, Alix Gould-Werth, Nicole Marquez, Lily Roberts, Heidi Shierholz and William Spriggs. “Reforming Unemployment Insurance: Stabilizing a System in Crisis and Laying the Foundation for Equity - Section 5: Benefit Levels,” Center for American Progress, Center for Popular Democracy, Economic Policy Institute, Groundwork Collaborative, National Employment Law Project, National Women’s Law Center and Washington Center for Equitable Growth, June, 2021, <https://www.epi.org/publication/section-5-benefit-levels-increase-ui-benefits-to-levels-working-families-can-survive-on/>; Lily Roberts and Justin Schweitzer, “You Can’t Afford to Live Anywhere in the United States Solely on Unemployment Insurance,” Center for American Progress, September 10, 2021, <https://www.americanprogress.org/issues/economy/news/2020/09/10/490265/cant-afford-live-anywhere-united-states-solely-unemployment-insurance/>.

<sup>7</sup> U.S. Congress Joint Economic Committee Democratic staff, “A 21st Century UI System Is a Requirement for Economic Resilience in Future Downturns,” June 30, 2021, [https://www.jec.senate.gov/public/\\_cache/files/f357aba5-1d98-4c37-bf53-a311fff720f6/a-21st-century-ui-system-is-a-requirement-for-economic-resilience-in-future-downturns.pdf](https://www.jec.senate.gov/public/_cache/files/f357aba5-1d98-4c37-bf53-a311fff720f6/a-21st-century-ui-system-is-a-requirement-for-economic-resilience-in-future-downturns.pdf).

<sup>8</sup> Arindrajit Dube, “A Plan to Reform the Unemployment Insurance System in the United States,” The Brookings Institute, April 12, 2021, <https://www.brookings.edu/research/a-plan-to-reform-the-unemployment-insurance-system-in-the-united-states/>.

<sup>9</sup> Josh Bivens, Melissa Boteach, Rachel Deutsch, Francisco Diez, Rebecca Dixon, Brian Galle, Alix Gould-Werth, Nicole Marquez, Lily Roberts, Heidi Shierholz and William Spriggs. “Reforming Unemployment Insurance: Stabilizing a System in Crisis and Laying the Foundation for Equity - Section 3: Eligibility,” Center for American Progress, Center for Popular Democracy, Economic Policy Institute, Groundwork Collaborative, National Employment Law Project, National Women’s Law Center and Washington Center for Equitable Growth, June, 2021, <https://www.epi.org/publication/section-5-benefit-levels-increase-ui-benefits-to-levels-working-families-can-survive-on/>.

<sup>10</sup> Heidi Shierholz, “Joblessness Remains at Historic Levels and There is No Evidence UI Is Disincentivizing Work,” Economic Policy Institute, July 23, 2020, <https://www.epi.org/blog/joblessness-remains-at-historic-levels-and-there-is-no-evidence-ui-is-disincentivizing-work-congress-must-extend-the-extra-600-in-ui-benefits/>.

<sup>11</sup> U.S. Congress Joint Economic Committee Democratic staff, “Unemployment Insurance, Worker Power and the Recovery,” June 16, 2021, [https://www.jec.senate.gov/public/\\_cache/files/cce7f94b-ea1b-4b84-8155-d97b71e9f730/ui-worker-power-and-the-recovery-final-2021-07-12.pdf](https://www.jec.senate.gov/public/_cache/files/cce7f94b-ea1b-4b84-8155-d97b71e9f730/ui-worker-power-and-the-recovery-final-2021-07-12.pdf).

<sup>12</sup> Southern Poverty Law Center, “Charles Murray,” 2021, <https://www.splcenter.org/fighting-hate/extremist-files/individual/charles-murray>; Charles Murray, *Losing Ground: American Social Policy: 1950-1980*, 1994.

<sup>13</sup> Eva Bertram, “Democratic Division in the 1960s and the Road to Welfare Reform,” *Political Science Quarterly*, Winter 2011-12, [https://www.jstor.org/stable/41502469?seq=1#metadata\\_info\\_tab\\_contents](https://www.jstor.org/stable/41502469?seq=1#metadata_info_tab_contents).

<sup>14</sup> Ellora Derenoncourt and Claire Montialoux, “Minimum Wages and Racial Inequality,” *The Quarterly Journal of Economics*, 2020, [http://www.clairemontialoux.com/files/DM\\_QJE\\_2021.pdf](http://www.clairemontialoux.com/files/DM_QJE_2021.pdf); Ira Katznelson, *When Affirmative Action Was White: An Untold History of Racial Inequality in Twentieth-Century America*, 2005.

<sup>15</sup> Michele Evermore, “Testimony: Unemployment Insurance During COVID-19: The CARES Act and the Role of Unemployment Insurance During the Pandemic,” National Employment Law Project, June 9, 2020,

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<sup>16</sup> William Haber and Merrill G. Murray, *Unemployment Insurance in the American Economy: An Historical Review and Analysis*, 1966. See pages 100-101.

<sup>17</sup> Chad Stone, “Congress Should Heed President Biden’s Call for Fundamental UI Reform,” Center of Budget and Policy Priorities, May 5, 2021, <https://www.cbpp.org/research/economy/congress-should-heed-president-bidens-call-for-fundamental-ui-reform>.

<sup>18</sup> Jeremy Diamond, “Trump’s Proposed 5-Year Welfare Ban for Immigrants Is Already Law,” *CNN Politics*, June 25, 2017, <https://www.cnn.com/2017/06/22/politics/trump-immigrants-welfare-5-years/index.html>; Rebecca Smith, “Immigrant Workers’ Eligibility for Unemployment Insurance,” National Employment Law Center, March 2020, <https://www.nelp.org/publication/immigrant-workers-eligibility-unemployment-insurance/>.

<sup>19</sup> Shawn Donnan and Reade Pickert, “U.S. Unemployment Rescue Left at Least 9 Million Without Help,” *Bloomberg Businessweek*, June 25, 2021, <https://www.bloomberg.com/news/features/2021-06-25/u-s-unemployment-at-least-9-million-americans-didn-t-receive-any-benefits?sref=2XhWES2V>.

<sup>20</sup> Cezary Podkul, “How Unemployment Insurance Fraud Exploded During the Pandemic,” *ProPublica*, July 26, 2021, <https://www.propublica.org/article/how-unemployment-insurance-fraud-exploded-during-the-pandemic>.

<sup>21</sup> *Ibid.*

<sup>22</sup> Patricia Cohen, “Fraud Schemes Exploit Weak Spots in Unemployment Claims System,” *The New York Times*, October 1, 2020, <https://www.nytimes.com/2020/10/01/business/economy/unemployment-benefits-fraud.html>.

<sup>23</sup> Federal Reserve Bank of St. Louis, Federal Reserve Economic Data, “Number Unemployed for 27 Weeks & Over,” and “Civilian Labor Force Level,” <https://fred.stlouisfed.org/graph/?g=FncO>.

<sup>24</sup> Josh Mitchell, “Who Are the Long-Term Unemployed?” Urban Institute, July 2013, <https://www.urban.org/sites/default/files/publication/23911/412885-Who-Are-the-Long-Term-Unemployed-.PDF>.

<sup>25</sup> U.S. House of Representatives Ways and Means Committee, “Editorials From Across the Country Call on Congress to Extend Unemployment Insurance,” 2021, <https://waysandmeans.house.gov/editorials-across-country-call-congress-extend-unemployment-insurance>; U.S. House of Representatives Ways and Means Committee, “Hearing: Extend Temporary Unemployment Compensation Benefits,” August 22-24, 1962, Retrieved from ProQuest Congressional, (Search for “Paying extended benefits now to such individuals...”).

<sup>26</sup> Matt Fuller, “House GOP Issues Unemployment Insurance Talking Points,” *Roll Call*, January 7, 2014, <https://www.rollcall.com/2014/01/07/house-gop-issues-unemployment-insurance-talking-points/>; U.S. Senate Finance Committee, “Hearing: Unemployment Compensation,” May 13-16, 1958, Retrieved from ProQuest Congressional; U.S. House of Representatives Ways and Means Committee, “Hearing: Extend Temporary Unemployment Compensation Benefits,” August 22-24, 1962, Retrieved from ProQuest Congressional, (See Roger H. Davies testimony).

<sup>27</sup> U.S. Congress Joint Economic Committee Democratic staff, “Local Economies Stand to Lose More than \$13 Billion Due to Early Cancellation of Enhanced Unemployment Benefits,” June 3, 2021, [https://www.jec.senate.gov/public/\\_cache/files/a1bd760f-ca79-4e11-ba67-cd2e402e1b5f/2-pager-on-fpuc-and-gop-govs-06.03.2021-final.pdf](https://www.jec.senate.gov/public/_cache/files/a1bd760f-ca79-4e11-ba67-cd2e402e1b5f/2-pager-on-fpuc-and-gop-govs-06.03.2021-final.pdf).

<sup>28</sup> Council of Economic Advisors, “Economic Report of the President: 1954,” The White House, January 28, 1954, [https://fraser.stlouisfed.org/files/docs/publications/ERP/1954/ERP\\_1954.pdf](https://fraser.stlouisfed.org/files/docs/publications/ERP/1954/ERP_1954.pdf); Gabriel Chodorow-Reich and John Coglianesi, “Unemployment Insurance and Macroeconomic Stabilization,” The Hamilton Project, May 16, 2019, [https://www.hamiltonproject.org/papers/unemployment\\_insurance\\_and\\_macro-economic\\_stabilization](https://www.hamiltonproject.org/papers/unemployment_insurance_and_macro-economic_stabilization); Sandra Black and Jesse Rothstein, “Public Investments in Social Insurance, Education and Child Care Can Overcome Market Failures to Promote Family and Economic Well-Being,” Washington Center for Equitable Growth, January 14, 2021, <https://equitablegrowth.org/public-investments-in-social-insurance-education-and-child-care-can-overcome-market-failures-to-promote-family-and-economic-well-being/>.

<sup>29</sup> U.S. Department of Labor, “Notes and Brief Reports: Report of the National Commission on Unemployment Compensation,” October 1981, <https://www.ssa.gov/policy/docs/ssb/v44n10/v44n10p37.pdf>; Advisory Council on Unemployment Compensation, “Collected Findings and Recommendations: 1994-1996,” U.S. Department of Labor, 1996, [https://oui.doleta.gov/dmstree/misc\\_papers/advisory/acuc/collected\\_findings/adv\\_council\\_94-96.pdf](https://oui.doleta.gov/dmstree/misc_papers/advisory/acuc/collected_findings/adv_council_94-96.pdf); William

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