JOINT ECONOMIC COMMITTEE
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Lessons Learned from Pandemic Unemployment Assistance Should Be Applied to Permanent Reforms of Unemployment Insurance

Throughout the coronavirus pandemic, emergency Unemployment Insurance (UI) programs helped keep the economy afloat and provided a critical lifeline for millions of Americans who lost their jobs through no fault of their own. Emergency UI programs, which were created under the CARES Act in March 2020, were designed to stabilize both the economy and households by replacing enough of unemployed workers' lost income so they could continue to put food on the table, remain stably housed and pay their bills. By helping more unemployed people make ends meet, emergency UI spending supported local businesses and helped stabilize the whole economy during the worst recession since the Great Depression.

The demand for these emergency UI programs demonstrated not only the depth of the pandemic recession, but also the weaknesses of the regular UI system.

Emergency UI Programs Created by the CARES Act
Federal Pandemic Unemployment Compensation (FPUC), originally a $600 lump sum, then $300, that was added on top of both regular and pandemic UI compensation to boost wage replacement rates.
Pandemic Emergency Unemployment Compensation (PEUC), provided an additional 13 weeks of UI benefits for after someone had exhausted their regular state UI benefits.
Pandemic Unemployment Assistance (PUA), a supplemental UI program that covered millions of working Americans who lost their jobs and did not qualify for regular UI.

For example, one of the emergency UI programs, Pandemic Unemployment Assistance (PUA), was designed to address the disconnect between outdated worker eligibility rules—written when the formal labor market looked very different and was characterized primarily by traditional employer-employee contracts—and the modern labor market. In today's economy, many workers are misclassified as independent contractors rather than employees and are therefore ineligible for regular UI. In August 2021, emergency-enacted PUA provided support to 5.4 million workers who would have otherwise been ineligible for unemployment insurance. These PUA dollars bolstered both family economic security and local economies.

While all UI claims are expected to decline as the economy continues to improve, the scale of the economic impact of PUA—44% of all workers claiming UI the week of August 14, 2021 were receiving it through PUA—highlights the need for permanent reform to regular UI. In order to stabilize the whole economy and ensure all workers have access to income support in the event of unexpected job loss, UI should be reformed to better meet the challenges of the modern workforce.

While the economy is experiencing a strong recovery with substantial job growth, the uncertainty caused by the Delta variant means that many workers are still facing a labor market in flux. To help these workers and ensure recovery is broadly shared, the Biden administration has made it clear that states should utilize available American Rescue Plan funds to support unemployed workers as local conditions require. Beyond this short-term measure, the income support provided by UI is vital to families and local economies in downturns. To ensure our economy can build back better not just in this recovery but in those to come, Congress can and should do more to modernize the nation's UI system so that it better aligns with the 21st century workforce.

Pandemic Unemployment Assistance helped millions of working Americans who lost their jobs during the pandemic

Pandemic Unemployment Assistance (PUA) was specifically designed to supplement regular UI to ensure that traditionally ineligible workers would have access to critical wage replacement (as in regular UI). The types of workers that fall into this category include:

- Self-employed workers,
- Gig workers, like Uber and Lyft drivers,
- Workers whose employment history was not long enough to meet eligibility thresholds and
- Workers whose wages were too low to meet eligibility thresholds.

As of August 2021, 5.4 million workers who would not otherwise have been eligible for UI received income support through PUA. This represents 44% of all workers who claimed UI the week of August 14, 2021, and was down from a height of 15 million workers, or 50% of workers claiming UI. PUA ended, along with the other emergency UI programs, on September 6, 2021.

Pandemic Unemployment Assistance covered workers excluded from America's antiquated UI system

Originally enacted during the Great Depression, the current UI system has not kept pace with the changing labor market. Some changes in the labor market and antiquated practices that have caused workers to fall through the gaps of the current UI system include:

- **Many workers are not considered employees of the companies they work for.** This is usually due to the intentional misclassification of employees as independent contractors by companies to avoid having to provide basic labor protection and benefits, including covering their workers' UI. Gig workers for companies like Uber and Lyft are a primary example of this.

  A report commissioned by the Department of Labor found that as many as 30% of employers have misclassified workers. Other surveys of the problem have found that up to 45% of workers in some states are intentionally misclassified, and the problem is particularly concentrated in industries such as construction, home care, janitorial and app-facilitated work, like Uber or DoorDash.

This means that millions of workers are ineligible for UI should they lose their job. To address this misclassification issue, Congress should set clear standards to determine when a worker qualifies as an employee rather than an independent contractor to better protect workers from falling through the cracks.

- **Part-time work has grown as a share of the labor market.** The share of U.S. workers working part-time has increased from 13.5% in 1968 to 16.8% in July 2021. This shift is due to structural changes in the labor market, including shifts towards service-sector work as well as employers hiring more part-time workers to save on the cost of providing benefits, including UI. Part-time workers can fall through the cracks of traditional UI in several ways, one of which is the requirement that UI recipients must be seeking *full-time* employment to qualify for benefits.

  One way to address this problem would be to remove the requirement that workers receiving UI for the loss of part-time work must search for full-time work. If part-time workers were allowed to stay on UI while looking for part-time work, UI benefits would be withdrawn when wages from new part-time employment exceeded the value of UI compensation. Implementing policy along these lines would expand the number of part-time workers who are eligible for regular UI as well as encourage work, as workers could accept part-time work while continuing to look for full-time work.

- **In some states, UI administrators exclude workers' most recent earnings in determining eligibility.** When UI was first passed nearly a century ago, workers' earnings were reported by employers to state officials via paper records, requiring a record-keeping lag in the "base period" used to determine eligibility and benefit levels. Because a worker's most recent earnings were not available, administrators used earnings from previous quarters.

  Now, employers submit records electronically, eliminating the need to ignore a worker's most recent wages, typically the last three to six months of earnings. However, many states have not updated their processes to account for technological improvements and continue to omit wages. This can result in workers with more earnings in the most recent quarter failing to meet minimum qualification thresholds and not being eligible for UI, despite having work experience. Failing to implement an alternative base period (ABP) primarily hurts workers with low-wage, part-time, seasonal, intermittent or newer work histories, many of whom are workers of color.

  National implementation of ABPs to calculate eligibility and benefit levels would better capture workers' most recent earnings and expand access to UI for those workers on the edges of earning thresholds.

It is time to reform UI to give every unemployed worker access to reliable assistance while they are searching for a new job

Our UI system has not kept pace with the changing economy and nature of work in the almost 100 years since it was enacted. The emergency programs created by the CARES Act, such as PUA, acted quickly to plug these holes and provided income support to millions of workers and their families who would have otherwise fallen through the cracks. As we work to build back better, reforming the UI system to capture the workers currently left out by design—including gig, part-time and low-income workers—is crucial to ensuring a strong, more equitable economy in the future.