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# The Urgency and Popularity of Transforming America's Unemployment Insurance System

A policy and polling memo from the Center  
for Popular Democracy and Data for Progress

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# Policy Discussion

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The Unemployment Insurance (UI) system is a cornerstone of our economic infrastructure, supporting working people between jobs while smoothing economic crises. Yet the underfunded, underregulated hybrid federal-state UI system does not serve workers well, and therefore doesn't stabilize the economy during recessions. Benefits are too low for workers and their families to survive, and are distributed via 53 neglected unemployment agencies, delaying or denying lifesaving payments to millions of people. A small fraction of unemployed workers receive UI benefits, and they are disproportionately educated white professionals or managers. With no federal floor for benefit generosity or eligibility, states are free to pay measly benefits and to exclude workers in low-wage, temporary, or part-time jobs, who are more likely to be people of color.

The UI system's glaring flaws were clear after the last recession, but Congress failed to address its inequitable policy design and chronic underfunding. In March 2020, a program supposedly designed to respond to economic downturns was so obviously inadequate that Congress interceded with massive, temporary new UI programs, which successfully blunted the effects of the economic crisis. But as the past year has proven, our permanent UI programs cannot reach enough people, timely pay benefits, or keep families afloat. Even with the salve of pandemic aid, we have paid a staggering price, in human and macroeconomic terms, for policymakers' refusal to act on the lessons of past recessions.

The fundamental necessity of the UI system, and the human suffering and economic instability caused by its repeated and spectacular failures, should compel drastic changes. The basic remedy is clear: a stronger federal role and ultimately full federalization. This memo offers five priority recommendations for creating a UI system that will sustain families and the economy:

- ▶ **Reform financing of UI to eliminate perverse incentives for states and employers.**
- ▶ **Pay benefits sufficient for survival.**
- ▶ **Ensure that the program adequately responds during economic downturns.**
- ▶ **Guarantee benefits to everyone looking for work.**
- ▶ **Invest in a responsive, accessible benefit delivery system designed to reach every eligible worker.**

Critically, this memo also provides polling data showing voters strongly support key components of each of these five priority recommendations to fix unemployment.

## UNEMPLOYMENT INSURANCE DURING THE CORONAVIRUS PANDEMIC

One in four workers in the United States applied for unemployment aid at some point during the pandemic. Over the past year, the UI system has provided over 46 million jobless workers with nearly \$640 billion in aid. Relief at this scale was made possible by the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. Pandemic Emergency Unemployment Compensation (PEUC) has provided 10 million workers with additional weeks of aid after workers exhausted state benefits. Pandemic

Unemployment Assistance (PUA) has supported 16.4 million workers, most of who would otherwise not be eligible for jobless aid due to restrictive eligibility laws for state unemployment benefits, including low-wage workers who don't meet minimum monetary eligibility standards, self-employed workers, gig workers, and workers who had to quit for health or caregiving reasons. In addition, the Federal Pandemic Unemployment Compensation (FPUC) topped off meager jobless benefits, which typically replace just 40 percent of an average worker's pre-layoff wages, with \$600 per week from March until July 2020 and \$300 per week from late December 2020 to the time of writing, delivering \$340 billion in supplemental assistance.

The pandemic masked some shortcomings of the UI system, while painfully exposing others. Congressional intervention made benefits more generous and equitable, by adding a flat weekly supplement, irrespective of income, that for many recipients significantly exceeded their base benefits. Congress also dramatically, albeit temporarily, expanded the share of unemployed workers eligible to receive benefits. Yet the ad hoc nature of federal extensions, combined with the spectacular failure of the underfunded and inefficient benefit-delivery infrastructure, resulted in people waiting months for payment. After a last-minute Congressional deal in December 2020 extended benefits sustaining 16 million people, the subsequent delay in processing payments through 53 overwhelmed agencies cost claimants over \$17 billion in January 2021. Some states took more than four months to restore benefits.

The following recommendations for reform address some of the major failings of the UI system. These recommendations were developed in consultation with working people who have relied on, or tried to access, UI benefits. The importance of overhauling the UI system is illustrated throughout this memo by the experiences of members of the Center for Popular Democracy network, including its state-based affiliates and its national project Unemployed Action.

## **REFORM FINANCING OF UI TO ELIMINATE PERVERSE INCENTIVES FOR STATES AND EMPLOYERS.**

The current financing of the UI system incentivizes employers and states to obstruct delivery of unemployment benefits. Unemployment taxes are collected at the state level (to fund benefits) and at the federal level (to fund administration and half the Extended Benefits program). The federal government collects just \$42 per worker per year to finance all of UI administration. Consistent underfunding, coupled with the redundancies of a 53-agency system, has left UI infrastructure in tatters. Anemic funding formulas result in state UI trust funds that are easily depleted during recessions. To replenish those trust funds, states cut their benefits and restrict eligibility rather than raise payroll taxes. This race to the bottom is evident in the number of state bills currently pending to cut benefits, even as the need for federal intervention has shown that existing benefits are inadequate.

The financing system also raises taxes on employers with above-average rates of former employees receiving UI. This tax model, known as "experience rating," is intended to reduce layoffs, but also encourages businesses to challenge workers' benefit claims. Experience rating turns employers into adversaries to workers navigating the UI system, rather than allies. This effect can be seen not only with large corporations but also responsible small businesses with ties to their workforce. Justin, from Maine, had enjoyed a friendly relationship with the owners of the small local grocery-cafe where he had worked for two years, until it was soured by experience rating: "I took a two week unpaid leave to deal

with health issues, and when I returned I was told there was no more work for me. When I filed for UI, the store owners said I had quit and that they were upset that their taxes would go up because I had claimed UI. I got my benefits, but I was stunned that people I considered friends had tried to block me from receiving them.”

Solutions:

- ▶ Pay for UI benefits with federal dollars.
- ▶ Broaden the federal tax base by setting the UI taxable wage base equal to the FICA wage cap.
- ▶ Reform experience rating to use an “hours worked” model in which employers’ tax rate depends on the historic average of quarterly changes in hours worked by their workforce.

## PAY BENEFITS SUFFICIENT FOR SURVIVAL

UI benefits typically only replace 40 percent of workers’ pre-layoff wages and vary tremendously by state. When accounting for additional benefits of employment, such as health care, benefits, and stability of a job, even workers fortunate enough to receive UI experience a massive reduction in economic security.

Under the current federal-state hybrid system, 53 separate government systems determine eligibility and benefits. In the absence of any uniform federal standards, this design guarantees severe geographic and racial disparities. The average weekly benefit in states with high shares of Black workers is lower than that of states with high shares of white workers. Federal intervention is needed across the board, but especially to raise standards in the South.

Most states provide 26 weeks of benefits, but there is no federal requirement. In non-recession periods, Florida provides just 12 weeks, and more states are proposing to reduce benefit duration to replenish their trust funds, as discussed above. Short benefit duration particularly harms workers of color, who are the first to be laid off and last to be rehired due to structural racism in labor markets. Longer benefit periods help workers find jobs that better match their skills and ensure financial stability while job searching.

In particularly stingy states like Louisiana, the maximum benefit is not enough to survive on, especially without additional support for dependents. Latonya Howard, who worked as a wardrobe attendant at New Orleans’ convention center before the pandemic, couldn’t support her family on \$222 per week (the maximum benefit under state law, after taxes) and had to move in with her elderly mother. Latonya, a member of the grassroots organization Step Up Louisiana, said: “There are weeks when I have to decide between buying medicine or buying groceries to feed my family. I’ve been to food pantries. It’s been a slap in the face for me, after working 23 years. I’ve done everything that I was supposed to do.”

Finally, state UI systems overwhelmingly fail to adequately support underemployed workers, including people who take part-time work while continuing to search for full-time jobs. In most states, workers are able to receive a certain amount of earnings without forfeiting their entire UI claim, but the reduction in benefits is often so severe that jobseekers are punished with near-total loss of their benefits when taking part-time work. A generous and uniform federal standard for partial UI benefits is particularly

urgent because part-time work is increasingly prevalent and underemployment disproportionately affects women and people of color.

Solutions:

- ▶ Replace at least 75 percent of pre-layoff wages for average wage workers, and at least 85 percent of pre-layoff wages for low-wage workers, with minimum weekly benefits set at 30 percent of the state's average weekly wage and a cap of 200 percent of average weekly wage.
- ▶ Workers supporting family members should receive an additional \$25 per week per dependent.
- ▶ All unemployed workers should be able to rely on 30 weeks of benefits.
- ▶ Support part-time work while job-searching by allowing part-time wages and benefits combined to reach 110 percent of pre-layoff wages.

## **ENSURE THAT THE PROGRAM ADEQUATELY RESPONDS DURING ECONOMIC DOWNTURNS**

Though the Extended Benefits (EB) was established in 1970 to provide extended jobless aid during periods of labor market distress, it fails to support workers or stabilize the economy during crises. The indicators that “trigger” EB are flawed and based on the insured unemployment rate, which fails to capture the true severity of recessions. Even when triggered, EB only provides an additional 6-20 weeks, leaving Congress to authorize ad hoc extensions, which take weeks or months for decrepit state systems to implement. Arbitrary end dates, untethered from economic reality, result in anxiety-inducing cliffs that jeopardize the financial security of millions of families and slow economic recovery.

Bernice, a mother of five in Georgia, was one of 12 million people who experienced a prolonged and unnecessary lapse in income due to politicians' inaction. She lost her benefits in December 2020 when President Trump delayed signing the bill that extended CARES Act benefits. It took three months of repeated phone calls to Georgia DOL to restore her benefits. “I sometimes called fifty times a day, while supervising remote school. We had to rely on food stamps and borrow money from friends, and thank goodness my landlord was patient with us.” Over \$17 billion in benefits went unpaid in January 2021 alone because federal programs expired and had to be relaunched.

Solutions:

- ▶ Automatically extend benefits when economic conditions deteriorate. EB should be triggered when the *true* unemployment rate increases or remains elevated, either nationally or in a specific state, up to 99 weeks.
- ▶ During recessions boost benefit levels by replacing 87 percent of earnings for the average worker and up to 100 percent of earnings for low-wage workers.
- ▶ Maintain extended benefits until at least 80% of lost jobs have been regained, as measured by job recovery within communities of color as well as the economy as a whole.
- ▶ Boost dependent allowance benefits to \$50 per week per dependent during recessions.

## GUARANTEE BENEFITS TO EVERYONE LOOKING FOR WORK

Leading up to the pandemic, only one-in-four unemployed workers actually received UI benefits, down from the approximately 32 percent who received UI before the Great Recession. Nearly 42 percent of unemployed workers receiving UI currently are enrolled in the Pandemic Unemployment Assistance program, and in absence of federal intervention, would not be eligible for aid. Many PUA recipients were ineligible for state UI, despite having worked traditional W2 jobs, because of high monetary eligibility thresholds that exclude the growing share of the workforce employed in part-time, low-wage, seasonal or temporary work. Due to historical inequality and ongoing systemic bias, workers excluded by these monetary eligibility thresholds are likely to be people of color and immigrants, whose lack of workplace power is exacerbated by their inability to rely on UI while searching for better jobs. A better unemployment system would cement their inclusion and expand eligibility to include other workers.

Expanded eligibility would provide benefits to workers like Nina from Virginia, a student opera singer and restaurant hostess, and would protect her from returning to work due to health and safety reasons. “Even though I had been working and living in Virginia for several months, I was not eligible for unemployment - luckily, I am receiving “pandemic unemployment” benefits that have allowed me to stay in my apartment and feed myself. I have been advised by a healthcare provider not to return to in-person work. I am currently trying to find a part-time remote job that both pays enough to cover my rent, while simultaneously not interfering with my potential return to school.”

Solutions:

- ▶ Reduce the earnings threshold so that the increasing share of the workforce laboring in low-wage, part-time jobs with erratic hours can access UI.
- ▶ Establish a Jobseekers Allowance for people without recent earnings, such as people who graduate from school or emerge from incarceration, or are returning to the labor force after taking time off for health or caregiving reasons.
- ▶ Make benefits available regardless of immigration status.
- ▶ Update UI to match the modern workforce by including self-employed people, gig workers, part-time workers, and seasonal and temporary workers.
- ▶ Empower workers to leave abusive workplaces by making them eligible for UI when they quit a job because of safety issues, unreliable work hours, or harassment; when they take collective action to fight bad employers; or when they're fired for enforcing their rights.
- ▶ Make UI available to people forced to quit or reduce hours to put family first, such as for caregiving and when relocating for a spouse's job.

## INVEST IN A RESPONSIVE, ACCESSIBLE BENEFIT DELIVERY SYSTEM DESIGNED TO REACH EVERY ELIGIBLE WORKER

Though there are federal standards for timely benefit processing and payments, in March 2021 just 2 jurisdictions met the standard for timely eligibility determinations and just 6 paid claims on time after

determination. Claimants struggle for weeks to reach agency staff by phone, websites have been shut down for months at a time, computer systems crumble under the pressure of increased claim loads, and systems are often inaccessible for people with limited English proficiency, disabilities, or literacy challenges. Accessing life-saving benefits has often required nearly superhuman persistence. An untold number of unemployed people have given up fighting for the benefits they deserve, discouraged by the experience of unresponsive government. Others have suddenly lost their benefits when their claim is flagged for review by fraud-prevention software. Janice, a member of the grassroots organization Working Washington, reported that after submitting proof of her identity, “I got a notice that my claim was denied, and my account was locked for fraud. No one told me how to log in so I could continue filing. I can hardly ever get through on the phone, and when I do, I am told I need to wait to speak to a Tier 3 agent. I’ve now completely drained my savings — I have less than \$100 in my account.”

Together with regressive eligibility rules, these access challenges (which precede the pandemic, but were exacerbated by it) have produced stark disparities in UI reciprocity by race, income, and education level. Investing in organizations that provide culturally and linguistically appropriate outreach and navigation support is the best option for supporting immigrant workers, workers in low-wage jobs, and those with less formal education to access UI. Workers are significantly more likely to access UI when they can rely on organizations like unions to help them navigate the system. As Dora, a hospitality worker in Louisiana and member of UNITE-HERE, said, “If we had any problems, we had lawyers who were telling us how to go in there” and claim their benefits. UI Navigators might also expand worker power by connecting them to organizations that can help them protect and exercise their rights.

Solutions:

- ▶ Establish a national UI application that is well-designed, simple, and accessible.
- ▶ Streamline the determination process to deliver benefits quickly and reduce employer interference in claims, pay claims while appeals are pending, and forgive overpayments for people who make good-faith application errors.
- ▶ Set up a federal plan to rapidly staff up when claims spike.
- ▶ Require employers to notify laid off employees of their potential eligibility for UI and to share data with the agency to expedite claim processing.
- ▶ Enact the UI Technology Modernization Act proposed by Senator Wyden and Representative Horsford, and explore federalization of benefit delivery.
- ▶ Invest in labor and community groups to conduct culturally and linguistically competent outreach and navigation support for historically marginalized communities.
- ▶ Partner with labor and community groups to support workers find jobs, retrain for new opportunities, and supplement benefits, thus, helping working people build powerful, democratic institutions with strong investments in defending and expanding UI.

The Wyden-Bennet UI Reform draft discussion bill -- released in Mid-April 2021 -- contains many of these reforms: eligibility expansions that cover many low-wage workers and workers forced to quit their

jobs; a Job Seekers Allowance; national uniform standards for benefits; and automatic stabilizers in the form of extended benefit duration. However, several proposals described above enjoy strong public support but are not currently included in the bill, indicating a public desire for a more ambitious overhaul of a broken system.

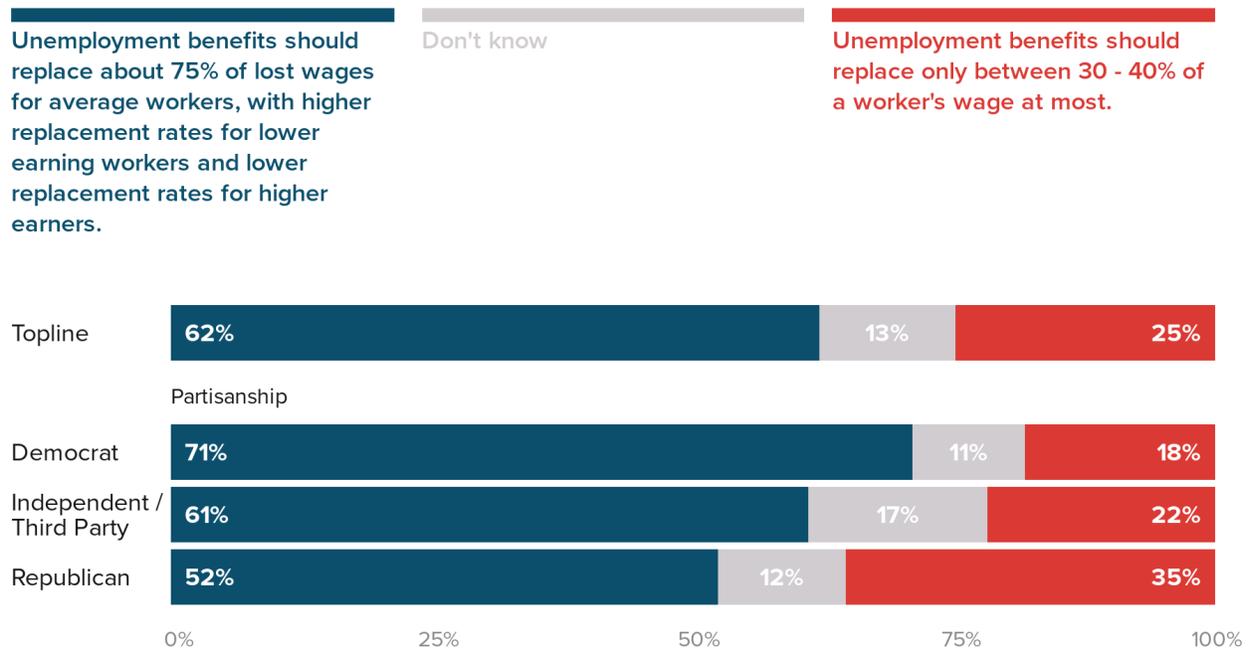
## Voters Support Bold New Approaches to Unemployment Insurance

From April 9 to April 12, 2021, Data for Progress and the Center for Popular Democracy conducted a survey of 1217 likely voters nationally to measure support for possible reforms to the UI system.

We first asked about wage replacement rates. We find that by a 37-percentage-point margin, likely voters would prefer that UI replace 75 percent of workers’ wages. When we break out responses by self-identified partisanship we find that Democrats, Independents, and Republicans would prefer UI replacing 75 percent of workers’ wages by margins of 53 points, 39 points, and 17 points, respectively.

### Voters Want Unemployment Insurance to Replace at Least 75 Percent of Workers' Lost Wages

When thinking about unemployment benefits, which statement comes closer to your view, even if neither is exactly right?



Apr 9 to Apr 12, 2021 survey of 1217 likely voters



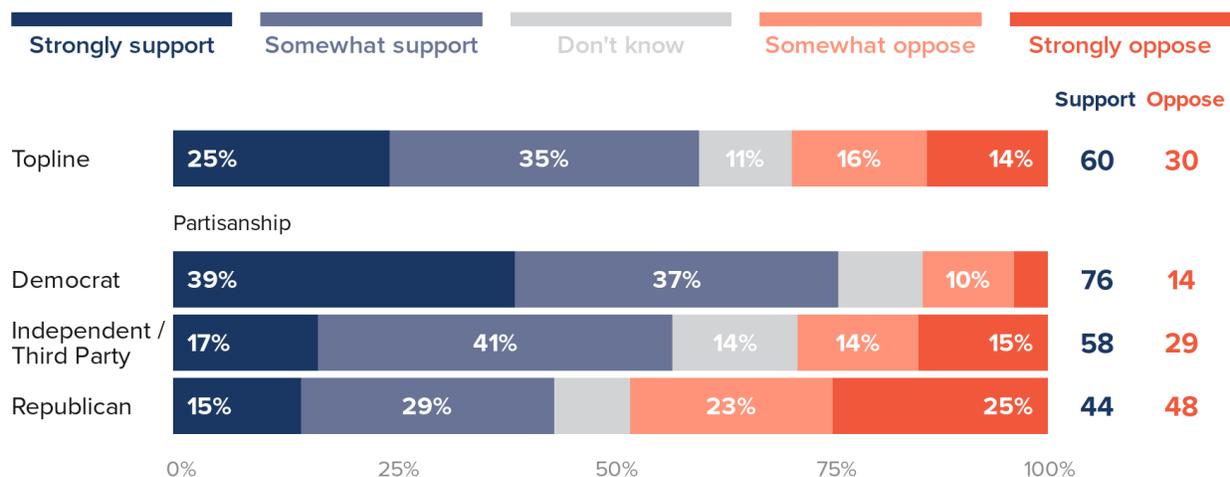
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We also tested support for creating new standards for unemployment insurance benefits that would ensure the average worker in a state sees 70 percent of their wages replaced, with workers making less than average seeing a slightly higher percent replaced. We find that likely voters support the creation of these new standards by a 30-point margin (60 percent support, 30 percent oppose). Democrats and Independents back these new standards by margins of 62 points and 29 points. Republicans are divided, with 44 percent supporting these new standards and 48 percent in opposition.

## Voters Want New Uniform Standards for the Unemployment Insurance System

Currently, the amount a worker gets in unemployment benefits is different from state to state. In Mississippi the average worker on unemployment gets \$188 per week while the average worker in Massachusetts would receive \$551 per week. In general, states with more Black workers see lower unemployment benefit amounts.

Some lawmakers in Congress are now proposing creating a uniform standard for unemployment benefits. Under these standards, the average worker in a state would see 70% of their earnings replaced by unemployment benefits, with workers making less than average having slightly higher percent of their earnings replaced. Benefits amounts would still vary, with workers in states with higher costs of living getting more and those living in states with lower costs of living getting less. Do you support or oppose establishing these new uniform standards for unemployment benefits?



Apr 9 to Apr 12, 2021 survey of 1217 likely voters

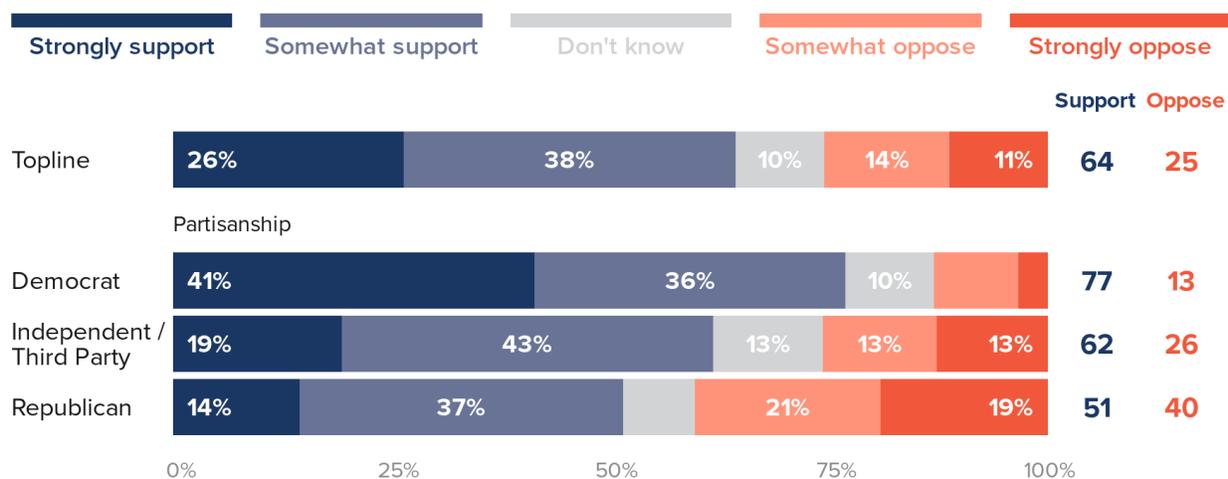


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Supplemental unemployment benefits to support dependents, including children, adult children with disabilities, and aging parents, also enjoyed broad support from likely voters. This dependent allowance is supported by a margin of 39 points (64 percent support, 25 percent oppose). A majority of Democrats, Independents, and Republicans support this proposal, backing it by margins of 64 points, 35 points, and 9 points, respectively.

## Voters Support Expanding Unemployment Insurance for Caregivers

Some states currently provide an additional benefit to unemployed workers with dependents to support the costs associated with caregiving. For example, Massachusetts provides unemployed workers with \$25 per week per child to ensure benefits can support families. Some lawmakers in Congress are proposing that all unemployed workers with dependents be eligible for supplemental benefits to help cover the costs of caregiving (approximately \$25 per week per dependent, or about \$100 per month). Further, the proposals would expand the eligible dependents to include people other than children (such as adult children with disabilities or aging parents in the household). Do you support or oppose expanding dependent allowances to include all unemployed workers and their dependents?



Apr 9 to Apr 12, 2021 survey of 1217 likely voters



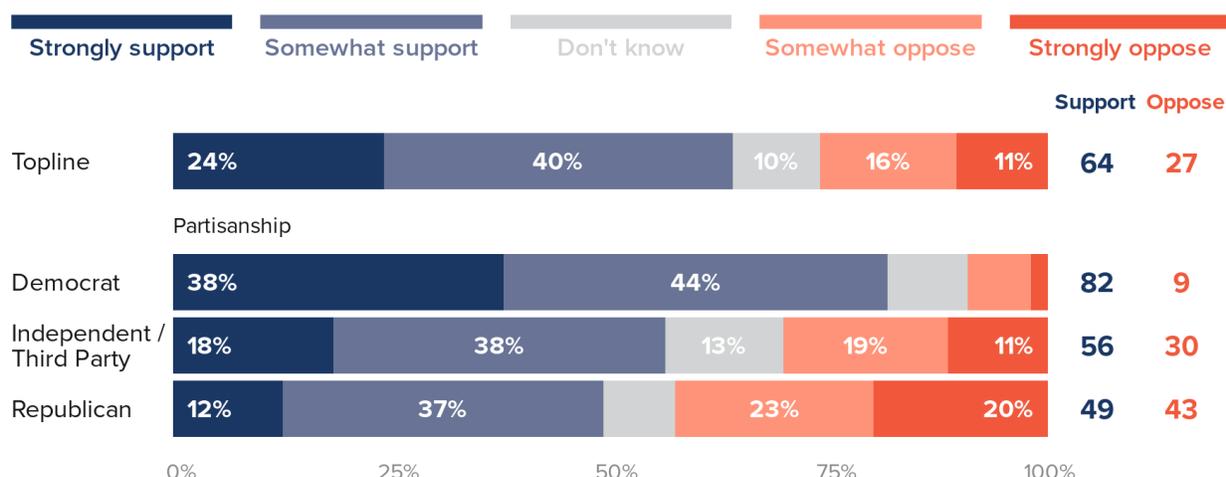
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We then asked likely voters about programming benefits to increase and automatically extend the period of benefit eligibility during recessions. Likely voters support this policy by a margin of 37 points. Looking at responses broken out by party, Democrats back this by a 73-point margin, Independents do so by a 26-point margin, and Republicans do so by a 6-point margin.

## Voters Support Automatically Increasing Unemployment Insurance During Economic Downturns

During economic downturns, long-term unemployment increases and multiple earners in a household may lose work. Traditionally, unemployment benefits, even during downturns, replace roughly 40% of workers' lost wages, on average. Further, some workers may have as few as 12 weeks of unemployment benefits when jobless spells are lengthy.

When these downturns occur, would you support or oppose automatically increasing the amount workers receive in unemployment benefits and extending the length of time over which they are eligible for these benefits?



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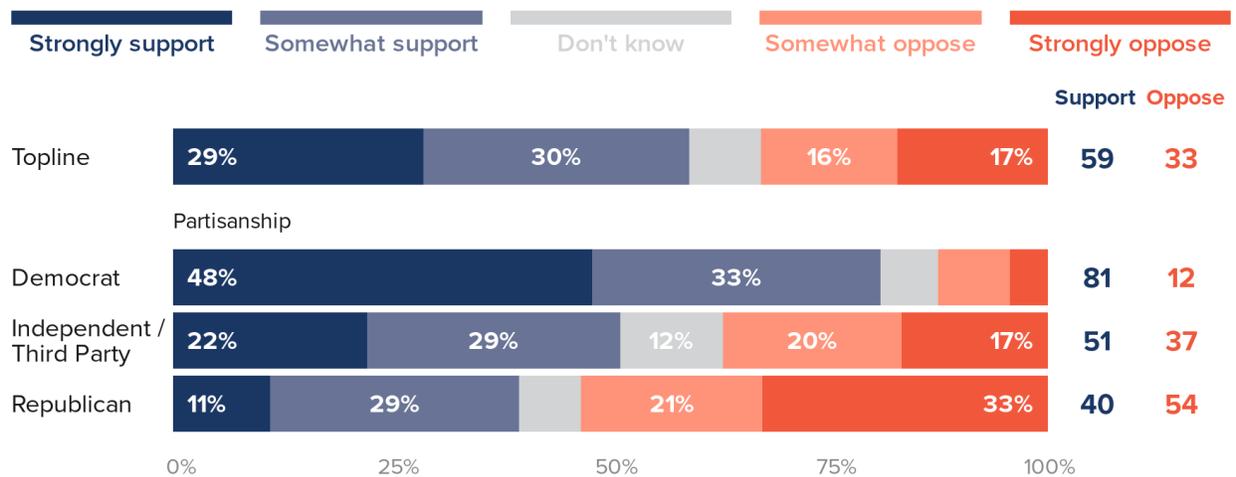


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We then asked likely voters about raising taxes on corporations to improve and expand the unemployment insurance system. Among all likely voters, this is supported by a 26-point margin (59 percent support, 33 percent oppose). Democrats and Independents, support this by margins of 69-points and 14-points, respectively. Republicans, meanwhile, oppose it by a 14-point margin (40 percent support, 54 percent oppose).

## Voters are Willing to Raise Taxes on Corporations to Pay for Reforming the Unemployment Insurance System

Creating a modern unemployment insurance system with expanded benefits and increased efficiency requires raising revenue. To pay for this upgraded system, do you support or oppose increasing taxes on corporations?



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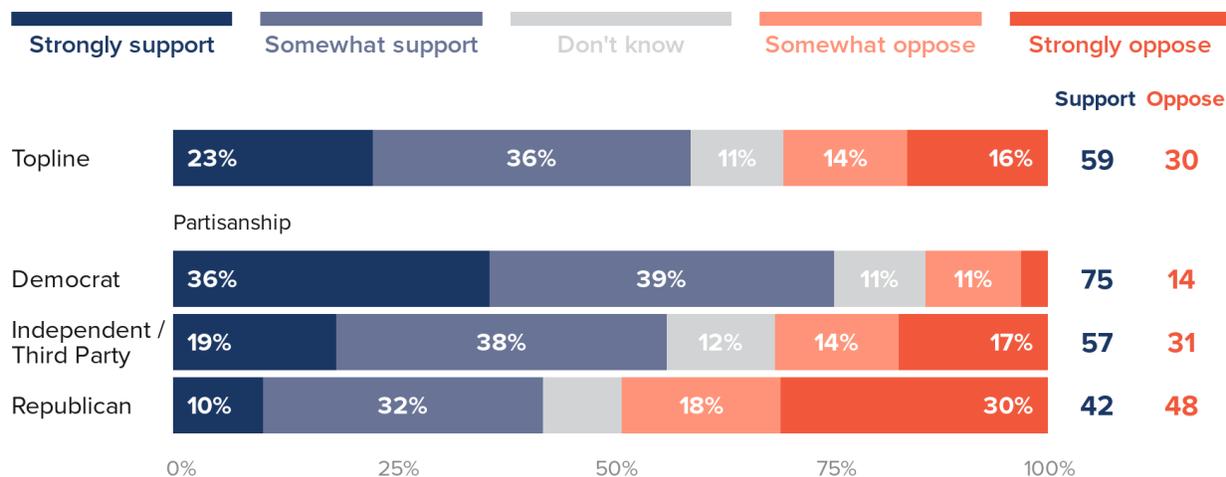
Turning to administration of UI programs, the majority of voters agree that the federal government should assume responsibility for providing unemployment benefits. We find that likely voters support this proposal by a 29-point margin (59 percent support, 30 percent oppose). Democrats and Independents back this by margins of 61-points and 28-points, respectively. Republicans, meanwhile, are split at 42 percent in support and 48 percent in opposition.

## Voters Support Federalizing the Unemployment Insurance System

Unemployment checks are currently distributed by 53 different agencies, each with its own application process and rules. Most state agencies have failed to pay claims on time during the pandemic.

Some lawmakers in Congress are proposing that the federal government assume responsibility for running the unemployment benefits system. The goal of this is to create a modern and uniform application system, increase staffing during recessions to ensure that unemployment benefits are sent on time, and to make the unemployment benefits system easier to navigate for people who work and live in different states.

Do you support or oppose this proposal?



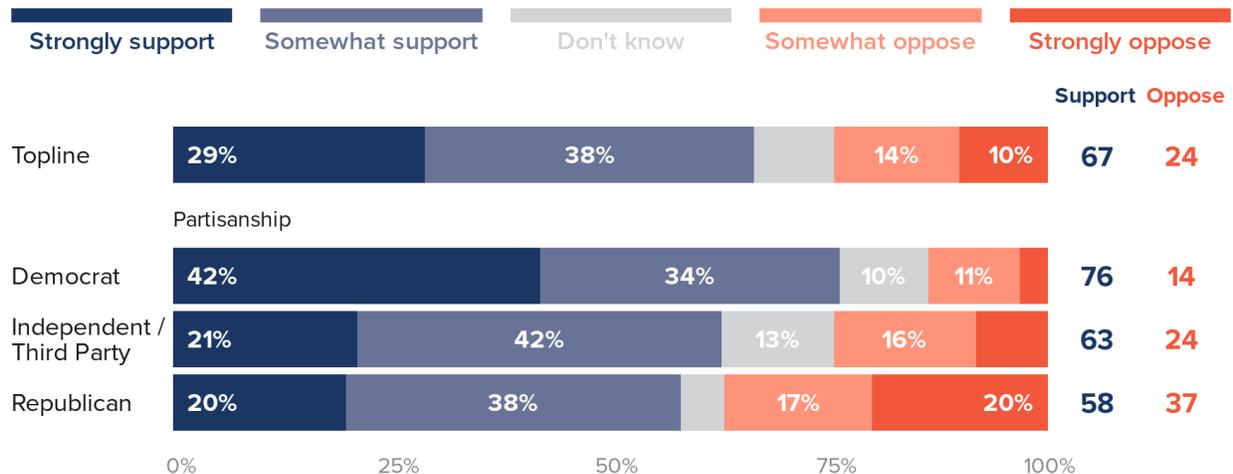
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Likely voters also believe that employers should assist former employees in getting their employment insurance more quickly by alerting them of eligibility, helping with paperwork, and sending relevant documentation to unemployment agencies, by a margin of 43 points (67 percent, 24 percent oppose). This proposal is popular across partisan lines: Democrats, Independents, and Republicans support this proposal by margins of 62-points, 39-points, and 21-points, respectively.

## Voters Want Employers to Assist Former Employees in Getting Their Employment Insurance

Some lawmakers in Congress are proposing having employers notify their employees when they are terminated about whether or not they are eligible for unemployment benefits. In addition, employers would be required to assist terminated employees with filling out their paperwork and employers would also be required to send any relevant documentation to the unemployment agency directly, in an effort to get their former employees the unemployment benefits they are eligible for more quickly. Do you support or oppose this proposal?



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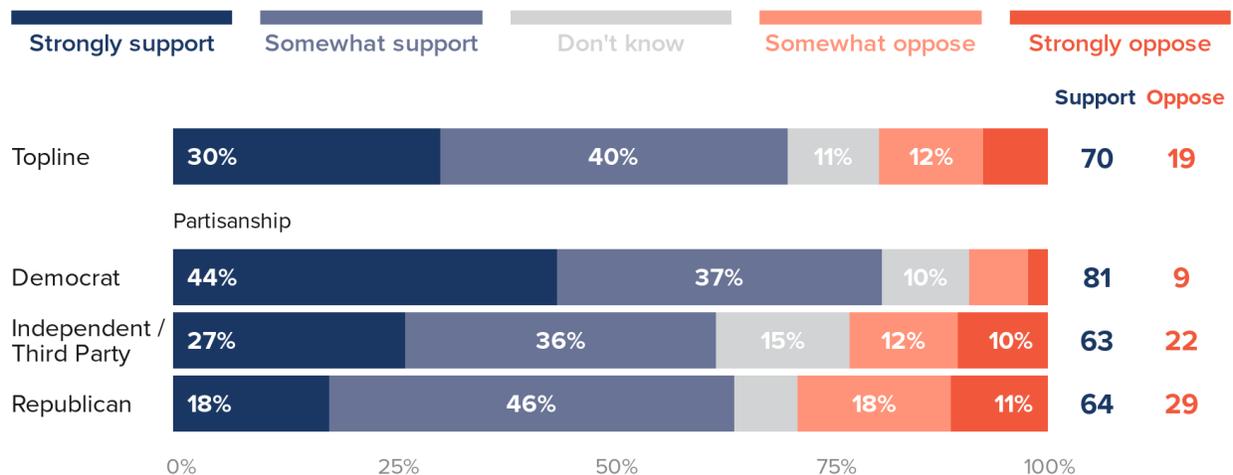
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We also asked likely voters about creating a system of unemployment navigators, that is, permanent staff who would help people navigate the UI application and benefits process at no charge. Likely voters support this by a margin of 51 points (70 percent support, 19 percent oppose). Democrats, Independents, and Republicans support this by margins of 72 points, 41 points, and 35 points, respectively.

## Voters are in Favor of Creating Unemployment Navigators

Some benefit programs, like health insurance exchanges, have dedicated staff for helping people navigate the application and benefits process. They are trained individuals or organizations whose services are free.

Do you support or oppose the creation of a navigators system for unemployment insurance, people who would help workers get the unemployment benefits that they are eligible for?



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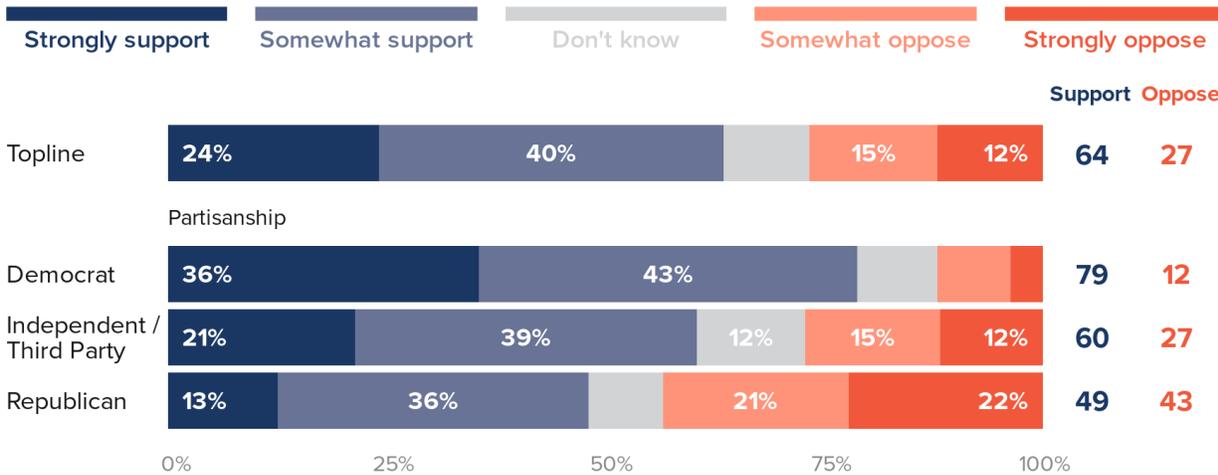
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# Voters Want to Expand the Eligibility for Unemployment Insurance

Many people who work are not eligible to receive traditional unemployment benefits, because they worked part-time for low wages, they're self-employed, they were forced to quit their jobs, or due to their immigration status. Additionally, workers entering or re-entering the workforce (such as students or caregivers) are excluded from benefits during their search for work. Congress expanded benefits to some but not all excluded workers during the pandemic.

Now, some members of Congress are proposing a permanent expansion of unemployment benefits to ensure that all those who work but are unemployed and all those actively looking for work can be eligible for unemployment benefits.

Do you support or oppose this proposal?



Apr 9 to Apr 12, 2021 survey of 1217 likely voters



Finally, we asked likely voters about expanding unemployment benefits to cover workers who have not historically qualified for UI. We find likely voters support expanding UI eligibility by a margin of 37 points (64 percent support, 27 percent oppose). Support for expanding eligibility is bipartisan: Democrats support this by a margin of 67 points, Independents by 33 points, and Republicans by 6 points, respectively.

In sum, these results demonstrate that broad reforms to the UI system are very popular with likely voters and that this support is bipartisan in nature.

## METHODOLOGY

From April 9 to April 12, 2021, Data for Progress conducted a survey of 1,217 likely voters nationally using web-panel respondents. The sample was weighted to be representative of likely voters by age, gender, education, race, and voting history. The survey was conducted in English. The margin of error is ±3 percentage points.