The Great Recession: Lessons Learned for the Unemployment Insurance System

SUMMARY

In 2018, the Chief Evaluation Office partnered with the Employment and Training Administration (ETA) to fund contractor The Urban Institute to design and conduct an evaluation that examines critical policy issues, lessons learned, and challenges states faced administering Unemployment Insurance (UI) programs during the Great Recession that began in 2007 and the economic recovery that followed.

The result of an extensive literature review, two issue briefs explore lessons on benefits extensions and UI recipiency that can inform current and future UI policy and practice. **Extending Unemployment Insurance Benefits in Recessions: Lessons from the Great Recession** discusses lessons related to benefit extensions adopted and implemented in the Great Recession, including modifications made to the EB program and the emergency EUC program. **Covering More Workers with Unemployment Insurance: Lessons from the Great Recession** discusses some of the potential issues posed for UI by nonstandard employment, changes in UI recipiency over time, and efforts to broaden coverage in the Great Recession.

A final report will be released in September 2021.

This Department of Labor-funded study was the result of a recommendation from the Government Accountability Office. It contributes to the growing labor evidence-base to inform unemployment insurance and employment and training programs and policies and addresses Department strategic goals and priorities.

KEY TAKEAWAYS

Extending Unemployment Insurance Benefits in Recessions

- **UI benefit extensions were central to the program's effectiveness in meeting the needs of both workers and the economy but also posed program administration challenges**.
- UI benefit extensions **played an important role in the overall macroeconomic stabilization effects of UI spending** in the Great Recession.
- **The EB program required a set of ad hoc adjustments to perform effectively in the Great Recession. EUC created challenges because of the programs the program's complexity and because it was not automatic.**

Covering More Workers with Unemployment Insurance

- Although some efforts to expand coverage in the last recession were successful where adopted, researchers found **the longer-term trends in UI recipiency have been downward due to countervailing policy and economic factors.**
- The incentives for expanding coverage included in the ARRA UI modernization provisions successfully spurred states' adoption of these expansions, and these provisions were largely maintained by state UI programs in the recovery following the Great Recession.
  - The majority of state UI programs now cover part-time workers and have an alternative base period.
  - Allowing separations for compelling family reasons, which was relatively uncommon before the Great Recession, is now included in about half of UI programs.
  - The empirical literature generally finds these provisions modestly increase UI coverage and payments.
- STC programs were expanded during and following the Great Recession across and within states, as a result of both federal and state policy efforts.
  - **At the start of the COVID-19 pandemic and related economic downturn, 27 states and the District of Columbia had STC programs.**
  - Overall, however, **STC remains relatively uncommon in the United States, especially when compared with other countries such as Germany**. Research identifies that **important barriers to STC use appear related to employer knowledge of the program and frictions associated with employer participation**. **Estimates suggests that, where employed and adopted, STC may prevent layoffs.**

SEE THE FULL STUDY

TIMEFRAME: 2018-2020
SUBMITTED BY: The Urban Institute
DATE PREPARED: March 2021

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