



The Great Recession: Lessons Learned for the Unemployment Insurance System

SUMMARY

In 2018, the Chief Evaluation Office (CEO) 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. Additionally, the opportunity to study these topics as they relate to the COVID-19 pandemic was incorporated into the study.

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

The Unemployment Insurance System in Two Recent Economic Downturns: Lessons from the Great Recession and the COVID-19 Recession

- **Unemployment Insurance is an important source of financial stability for households and plays a substantial role in macroeconomic stabilization.**
- **A rapid and substantial rise in UI claims was observed to pose substantial challenges for state UI operations.** In both the Great Recession and COVID-19 recession, state programs were substantially challenged by the rapid rise in claims.
- **To play an important role, UI benefit extensions have required ad hoc federal intervention.** Benefit extensions played an important role in both the Great Recession and the COVID-19 recession, but in both cases this support required emergency federal intervention.
- **Federal incentives for states to improve access and expand eligibility show promise.** Short-Time Compensation, however, remains somewhat lightly used despite federal incentives.
- **Unemployment Insurance was extended to cover new classes of workers but doing so poses challenges within the current system.** The experience of the Pandemic Unemployment Assistance (PUA) program in the COVID-19 recession demonstrated that the system could provide benefits to individuals not eligible for regular UI, including self-employed, gig workers and workers with limited work histories or earnings. However, challenges arose associated with



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self-certification and income verification for workers whose earnings are outside of state UI wages records.

- **Substantial supplementation to weekly UI benefits in recessions effectively reached workers, but there are limits in the current system.** The Federal Pandemic Unemployment Compensation (FPUC) program, which added to weekly benefits in the COVID-19 recession, demonstrated that countercyclical adjustments to benefits can be achieved in practice. However, the structure of this adjustment as a flat weekly amount was in part associated with limitations in the capabilities of state systems to make more flexible adjustments
- **States adjusted their programs in innovative ways that could have implications for the effectiveness of the system.** States demonstrated the ability to make their own emergency changes to UI programs in the COVID-19 recession.
- **Error and fraud in emergency programs emerged as challenges in new ways.** Evidence from the COVID-19 recession suggests challenges in balancing the competing demands of making timely payments to large numbers of workers and new classes of workers while guarding against fraud and error.
- **Active steps are required to ensure equity and access in the UI system.** New research and data have emerged in the context of the COVID-19 recession that emphasizes the ways in which barriers to access diminish the effectiveness of the system.

[SEE THE FULL STUDY](#)

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PARTNER AGENCY: Employment and Training Administration (ETA)

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