



Covering More Workers with Unemployment Insurance

Lessons from the Great Recession

William J. Congdon and Wayne Vroman

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The economic effects of the COVID-19 crisis for American workers have been both enormous in magnitude and broad in scope. More than 20 million jobs were lost in April 2020 alone, affecting workers in all major sectors, across income levels, and spanning many forms of employment.¹ Among the principal policy instruments supporting workers through this crisis is the federal-state Unemployment Insurance (UI) system, which provides cash benefits to those who lose their jobs or, in some cases, lose work hours. As in past recessions, policymakers have responded to deteriorating economic conditions by expanding UI in different ways, such as increasing the amount that benefits pay, extending the length of time that workers can claim benefits, and covering more workers.

The experience of UI in past recessions with similar policy responses holds potential lessons for the UI system in responding to both the current context and future recessions. In this brief, we identify key themes from the literature on UI's performance in the Great Recession that offer *lessons for covering more workers*.² We draw on findings related to such efforts in the Great Recession, including the UI modernization provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), as well as elements of the Middle Class Tax Relief and Job Creation Act of 2012 that expanded programs such as Short-Time Compensation (STC). These themes hold potentially useful lessons as policymakers have made efforts to expand UI coverage in response to the COVID-19 downturn through programs such as the Pandemic Unemployment Assistance (PUA) program and renewed efforts to promote STC, and as both federal and state policymakers consider potential future extensions and expansions of benefits as the current crisis evolves.

We begin with a brief review of the unemployment context in the Great Recession and then examine research and evidence related to efforts to extend coverage to more workers. From our review of that research, we generally conclude that **although some efforts to expand coverage in the last recession were successful where adopted, the longer-term trends in UI reciprocity have been downward because of countervailing policy and economic factors.** In addition, we identify the following themes:

- 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 (an alternative way of calculating earnings that allows more workers to qualify for benefits). 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.
- Short-Time Compensation (STC), or work sharing, 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 suggest that, where employed and adopted, STC can prevent layoffs.

In addition, we briefly discuss features of the labor market and policy landscape that continued to evolve coming out of the Great Recession, which have been noted in the literature and relate to UI coverage and reciprocity:

- UI reciprocity fell following the Great Recession to levels that are low by historical standards; before the COVID-19 pandemic, only about 28 percent of all unemployed workers received UI. A contributing factor to lower reciprocity rates has been the policy and program decisions of states since the Great Recession, such as reductions in the maximum number of weeks of regular UI benefits. Labor market factors, such as any rise in alternative work arrangements, under which workers would typically not qualify for UI, may also have played a role but have been hard to establish.

Unemployment in the Great Recession

The Great Recession, beginning in December 2007 and continuing through June 2009, was the most serious economic downturn the US economy had experienced in more than three decades.³ At the lowest point of this recession, annual unemployment more than doubled from its prerecession level, from 7 million in 2007 to 14.8 million in 2010.⁴ This recession's effects on labor markets also persisted

well into the official recovery; the unemployment rate peaked at 10 percent in October 2009, remained above 8 percent through 2012, and did not fully return to its prerecession level until 2016.⁵

Efforts to Expand UI Coverage in the Great Recession

In the Great Recession, the UI system responded to extend coverage to new groups of workers through a series of measures included in economic recovery legislation. These included provisions in the American Recovery and Reinvestment Act of 2009 (ARRA), often collectively referred to as the modernization provisions, that incentivized states to adopt reforms to their regular UI programs that in many cases expanded coverage.⁶ These measures also included elements of the Middle Class Tax Relief and Job Creation Act of 2012 that provided support for states to expand their STC and Self-Employment Assistance (SEA) programs.⁷

Modernization Provisions

In addition to elements of the recovery act that were focused on ensuring an adequate response to the recession, the ARRA also included provisions, often referred to as the UI modernization provisions, intended to induce states to adopt structural UI reforms. The effect of the modernization provisions was, generally, to expand UI eligibility by offering financial rewards to state UI programs for having or adopting specified benefit provisions. ARRA authorized \$7 billion to be distributed to states if they adopted (or had) specific UI benefit provisions as of August 2011. Each state's amount was determined by its proportionate share of federal taxable payroll.

Each state's eligible amount was split into two parts. One-third would be paid if the state established an acceptable alternative base period (ABP). Most states at the start of the Great Recession (32 of the 50 states and DC in 2007; see figure 1, below) based monetary eligibility on covered earnings during the earliest four of the past five fully completed calendar quarters. For those monetarily ineligible under the regular base period, the ABP used another base period—most frequently the latest four of the past five fully completed calendar quarters. To be eligible for any modernization money, ARRA required states to adopt an ABP.

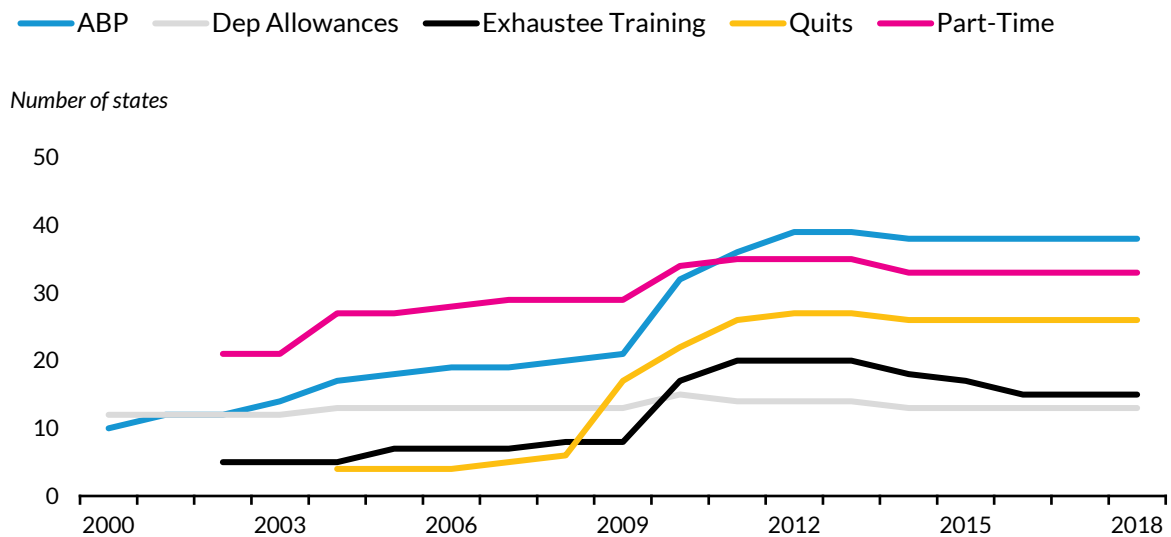
To be eligible for the remaining two-thirds share of its modernization allocation, the state had to have two of four benefit provisions (in addition to having an acceptable ABP): (1) eligibility for those seeking part-time work if they usually worked part-time before their job separation; (2) eligibility for those who quit for one of three designated reasons related to family obligations (to care for an ill family member(s), because of domestic violence, or to move with a spouse whose new job was outside the local labor market); (3) continuation of UI benefits for exhaustees who were successfully participating in state-approved workplace training; or (4) an acceptable dependents' allowance.

The UI programs received \$4.4 billion of the \$7 billion, with \$1.64 billion going to 41 programs for the ABP allocations and \$2.78 billion going to 36 programs for the other allocations (Chocolaad, Vroman, and Hobbie 2013). Several states adopted these provisions between 2009 and 2011: 18 states

adopted the ABP and 6 to 12 states adopted provisions for part-time work, quits, and training for UI exhaustees. In total, 39 state programs were compensated for using an alternative base period, 26 for eligibility for unemployed part-time workers, 19 for allowing quits for compelling family reasons, 16 for providing continued benefit eligibility during training for UI exhaustees, and 7 for having a qualifying dependents' allowance.⁸

By and large, the initial adoption of modernization provisions was followed by continued state support of these provisions since the Great Recession. A summary of the benefit modernization provisions' prevalence is provided in figure 1, which tracks counts of state programs (51 including DC) with each listed provision from January 2000 (or when first available) to 2018. Figure 1 illustrates the widespread adoption of modernization provisions from 2009 to 2011. It also shows that most provisions have been maintained from 2014 to 2018. The main exception is the decline in state programs paying UI to exhaustees enrolled in approved training—the count was 20 programs in 2011 but only 15 in 2018.

FIGURE 1
State Adoption and Maintenance of UI Modernization Provisions, 2000–18



Sources: Data from Mastri et al. (2016) and several tables in recent comparisons of state Unemployment Insurance laws: “State Law Information,” US Department of Labor, accessed August 1, 2020, <https://oui.doleta.gov/unemploy/statelaws.asp>. The counts show the number of states with the indicated benefit provisions on January 1 of each year.

Despite the range of specific program changes the modernization provisions allowed, their common objective was to broaden UI eligibility and payments. The literature generally finds that adoption of these provisions extends benefits—and so the insurance value of UI—to a greater number of workers. The two most commonly adopted provisions—the ABP and the part-time work provision—are the most studied. Mastri et al. (2016) estimate that the ABP and part-time work provisions increased UI first payments by 6 to 10 percent in 2012. In contrast, Gould-Werth and Shaefer (2013) study the adoption

of an ABP by states going back to 1987 and find no significant effects on UI receipt overall, although they do find a modest increase among part-time workers with less than a high school diploma.

A different approach projects the likely effects of more widespread adoption of these provisions on UI receipt. Callan, Lindner, and Nichols (2015) use data from the Survey of Income and Program Participation to estimate what UI receipt in the Great Recession would have been if all states had adopted the ABP and extended eligibility to claimants seeking part-time work and those who quit their job for compelling family reasons. They calculate that the share of unemployed workers eligible for UI would have risen by roughly 20 percentage points and that the adoption of modernization provisions between 2008 and 2013 realized about one-third to one-half of this increase.

Another strand of research on the modernization provisions has focused on states' decisions to adopt the provisions and administrative and operational considerations associated with their implementation by state programs. Mastri et al. (2016) report the results of a 2012–13 survey of 51 UI programs (50 states plus DC) that focused on state decisions to adopt the modernization provisions. In general, they find states report that incentives for adopting these provisions were a primary factor in their decisionmaking. States were more likely to adopt the provisions when they perceived the modernization payments would cover the expected costs of benefits or program administration. For the ABP, they also find that for many states a key factor was extending eligibility to workers with less labor force experience or lower earnings. In addition, a factor many states reported in the decision to adopt the necessary two of the four reforms was whether the state had one or two of those provisions already in place, at least in part. They find that states' choices of which other provisions to adopt were substantially driven by which they already had partially in place.

In the same survey, Mastri et al. (2016) also asked states about challenges associated with implementing the ABP and other modernization provisions. The most prevalent challenge reported was the need to reprogram data systems in introducing the ABP. For the other provisions, states reported various challenges, such as communicating the change to claimants and training staff.

Chocolaad, Vroman, and Hobbie (2013) also asked a sample of states about implementing the modernization provisions, with broadly similar results. For both the ABP and other provisions, many states reported generating cost estimates of the different provisions and that the relative costs and benefits played an important role in states' decisions to adopt modernization elements and which were chosen. They also note that numerous states reported substantial uncertainty in generating these cost estimates. The relative flexibility of the modernization funds—they could be used to pay benefits or pay for program administration—may also have made them relatively attractive to states.

Short-Time Compensation

Short-Time Compensation (STC), or work sharing, is another element of the UI system that can help extend coverage by providing benefits for workers who, under certain circumstances, remain employed but have their hours reduced. STC allows participating employers to place designated workers on reduced schedules, with work reductions typically between 10 and 50 percent of normal weekly hours.

Prorated UI benefits are paid for the nonwork period. An example would be a worker placed on a four-day schedule working 32 weekly hours and receiving UI benefits equal to 20 percent of the full weekly benefit. STC is more widely used in other countries, such as Germany, and the US program has remained very small (Vroman 2013). In 2018, for example, before the COVID-19 pandemic, the 25 states with STC programs averaged a total of 7,687 STC recipients per week, but this was only 0.44 percent of nationwide insured unemployment for the year.⁹

Where adopted, STC programs have proven popular with both employers and workers, and they provide some economic advantages over full layoffs by preventing the severing of employment matches that can be costly to reestablish. The creation and use of STC programs within state UI programs has faced administrative challenges, however. Notably, individual employers must prepare plans for approval by state UI agencies. A survey of employers conducted in 2014 (but focused on experiences before 2012) found that although employers using STC were generally satisfied with their state's program, overall awareness of the program was low (Balducci et al. 2015). Consistent with research suggesting that employer awareness of STC is low, research conducted in 2014 testing information interventions to raise employer awareness in two states—lowa and Oregon—found that outreach to employers significantly raised awareness in both states and increased adoptions of STC programs in Oregon (Houseman et al. 2017).

During the Great Recession, economic conditions and policy actions combined to lead to STC program expansions, and STC utilization grew though remained small overall. States with long-standing programs experienced their highest STC utilization in 2009. Total weeks claimed in that year for the 17 states with established STC programs totaled 5.5 million, although this represented only 3.8 percent of regular program weeks claimed (Vroman 2013).¹⁰ Between 2010 and 2012, six states added an STC program (Vroman 2013). STC was also promoted by the Middle Class Tax Relief and Job Creation Act of 2012, which provided funding to support state adoption and promotion of STC programs and clarified the definition of qualifying STC programs (DOL 2016). The act also provided temporary federal financing of STC benefits.

Since the Great Recession, STC programs have continued to expand somewhat but remain a small part of the UI system overall. An additional two states adopted STC programs after 2012, bringing the total number of state programs to 27 plus the District of Columbia.¹¹ With the COVID-19 pandemic and the related economic downturn, the set of eight states that have added programs since 2010 have contributed substantially to total STC weeks claimed.¹² During April 2020, they accounted for 15 percent of the national total STC weeks compensated.¹³ Because three of the recent adoptions were made by large states (Michigan, Ohio, and Pennsylvania), it seems likely these eight states will play an increasing role in the overall size of STC nationwide. And 2020 has already seen a strong response of STC as unemployment has increased. The weekly averages of STC beneficiaries were 191,285 and 324,800 in May and June, respectively. The June average is the highest monthly average in the entire history of STC. Although program participation in June was at a historic high, however, STC weeks compensated still represented less than 2 percent of regular UI weeks compensated during the month.

Although STC use in the US is still somewhat limited, research on its effectiveness suggests that, in times of recession, were it more widely employed, it might cushion declines in employment substantially. Abraham and Houseman (2014) estimate that, as employed in the Great Recession, STC prevented approximately 22,000 layoffs; they extrapolate that if every state had a program as intensive as the state with the most intensive program (Rhode Island), this number may have been approximately ten times as large; and that if the US program were as expansive as the German program, it may have supported nearly one million jobs.

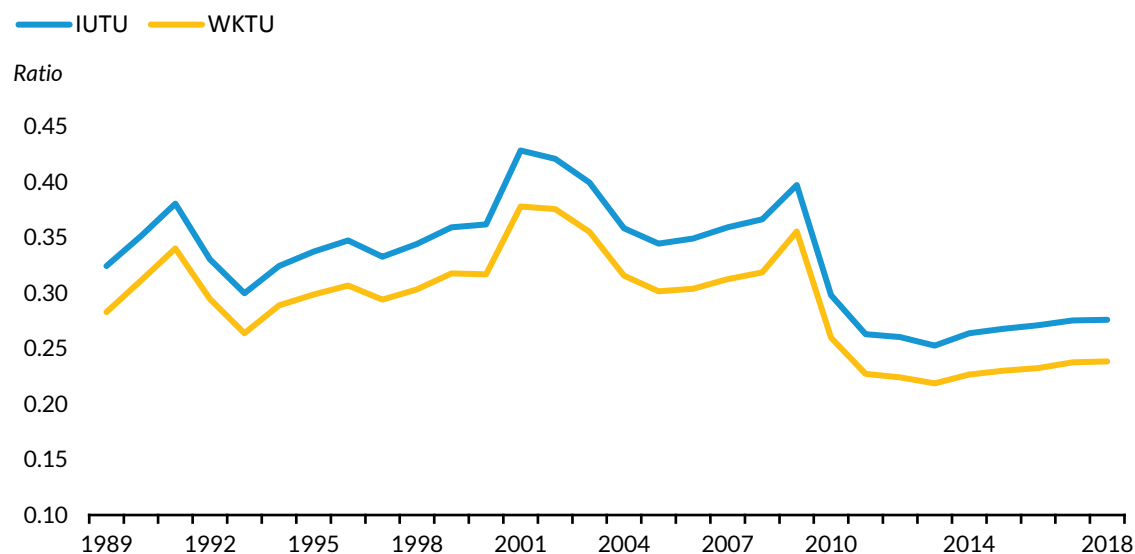
Self-Employment Assistance

Self-Employment Assistance (SEA) is a relatively small program—with only nine states offering it in 2018—under which states provide unemployment assistance to qualifying individuals while they work for themselves or start their own business, rather than returning to employment.¹⁴ Like STC, SEA was also promoted during the Great Recession in 2012, under the Middle Class Tax Relief and Job Creation Act. The program has been little studied in its current form. Weigensberg et al. (2017) conducted interviews with, and reviewed data and program materials from, five states to describe the experience of those states with SEA; among other findings, these states report higher administrative costs associated with SEA than traditional UI.

UI Reciprocity Following the Great Recession

An important trend related to coverage in the UI system following the Great Recession, and related to the set of issues and challenges associated with covering more workers, is the persistent decline in the UI reciprocity rate. The UI program reciprocity rate is frequently measured using one of two reciprocity measures, either the IUTU ratio or the WKTU ratio. The denominator of both ratios is total unemployment (TU) as measured in the Current Population Survey (CPS). TU measures total unemployment among people ages 16 and older. The numerator of the IUTU ratio is insured unemployment (IU)—the number of persons actively filing for UI benefits—including claimants who have filed but are not receiving benefits. The weekly number of UI recipients (WK) forms the numerator of the WKTU ratio. Figure 2 shows annual IUTU and WKTU ratios from 1989 to 2018.

FIGURE 2
UI Reciprocity Rates, 1989–2018



Source: Urban Institute calculations based on reports from the Current Population Survey (CPS) and UI program reports from states. IUTU is weekly UI claimants (IU) as a share of weekly total unemployment (TU). WKTU is weekly beneficiaries (WK) as a share of total unemployment (TU). Taken from Vroman (2018).

As a result of these trends since the Great Recession, at the onset of the COVID-19 pandemic and related economic downturn, the UI reciprocity rate had fallen to 28 percent of total unemployment—that is, only about two in every seven unemployed workers received UI benefits. This level is low relative to historical trends and a function of both policy and program factors as well as labor market factors that have evolved since the Great Recession and lowered both coverage and participation in the program.

Policy Factors

Partly as a consequence of the need to bring finances into balance following large UI trust fund drawdowns and extensive borrowing because of the Great Recession, some states have adopted changes to their UI programs that have likely contributed to reductions in reciprocity.

One notable change in UI benefits since the Great Recession with implications for coverage has been the reductions in maximum potential benefit duration enacted by several states. From the late 1970s through 2010, all state UI programs provided at least 26 weeks as the maximum potential duration in the regular program. Starting with Missouri and Arkansas in 2011, however, some states began to lower their maximum potential durations.¹⁵ In 2019, for example, maximum potential durations were as low as 12 to 14 weeks in Florida, Georgia, and North Carolina. At the beginning of 2020—at the onset of the COVID-19 emergency—9 states had a maximum potential duration of fewer than 26 weeks (3 of which have subsequently returned to offering 26 weeks in response to COVID).¹⁶

These reductions in the maximum duration of benefits have implications for the extent of regular UI benefit payments. Vroman (2018) identifies state reductions in the maximum potential duration of regular UI benefits below 26 weeks as a contributing factor to this decline. The sustained economic recovery in the decade following the Great Recession led total benefit payments to decline sharply in all states. Much larger reductions, however, occurred in states that shortened average benefit duration. For example, three of the largest states (California, New York, and Texas) have not made major changes in their benefit statutes during the past decade. Their combined regular UI benefit payments declined from \$19.1 billion in 2009 to \$9.4 billion in 2018, or by 50.6 percent. Over the same period, combined regular benefit payments declined by 78.8 percent (from \$5.6 to \$1.3 billion) for Michigan, Missouri, and South Carolina and by 87.7 percent (from \$7.1 billion to \$0.9 billion) for Florida, Georgia, and North Carolina.

Another change to benefits and claims administration Vroman (2018) identifies as contributing to reciprocity reduction is the rise in denial rates for nonseparation nonmonetary determinations in recent years. Although the adjudication rates (disputes per claim) and denial rates for separation determinations (determinations of whether workers are eligible for UI based on how they became unemployed) have not changed markedly in recent years, adjudication rates and denial rates for nonseparation determinations (determinations of whether workers are eligible for UI based on other factors, such as satisfying requirements to search for work) have been increasing. In 2019, the nonseparation denial rate reached its highest level in history at 86 percent.¹⁷ During the 1980s and 1990s, nonseparation denial rates were much lower, between 50 and 60 percent each year (Vroman 2018). From 2009 to 2016, the determination and denial rates for nonseparation determinations both showed significant increases, which have continued through 2019. In short, changes in aspects of UI program administration may also be contributing to the decline in reciprocity since the Great Recession. The causes of these changes, including the extent to which they are a response to financial pressures created by the Great Recession or other factors, are not established in the literature. Anecdotally, states with modernized UI IT systems tend to flag more issues and may be contributing to the increase in denial rates. This is a question where additional research is needed.

Labor Force Factors

During and since the Great Recession, labor markets have also been evolving in ways that have potential consequences for UI coverage and reciprocity. Two issues in particular have drawn attention and raised some concern: first, trends in alternative work arrangements and contract work, which do not typically qualify for UI; second, patterns of part-time work, which also may not qualify for UI.

CONTINGENT AND ALTERNATIVE WORK

Recent years have brought greater attention to trends and issues associated with alternative work, including independent contracting, on-call work, temporary help, and contingent work, or jobs known to have limited duration. Particular interest exists in electronically mediated work, which includes platform-based work such as rideshare work and other so-called gig employment. The Bureau of Labor

Statistics (BLS) defines this type of work as “short jobs or tasks that workers find through websites or mobile apps that both connect them with customers and arrange payment for the tasks.”¹⁸

Understanding the magnitudes and trends related to alternative work is potentially important for UI primarily because workers in these forms of employment relationships are often not eligible for regular UI benefits. In particular, those classified as independent contractors, potentially a large share of such workers, are ineligible for UI. The legal frameworks for employee classification are the subject of current policy debates and reforms, however, such as recent changes legislated in California.¹⁹ Research also shows workers have imperfect knowledge of their current job classification, which has implications for how these workers might interact with the UI system (Daley et al. 2016).

Despite the attention the changing nature of work has received in recent years, the central question of how common these types of work arrangements have become, and how they have changed over time, remains difficult to answer definitively. According to the BLS National Survey of Contingent Workers (CWS) conducted in 2017, contingent work arrangements made up only a small share of the formal US workforce in 2017, from 1 to 4 percent (or 2 to 6 million workers) depending on the definition.²⁰ Another 7 percent, or 10 million workers, were independent contractors. When compared with results from earlier rounds of this same survey (in 2005 and earlier), the share of contingent employment is relatively steady. Using tax data, Collins et al. (2019) document a rise in the contractor workforce (workers who receive income reported on 1099 forms). Katz and Krueger (2019) attempt to reconcile different measures and conclude there has been a modest rise in recent decades.

The relative stability of these newly emerging types of employment arrangements that these measures suggest is surprising given media attention to the contrary. However, there do appear to be challenges associated with accurately measuring these forms of work (Abraham et al. 2018). The lack of growth could be in part because the survey only captures contingent or alternative work that is the individual’s main job (the one where they work the most hours), thus not capturing supplemental contingent jobs. Some research suggests that a substantial share of alternative work supplements other forms of employment and earnings (Jackson, Looney, and Ramnath 2017; Koustas 2019; Farrell, Greig, and Hamoudi 2019). Challenges also exist associated with measuring electronically mediated employment in particular. Survey responses in the CWS indicated that interviewers as well as respondents had difficulty identifying the difference between this type of employment and standard employment. After recoding the data, BLS estimated electronically mediated employment was 1.0 percent of total employment, or 1.6 million people, in May 2017.

Although trends in alternative and contingent work have proved difficult to establish precisely, policy debates and reform efforts related to worker classification continue, and issues around the ability of such workers to access UI are likely to remain the subject of some debate. This includes understanding the engagement of this workforce with the UI system in the context of the economic downturn related to COVID-19, where an important element of the emergency policy response has included the Pandemic Unemployment Assistance (PUA) program, discussed in some additional detail below, which provides UI benefits to workers in these nontraditional employment situations.

PART-TIME WORK

Another area of concern sometimes raised relates to trends and coverage for part-time workers. However, for more than three decades, the fraction of the labor force working at part-time jobs (usually defined as fewer than 35 hours per week) has remained relatively stable at around 17 percent (Dunn 2018). The majority of part-time workers work less than full-time hours for noneconomic reasons, sometimes referred to as voluntary part time. However, a significant share (roughly one in four) would prefer to work full-time hours but cannot find full-time employment, described as involuntary part-time workers. Involuntary part-time employment is linked to the business cycle, increasing during recessions. Thus, while voluntary part-time employment has been a stable share of total employment for several decades, involuntary part-time work is highly cyclical, increasing from 2 percent of total employment in 2007 to 5 percent in 2010 (Dunn 2018).

In the past decade, an increasing share of part-time workers has become eligible for UI when they become unemployed. As discussed above, the UI eligibility rules for part-time workers were expanded by the UI modernization provisions included in ARRA and subsequently adopted by several states. Analyses of the changes resulting from these part-time provisions in ARRA estimated they increase overall UI reciprocity (Lindner and Nichols 2012).

Analyzing the impact of increased eligibility among unemployed part-time workers is difficult because the main data series on UI claimants and recipients²¹ does not distinguish between claimants who previously worked part time and full time. Thus, how part-time claimants factor into the observed decline in UI reciprocity cannot be inferred directly from the standard reports submitted by UI agencies.

UI Coverage in the COVID-19 Pandemic

As noted above, efforts to broaden coverage of UI benefits have already been implemented in the context of the COVID-19 pandemic, and additional extensions are currently being considered. Some of the lessons from the UI system during and since in the Great Recession might inform some aspects of covering more workers in the current context.

Pandemic Unemployment Assistance (PUA)

The most notable effort to expand UI coverage in response to the COVID-19 pandemic is the Pandemic Unemployment Assistance (PUA) program, created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020.²² PUA benefits are available to individuals not traditionally covered by state UI programs, such as the self-employed, gig workers, and workers with educational, caregiving, and specified other responsibilities. The PUA program does not have a close parallel in the emergency UI measures enacted in the Great Recession, although it does respond in part to concerns related to changes in the labor force since the Great Recession, noted above. The program resembles the standing Disaster Unemployment Assistance (DUA) program.²³ It also mirrors the Special Unemployment Assistance (SUA) program enacted in the recession in the mid-1970s.²⁴

Administering PUA benefits presents several challenges to state UI programs. Two are especially important. First, the program was initially implemented in a period where regular UI benefit claims were at the highest levels in the entire history of UI.²⁵ Second, unlike regular UI where past earnings (the basis of weekly UI benefits) are already in agency wage records, the earnings of the self-employed and others newly covered must be requested from potential beneficiaries to make accurate eligibility determinations. Sources may include pay stubs, IRS W-2 and 1099 forms, and past tax returns.

Table 1 summarizes early experiences with the PUA program. The table displays PUA weeks claimed for the weeks of April 18th and May 16th. The columns show national data and data for three groups of states: large non-southern states, large southern states, and the remaining 38 states (including DC). The top row shows total unemployment (in millions) for these groupings as of April 2020, the first month to reflect the effect of the pandemic. The 13 large states combined represented 60.7 percent of unemployment in April and the other 38 states 39.3 percent.

The three geographic categories illustrate a key, regional, stylized fact about the UI program: reciprocity rates are much lower in the South than elsewhere in the United States. This contrast is apparent in the early weeks of the PUA program. In the week of April 18th, the five large southern states accounted for 18.4 percent of PUA benefits, similar to their share of April unemployment (19.4 percent). By the week of May 16th, however, their share had declined to 4.0 percent.

TABLE 1
PUA Rollout by Region and State Size

	US total	13 large states	8 large northern	5 large southern	Other 38 states
Unemployment	23.078	14.016	9.532	4.484	9.062
Share of total		0.607	0.413	0.194	0.393
PUA April 18	0.995	0.355	0.172	0.183	0.640
Share of total		0.357	0.173	0.184	0.643
PUA May 16	10.741	8.518	8.088	0.430	2.223
Share of total		0.793	0.753	0.040	0.207

Sources: Unemployment data from the BLS “State Employment and Unemployment” release for April 2020. PUA continued claims from Unemployment Insurance Claims Reports from the indicated weeks. Data in millions. Eight large northern states: California, Illinois, Massachusetts, Michigan, New Jersey, New York, Ohio, and Pennsylvania. Five large southern states: Florida, Georgia, North Carolina, Texas, and Virginia.

A second feature of table 1 is the faster response of the 38 smaller states in making PUA benefit payments in this period when compared with the larger states. In the week of April 18th, the smaller states accounted for 63.2 percent of PUA continued claims compared with their 39.3 percent of April unemployment. By May 16th, their share had declined to 20.7 percent. The third noteworthy feature of table 1 is the rapid growth of PUA continued claims in the eight large northern states, from 17.3 percent of total weeks claimed in the week of April 18th to 75.3 percent in the week of May 16th. By the latter week, the more than 8 million claimants in these states represented 84.8 percent of total unemployment in these eight states.

Short-Time Compensation

STC remains an important element of the overall UI program and one potentially particularly well suited for the COVID-19 context where the economic disruption from the pandemic may be temporary in nature or arrive in waves. Emergency support for STC was included in the CARES Act in a form similar in broad respects to the STC provisions included in the Middle Class Tax Relief and Job Creation Act of 2012 in the context of the Great Recession. The CARES Act provisions include temporary, full federal funding of STC benefits for states that already have an STC program, partial (50 percent) federal funding of STC benefits for states that establish an STC program, and grants for states to implement or improve STC programs.

The experience of the Great Recession suggests that such measures can help expand STC coverage. And indications in the COVID-19 emergency suggest some movement on this front. A bill to establish an STC program is, at the time of writing, under consideration in Wyoming; Virginia reestablished their STC program effective starting in 2021.²⁶ However, as noted above the research also indicates that employer knowledge of these programs and their participation in state programs is likely to remain a bottleneck. Additional research and policy and program efforts are needed to better identify and work to relieve these issues.

Other Coverage Expansions

Finally, the modernization efforts provide an additional set of potential lessons for the needs and challenges associated with expanding coverage in the current context. First, the relative success of the modernization provisions in inducing states to adopt expansions to coverage in exchange for federal funding indicate the potential of this general approach to achieve coverage expansions. Second, the empirical literature generally finds that these provisions increase UI coverage, and although a number of states adopted the specific provisions and nearly all states have maintained them following the Great Recession, they remain less than universal and there may be gains from additional efforts to promote their adoption. Finally, the provisions related to expanding allowable separations, such as for compelling family reasons, suggest the promise of additional efforts in expanding coverage related to separation. In the COVID-19 context, numerous state-level efforts have taken this form, including allowing individuals to leave work to care for children when schools have closed, quarantine, or care for the ill or quarantined.²⁷

Notes

¹ Payroll employment from Bureau of Labor Statistics (BLS) reported tabulations: “Employment, Hours, and Earnings from the Current Employment Statistics Survey (National),” BLS, February 18, 2021, <https://data.bls.gov/timeseries/CES0000000001>. Additional detail is provided in the April Employment Situation release from BLS: “The Employment Situation—April 2020” (News release), BLS, May 8, 2020, https://www.bls.gov/news.release/archives/empsit_05082020.pdf.

² In a companion brief, we identify key themes from the literature on UI’s performance in the Great Recession that offer lessons for extending benefits.

- ³ Recession dates from the National Bureau of Economic Research (NBER): “Business Cycle Dating,” NBER, accessed August 1, 2020, <https://www.nber.org/cycles.html>.
- ⁴ Average annual unemployment levels from Bureau of Labor Statistics (BLS) reported tabulations: “Labor Force Statistics from the Current Population Survey,” BLS, February 18, 2021, <https://data.bls.gov/timeseries/LNU03000000>.
- ⁵ Unemployment rate from Bureau of Labor Statistics (BLS) reported tabulations: “Labor Force Statistics from the Current Population Survey,” BLS, February 18, 2021, <https://data.bls.gov/timeseries/LNS14000000>.
- ⁶ American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (February 17, 2009), Division B, Title II, Subtitle A, Section 2003: <https://www.congress.gov/111/plaws/publ5/PLAW-111publ5.pdf>.
- ⁷ Middle Class Tax Relief and Job Creation Act of 2012, Pub. L. 112-96 (February 22, 2012), Title II: <https://www.congress.gov/112/plaws/publ96/PLAW-112publ96.pdf>.
- ⁸ These counts show number of states receiving ARRA compensation for specific modernization provisions. Other states also had these benefits but did not receive ARRA compensation. The counts refer to 51 UI programs but exclude Puerto Rico and the Virgin Islands.
- ⁹ Authors’ calculations based on ETA 539 Weekly Claims series data. Insured unemployment in 2018 totaled 1,734,074. Data available at “Data Downloads,” DOL, accessed August 1, 2020, <https://oui.doleta.gov/unemploy/DataDownloads.asp>.
- ¹⁰ When STC weeks in 2009 were measured as equivalent (five-day) weeks, they represented only 1 percent of total weeks.
- ¹¹ Count of states with STC programs from Table 4.5 from DOL’s most recent “Comparison of State Unemployment Insurance Laws”; available at “State Law Information,” DOL, March 29, 2004, <https://oui.doleta.gov/unemploy/statelaws.asp>.
- ¹² Colorado, Maine, Michigan, Nebraska, New Hampshire, Ohio, Pennsylvania, and Wisconsin.
- ¹³ STC claims figures in this paragraph are authors’ calculations based on ETA 539 Weekly Claims series data; data available at “Data Downloads,” DOL, accessed August 1, 2020, <https://oui.doleta.gov/unemploy/DataDownloads.asp>.
- ¹⁴ Count of states with SEA programs from Table 4.6 from DOL’s most recent “Comparison of State Unemployment Insurance Laws”; available at “State Law Information,” DOL, March 29, 2004, <https://oui.doleta.gov/unemploy/statelaws.asp>.
- ¹⁵ State maximum duration of regular benefits from recent issues of the “Comparison of State Unemployment Insurance Laws”; available at “State Law Information,” DOL, March 29, 2004, <https://oui.doleta.gov/unemploy/statelaws.asp>.
- ¹⁶ Tabulations of current state durations (and recent changes) are maintained by the Center for Budget and Policy Priorities—available at “State Law Information,” DOL, March 29, 2004, <https://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available>.
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- ¹⁸ “Electronically Mediated Work: New questions in the Contingent Worker Supplement,” *Monthly Labor Review*, September 2018, <https://www.bls.gov/opub/mlr/2018/article/electronically-mediated-work-new-questions-in-the-contingent-worker-supplement.htm>.
- ¹⁹ Such as A.B. 5, 2020 Leg., Reg. Sess. (CA, 2020).; see “Employment Status Portal,” California Labor and Workforce Development Agency, accessed August 1, 2020, <https://www.labor.ca.gov/employmentstatus/>.
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- ²⁴ For a short description of the SUA program, see “Chronology of Federal Unemployment Compensation Laws,” DOL, November 9, 2018, <https://oui.doleta.gov/unemploy/pdf/chronfedlaws.pdf>.
- ²⁵ As measured by weekly claims, as reported in the ETA 539 Weekly Claims series data referenced above.
- ²⁶ For Virginia, see S.B. 548, 2020 Sess. (April 22, 2020), <https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+SB548>; for Wyoming, see news reports—for example, Nick Reynolds, “Is Your Boss Assigning You Fewer Hours? You May Soon Be Eligible for Some Unemployment Benefits,” *Casper Star Tribune*, February 4, 2021, https://trib.com/news/state-and-regional/govt-and-politics/is-your-boss-assigning-you-fewer-hours-you-may-soon-be-eligible-for-some-unemployment/article_a59ef2c0-5008-565f-84c1-0b67e2697721.html.
- ²⁷ See the COVID-19-specific emergency guidance related to qualifying for UI in Oregon as an example: “Employment Department Temporary Rules for Unemployment Insurance Benefits Flexibility,” State of Oregon Employment Department, March 18, 2020, <https://www.oregon.gov/employ/Documents/OAR%20471-030-0070-temporaryrule.pdf>.

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About the Authors

William J. Congdon is a principal research associate in the Center on Labor, Human Services, and Population. His research focuses on issues in labor market policy and social insurance, and his recent work emphasizes the perspective of behavioral economics and the role of experimental methods for understanding economic outcomes and developing public policy. He holds a PhD in economics from Princeton University.

Wayne Vroman is an Urban Institute associate in the Center on Labor, Human Services, and Population. He is a labor economist whose work focuses on unemployment insurance (UI) and other social protection programs. He has directed several past projects on UI financing, benefit payments, and program administration. He has developed simulation models to project the financing of UI in individual states, most recently in Kentucky and Ohio. He has also worked on UI program issues in several foreign economies. Vroman has a BA, MA, and PhD in economics from the University of Michigan.

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500 L'Enfant Plaza SW
Washington, DC 20024

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