Center for American Progress

NELP NATIONAL EMPLOYMENT LAW PROJECT

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Strengthening Unemployment Protections in America

Modernizing Unemployment Insurance and Establishing a Jobseeker's Allowance

By Rachel West, Indivar Dutta-Gupta, Kali Grant, Melissa Boteach, Claire McKenna, and Judy Conti

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Contents

Contents

Introduction and summary

Unemployment insurance, or UI, has been a pillar of our nation's social insurance system for 80 years. It is an essential ingredient for economic security, shared prosperity, and a stable economy. Designed as a partnership between the federal government and the states,[1] it is a critical support for unemployed jobseekers: UI temporarily replaces a share of lost wages for unemployed workers while they search for a new job. To be eligible for UI benefits, workers must have sufficient earnings history, have paid into unemployment insurance via their employer's payroll taxes,[2] have lost a job through no fault of their own, and be actively seeking work.

UI protects families from hardship. But it also helps to stabilize the economy during downturns by boosting the spending power of struggling families and creating demand in the economy. In part because of significant, temporary improvements, the UI system once again proved to be essential during the Great Recession, both to family economic security and to our nation's economic health. In 2009 alone, UI kept more than 5 million Americans out of poverty[3] and saved more than 2 million jobs by boosting demand in a sagging economy.[4] Between 2008 and 2012, UI prevented an estimated 1.4 million foreclosures,[5] and from 2008 to 2010, it closed more than 18 percent of the shortfall in gross domestic product, or GDP.[6]

In 2015, only about one in four jobless workers received UI benefits at all—a historic low.

However, our nation has dramatically underinvested in UI and has failed to update this vital system for the 21st century. In 2015, only about one in four jobless workers received UI benefits at all—a historic low.[7] This erosion of one of our nation's most important social insurance programs is not only problematic for workers, it also leaves the U.S. economy severely underprepared for the next recession. Only twice since 1860 has the United States gone more than eight years without a downturn—and 2016 marks the seventh year of economic expansion.[8] The next recession—while unpredictable—is inevitable, and experts are already pressing policymakers to prepare.[9]

To protect more working families from the risk and hardships of unemployment, policymakers should act now to fortify the nation against the next recession. America must ensure a robust employment, training, and income-security system for involuntarily unemployed workers by substantially strengthening UI. Further, our nation must also help the many jobseekers who will not qualify for traditional UI—even under a modernized UI system—to actively seek employment, connect to job opportunities, and improve their work-related skills.

To this end, the Center for American Progress, or CAP; the Georgetown Center on Poverty and Inequality, or GCPI; and the National Employment Law Project, or NELP, came together on a proposal to modernize the nation's system for assisting unemployed jobseekers. This report proceeds in two distinct sections.

Section 1 proposes ambitious, but strongly needed, reforms to UI. This includes bolstering UI's effective re-employment services to connect more jobseekers with workforce development opportunities and strengthening tools such as work sharing that help workers stay in the jobs that they already have. It includes detailed reforms to expand UI eligibility to reach more unemployed workers, improve the adequacy of UI benefits, and increase participation in the program. In addition, this section recommends reforms to UI's financing that would improve the program's solvency, as well as steps that would improve UI's ability to respond to future recessions, including repairing the Extended Benefits program.

In Section 2, the report recommends the establishment of a new Jobseeker's Allowance, or JSA, for workers who would remain ineligible for UI. This section describes the need for a modest, short-term benefit that would assist jobseekers such as unemployed independent contractors and those with limited work history. The report lays out eligibility criteria for the JSA, characterizes the moderate but important benefits and services the JSA would provide, and outlines the administration and financing of the proposed program. Finally, the report briefly describes the anticipated costs of the proposal, including both reforms to UI and the new JSA.

Challenges facing our nation's social assistance system for jobseekers

As important as UI has been in the past, the system has not kept pace with changes in the labor force and the economy over the past several decades. Absent efforts to modernize the system and bring it into the 21st century, UI's effectiveness in protecting workers and the economy will continue to decline, with enormous conse-

quences for both middle-class security and economic growth. Even if the country is fortunate to continue its current economic expansion for an unprecedented period, UI is still underperforming as a tool for improving job placements, maintaining labor force attachment, promoting skills and training, and, of course, ensuring economic security for those who lose a job through no fault of their own. Among the challenges facing our nation's assistance system for jobseekers:

- **Too few unemployed workers have access to tools for successful re-employment, first employment, and/or training:** UI was designed for an economy in which workers had greater job security and, upon job loss, often returned to the same field or position. Today, technology and globalization mean that many jobs lost in recent years are not returning to the U.S. economy, and those workers need to retrain for employment in a different sector. However, at the same time as the need for them has grown, UI's effective re-employment services are significantly underfunded, and overall U.S. spending on workforce development as a percentage of GDP is one-seventh of its 1979 peak.[10]

- **American workers are more vulnerable than ever to involuntary unemployment, yet fewer are protected by UI:** In the 80 years since UI was enacted, the American workforce has undergone dramatic changes. Low-wage jobs that often lack basic labor protections comprise a larger share of employment. Women are now primary breadwinners in 40 percent of households—yet far fewer are protected by UI, in part because women are more likely to work part-time or need to leave a job due to caregiving responsibilities. Antiquated rules in many states exclude from UI the growing number of workers who face erratic and unpredictable schedules, low wages, lengthy job searches, and unpredictable pay. Many people who are willing and able to work—such as young adults beginning their careers, individuals returning to the formal labor force after completing primary caregiving responsibilities, and older discouraged workers—remain on the sidelines of the labor force, but they often lack the recent earnings history to obtain support for their job search through UI. Independent contractors—who often have recent and long-established work histories—also currently have no such UI protection should they lose their job.

- **The unemployment insurance system is unprepared for the next recession:** Since UI was first enacted, recoveries from recessions have become lengthier and increasingly jobless, meaning that unemployment remains high long after economic growth resumes. At the same time, UI's capacity as an automatic

macroeconomic stabilizer has been steadily undermined by policy decisions, including states making deep cuts to the duration and adequacy of UI benefits, as well as tightening eligibility criteria for workers. Today, two involuntarily unemployed people from different states—with otherwise similar work histories and levels of need—have access to vastly different levels of UI income support. Given that the next recession is inevitable, it is critical that policymakers strengthen assistance for jobseekers in ways that protect more workers and ensure the economic stability of the entire nation.

Reforming unemployment insurance

To adapt the system to 21st century realities, CAP, GCPI, and NELP joined together on this comprehensive proposal to reform unemployment insurance and create a Jobseeker's Allowance. In Section 1 of this report, we explain in detail how our proposal would address the challenges facing the UI system with recommendations organized into the following three categories:

1. **Ensure that more unemployed workers have access to the tools they need for successful re-employment and training, and reduce layoffs by implementing effective job-retention measures:** To this end, CAP, GCPI, and NELP's proposal introduces new ideas to support worker training and upskilling, encourage entrepreneurship, and increase geographic mobility. It would reinvigorate and expand UI's effective re-employment programs and services; connect workers with a greater variety of job opportunities such as apprenticeships, subsidized employment, and national service positions; and provide an overdue makeover for outdated technological systems—making UI into the pillar of the workforce development system that it should be. In addition, under this proposal, all states would bolster tools such as work sharing programs that help keep workers in the jobs they already have, reducing the human and economic costs of unemployment in the first place.

2. **Provide more Americans with more adequate protection against the shock of unemployment:** A modern insurance system for jobseekers must reflect the changed composition of America's labor force. By reforming states' disparate eligibility rules, CAP, GCPI, and NELP's proposal would make UI's earned insurance available to a much larger share of American workers—notably, many women and low-paid workers—who are currently ill-served by a system whose

rules have not kept pace with the realities of 21st century workers and families. By expanding the UI system's reach and improving benefit adequacy, this proposal offers a way not only to increase working families' economic security, but also to boost labor force participation. Furthermore, the more workers who are adequately protected by UI, the more powerful UI's countercyclical response will be when unemployment rises.

3. **Prepare the unemployment insurance system for the next recession:** The insurance system for jobseekers is our economy's first line of defense against economic downturns. UI—partially through a number of temporarily enacted provisions—closed more than 18 percent of the shortfall in GDP caused by the last recession.[11] But its countercyclical effectiveness has been undermined by state policy choices that starve the program of revenue and severely restrict the number of unemployed workers it reaches. Knowing that the next recession is likely to occur within a few years, it is essential policymakers strengthen insurance for jobseekers in ways that protect more workers and, in doing so, protect the economy. This proposal ensures that UI lives up to its macroeconomic potential by widening the payroll tax base and lowering rates, as well as by introducing solvency requirements for states' trust funds. In addition, the proposal offers parameters for an improved, fully federally financed Extended Benefits program that would kick in automatically during recessions, limiting the need for Congress to enact emergency extensions.

The reforms that CAP, GCPI, and NELP propose in this report would significantly bolster family economic security, enhance labor-market participation, and better protect our economy during recessions. State decisions to weaken UI in recent years have underscored the need for a strong federal role in mandating, encouraging, and implementing these reforms.

Updated, independent analysis from the Urban Institute, commissioned by CAP, GCPI, and NELP and released concurrently with this report, shows that just three of the proposed reforms would significantly increase the share of newly unemployed workers who are protected by UI. They would increase the share of workers who are able to rely on UI when they become newly unemployed by nearly 9 percentage points (from 64.7 percent to 73.6 percent)—an increase of more than 13 percent.[12]

Creating a Jobseeker's Allowance

Even with a modernized UI system, there will be workers who do not qualify for traditional UI, either because their work histories are too limited or because they are independent contractors and have, thus far, not paid into the UI system. To help these jobseekers who are not eligible for UI actively search for work and improve their employment-related knowledge and skills, in Section 2, we propose a Jobseeker's Allowance, or JSA—a small, short-term weekly allowance to support work search and preparation. The JSA would offer a stipend of about $170 per week to jobseekers for up to 13 weeks, replacing approximately 50 percent of the wages of a typical low-paid worker.[13] While JSA's weekly benefit would be quite modest relative to UI—and its job-search requirements at least as stringent as UI—the JSA would encourage workforce participation, support geographic labor mobility, and promote family stability and social cohesion. The JSA would provide an incentive and support for individuals with limited or no recent work history to reconnect with or newly attach to the labor force, as well as connect them with counseling, employer referrals, and training and education opportunities. These features of the JSA could help improve labor-market participation and employment outcomes for low-income workers, as well as for previously self-employed discouraged workers—individuals who want to work and are available for work but have given up actively looking for a job.

The JSA would complement the modernized UI system this report envisions: Together they would form a significantly more robust system of assistance for American jobseekers. Table 1 below compares the proposed UI system to the proposed JSA.

TABLE 1

Comparison of reformed unemployment insurance program to proposed Jobseeker's Allowance

	Unemployment insurance	Jobseeker's Allowance
Target population	Workers involuntarily separated from recent employment	New labor market entrants, re-entrants, UI exhaustees, legitimately self-employed workers, and intermittent workers with limited resources
Eligibility	Involuntary separation from employment and voluntary separation for good cause; minimum recent earnings history	At least age 19 or GED/high school degree holder; ineligible for UI; annual household income below the Social Security maximum taxable wage ($118,500 in 2015)
Benefit duration	At least 26 weeks with tiers of Extended Benefits during economic contractions	At least 13 weeks with tiers of Extended Benefits during economic contractions
Weekly benefit level	Weekly benefit varies with base-period earnings; maximum weekly benefit of at least 50 percent of state average weekly wage	Uniform weekly benefit of $170 (about half of a typical low-wage worker's wages) indexed to the 10th percentile of wages
Administration	Federal funding for state administration for benefits and service delivery; federal government maintains state financial accounts	Federal funding for state administration for benefits and service delivery; federal government splits state administrative and outreach costs evenly
Financing	State payroll taxes fund regular benefits; federal payroll tax funds Extended Benefits; federal appropriations fund state administration	Federal funding from general revenues with options for partial offsets
Services	Re-employment services (required for long-term unemployed)	Employment services, skills and training options, subsidized employment option

Effects of these proposals on unemployment assistance coverage for jobseekers

Today, our nation's social insurance system provides assistance to only a fraction of jobseekers—those who have sufficient earnings history under a traditional employer-employee relationship to qualify them for UI. As shown in the table below, our proposal to expand UI and create a new JSA would extend protection to the many categories of workers who are currently left without assistance during their job search.

TABLE 2

Proposed reforms would extend jobseeker protection to all types of workers

Worker coverage under current and proposed social assistance programs for jobseekers

	Type of jobseeker	Current coverage	Proposed coverage
Employee	Sufficient work history to qualify for current UI program	UI	UI
	Insufficient work history to qualify for current UI program	None	UI for those with more work history; JSA for those with very little work history
	Currently misclassified as an independent contractor	None	UI
	Long-term unemployed, including UI exhaustees	None	JSA
Other jobseekers	Self-employed, including independent contractors	None	JSA
	No recent work history	None	JSA

Note: The proposed system includes the reforms to UI and the new Jobseeker's Allowance proposed in this report, as well as full enforcement of labor laws.

Taken together, the measureable UI reforms and the new JSA would roughly double the number of workers who are served each year by our nation's social assistance system for unemployed jobseekers.[14] The proposal would also increase the share of unemployed workers who would be protected by this assistance—meaning they would have access to either UI or JSA if they became unemployed—to more than three in four workers, compared to only one in four unemployed workers who receives UI today. And for the first time through JSA, it would also extend protection for jobseekers to independent contractors.

Costs of the proposal

The total cost of the combined UI and JSA proposal is about $18.9 billion per year. Of this amount, our newly proposed JSA accounts for $10.9 billion per year, or about 58 percent of the total cost, and would serve about 5.4 million jobseekers annually. This translates into a daily cost per American worker of less than 19 cents per day. Given that two-thirds of Americans will experience at least a year of unemployment for themselves or their household head during their working

years, this is cost-effective protection for a risk that many families face.[15] The JSA would be fully federally funded through general revenues, although lawmakers could choose to offset its cost with revenues from a number of possible sources, as described in Section 2.

The remaining 42 percent of the cost outlined in the proposal is what is required to improve the UI system. The large majority of funds for improving UI would come from changes to the existing federal and state unemployment taxes that employers already pay on behalf of their employees. Specifically, the CAP, GCPI, and NELP proposal would expand the wage bases and lower the rates of these taxes, making UI's financing significantly less regressive.

Updating our nation's protection against unemployment to reflect 21st century realities is an essential step in stabilizing our nation's economy and in providing working families with economic security and mobility-enhancing opportunities. The United States needs a social insurance system that is responsive to today's economy, families, and workforce and puts unemployed workers back on a path to prosperity.

Section 1:

Recommendations to modernize unemployment insurance

This section describes recommendations to bring the unemployment insurance system into the 21st century. It is organized into three parts corresponding to the following goals:

- Ensure that more unemployed workers have access to the tools they need for successful re-employment and training by strengthening UI's effective re-employment services and reduce layoffs by implementing effective job-retention measures

- Provide more Americans with more adequate protection against the shock of unemployment by reforming eligibility criteria to reflect our modern labor market, boosting the adequacy of UI benefits, and increasing program access and participation

- Prepare the unemployment insurance system for the next recession by reforming UI's financing to boost the program's solvency and improving UI's ability to respond to recessions

1.1 Ensure that more unemployed workers have access to re-employment assistance and training and reduce layoffs

1.1.1 Strengthen re-employment services

A key objective of UI is to keep workers attached to the labor market, meaning that they are either working or actively seeking work. Critical to the success of this objective are the many services UI offers to unemployed workers—connections with local employers and job openings; screenings to assess skills and needs; work-search tools, in-person assistance, and counseling; and links to training and education opportunities.

UI serves as a major point of entry into the nation's workforce development and re-employment services system, thanks in part to the program's job-search requirements: In addition to being able to work and available for work, UI requires all recipients to be actively seeking work. The nation's 2,500 American Job Centers, or AJCs, formerly called One-Stop Career Centers, are the hubs of this system, providing information, self-service facilities, staff-assisted re-employment services, workshops, and referrals to training programs.[16] The U.S. Department of Labor, or DOL, administers two major programs through AJCs—the Employment Service,[17] or ES, and Workforce Innovation and Opportunity Act,[18] or WIOA, programs. WIOA primarily serves youth, dislocated workers, and adults, many of whom are not eligible for UI. It authorizes employment and training programs, adult education and literacy programs, and programs for workers with disabilities.[19] UI claimants are often referred to training or education resources provided by the WIOA system.[20]

The ES serves two main functions for UI claimants: to ensure that claimants meet UI's work-search requirements and to provide re-employment and related services. The most prevalent service offerings are self-service tools, including online job postings, résumé-writing classes, and other short-term services. Depending upon funding availability and local priorities, some jobseekers receive more intensive, staff-assisted services, including comprehensive assessments, individual job search plans, and career counseling.[21] The ES also provides assistance to displaced workers who are not UI recipients. In addition, the ES provides services to employers, including referrals of qualified jobseekers to openings, as well as assistance developing job postings, handling layoffs and job restructuring, and arranging job fairs.

There is considerable evidence that the so-called public labor exchange function of the ES—that is, its role as a neutral party that facilitates matches between workers and firms—is a valuable resource both for workers and employers.[22] In this capacity, ES staff members broker connections between jobseekers and employers who face information barriers to successfully finding and filling job vacancies. As economist Louis S. Jacobson points out, many unemployed workers need government assistance—provided primarily by American Job Centers—to select the re-employment strategy that is best for them from among many options, such as identifying growth sectors in which to seek work or entering a training program to build new skills.[23]

Employers can also benefit from ES staff's assistance in providing them with recruitment, retention, and other related business services. There is evidence that some employers, like some jobseekers, have unrealistic expectations about the wages they must pay and the quality of job candidates they can attract at those wages.[24] Thus, employers often also need help to develop a realistic approach to filling open positions, accurately identify and communicate the skills required for a job, and find and train suitable workers.[25] Serving as brokers, ES staff members who are familiar with the local labor force and training providers and are also knowledgeable in identifying transferable skills can assist employers in posting and filling job vacancies. Ensuring that workers accept jobs that are well-suited to their skills and attributes is important for a smoothly functioning economy. However, the availability of these services for jobseekers and employers has declined as ES funding has remained flat and local offices have closed over the past 30 years.

The UI system has tools to target intensive, staff-assisted services toward unemployed workers who are most likely to need these resources. In 1993, Congress passed the Worker Profiling and Reemployment Services, or WPRS, program.[26] Under this program, states use statistical models, herein referred to as worker profiling models, to identify participants who are most likely to exhaust their UI benefits. In other words, worker profiling models identify individuals who are unlikely to become successfully re-employed before receiving all of the UI benefits for which they are eligible and who, thus, stand to benefit most from UI's intensive services. Selected claimants receive in-person re-employment services, also known as RES, which could include orientations, assessments, counseling, job placement services and employer referrals, job search workshops, and education or training referrals. In 2005, Congress established the Reemployment and Eligibility Assessment, or REA, program as an initiative of the UI program.[27] REAs are in-person interviews conducted to ensure claimants are abiding by their state's work-search and other ongoing eligibility requirements.[28] Through REAs, claimants are referred to re-employment services and training, as necessary. Historically, states have not had the resources to provide REAs to every claimant. In addition, they have had broad latitude to determine which jobseekers receive an in-person assessment and have not consistently relied on existing worker profiling systems to target services toward those who most need them.

Research shows that added investment in re-employment services, especially when focused on UI claimants, can pay for itself by shortening unemployment spells, facilitating better-quality matches between workers and employers, and lowering the cost of hiring for employers. This saves money for state UI trust funds.[29] To highlight just two examples, a 2010 study published by the National Bureau of Economic Research reviewed 97 evaluation studies and documented the positive impacts of job-search assistance programs.[30] And a recent U.S. Department of Labor study of Nevada's 2009 re-employment program demonstrates the cost-effectiveness of an approach that combines re-employment eligibility assessments early in a UI claimant's benefit year with the provision of individualized re-employment services, such as help with drafting a résumé and developing a work-search plan.[31] Nevada was the first state to have the same staff administer the eligibility assessment and re-employment services—effectively combining REA and RES—a model now called the Reemployment Services and Eligibility Assessment, or RESEA, program. The research on the Nevada program is especially useful because claimants were randomly selected to either participate in the program or to become part of a control group, allowing researchers to isolate the program's effects on participants' re-employment and future earnings.[32] Relative to nonparticipants, the program reduced the average duration of participants' UI receipt by 3.5 weeks

and reduced the average amount of UI benefits paid to each participant by $877. Participants were also found to have higher earnings in the follow-up period.

Based on Nevada's success, Congress increased federal funding in fiscal year 2016 appropriations to scale up the RESEA model in all states, effectively combining REA and RES throughout the United States—a promising development. In addition, the U.S. Department of Labor is newly requiring states to utilize their worker profiling programs to target services toward individuals who are at greatest risk of long-term joblessness, as well as toward military veterans who are receiving Unemployment Compensation for Ex-Servicemembers, or UCX.[33]

Re-employment services are underfunded and underdeployed

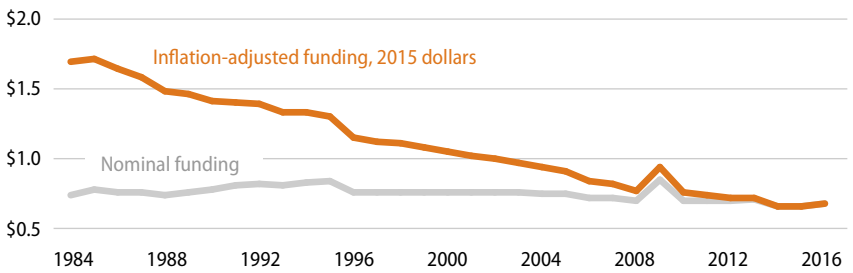
Despite their effectiveness, UI's re-employment services are underfunded and underdeployed, largely as a consequence of federal neglect.[34] Between 1985 and 2015, the size of the American labor force grew by 36 percent,[35] but funding for Employment Service grants provided to states shrank by 61 percent in inflation-adjusted terms. (see Figure 1) Total ES funding per participant was just $46 in 2014, which is too low to provide the individualized attention many jobseekers need.[36] On average, each year only slightly more than half of UI claimants receive at least one staff-assisted service through the ES.[37]

Between 1985 and 2015, the size of the American labor force grew by 36 percent, but funding for Employment Service grants provided to states shrank by 61 percent in inflation-adjusted terms.

FIGURE 1

Funding for the Employment Service has not kept pace with inflation

Employment Service grants to states, nominal and adjusted for inflation, FY 1984 to 2016, in billions



Note: Annual funding levels adjusted for inflation using the Consumer Price Index for All Urban Consumers. 2009 funding includes additional appropriations made under the American Recovery and Reinvestment Act. The 2015 and 2016 data points reflect enacted funding levels.

Source: Authors' calculations from Stephen Wandner, "The Response of the U.S. Public Workforce System to High Unemployment During the Great Recession." Unemployment and Recovery Project Working Paper 4 (Urban Institute, 2012), Table 6, available at http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412679-The-Response-of-the-U-S-Public-Workforce-System-to-High-Unemployment-during-the-Great-Recession.PDF; U.S. Department of Labor, *FY 2017 Congressional Budget Justification: State Unemployment Insurance and Employment Service Operations* (2016), Table 6, available at https://www.dol.gov/sites/default/files/documents/general/budget/CBJ-2017-V1-08.pdf.

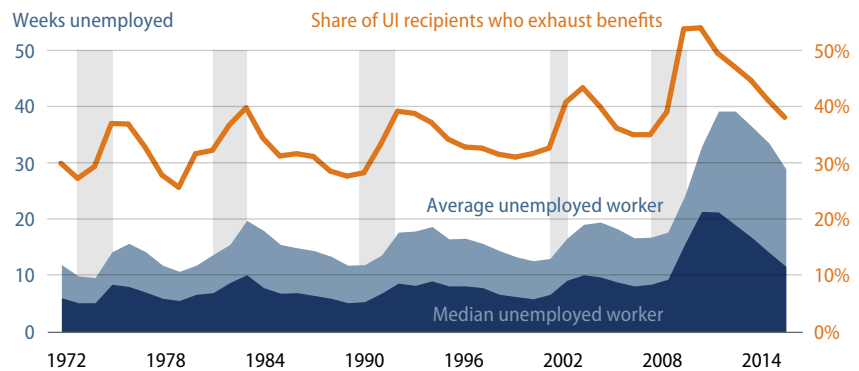
While a majority of jobseekers find jobs relatively quickly without needing a broad range of aid or assistance, a significant number of individuals need more intensive services. The widespread lack of in-person resources means many jobseekers—under stress and lacking sufficient information—make less-than-optimal decisions about how to search for work, what sort of jobs to seek, and whether to participate in training.[38]

Furthermore, workers who are likely to become long-term unemployed are not being targeted in sufficient numbers for early intervention and job-search assistance. In part, poor targeting is due to UI's aging information technology, or IT, infrastructure. More than one-third of states have never updated their worker profiling models—the statistical models that identify participants who are most likely to exhaust their UI benefits—which were first created more than two decades ago. But an even greater challenge is lack of funding: Since the mid-2000s, grants for RES have largely dried up, with the exception of temporary funding boosts in 2009 and 2010. Instead, Congress has prioritized funding for the REA program. During this time, the underfunded Employment Service has taken on most of the cost of providing re-employment services.[39] These realities may have

FIGURE 2

Unemployment spells have become longer and a greater share of UI recipients exhaust benefits

Average and median weeks of unemployment and UI exhaustion rate, 1972 to 2015



Note: Shaded areas represent periods when the U.S. economy was in recession during all or part of the year. The UI exhaustion rate is the percentage of UI recipients who run out of UI benefits before they successfully find new employment.

Source: Authors' calculations from U.S. Bureau of Labor Statistics, *Current Population Survey* (U.S. Department of Labor, 2016), "Average (Mean) Duration of Unemployment," retrieved from Federal Reserve Bank of St. Louis, *FRED Economic Data*, available at https://research.stlouisfed.org/fred2/series/UEMPMEAN/ (last accessed February 2016); U.S. Bureau of Labor Statistics, *Current Population Survey* (U.S. Department of Labor, 2016), "Median Duration of Unemployment," retrieved from Federal Reserve Bank of St. Louis, *FRED Economic Data*, available at https://research.stlouisfed.org/fred2/series/UEMPMED/ (last accessed February 2016); U.S. Department of Labor Employment & Training Administration, Report 5159, "Claims and Payment Activities," available at http://ows.doleta.gov/unemploy/DataDownloads.asp (last accessed March 2016).

contributed to the fact that, at the peak of unemployment in 2010, nearly 6 in 10 UI claimants exhausted their regular UI benefits before finding employment; this figure remains elevated today at nearly two in five claimants, as shown in Figure 2.[40] Indeed, in the fiscally tight years following the Great Recession, when unemployment soared, only about 15 percent of workers who were identified by state worker profiling models as likely to exhaust UI benefits were referred to services, and most within this group received only assessment and orientation services rather than more intensive services, such as job counseling.[41]

Finally, in addition to UI claimants, ES funding also serves a large number of jobseekers who are not eligible for UI. This compounds the need to boost ES funding: Even under the expansions to UI proposed in this report, many jobseekers will remain ineligible for UI, and thus will not have access to employment and re-employment services targeted exclusively at UI claimants. This leaves a large and diverse population who could benefit from the ES; but given its current lack of resources, the ES will fail to reach most of these individuals. This population includes, for example, millions of long-term unemployed individuals who have exhausted UI benefits in recent years, many of who are now among the more than 2 million missing workers—potential workers who would be either employed or actively seeking work if job opportunities were stronger.[42] Young workers are often ineligible for UI, as well, because they have little work history, yet unemployment among workers ages 20 to 24 has been as much as 80 percent higher than the overall unemployment rate over the past decade.[43] So while the improvements proposed in this report would greatly reduce the share of jobless workers who are currently unprotected by UI—which in recent years has climbed higher than 85 percent in more restrictive states—the large numbers of individuals not assisted by UI re-employment services further create a compelling need for increased ES funding. The proposed Jobseeker's Allowance, described in Section 2 of this report, would provide a platform for better connecting jobseekers who have traditionally fallen outside of UI's reach to such services.

Additional services and supports for UI claimants are too limited in scope

Technology and globalization mean that many jobs lost in recent years are not coming back to the U.S. economy, so an increasing number of unemployed workers will need to retrain for employment in a different sector. Yet very few UI claimants receive training or education, in part because Employment Service and RESEA funds can only be used for re-employment and related services, not for training services. Moreover, overall funding for training programs in the public workforce development system has declined by 20 percent since 2000.[44]

However, many claimants cannot afford to retrain, even when a qualified provider is found and funding is provided.[45] This is because most training and education programs for high-demand skills require longer than UI's conventional 26 weeks, and participants must first spend time seeking out a provider and completing the approval process. Few unemployed jobseekers can afford to be without income support while they complete a suitable training program. In addition, because Employment Service and RESEA funds can only be used for certain purposes, some low-income jobseekers are left without the supports needed to take advantage of UI's re-employment resources. During an unemployment spell, relatively small costs may prevent workers—particularly those who have low incomes, little savings, or limited access to credit—from pursuing or accepting a particular employment opportunity.[46] For example, an unemployed low-income worker may not be able to afford appropriate clothing for a job interview.

These costs can be especially constraining for those who reside in areas where they have few job prospects and need to relocate to seek work. Workers with poor credit, for example, may not be able to accept a well-suited job in a neighboring state because they do not have sufficient cash or credit to finance their move. A complementary program to UI, the Trade Adjustment Assistance, or TAA, program—which serves workers who have been displaced due to international trade dynamics that lead to layoffs or reduced work hours—addresses this problem by providing job-search allowances up to a maximum of $1,250 to cover expenses associated with job search and relocation.[47] Unlike under TAA, however, job-search allowances are not currently a permitted use of Employment Service funds for UI participants.

Few other support services have historically been made available to help low-income participants engage in job search under UI. Under the earlier Workforce Investment Act, or WIA, just 3.9 percent of UI claimants received supportive services in 2014.[48] Its recently authorized successor, WIOA, takes several steps to improve employment and training services for those who face barriers to economic success—including adults with work histories who may be eligible for UI, as well as adults and youth with little or no work experience. However, without sufficient funds, states will still struggle to provide the services low-income participants need to be successful.

Finally, the opportunities UI's re-employment services offer tend to focus on jobs that fall under the traditional employer-employee model. For example, few states offer entrepreneurship opportunities to interested UI participants or connect

participants who need training in a new sector to apprenticeship opportunities. While it is true the traditional employer-employee model accounts for, by far, the largest share of employment in the United States—and is expected to continue to do so—not all unemployed workers will be best served by this one-size-fits-all model of employment.[49] By focusing narrowly on traditional opportunities with local employers, some UI participants may miss the opportunity to maximize their career potential or to enter a new field—and others may not find any opportunities that suit their skills, needs, and personal circumstances.

Steps to reinvigorate UI's re-employment services

Policymakers must reinvigorate UI's re-employment resources to get people back to work in quality jobs and strengthen UI as a pillar of our nation's workforce development system. As the economy returns to prerecession levels of unemployment, now is the time to bolster and update this critical infrastructure before its capacity is once again strained by a future economic downturn.

Adequately fund and expand effective services

Reducing long-term unemployment and reconnecting jobseekers with employment provides critical assistance to affected families and communities. Given the widespread need for more services for jobseekers, as well as the demonstrated cost-effectiveness of these services, we suggest a significant expansion of intensive re-employment services. An investment of approximately $1.54 billion in additional annual funding, relative to 2016 spending levels, would help prevent newly jobless workers from exhausting benefits and dropping out of the labor market while strengthening workforce connections for long-term unemployed individuals and youth. This funding would include new investments for additional re-employment services for claimants likely to exhaust UI benefits, as well as more individualized re-employment services for the majority of jobseekers who are not UI recipients.

Addressing the needs of both of these groups will require boosting two federal grant funding streams for states: unemployment insurance (for Reemployment Services and Eligibility Assessments, or RESEAs) and the Employment Service. The following recommendations take as a starting point the Obama administration's budget requests of the past two years, which acknowledge the importance of re-employment services for UI claimants and other jobseekers and build upon the existing infrastructure of the public re-employment system. The Obama adminis-

tration's FY 2017 budget calls for an additional $70.9 million of UI program funding for RESEAs relative to 2016 levels. This would enable the RESEA program to reach approximately one-third of UI claimants identified by their state's UI profiling process as likely to exhaust benefits, as well as all veterans receiving UCX benefits. Taken together with the increased RESEA funding that was secured in FY 2016, the administration's budget proposal—if enacted—would represent significant progress on behalf of UI claimants. Nevertheless, there is justification to go even further than the administration with respect to re-employment services.

Adding a total of $650 million to RESEA funding for UI claimants would furnish services to the large majority of individuals identified by worker profiling models as likely to exhaust UI benefits, based upon estimates included in the administration's two most recent budget proposals. We estimate that this would result in assistance for at least 3 million total claimants at risk of exhausting UI benefits each year.[50] Extending the cost-savings ratio from the successful re-employment initiative in the state of Nevada in 2009, a total investment of $650 million for services to these claimants would produce an estimated annual savings of nearly $1.7 billion in UI benefit payments, with a net savings of about $1 billion to state UI programs.[51] These savings make an ongoing investment of this size well justified.

As for the second stream of funding—ES grants—only about $700 million per year has been made available to states for the past several years, although some modest but temporary additions were made during 2009 and 2010 under the the American Recovery and Reinvestment Act.[52] In keeping with this pattern, the administration's FY 2017 budget requests an appropriation of $680 million for state ES grants, the same level as was enacted in FY 2016.[53]

However, given the decades of neglect of funding for this program and the clear need to increase these cost-effective services, this proposal calls for an additional $1 billion per year for Employment Service state grants—or $1.68 billion total. This would restore Employment Service funding to its mid-1980s level, had it kept pace with inflation ever since. It would represent an increase of $1 billion from FY 2016 actual spending and from the administration's FY 2017 request, as shown in the table below.[54]

In addition, a modest one-time federal investment is needed to upgrade UI's aging IT infrastructure, including modernizing worker profiling models. Among other things, this would provide the resources states need to ensure they are targeting services to the most at-risk jobless workers. The administration's FY 2017 budget

would provide $50 million for states' IT updates but neglects to address the need to upgrade worker profiling. In Section 1.2.3, we propose funding for this and other critical technological updates as part of a larger investment to bolster states' administrative capabilities and effectiveness.

TABLE 3

Federal re-employment services funding levels: Recent and proposed

Federal grant to states	FY 2016 appropriations	President Obama's FY 2017 budget request	CAP, GCPI, and NELP proposal
Unemployment Insurance—RESEA	$115 million	FY 2016 appropriations + approximately $70.9 million = $185.9 million	FY 2016 appropriations + $535 million = $650 million
Employment Service	$680 million	No difference from FY 2016	FY 2016 appropriations + $1 billion = $1.68 billion

Source: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2017* (Executive Office of the President, 2016), available at https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/budget.pdf; U.S. Department of Labor, *Fiscal Year 2017 Congressional Budget Justification, Employment and Training Administration* (2016), available at https://www.dol.gov/sites/default/files/documents/general/budget/CBJ-2017-V1-08.pdf.

In addition to its UI and ES proposals, the administration's FY 2017 budget also requests $300 million per year over five years to significantly expand resources for Career Navigators as part of the administration's job-driven training initiative.[55] Career Navigators provide re-employment assistance and counseling to the long-term unemployed, workers who have dropped out of the labor force, and part-time workers who are seeking full-time work. Many of the jobseekers who would be served by Career Navigators would be ineligible for UI, even under the modernized UI system proposed in this report. Under our proposal, these individuals would receive assistance and services during their job search through the ES and/or from our new Jobseeker's Allowance program, described in Section 2. While not of the scale required to meet the diverse needs of all of today's jobseekers, the enhanced Career Navigator funding would nonetheless be a step forward in assisting the nation's many underserved jobseekers. However, unlike the administration's budget, the authors urge that greater funding for Career Navigators be introduced in addition to—rather than at the expense of—additional funding for ES.[56]

Enhance training opportunities

In order for UI to serve as a workforce-development platform for workers who need training to find a role in a changed labor market, policymakers should allow workers to receive up to 26 weeks of additional unemployment compensation while they are participating full time in a qualifying education or training pro-

gram. To take advantage of the opportunity, participants would need to continue meeting the other requirements for UI eligibility and be enrolled by the 13th week of their UI claim. The recommendations above—including modernizing the technology in states' worker profiling systems and expanding the RESEA program—would improve targeting of workers early in their unemployment spell who are most in need of intensive training.

Broaden the allowable use of funds

Many unemployed workers have very limited financial liquidity: Studying data prior to the Great Recession, economist Raj Chetty noted that "nearly half of job losers in the United States report zero liquid wealth at the time of job loss."[57] The allowable uses of Employment Service and WIOA funding should be broadened to cover several currently excluded purposes to alleviate workers' liquidity constraints. States should be allowed to use up to 10 percent of Employment Service funds for several currently disallowable purposes.

First, following the model of TAA, policymakers should allow Employment Service funds to cover a limited set of costs associated with job search and relocation for workers who have economic need.[58] Cash-constrained workers are unlikely to have the funds to relocate in order to seek higher-quality employment, but up-front support from the UI program in addition to the weekly benefit could allow them to do so, while also encouraging geographic labor mobility. Evidence from a German labor-market policy demonstrates that such a relocation subsidy boosts subsequent wages and job stability, primarily as a consequence of improved matching between workers and firms.[59] UI claimants or exhaustees who receive an offer of employment—or demonstrate a strong likelihood of re-employment—outside of their normal commuting zone could receive assistance up to 90 percent of the expenses involved in moving themselves, their family, and their household goods.[60] Additionally, they would be eligible to receive a lump-sum payment of up to three times their average weekly wage. Relocation allowances would be subject to a maximum cap of $2,000 in the initial year—the equivalent of about six weeks of benefits for the average UI recipient—and linked to inflation thereafter.[61] An individual worker could receive a relocation allowance, at most, once during any five-year period.[62] And for interstate moves, the receiving state would cover the cost of the allowance under its ES grant.[63]

Additionally, UI's re-employment services must connect unemployed workers to—or provide them with—supportive services such as transportation, child care, housing assistance, and need-related payments for qualifying reasons such as to

prevent eviction or foreclosure. This will enable low-income participants to successfully seek work and participate in training. Making these supportive services available will require policymakers to fully fund WIOA. Such supportive services will take on increased importance in the expanded UI system envisioned in this proposal because it extends coverage to a greater share of low-wage and economically vulnerable workers. (see Section 1.2.2 below)

Encourage entrepreneurship and increase access to alternative employment options

In addition to increasing the reach of existing re-employment services—and ensuring that cash-strapped workers have the supports needed to engage in job search—policymakers should expand the types of employment opportunities UI supports beyond the traditional employer-employee model.

First, we recommend dramatically increasing unemployed workers' opportunity to become entrepreneurs through UI. While entrepreneurship will not be the best path for the vast majority of UI participants, supporting entrepreneurship among the minority of participants for whom business-creation is a strong option is valuable: Young, small businesses are an important source of new job creation in the United States, but the rate of new business formation has fallen by nearly half over the past three decades.[64] We recommend increasing entrepreneurship by expanding access to Self-Employment Assistance, or SEA, programs. These programs assist UI claimants in starting small businesses by providing entrepreneurship training and other resources and by waiving UI's typical work-search requirements to allow participants to build their businesses on a full-time basis. In 2015, six states had active SEA programs.[65] We recommend every state be required to create and maintain a SEA program as a condition of receiving the full Federal Unemployment Tax Act, or FUTA, tax credit. (As explained in the text box in Section 1.3.1, the federal government collects a FUTA tax of 6 percent on the first $7,000 of wages paid to employees in every state. However, except under special circumstances, it then returns most of the tax revenue by giving states a credit of 5.4 percent, making the effective FUTA tax rate 0.6 percent. We recommend that the amount of this credit be reduced in states that fail to create and maintain SEA programs.) Federal policymakers should provide one-time funds to initiate these programs in states where they do not already exist and to enhance operations in states with previously established programs. SEA programs should be required to connect participants with local Small Business Development Centers run by the U.S. Small Business Administration. And to encourage states to invest in the quality of their SEA programs, the current

requirement that SEA programs be budget neutral should be lifted.[66] However, recognizing that entrepreneurship will be appropriate for only a minority of UI participants, our proposal would maintain the current restriction that caps SEA participation at 5 percent of UI beneficiaries in a state.[67]

To further foster UI as a channel to entrepreneurship, jobless workers should be allowed to consider participating in SEA from the beginning of their unemployment spell, rather than requiring that the worker profiling system identify potential participants among those who are likely to exhaust UI benefits. Finally, SEA participants should be given the option to claim up to half of their remaining unemployment compensation as an upfront payment to finance the start of their business—following the example of France, which introduced such an initiative in 2007.[68] SEA will never represent a large share of UI participation, but the evidence from France suggests there likely is a meaningful level of untapped entrepreneurial talent that can be revealed and invested in effectively through this mechanism, with positive overall effects for the economy.

In addition to entrepreneurship and traditional employment opportunities, American Job Center counselors who administer re-employment services should seek to connect UI participants with other types of employment opportunities, as appropriate for them, including subsidized jobs, national service jobs, and apprenticeships. Under a subsidized job program, an employer receives a subsidy from the government to temporarily offset some or all of the costs of employing a participating worker.[69] Firms receive a break in labor costs to train new workers they may not otherwise have hired, while the workers gain work experience, income, and the expectation of a permanent position if they perform well. Under a national service program, the government directly pays participants a modest stipend to work in areas of national need such as affordable housing or environmental conservation.[70] And under an apprenticeship program, a worker learns a certifiable set of skills through on-the-job training, with wages paid primarily or fully by the employer and the expectation of a full-time position upon completion of the apprenticeship program.[71]

These three opportunities are primarily targeted toward less experienced and disadvantaged workers in ordinary economic times—a greater number of whom would be eligible for UI under this proposal than is currently the case. Moreover, proposed national-level programs would be highly countercyclical, making them appropriate for a greater share of workers when jobs become scarce during times of high unemployment. Although the United States lags behind other developed

nations in its use of the apprenticeship model, recent federal efforts to support apprenticeships may increase their use as a tool for reskilling and retraining workers seeking a career change, as well as for new entrants to the labor market.[72] The apprenticeship model of worker training is beneficial to employees and employers alike—raising wages, increasing productivity, and boosting employers' bottom lines. It is also a promising option to close the shortfall of 5 million qualified workers that the United States is projected to experience by 2020 in high-demand, high-growth industries.[73] Two recent reports from the Center for American Progress propose the creation of national programs for subsidized employment and national service, both of which hold similar promise for unemployed youth, disadvantaged workers, and others seeking a foothold in the labor market.[74]

Summary of recommendations: Strengthen re-employment services

- Increase total annual funding for the Reemployment Services and Eligibility Assessment, or RESEA, program for UI claimants to $650 million and for Employment Service state grants to $1.68 billion

- Require that all states provide intensive re-employment services to at least half of UI claimants who are not likely to return to their former employer or industry and that states rely on the Worker Profiling and Reemployment Services system to prioritize service delivery

- Require states to provide qualifying workers with up to 26 weeks of additional unemployment compensation following exhaustion of regular state benefits while participating in state-approved education or training full time

- Encourage entrepreneurship as an option for UI recipients:

  - Require states to establish Self-Employment Assistance, or SEA, programs, and provide one-time federal funds to establish these programs
  - Lift the requirement that SEA programs be budget neutral
  - Mandate SEA programs to connect participants with local Small Business Development Centers
  - Allow jobless workers to participate in SEA from the beginning of their UI claim
  - Allow SEA participants to claim up to half of their remaining UI benefit entitlement upfront to finance the start of their business

- Encourage job counselors to connect UI claimants with appropriate opportunities beyond conventional employment, such as apprenticeships, national service jobs, and subsidized jobs

- Allow up to 10 percent of Employment Service, or ES, funds to be used for currently disallowable purposes:

  - Make job search and relocation allowances of up to $2,000—available to individuals, at most, once in a five-year period—an allowable use of ES funds for UI claimants and exhaustees
  - Provide job seekers with—or connect them to—supportive services such as transportation, child care, housing assistance, and need-related payments to enable participation in training

1.1.2 Reduce layoffs by implementing effective job-retention measures

In addition to connecting workers to new job opportunities when they become unemployed—and preventing their families from falling into poverty while they seek these opportunities—our UI system also helps currently employed workers keep the jobs they already have. UI has built-in incentives that encourage employers to retain workers, thereby helping working families, taxpayers, the macroeconomy, and employers themselves.

The UI system has two main tools to encourage continued employment: work sharing and experience-rated taxation. In addition to these tools, the UI system also increases the tenure in new jobs by facilitating improved matching between workers and firms—meaning that workers find a job that is well suited to their skillset and interests. By encouraging continued employment, UI enhances macroeconomic stability and promotes economic certainty.

Layoffs and unemployment are costly

It is well established that job loss carries high personal costs for workers and their families. Unemployment spells may lead to financial hardship and economic insecurity among working families in the near term—and may also permanently

reduce workers' earnings potential, as well as inflict lasting emotional and psychological damage.[75] Workers themselves are not the only ones harmed when a job is lost: Research shows that children experience reduced educational performance and increased behavioral problems when a parent loses a job.[76] Furthermore, job loss can threaten family stability and cohesion, compounding the negative effects on children's long-term outcomes.[77] UI's ability to reduce the frequency of layoffs thus reduces the incidence of economic hardship and other negative consequences for workers and their families.

In addition to the personal costs experienced by workers and their families, layoffs and job loss carry high social costs—that is, costs borne by government and society more generally. Most notably, eligible laid-off workers impose costs on the UI program when they draw UI benefits. But unemployed workers are also more likely to turn to other forms of public assistance as well, such as the Supplemental Nutrition Assistance Program, or SNAP—formerly food stamps—and Temporary Assistance for Needy Families, or TANF, cash assistance. Job loss is also a common trigger of home foreclosure—which, particularly on a large scale as occurred during the Great Recession, can destroy communities' wealth. Macroeconomic instability, uncertainty, and downturns carry social costs as well.[78]

Layoffs can also be costly to firms in the long run, causing employers to lose experienced employees—who tend to be more productive than new employees—and, when demand ticks up, requiring them to expend resources to search for replacements for laid-off workers.[79] Policies that encourage continued employment reduce firms' incentives to compete based on business models that prop up short-term profits at the expense of longer-term sustainability.[80] Indeed, when firms retain workers for longer periods of time, they face increased incentives to invest in those workers, such as through education and training—leading, in turn, to a better-educated, more-productive workforce.[81]

How UI reduces layoffs and encourages continued employment

As noted above, the UI system encourages continued employment through work sharing, experience-rated taxation, and facilitating better matching between workers and employers.

Work sharing

When firms face a temporary reduction in demand for their products, such as during an economic slowdown, they may lay off workers to cut labor costs and scale back production. Work sharing programs—also called short-time compensation—provide an alternative to layoffs by giving employers the option to reduce work hours for all or a segment of employees, who then receive partial UI benefits to replace part of the lost income. For example, as an alternative to laying off 20 employees out of a workforce of 100, an employer could instead reduce the work hours of all 100 employees by one day per week. Work sharing benefits are deducted from an employee's maximum entitlement for regular UI benefits in a given benefit year. These programs benefit workers and firms alike. They allow workers to retain their jobs and most of their wages, with UI paying benefits to offset part of the earnings loss.[82] In this way, work sharing more equitably spreads the pain of a recession by distributing the reduction in work hours across a larger number of workers. These initiatives also help firms weather a recession and allow them to retain experience and human capital in their workforce and reduce future costs of hiring to replace laid-off workers.[83] By reducing the extent of layoffs when firms face temporary reductions in demand, work sharing may help dampen the depth and length of recessions, reducing the social cost of downturns.

Work sharing is a well-established and widely used practice in other developed economies—particularly in European nations, where research suggests that work sharing significantly reduced job loss during the Great Recession. In Germany, for example, work sharing saved an estimated 400,000 jobs.[84] By contrast, in the United States, work sharing is infrequently used and is not well known among employers.[85] Only 17 states had work sharing programs at the start of the Great Recession, and research suggests that the programs could have had far greater impact in forestalling job loss had they been implemented widely across the United States.[86] In 2009, these programs only assisted 0.2 percent of employees in these states—compared to participation rates of 3.2 percent in Germany, 3.3 percent in Italy, and 5.6 percent in Belgium.[87] Although the Obama administration offered grants to states to create and expand work sharing programs between 2012 and 2014, 21 states did not establish programs by the deadline.[88] Nonetheless, some states and their employers made significant use of work sharing; their experience demonstrated how work sharing can be a highly effective job-retention tool, saving an estimated 160,000 jobs in 2009 and more than 501,000 since 2008.[89]

Experience rating

As noted above, layoffs create several types of costs firms themselves do not pay, including social costs to taxpayers and the economy. When firms do not face the full cost of their layoffs, they tend to lay off workers more frequently than is socially or economically optimal. To ensure that firms take into account at least a portion of these additional costs, states experience rate the taxes they impose on firms. This is accomplished by adjusting the State Unemployment Tax Act, or SUTA, tax rates that each firm faces according to that firm's historical behavior (its experience) with layoffs, usually on an annual basis.

The threat of a higher future tax rate is intended to encourage employers not to lay a worker off unless the benefit of doing so exceeds the true cost, which includes part of the social cost. By ensuring that firms face some of the externalized costs of their layoffs, experience rating also reduces the advantage some firms could obtain over their competitors by rapidly laying off workers during temporary demand shortfalls and rapidly rehiring when demand resurges. Thus, experience rating may preclude a so-called race to the bottom among firms, which can lead to business practices that hurt working families and contribute to macroeconomic instability. By corollary, experience rating also rewards firms that impose fewer social costs in the form of layoffs. By taxing employers based in part on their layoff history, UI assigns to employers a portion of the system's costs imposed by the same employers when they lay workers off.

However, experience rating is not without its downsides. In particular, it can encourage employers to aggressively challenge valid claims or fire employees for the purpose of avoiding higher unemployment insurance taxes.

Other indirect incentives to continued employment

Finally, by giving them a temporary means of support, UI allows workers the time to search for higher-quality jobs that are better suited to their skillsets rather than accepting the first position they find out of financial desperation. This leads to better matches between workers and firms: Research shows that more generous UI benefits cause workers to stay in their new jobs longer—another way in which UI incentivizes continued employment.[90]

Improving incentives for reducing layoffs and maintaining employment

Enhance work sharing

Both international experience and some state experience suggest workers, employers, and the economy would benefit from greater work sharing participation—particularly at the start of the next recession, when work sharing could contribute to a slower increase in state and national unemployment rates.

To this end, we recommend all states be required to create work sharing programs that conform to the national program standards established under federal legislation in 2012[91] and that the federal government provide a one-time partial federal funding to design, implement, and promote these programs according to best practices. This will ensure that work sharing is available to all American employers. In addition, establishing these programs simultaneously on a wide scale may increase employers' awareness of the program as an alternative to layoffs. Most importantly, having programs in place would allow all states to hit the ground running during future economic downturns by ramping up participation more quickly.[92] This is critical, because under this proposal, as described in Section 1.3.2 below, the federal government would fully fund work sharing benefits for a minimum of one year in states that experience elevated unemployment and thus begin paying Extended Benefits to long-term unemployed claimants.

There are several key components of successful work sharing programs that serve the needs of workers and employers alike.[93] First, state UI programs should provide employers with administrative flexibility to use the tools they think will be most effective. This includes permitting employers to rotate which employees participate in work sharing; factor in individual employee preferences when determining reductions; and change the overall scale of the work hours reduction while a work sharing plan is active in order to accommodate changes in business conditions on a week-to-week basis.

States should monitor participating employers to ensure they are not relying on work sharing as a permanent business model and that they have a plan to return participants to full employment. However, they should also be flexible enough to adjust when slack business conditions persist for longer than expected. The suggested approach is an initial six-month plan with the potential for an extension of up to six months.

Furthermore, states should eliminate overly restrictive limits on employer participation. For example, Wisconsin limits employer participation to six months every five years. State UI agencies must be free to evaluate work sharing applications on an individualized basis and grant approval when—after examination—they conclude that work sharing offers an effective job-retention strategy, that an employer has a reasonable plan to restore full-time jobs, and that implementation is in the best interest of the employer and workers alike. To this end, states should have the latitude to permit employers with histories of high layoff activity to participate in work sharing. These will typically be employers with negative account balances, meaning they have paid less in UI taxes than benefits to former employees, or employers that are paying their state's maximum tax rate. Though such restrictions on participation are meant to limit abuses of the program, they effectively discourage participation among the businesses whose workers could most benefit from a layoff aversion strategy. Similarly, they reduce the potential for companies that have historically relied on layoffs to transition to an alternative, such as work sharing, that is based on schedule reduction.

To improve state administration of work sharing programs, the U.S. Department of Labor should identify appropriate software that all states can use both to better manage their programs and to track relevant metrics that will help state agencies target their employer outreach. In the interim, states should use federal implementation grants to automate the processing of employer plans and work sharing claims, much as they have done for regular UI claims, and better integrate work sharing into existing UI data systems. Such upgrades could make participation more attractive to employers.

Certain benefit features of state work sharing programs have been shown to positively influence support from workers. Because work sharing payments are deducted from a worker's maximum UI benefit entitlement, employees who expect they will be laid off in the near term may prefer to forgo work sharing compensation entirely. Instead, states should treat participating workers as though they are still employed, an approach used in Canada and most European countries. For the sake of administrative ease and to encourage greater employer participation, state unemployment insurance laws should also eliminate provisions that reduce work sharing payments when claimants make the perfectly rational choice to supplement their weekly income with a part-time job.[94]

Finally, meaningful employer outreach by various program stakeholders—including state UI agencies, government officials, and representatives of the business community—has proven key to raising employer participation in work sharing in states.[95] States must have adequate federal funds appropriated to them in order to do so.

Insuring against earnings loss

In its proposed FY 2017 budget, the Obama administration put forth a number of proposals that would vastly strengthen the UI program and its ability to respond to the next recession. Although some of its proposals are not as far reaching as this report argues is warranted, the administration's efforts to help reform and restore the UI program are broadly in line with the recommendations put forward in this report and would significantly protect against the harms of job loss.

One proposal that has drawn particular attention is the creation of a wage insurance program. Under the administration's proposal, workers who earn less than $50,000 per year and accept a lower-paying job after a period of unemployment can collect half of the difference between their previous and current salaries—up to $10,000—over the course of two years. It is similar in structure to a small existing wage-insurance program available for workers displaced from their jobs due to trade, known as Alternative Trade Adjustment Assistance—although that program is targeted toward workers age 50 or older.[96] From the perspectives of workers and the economy, there are arguments both in favor of and against wage insurance. For example, proponents of wage insurance tend to believe that it will speed re-employment and cushion the economic blow of having to take a lower-paying job.[97] Opponents express concern that evidence showing wage insurance speeds re-employment is limited.[98] Furthermore, they worry it can encourage workers to follow a permanently lower earnings trajectory than they should pursue given their skill level, leading to downward economic mobility for the individual worker and depressing wages across the board, especially in lower-paying jobs and industries.[99]

A targeted wage insurance program may be worth considering as part of an overall discussion of what our nation must do to shore up the UI program. As such, wage insurance should be considered in conjunction with other policy options that can facilitate re-employment, such as work sharing and a progressive tax code that cushions some of the wage loss when someone moves from a higher to a lower tax bracket. Critically, however, wage insurance is only appropriate as part and parcel of broader UI reform: It is in no way a substitute for a modern, effective UI program that protects working families.

Improve experience rating

Experience-rated taxation is the second key tool for keeping workers in the jobs they already have. Each state has a different approach to experience rating, and an identical firm could face very different experience ratings in different states. In many states, experience ratings are not well aligned with the true cost of layoffs to the UI system—even though these costs affect taxpayers nationwide—in part because many states seek to keep taxes on their firms favorably low. Notably, all states currently have maximum caps on the experience-rated components of their SUTA tax rates. Once a firm's tax rate exceeds this cap, it no longer absorbs any of the social costs associated with additional layoffs, greatly undercutting the ability of the experience-rating system to affect future layoff behavior at those firms. Under current law, states can set a ceiling on employers' tax rates as low as 5.4 percent—the lowest maximum rate permitted under FUTA. In 2015, states' tax ceilings ranged from 5.4 percent in a number of states to nearly 12.3 percent in Massachusetts.[100]

Experience rating was conceived by its proponents as a means to ensure that employers in every state face the social costs of their layoffs, thereby increasing equity across employers and reducing the prevalence of rapid-turnover business models that hurt working families and the macroeconomy.[101] However, the lack of transparency in states' experience-rating formulas—as well as the ceilings on tax rates—prevent the tax rates from fully charging employers for the costs that they impose on the UI system, thereby insufficiently deterring layoffs.[102] If employers were forced to properly incorporate these costs through UI, however, UI would make higher-layoff firms less profitable and lower-layoff firms more profitable. This would likely shift more job creation toward lower-layoff firms. There are gaps in experience rating in every state, including low maximum tax rates and narrow taxable wage bases.[103]

Our recommendation is to strengthen experience rating by addressing these gaps, while at the same time—recognizing that experience rating has disadvantages as well as advantages—also allowing some states to experiment with the elimination of experience rating through waivers. (see text box below)

To strengthen experience rating,[104] we propose gradually increasing the lowest maximum tax rate from the current 5.4 percent to 7.0 percent.[105] A stronger experience-rating system could be phased in over a period of three years to avoid sharp changes for employers and to give employers a chance to respond to the newly introduced incentives by improving their employment practices. Changes to experience rating should be phased in alongside additional measures to improve and align states' taxation practices, and non-job-related good-cause separations should not be charged to the employer, as discussed in Sections 1.3.1 and 1.2.1, respectively. Finally, states should be given the option to suspend experience rating for work sharing benefits paid and not charge participating employers during periods of federal reimbursement, as discussed in Section 1.3.2. This will encourage employers to use work sharing to spread the burden of reduced demand across their workforce during temporary downturns in demand rather than laying workers off.

Additional measures to reduce layoffs and maintain employment

Finally, by adopting recommendations elsewhere in this report—recommendations that would expand UI's reach among unemployed workers, enhance its adequacy, and improve its resources for jobseekers—UI will lead to higher-quality matches between employees and employers. This may lead to both greater productivity and longer tenure at a given job.

Adjusting employer taxes based on layoff histories

The practice of experience rating is unique to the United States.[106] While it has positive effects that have been documented,[107] experience rating also has several limitations. First, it can be difficult to set experience rates at optimal levels to properly discourage layoffs. Furthermore, experience rating creates a financial incentive for employers to avoid responsibility for their layoffs in order to keep their tax rates low.[108] For example, employers may seek to fire a worker for cause when a layoff is the appropriate course of action. This not only results in a black mark on workers' employment records—making subsequent employment more difficult to find—but also renders the workers ineligible for UI, denying them benefits that they have earned and often desperately need.

Employers have found additional ways to avoid being charged for their layoffs, as well. Research by Jeffrey B. Wenger at the University of Georgia and others documents the existence of an entire industry of intermediary firms that are hired by large employers to contest the attribution of layoffs in administrative courts. This industry includes firms such as Talx (now Equifax Workforce Solutions) and ADP. A 2007 internal study by the DOL found that Talx, for example, was "significantly slower and less complete in answering auditors' questions than employers who handled their own claims," as detailed in a 2010 *New York Times* article.[109] The article further describes the frustrations that various state UI administrators had with Talx and other agents, with Iowa's deputy director for employment security noting that "We are more likely to see a claim of misconduct that is completely unsupported by the factual record" when third party agents are involved.[110]

These undesirable side effects of experience rating could be partially mitigated by introducing a federal standard to harmonize the experience-rating system across states and otherwise reforming states' SUTA tax rates (see Section 1.3.1 below). These steps would lead to greater transparency in taxation and would better align the taxes that firms face with the true social costs they impose.

However, the many practical challenges of experience rating have led some UI scholars to suggest eliminating the practice altogether.[111] Policymakers could allow interested states to obtain waivers or introduce pilot programs in order to forego experience rating in their state. This would allow researchers to evaluate the impact on firms' layoff practices and to study whether the benefits of experience rating—its usefulness in deterring layoffs and allocating program costs among employers—outweigh the costs in terms of wasted resources and detriment to workers.

This could hold particular benefit to low-wage workers.[112] Since UI taxes are passed through to the worker in the form of lower wages, low-wage workers who work for high-turnover firms are already indirectly paying most or all of the cost of these taxes today—yet are frequently denied benefits because employers have an incentive to fight their claims.

Furthermore, although it could tend to increase layoffs, suspending experience rating could make the UI system less costly—by reducing legal challenges from employers—and less complicated to administer. This would free up UI administrative funds to be used to make major improvements to the UI infrastructure and provide more customized services to UI recipients.

Summary of recommendations: Reduce layoffs by implementing effective job-retention measures

In summary, the following recommendations would improve the UI system's capacity to help workers keep the jobs they already have:

- Mandate that all state UI laws include a work sharing program that conforms to the related provisions of the Middle Class Tax Relief and Job Creation Act of 2012; for states that do not already have programs, provide one-time federal grant funding for implementation and for promoting and marketing work sharing to employers and workers

- Implement work sharing with an eye toward the best practices that result in effective programs:

  - Provide employers with the administrative flexibility they need to make programs work in their businesses
  - Allow employers to extend the duration of work sharing plans where appropriate
  - Eliminate overly restrictive limits on employer use of work sharing, including allowing employers with histories of high layoffs to participate
  - Use federal grants to automate work sharing claims filing and better integrate work sharing into existing UI systems
  - Consider certain benefits features that are known to raise employee support
  - Take advantage of federal grant funds to conduct effective and ample employer outreach in partnership with other work sharing stakeholders

- Require 100 percent federal funding of work sharing benefits for a minimum of one year when states trigger (or automatically turn on) Extended Benefits (see Section 1.3.2)

- Standardize the approach to experience rating across states, including gradually increasing the lowest maximum tax rate from 5.4 percent to 7.0 percent

- Create waivers for a small number of states to temporarily suspend experience rating in order to study the costs and benefits of doing so

- Improve the quality of job matches by enhancing the coverage and adequacy of UI (see other sections)

1.2 Provide more Americans with more adequate protection against the shock of unemployment

1.2.1 Reform eligibility criteria to reflect our modern labor force and contemporary employer practices

Two in three Americans will experience at least a year of unemployment for themselves or their household head during their working years.[113] The UI system was created to ensure that periods of unemployment—whose timing is unpredictable, despite being highly likely to occur at some point over the course of a worker's career—do not throw American families into poverty and turmoil.

For 80 years, UI has successfully smoothed the unpredictable costs of job loss for tens of millions of workers, supported by very modest payments from employers (on their workers' behalf) based on their workers' earnings. Between 2008 and 2012, in the aftermath of the recession, UI prevented an estimated 1.4 million foreclosures[114]—and in 2009 alone, it kept more than 5 million Americans out of poverty.[115] What's more, a recent study by Nathaniel Hendren of Harvard University shows when researchers account for the costly precautions that workers would otherwise take against the risk of job loss, UI is more than one-third more valuable to workers than previous estimates indicate.[116]

However, like any insurance system, UI cannot fully protect individuals who are unable to participate—yet cutbacks to benefits and failure to modernize UI as the economy and families have changed mean that today only about one in four unemployed workers receives UI.[117] Strong federal standards for UI eligibility must be introduced to ensure that workers can access the protection they have earned and that each state's program contributes to macroeconomic stabilization.

How UI eligibility is determined

The exact criteria workers must meet to be eligible for UI today differ across states—and often markedly so. However, there are several broad categories of criteria, including both monetary and nonmonetary, that are common. In addition, all states provide reduced, or partial, unemployment benefits to underemployed workers.

First, in most cases a fundamental requirement for UI eligibility is that workers must have been laid off "through no fault of their own." Although there are several exceptions for workers who separate for good personal cause rather than being laid off,[118] these exceptions generally arise due to circumstances that, like layoffs, are beyond the control of the worker. In most states, for example, workers who must leave their jobs to escape a situation of domestic violence could receive UI if they are otherwise eligible. UI's no-fault rule exists primarily to prevent so-called moral hazard: If workers were able to collect unemployment compensation after voluntarily leaving their jobs, this could induce some workers to leave work unnecessarily, ushering in higher and potentially unsustainable program costs and undermining the UI's primary role as insurance.

Second, UI applicants must also be monetarily eligible for benefits.[119] To qualify for UI, a worker must have sufficient recent work history, usually evaluated over a base period spanning four or five calendar quarters prior to filing a claim. (Some, but not all, state programs make special exceptions to workers whose employment was disrupted by illness, disability, or a caregiving responsibility.) In most states, workers' monetary entitlement—the value and duration of the benefits for which they qualify—is then determined based on wages earned and weeks or quarters of employment during the base period. Some jurisdictions consider additional factors such as income from other sources or the number of dependents a worker is supporting in determining what UI benefits a worker is entitled to receive.

A third, fundamental nonmonetary requirement across states is that UI recipients must be able to work, be available for work, and be actively searching for work in order to maintain eligibility. Work-search criteria generally require unemployed workers to perform a certain number of job search-related activities each week—such as submitting job applications, attending trainings or workshops, or interviewing—and to provide documented proof of these activities. Active work-search requirements are a key way that UI keeps unemployed workers attached to the labor market.In addition to full unemployment benefits, all states provide that workers whose hours have been reduced because of a business slowdown, or who

have lost a full-time job and accept part-time work with a new employer while job searching, can claim partial unemployment benefits. In general, claimants must be working part time and have weekly earnings below a certain threshold. To calculate partial weekly benefit amounts, most states take the difference between the claimant's benefit for total unemployment and the value of weekly earnings, after accounting for an earnings disregard. The earnings disregard refers to the portion of wages that is not subtracted—or, in other words, is disregarded—when determining a claimant's UI benefit. It is intended to minimize the financial penalty associated with accepting a part-time job while receiving UI benefits, thereby encouraging re-employment.[120]

Under the far-reaching Recovery Act of 2009, the federal government made available $7 billion in incentive funding for states that adopted one or more recommended reforms to their UI programs. These included covering part-time workers, permitting separation from a job for compelling personal and family reasons, and allowing workers with more limited or erratic work histories to qualify under an alternative base period of the immediately preceding four quarters—all as an effort to enhance states' UI coverage and adequacy.[121] UI modernization, as the effort was called, improved coverage in adopting states' programs[122] and helped pull the U.S. economy out of the Great Recession more rapidly. Without the unemployment insurance system—including, importantly, these modernization improvements—the recession would have been significantly deeper, according to analysis by economists Alan Blinder and Mark Zandi.[123] Thirty-four states and the District of Columbia took advantage of the funding opportunity to introduce a subset of the reforms, and four states received awards for reforms previously introduced, but 12 states passed on the funding entirely.[124] Perhaps unsurprisingly, states in the latter group were among those with the most restrictive UI programs at the time—a situation that remains the case today.

The current recipiency shortfall

In many states, requirements for accessing UI and maintaining eligibility are highly restrictive and exclusionary. Eligibility and program standards have been allowed to lapse or erode over time or have been deliberately weakened by state lawmakers seeking to cut state spending or slash taxes on behalf of employers. A significant number of states have outdated partial UI rules, in the form of narrow definitions of partial unemployment, low earnings disregards, or both. Yet at the same time as states have introduced increasingly stringent eligibility criteria, the American labor market has undergone changes that make many jobs even less

secure and lower paying and hours more sporadic, increasing the need for effective social insurance while decreasing the likelihood that many workers will qualify based on their employment history.

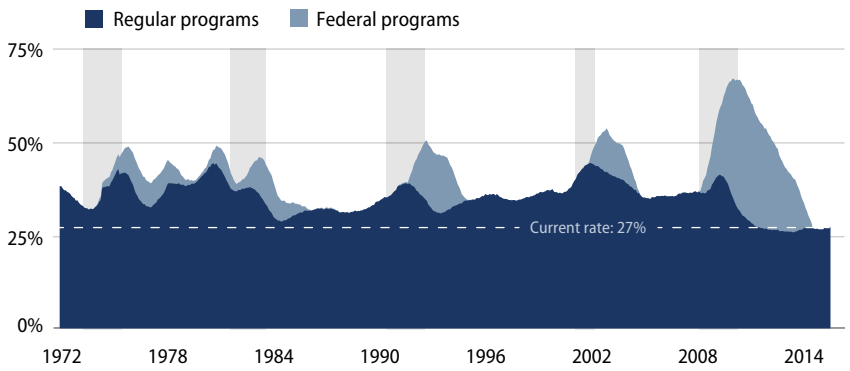
As a consequence of labor-market trends and policymakers' actions, UI has very limited reach within today's workforce. As of 2015, the national UI recipiency rate—the share of unemployed workers receiving benefits—is at a historic low, serving only 27.2 percent of unemployed workers nationwide, as shown in Figure 3. This represents an 8 percentage-point drop from a decade ago. This percentage is even lower—23.4 percent—if one does not account for UI waiting or penalty weeks.[125]

As of 2015, the national UI recipiency rate—the share of unemployed workers receiving benefits—is at a historic low, serving only 27.2 percent of unemployed workers nationwide.

FIGURE 3

UI receipt among unemployed workers fell to record lows in 2014 and 2015

Share of unemployed workers receiving unemployment insurance benefits, 1972 to 2015



Note: Shaded areas represent periods when the U.S. economy was in recession during all or part of the year. Figures are 12-month moving averages of monthly continued weeks of unemployment insurance benefits claimed relative to the unemployed level. Regular programs include state UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Service-members. Federal programs include federal-state Extended Benefits and temporary emergency extensions, including the most recent Emergency Unemployment Compensation of 2008. Data do not include Puerto Rico or the U.S. Virgin Islands.

Source: Authors' calculations from U.S. Department of Labor Employment & Training Administration, Report 5159, "Claims and Payment Activities," available at http://ows.doleta.gov/unemploy/DataDownloads.asp (last accessed March 2016).

The situation is particularly dire in several states: In Florida, for example, where policymakers introduced a series of onerous new eligibility procedures between 2011 and 2015, in addition to cutting benefit duration nearly in half, UI served just 11 percent of unemployed workers in 2015. In 13 states, fewer than 20 percent of jobless workers were protected by UI in 2015. This leaves a large share of working families without financial protection from the shock of a job loss and is an issue that will hamper the force of UI's countercyclical response to a future economic downturn.

TABLE 4

In 13 states, fewer than 1 in 5 jobless workers received UI in 2015

Share of unemployed workers who received UI in 2015

State	UI recipiency rate	State	UI recipiency rate
Florida	10.9%	Texas	28.8%
North Carolina	12.4%	Colorado	29.1%
South Carolina	12.6%	Oregon	29.9%
Georgia	13.7%	Maine	30.0%
South Dakota	13.8%	Arkansas	30.4%
Mississippi	14.7%	Illinois	31.0%
Tennessee	15.0%	Delaware	31.2%
Arizona	15.3%	Rhode Island	31.5%
Louisiana	15.4%	West Virginia	31.7%
Virginia	17.2%	District of Columbia	32.1%
Alabama	17.4%	California	32.8%
Indiana	18.4%	Hawaii	33.8%
New Hampshire	18.9%	New York	34.8%
Missouri	20.8%	Wisconsin	35.8%
New Mexico	21.2%	Montana	38.2%
Utah	21.3%	Iowa	38.5%
Kentucky	22.8%	Wyoming	39.4%
Ohio	23.8%	Connecticut	40.0%
Nebraska	24.2%	Vermont	41.7%
Maryland	24.5%	Minnesota	42.9%
Idaho	25.4%	Massachusetts	42.9%
Michigan	25.9%	Pennsylvania	44.6%
Nevada	26.3%	New Jersey	44.7%
Washington	27.0%	Alaska	45.5%
Oklahoma	27.7%	North Dakota	70.0%
Kansas	27.8%		

Note: States indicated by dark blue bars had reduced their maximum regular benefit weeks below the conventional 26 weeks as of the end of 2015. Data cover weeks claimed of state UI, Unemployment Compensation for Federal Civilian Employees, and Unemployment Compensation for Ex-Service Members.

Source: Authors' calculations from U.S. Department of Labor Employment & Training Administration, Report 5159, "Claims and Payment Activities," available at http://ows.doleta.gov/unemploy/DataDownloads.asp (last accessed March 2016); U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," Table A-1, available at http://www.bls.gov/webapps/legacy/cpsatab1.htm (last accessed March 2016).

What's more, the workers who are most likely to fall through the cracks in coverage are typically those in greatest need of the financial security UI can provide. Low-wage workers, for example, are twice as likely to lose a job as middle-income workers but only one-third as likely to get UI, even though they are less likely to have savings to fall back on.[126] In fact, monetary eligibility rules established on base-period wages may require lower-income workers to work more hours than higher-income workers to qualify for UI. The fact that low-wage workers are less likely to qualify for UI is particularly troubling given that they are more likely to be multiple-job holders—and therefore contribute a disproportionate amount into the UI system because more than one employer submits payroll taxes on their behalf.

Outdated UI rules pertaining to partial unemployment, also known as underemployment, fail unemployed claimants who are eager to return to work, as well as employees dealing with erratic, unpredictable job schedules. Unemployed claimants in states with low earnings thresholds for partial unemployment face a tough choice: If offered a part-time job that pays more than what their state deems to be partial unemployment, they can either accept the job and take home just a fraction more than their full UI benefit, or they can turn it down, potentially weakening future job prospects. Similar challenges result from low or no earnings disregards—in other words, methods of determining the weekly UI payments that deduct all or a large portion of earnings from a claimant's full benefit.

Unemployed claimants facing the possibility of a sharp benefit reduction, or no payment at all, may choose instead to remain out of work while they look for a permanent, full-time job because it is in their financial best interest to do so. Similarly, workers dealing with low earnings as a result of employers reducing their hours lose out on crucial income support during a time when they may need it most.

In addition to low-paid workers, many other groups are underserved or excluded under the current system. These groups include part-time workers and those who have temporary or seasonal jobs or volatile schedules; experience involuntary pay or hours cuts; are independent contractors; or are self-employed. They also include workers who are long-term unemployed; lack sufficient work history; quit voluntarily for compelling family or personal reasons, such as caring for an ill spouse or escaping domestic violence; are caregivers of young children or have other dependents; need long-term retraining and income support; live in states with less adequate UI programs; or have difficulty accessing application and enrollment systems.

By neglecting these workers, UI programs in many states are effectively discriminatory: Certain communities such as women, workers of color, and older workers are disproportionately likely to hold these types of jobs and face these sets of circumstances. Workers of color, for instance, are disproportionately likely to earn low wages and to have seasonal employment.[127] An analysis of the most recent "nonfilers" supplement to the Census Bureau's Current Population Survey found that workers of color who became unemployed were significantly less likely than non-Hispanic white workers to apply for UI—and among those who did apply, were less likely to receive UI.[128] Women, in addition to being disproportionately more likely to earn low wages, are also nearly twice as likely as men to be part-time workers.[129] A greater number of women are caregivers as well, making them more likely to need to exit the workforce temporarily to fulfill caregiving duties.[130] Expanding eligibility for UI could thus help reverse women's declining labor force participation, which has shrunk in the United States since its peak in 1999—and is now at 57 percent, its lowest level since 1988 and below most other Organisation for Economic Co-Operation and Development, or OECD, countries.[131]

The large gaps in coverage are clearly problematic when it comes to protecting the economy from recession. But coverage shortfalls make UI less efficient and effective for other reasons as well. Excluded workers are more likely to have lower wages and incomes, to be supporting children and other family members, to have urgent medical expenses, or to be otherwise disadvantaged. They tend to earn less, so their wages are less costly to replace with UI benefits. At the same time, the economy stands to gain more per dollar spent from covering these workers: Because they are more likely to be economically needy, today's underserved workers will spend a greater share of their UI benefits rapidly in the local economy rather than saving these benefits. Furthermore, economically vulnerable workers are most likely to need other public assistance in the event of job loss if UI is inaccessible, so by bringing these workers under the protection of earned insurance, funded through dedicated payroll taxes, UI may reduce spending on taxpayer-financed assistance programs. Expanding UI coverage to underserved groups is, thus, a winning proposition for taxpayers, policymakers, and working families alike.

Measures to expand UI coverage

Urgent steps must be taken to fill in the gaps in coverage and reform financial eligibility, to restore and broaden UI's reach, and to halt the exclusion of disadvantaged worker groups. Several recommendations will be familiar to policymakers from

UI modernization efforts in 2009; these recommendations encourage or require several reforms that have already been improving coverage for years in a handful of states. In fact, adopting just three of these recommendations—extending eligibility to part-time workers, workers who voluntarily quit a job for good cause, and workers who qualify under the alternative base period, or ABP, rather than the standard base period, or SBP—would cover 13 percent more unemployed workers, according to updated analyses commissioned for this report by the Urban Institute.[132] The early adopter states provide excellent blueprints for implementing these reforms in remaining states. In its FY 2016 budget proposal, the White House proposed creating a new UI modernization fund that would provide incentive funding for states to adopt two or more such measures.[133] Additional recommendations go further, setting minimum federal standards nationwide to ensure UI's countercyclical power and addressing recent labor-market changes to which few—if any—states have adapted.

Reform monetary eligibility rules across states

A uniform federal standard for monetary eligibility should be introduced, harmonizing the minimum amount of earnings—calculated as a share of the state's average weekly wage—needed during the base period or alternative base period to qualify for UI. Specifically, any worker who has earnings of at least 300 times the state's hourly minimum wage during the relevant base period—and who has worked during at least two quarters of that base period—should qualify monetarily for UI benefits. In other words, a worker earning minimum wage would need to work at least 300 hours spanning more than one quarter during the base period. This would ensure, for example, that a worker who earned the minimum wage for 15 hours per week over a period of 20 weeks would qualify for UI.[134]

In the longer term, policymakers should consider switching to an hours-based eligibility requirement, versus a purely earnings-based eligibility requirement, to ensure full equity between lower- and higher-wage workers in terms of the hours needed to earn UI's protection.[135] That is, if workers do not meet requirements based on wage earnings, an alternative federal standard based on the number of hours during the relevant base period should be applied. This alternative standard should be set at a level such that the lowest-paid workers—those who earn the minimum or subminimum wage—are not required to work significantly more hours during the base period than their higher-paid counterparts to be eligible for UI.[136] This two-part minimum federal standard for monetary eligibility will promote greater horizontal equity among lower- and higher-paid workers, as well

as improve coverage among low-wage workers. This new alternative standard would require employers to report hours worked by employees—a practice that is commonplace in most other nations and would have multiple additional uses for policymakers beyond its applications for UI.[137] Policymakers should study the examples of Washington and Oregon, where UI eligibility is already tied to hours worked, and encourage other states to begin collecting these data as well.[138]

Extend full eligibility to part-time workers

Unemployed part-time workers, who have qualifying work histories and wish to seek comparable part-time employment consisting of work for at least 20 hours a week,[139] should be eligible for UI. Voluntary part-time work is a legitimate and important form of employment; in 2014, more than 20 million Americans—17 percent of the workforce— voluntarily worked part time.[140] Employers pass most of the cost of UI taxes on to workers in the form of lower wages—and part-time workers often face this wage penalty to the same extent as full-time workers. Yet one-third of states (21 states) do not allow these workers to obtain UI when they become unemployed due to a requirement that UI recipients seek full-time work.[141] Affording qualifying part-time workers the same opportunity to earn protection as full-time workers allows individuals to choose the schedule that best suits their needs with greater freedom and less risk. Furthermore, since voluntary part-time workers are disproportionately women and more likely to be raising children or otherwise caregiving,[142] covering them would strengthen UI as a pillar of a family-friendly economy, encourage women's labor force participation, and better protect many children from economic insecurity.

States should also be required by federal law to allow workers who qualify for UI on the basis of full-time work but who wish to transition to a part-time schedule due to a major life change, such as the birth of a child or the illness or injury of a dependent, to seek and be available for part-time work (consisting of at least 20 hours each week), as long as they are making a good faith effort to find suitable new work.[143] In 2014, 10 of the states that allowed eligible full-time workers who separated from work for compelling family reasons to receive UI also allowed them to seek part-time rather than full-time employment. As highlighted above, this would particularly affect women, who are more likely to drop from full-time to part-time work when they give birth or must care for a dependent, and could help to increase female labor force participation.

Reform qualifying reasons for leaving work

UI is primarily restricted to workers who are laid off and thus involuntarily separated from their job. However, there are several commonsense exceptions that should be required by federal law to permit otherwise-qualified workers to receive UI who voluntarily separate from employment for good cause, including the reasons described below.[144]

The first category of good-cause separations is due to injurious work-related reasons that are beyond the employee's control, such as erratic job schedules or cuts in hours and pay—circumstances that disproportionately affect low-wage workers. Recent research has explored the difficulties workers and UI applicants face due to irregular schedules and unpredictable hours and pay.[145] For example, in states that require that a worker who quits voluntarily do so for job-related reasons in order to remain eligible for UI, a substantial reduction in work hours or persistent scheduling volatility are not always considered legitimate grounds for quitting, if those scheduling practices are deemed customary in an industry or occupation.[146] This research demonstrates that the effects of poor job quality extend well beyond low wages and represents a growing challenge within the U.S. workforce.[147] For example, technology has made harmful practices such as just-in-time scheduling—in which firms use software to determine workers' shifts based on consumer demand, which fluctuates from day to day or even hour to hour—easier for employers. At the same time, a weak economic recovery—which robbed workers of power to advocate for fair workplace terms—has allowed these exploitative practices to become widespread.

One step state legislatures can take to protect workers from job-schedule volatility is to permit employees facing unreasonable scheduling practices to voluntarily quit work and still receive UI benefits, rather than disqualifying them on the grounds that such scheduling practices have become highly prevalent in certain industries.[148] For example, when volatile scheduling results in a substantial reduction in scheduled weekly hours and expected earnings—either permanently or from those offered in the prior scheduling period—workers should have good cause to quit and search for more stable work elsewhere and not fear being excluded from UI.

Ideally, improved labor standards in the future will obviate much of UI's role in protecting workers from exploitative employer practices. In the meantime, however, UI is uniquely positioned to protect the financial security of workers who fall prey to harmful employer practices. Extending state-funded UI coverage

to workers affected by detrimental practices provides states with greater incentive to monitor, mandate, enforce, and reward healthy employment practices. In theory, states could also use the experience-rating system to deter employers from harmful practices through the threat of being charged. However, employers would likely contest these charges in court, resulting in difficult and costly litigation. So although it is desirable for purposes of deterrence, charging employers for the costs of work-related good-cause separations should be optional rather than mandatory for states.

The second category of exceptions to no-fault separations involves compelling personal and family reasons, or reasons for separation not related to the employer. Individuals must sometimes quit for reasons beyond their control, such as to escape domestic violence; care for themselves or a family member during illness or injury[149]; care for children when child care has been lost and an alternative arrangement cannot be reasonably secured; or follow a spouse, partner, or co-parent who relocates. As of 2015, about half of states allowed at least one such compelling personal reason for otherwise qualified workers seeking UI.[150] For separations in the second category, the employer should not be charged through the experience-rating tax system.

Other family-friendly labor policies complement UI reform

American workers need a family-friendly economy more than ever before. In increasing numbers, American workers are juggling multiple responsibilities as parents, caregivers to elderly relatives, students, and multiple-job holders. And UI is not the only system that has failed to keep pace with the dramatic changes in families and the workforce. Modernizing social assistance for jobseekers must be part of a broader agenda to develop family-friendly workplace policies for our 21st century labor force—one that includes access to the necessities of economic security such as health insurance, paid leave, and child care.

The United States took a significant step toward a family-friendly economy by implementing the Affordable Care Act, or ACA, in 2014. In past decades, most Americans have relied on employer-provided health insurance. The ACA ensures that losing a job does not also mean losing vital insurance coverage and gives workers the freedom to accept better-suited work without jeopardizing their family's health and safety. More than 20 million Americans have gained health insurance under the ACA, reducing medical risks and financial burdens for families.[151] Importantly, the majority of states have expanded their Medicaid programs under the ACA, giving poor and low-income families greater access to health insurance coverage. However, to complete this step, the 19 states that continue to refuse Medicaid expansion must take immediate action to expand their Medicaid programs, closing the so-called coverage gap for poor adults.[152]

Paid family and medical leave is another critical feature of an economy that works for working families. Each year, millions of workers welcome new children; provide care for family members who are elderly, ill, or injured; or require time away from work to address their own injuries or illnesses. Yet the United States remains the only developed nation where workers lack access to paid leave. As a result, many Americans forego critical income—or risk losing their job altogether—when these natural events occur, while employers risk losing experienced workers. As of 2016, three states had enacted paid family leave policies, which research shows increase workers' health and satisfaction and make it more likely that workers—particularly women—will return to the workforce after the birth of a child.[153] A recent proposal from the Center for American Progress provides options for federal policymakers to expand paid leave policies to workers nationwide.[154]

A third important element of family-friendly economy is access to high-quality child care. Since 65 percent of children under age 6 have all of their available parents in the workforce, child care is an economic necessity for most young families.[155] But it is out of reach for many: In 31 states and the District of Columbia, the annual cost of child care for an infant is more than tuition and fees at an in-state four-year public university. Existing forms of assistance reach only a small portion of qualifying families and are much lower than actual child care costs. Proposals to make affordable high-quality child care available, such as one put forward by the Center for American Progress, would prevent parents from needing to turn to lower-quality care—which can have negative consequences for their children's development—while allowing more parents to participate in the workforce.[156]

Together with a modernized UI system and the proposed JSA, such policies lay the foundation for a family-friendly economy. By supporting modern-day working families, these and other policies have significant potential to improve health, productivity, and economic security—and to form a foundation for shared prosperity.[157]

Modify the base period for determining eligibility

There are three enhancements states should make to the base period for determining eligibility, in order to extend coverage to workers who do not qualify under the standard base period, or SBP. The SBP, which in most states consists of the first four of the previous five completed calendar quarters before a worker's UI claim,[158] is an artifact of a time when wage reporting was slower. It omits workers' most recent work history and can include wage rates as far back as 18 months.

Many low-wage, seasonal, and temporary workers are ineligible under the SBP despite having active recent work history. More than two-thirds of states have now adopted the alternative base period, or ABP, allowing workers who do not qualify under the SBP to instead qualify based on the immediately preceding four quarters, eliminating the SBP's one-quarter lag.[159] Adopting the ABP is a relatively low-cost reform for states.[160] Considering its low cost and high impact on coverage for low-wage and disadvantaged worker groups, federal law should require that the ABP be available to workers in all states.

In addition to the ABP, all states should be required to adopt the extended base period, or EBP, for workers with qualifying conditions such as illness or injury. The EBP allows workers to qualify on the basis of older work history if they have no wages in the current base period. By helping injured or disabled workers to rejoin the labor market, the EBP may also lead to a modest reduction in applications for Social Security Disability Insurance, or SSDI, and Supplemental Security Income, or SSI, which sometimes coincide with permanent exit from the labor force.

Finally, similarly to the EBP, states should be required to extend the base period back to 18 months, as the state of Oregon does, to cover workers with erratic work schedules, whose earnings and hours during the base period are too sporadic to make them eligible.[161]

Extend UI to seasonal and temporary workers

In addition to stringent monetary eligibility rules that make it difficult for workers with sporadic, cyclical, and irregular hours to qualify for UI, multiple states maintain explicit restrictions on covering seasonal workers.[162] Restricting the UI benefits available to seasonal employees shifts a large share of the burden of seasonal employment from firms to workers. These restrictions may not only rob laid-off workers of the opportunity to find higher-quality employment through UI-supported job searches, but also let employers off the hook for providing low-quality, seasonal jobs because they are able to evade experience-rated charging.[163] UI programs were pri-

marily established to mitigate the effects of involuntary unemployment; because it causes workers to be involuntarily unemployed for periods of time, seasonal work should be compensated under UI programs.

Indeed, practical experience in the majority of states indicates that seasonality provisions are not necessary to balance the dual goals of providing income support to seasonal workers and protecting the economic health of the state UI trust funds. The Advisory Council on Unemployment Compensation, or ACUC—a presidentially appointed, bipartisan group that met from 1993 through 1995—studied state seasonality provisions. In its 1995 report, the ACUC recommended states repeal seasonal-work exclusions and subject seasonal employees "to the same eligibility requirement as all other unemployed workers."[164]

Similarly, many states restrict UI access for temporary workers. Many state laws do not treat the conclusion of a temporary assignment as an involuntary termination of employment. Instead, these states require workers to report to the temporary agency that laid them off for a new assignment. Workers who fail to contact the agency are deemed to have quit voluntarily and are thus disqualified from UI.[165] These laws trap workers in a type of indentured servitude, relegating them to a repeated cycle of short-lived, dead-end jobs. Furthermore, the laws prevent the experience-rating system from charging temp agencies for the disproportionate amount of unemployment they create. This, in turn, makes it more profitable for firms to employ workers on a temporary basis and may even give these firms an advantage over more responsible competitors.

Eligibility restrictions for both temporary and seasonal workers (other than educational employees who have a separate set of eligibility requirements for coverage[166]) should be eliminated across states to build a more inclusionary UI system and to reward employers for creating higher- rather than lower-quality jobs.[167]

Enact strong partial UI formulas

For workers who are subject to unstable job schedules, partial UI helps temporarily stabilize consumption in the short term—helping them afford necessities such as food and shelter—by drawing modest income from both wages and UI. This lifeline may keep workers from needing to quit a current job while seeking employment that provides a steadier schedule and paycheck. Partial benefits also encourage jobless claimants to maintain stronger connections to work. This may better position them for future job openings, as employers are known to prefer to hire workers who are currently employed or recently unemployed.[168] Strong

partial UI is increasingly important considering recent experience: Involuntary, part-time unemployment was a strong factor in the weak labor market following the Great Recession and remained elevated in 2015—30 to 40 percent higher, by some estimates, relative to earlier recoveries.[169]

A federal standard that allows weekly earnings in excess of the individual's full weekly benefit—and disregards earnings worth a percentage of the full benefit—would eliminate significant variation and prevent further erosion in state partial UI formulas, as well as ensure greater coverage of underemployed people overall.

Specifically, states should be required to allow claimants to qualify for partial benefits as long as they are working less than full time and earning wages of less than 150 percent of their weekly benefit amount. Furthermore, when calculating a claimant's partial UI benefit, states should be required to disregard from this calculation part-time wages worth at least 50 percent of the full weekly benefit amount. For example, a worker who was laid off from a full-time job paying $400 per week (slightly less than $21,000 per year) and was entitled to a full weekly benefit amount of $200 per week could earn up to $100 per week from part-time work before the worker's UI benefits would be reduced. Thereafter, the UI benefits would be reduced by one dollar for each additional dollar earned in part-time employment.[170] This formula ensures that the lowest-wage claimants—those who are eligible for a state's minimum weekly benefit or slightly above it—who find intermittent part-time work or face erratic scheduling would experience minimal or no reductions in their usual weekly benefit.[171] On the whole, these improvements will allow jobseekers to maintain stronger attachments to work and increase their ability to provide for their families while they seek more permanent employment.[172]

Promote efforts to end worker misclassification

According to the limited available estimates, about 1 percent to 2 percent of the American workforce is improperly classified by employers as independent contractors.[173] The problem of misclassification is widespread: An estimated 10 percent to 30 percent of employers misclassify at least one employee on their payroll.[174] By misclassifying employees as independent contractors, employers take advantage of outdated labor laws to avoid paying UI taxes and getting charged through the experience-rating system. As a result, many workers are not protected by UI if they become unemployed, employers do not face appropriate penalties from laying workers off, and the UI system loses a significant amount of potential

payroll tax revenue. A 2000 study commissioned by the U.S. Department of Labor found that misclassifying just 1 percent of workers as independent contractors results in an annual average loss of $198 million to states' UI reserves.[175]

In the near term, these misclassified employees would be covered under the proposed Jobseeker's Allowance (see Section 2) when they experience job loss. However, in the longer term, both the states and the federal government—including the U.S. Department of Labor and the Internal Revenue Service—must act to better enforce labor laws. They must also, where necessary, reform these laws such that workers with sufficient job histories can be covered by UI. While these are not recommendations for the UI system explicitly, they are complementary to the report's recommendations to expand UI eligibility: These recommendations mean that many employees who would not be eligible today—even if properly classified—would become eligible for UI. Covering these workers under UI will not only bring more workers into the traditional contributory system of earned insurance, it will also hold firms accountable for their layoffs through experience-rated taxation and increase revenue to the UI trust fund.

Summary of recommendations: Reform eligibility criteria to reflect our modern labor force and contemporary employer practices

- Introduce a uniform federal standard for monetary eligibility across states, harmonizing the minimum earnings requirement as a share of states' average weekly wages during the base period or alternative base period (see below); claimants should be eligible if they have earned at least 300 times the state's hourly minimum wage during the base period and worked in at least two quarters

- Encourage states to require employers to report hours worked and explore the creation of an alternative eligibility standard based on hours worked if a worker does not meet the earnings-based standard

- Establish a federal standard to allow unemployed part-time workers with qualifying work histories who wish to seek comparable part-time employment to receive UI. The standard should also allow certain claimants who qualify based on full-time work—but have experienced a significant life change such as the birth of a child—to search for part-time work, waiving the full-time work-search requirements for these individuals. In both instances, part-time work entails work for at least 20 hours per week.

- Encourage states to permit employees facing unreasonable scheduling practices to voluntarily quit work without disqualifying them from UI, even if such scheduling practices are the norm in the particular industry or occupation

- Require states to expand qualifying non-job-related good-cause quits to include, at a minimum, escaping domestic violence; caring for themselves or a family member during illness or injury; caring for children when child care has been lost and an alternative arrangement cannot be reasonably secured; or following a spouse, partner, or co-parent who relocates—and encourage states to adopt unrestricted good-cause quits for compelling personal reasons; provide partial federal funding for these benefits; and exempt employers from charges through experience-rated taxation for these employees

- Modify the base period for determining eligibility so that workers who do not qualify under the standard base period are covered

  - Require states to adopt the alternative base period and encourage adoption of the extended base period for workers with qualifying conditions such as illness or injury
  - Require states to extend the base period to 18 months to cover workers with erratic work schedules

- Require that states not treat seasonal workers (other than educational employees) differently than other workers in terms of eligibility for benefits

- Eliminate the requirement that temporary workers report for new assignment to the temp agency that laid them off; all states must treat the end of a temporary assignment as an involuntary termination of employment

- Require states to allow claimants working part time to qualify for partial UI benefits as long as they are working less than full time and earning wages less than 150 percent of their weekly benefit amount

- Require states to disregard part-time wages worth at least 50 percent of a claimant's weekly benefit amount in calculating a claimant's partial UI benefit

- Promote efforts to end the widespread misclassification of employees as independent contractors (see also Section 2)

1.2.2 Boost benefit adequacy

To serve effectively as insurance for workers and a stabilizer for the economy, UI's benefits must be sufficiently adequate in two respects. First, weekly benefits must replace a sufficient share of wages to allow a worker to sustain a modest but adequate level of consumption while seeking new employment. Many working families today have little or no savings; the loss of a job will usually necessitate a significant cutback in spending.[176] Unemployment compensation reduces the likelihood that this cutback, although challenging, will jeopardize workers' ability to put food on the table, put them at immediate risk of eviction, or throw them into poverty while they search for a new job.

Second, UI benefits must be available over a long enough period of time to give workers a reasonable chance of becoming re-employed before benefits run out. In 2014, it took the typical, or median, unemployed worker more than 14 weeks to find new employment—six weeks longer than before the recession,[177] as shown in Figure 2 in Section 1.1.1. And many workers struggle for much longer to find work: Even if UI were restored to its conventional 26-week duration in every state, the one-third of unemployed workers who had been searching for work for longer than 26 weeks in 2014 would exhaust their benefits before becoming re-employed.[178] During recessionary times, when the length of unemployment spells usually rises, the duration of UI benefits needed to protect most workers also rise.

To assess the adequacy of benefits, therefore, researchers often ask the following two questions. First, what share of a typical eligible worker's wages is replaced by the weekly UI benefit? And second, for how many weeks may the typical eligible worker receive UI benefits? They then ask how these measures compare to the level of benefits that would best protect workers from financial hardship, encourage workers to seek re-employment rather than exiting the workforce, and bolster the macroeconomy against recessions—while keeping UI program costs at a sustainable level.

Benefit adequacy versus moral hazard

Increasing benefit adequacy in either of these dimensions entails a trade-off. On the one hand, more generous benefits improve matching: It allows cash-strapped workers flexibility to seek a higher-quality, better-paying job—one that fits their skillset and interests and is thus a better match—rather than taking the first job they can find out of desperation and financial hardship. On the other hand, more

generous benefits may lead eligible workers to stay unemployed for longer than they otherwise would—an effect referred to as moral hazard—at an additional cost to the UI program. If moral hazard were the dominant effect, economists would expect more generous UI benefits to lead to higher unemployment rates and lower total economic output, offsetting the macroeconomic and matching advantages associated with UI.

An abundance of research suggests the current UI system falls far short of producing significant negative moral hazard consequences. Indeed, even during the largest expansion of the UI program in history—when benefits were extended for up to 99 weeks following the Great Recession—research by Jesse Rothstein of the University of California, Berkeley, found that UI increased the unemployment rate by a miniscule amount: 0.1 to 0.2 percentage points in 2011.[179] Moreover, Rothstein found that at least half of this increase in the unemployment rate was due to a reduction in workers exiting the labor market. In other words, critics' fear that UI will lead many recipients to stay unemployed for longer, causing the unemployment rate to rise, did not occur to any appreciable extent—even though UI benefits were available for more weeks than ever before in our nation's history. And what's more, to the extent that UI did cause a small uptick in the unemployment rate, it was for a desirable reason: Workers who would otherwise have become discouraged and dropped out of the workforce—thereby reducing our nation's growth rate and damaging their own future labor-market prospects—instead chose to search for a new job because of UI. This is evidence that UI was successfully achieving the goal of keeping workers attached to the labor force.

Further research uncovers additional reasons that a slight increase in the unemployment rate resulting from UI is desirable. As noted above, these slightly longer spells of unemployment lead to improved matching between employers and employees, such that workers earned higher wages and stayed in their subsequent job longer upon becoming re-employed.[180] Research finds that the benefits associated with this improved matching outweighed the increased expenditures on UI benefits.[181] Research by economist Raj Chetty of Stanford University finds that about three-fifths of the increase in the duration of unemployment spells caused by UI improves social welfare because it addresses the liquidity constraints of families. In other words, UI benefits give workers more cash on hand, reducing their need to take an ill-suited or low-quality job out of financial desperation, and help them afford the costs of a thorough job search such as transportation and relocation expenses.[182]

In summary, these research findings indicate that moral hazard effects are small and that in any case, these small effects are offset by countervailing positive consequences of UI through improved matching, workforce retention, and reduced liquidity constraints. When added to the positive externalities that UI has on the macroeconomy, including additional stimulus and stabilization effects, concerns about moral hazard are shown to be misplaced when examining current U.S. benefits.

Optimal UI benefit adequacy

In its original design, U.S. unemployment insurance was intended to replace about half of a worker's wages for 26 weeks in nonrecessionary times. A host of economic research suggests that these parameters—a 50 percent wage replacement rate for 26 weeks—represent a lower bound for optimal UI generosity during nonrecessionary times. Chetty suggests that UI benefits should replace more than 50 percent of the typical worker's wages to balance the benefits of improved matching with the risks of moral hazard.[183] Further research by Itay Saporta-Eksten—then of Cornell University—takes into account the correlation between wages, consumption, and job loss—that is, the reality that lower-wage workers tend to have less job stability. This research suggests that the optimal replacement rate for wages is around 54 percent.[184]

UI benefits are inadequate in many states today

States with inadequate benefits spend less money on their own UI programs in order to keep taxes low for employers in the state. However, recessions rarely respect state borders. Thus, the diminished capacity of irresponsible states—which do not pull their weight in stabilizing the economy—has a negative spillover effect on the national economy, including on neighboring states that have acted more responsibly.

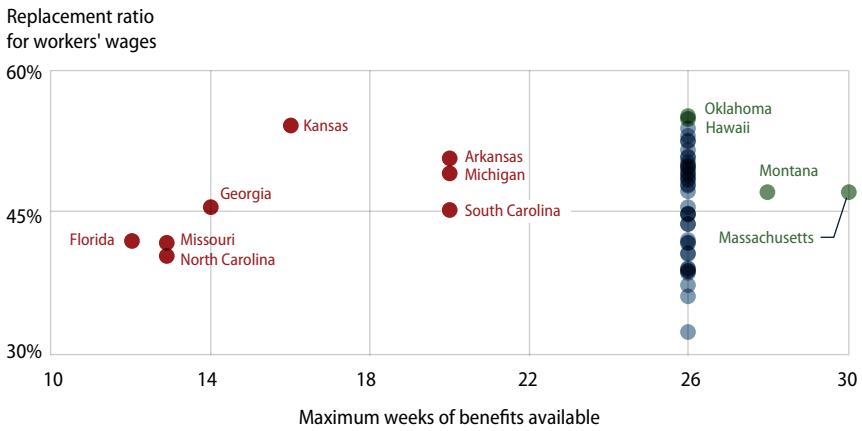
Since the Great Recession, nine states have slashed the maximum duration of state-provided benefits below the conventional 26 weeks—although one, Illinois, has since returned to 26 weeks.[185] As a result, eight of the nine states experienced faster-than-average declines in their recipiency rates—that is, the percentage of unemployed workers receiving UI—which were already among the lowest in the country.[186] Among the most severe cuts were those made in North Carolina and

Florida, where benefits went from 26 weeks in 2013 to just 13 weeks beginning in 2016 and from 26 weeks in 2013 to 12 weeks beginning in 2016, respectively.[187] That means the maximum benefit duration in these states was shorter than the average UI claim in the nation—16.4 weeks in 2014.[188]

FIGURE 4

Several states have reduced maximum benefit weeks well below the conventional 26 weeks

States' replacement ratios in 2015 and maximum weeks of regular benefits available in 2016



Note: The replacement ratio is the average ratio of UI claimants' weekly benefit amounts to their usual hourly wages, normalized to a 40-hour work week.

Source: U.S. Department of Labor, "UI Replacement Rates Report: 2015," available at http://www.oui.doleta.gov/unemploy/ui_replacement_rates.asp (last accessed April 2016); Center on Budget and Policy Priorities, "Policy Basics: How Many Weeks of Unemployment Compensation Are Available?" (2016), available athttp://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available.

However, even in the 45 jurisdictions that offer a maximum duration of 26 weeks, some workers cannot obtain 26 weeks of benefits: Most of these states rely on a variable duration formula, determining an individual worker's maximum duration according to base period wages. Only eight states and Puerto Rico offer a uniform duration of 26 weeks.[189]

Each state has a somewhat different formula for determining the benefits an unemployed eligible worker will receive based on their work history. Broadly speaking, states employ a variation of one of four methods to calculate the benefits a worker will receive.[190] Twenty-nine states use the high-quarter method, which bases benefits on the worker's highest-earnings quarter during the base period.

The remaining states use a variety of alternative methods that are typically less generous toward a given worker. Some of these methods yield benefit amounts that replace far less than 50 percent of a worker's recent wages—even for low-wage workers whose income puts them well below the maximum benefit level. The high-quarter method tends to be most generous, providing protection to workers with nonstandard work histories.

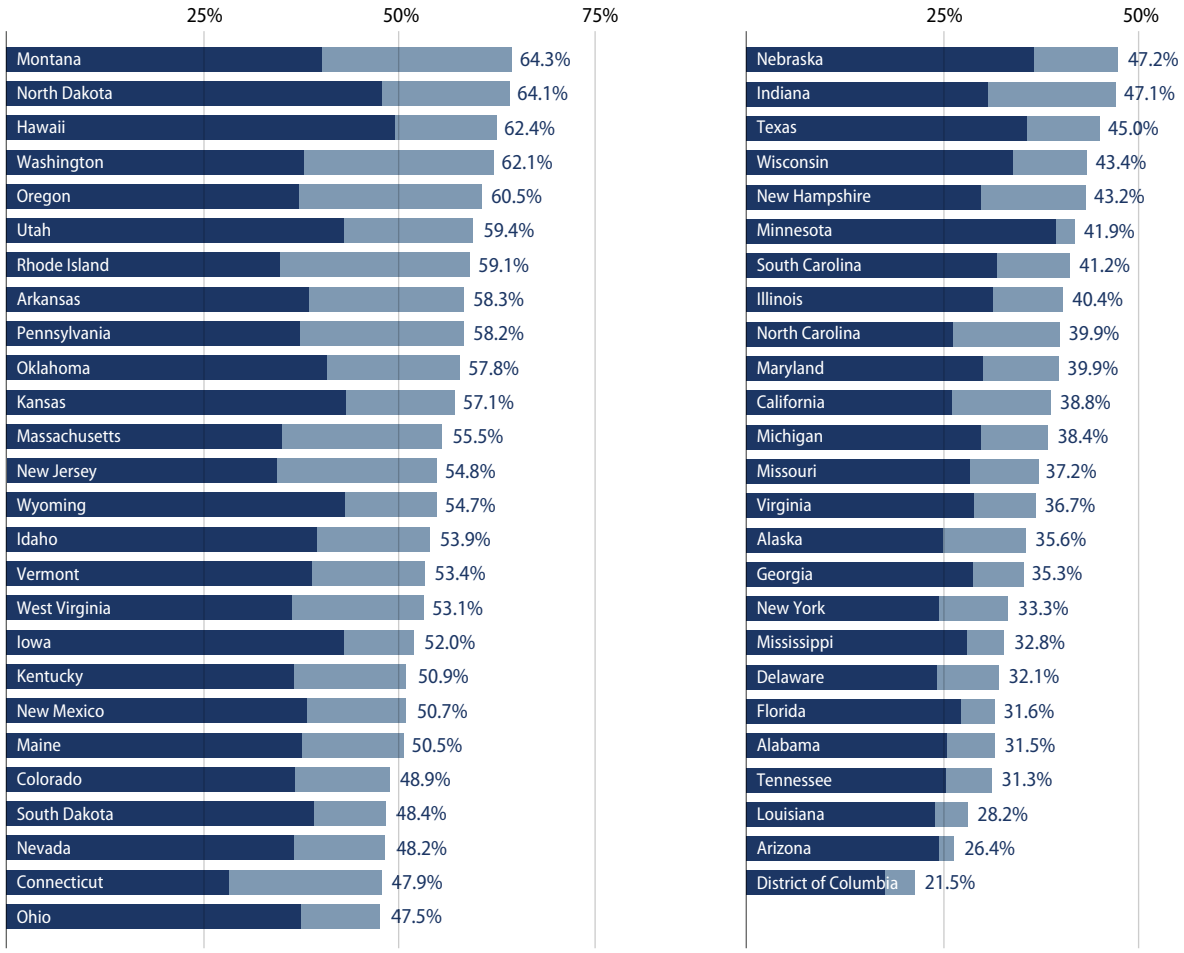
In addition, all states currently set a maximum weekly benefit amount, or WBA. This helps keep program costs low by limiting the funds directed toward higher-income workers, who are most likely to have savings and least likely to need substantial wage replacement during the job-search process. Some states set this maximum WBA as a fraction of the average weekly wage in UI-covered employment. This ensures that the maximum WBA will keep pace automatically with future wage growth and, relatedly, the state's cost of living. In 1995, the bipartisan Advisory Council on Unemployment Compensation recommended that states adopt a maximum WBA of two-thirds of the average weekly wage.[191] Although several states have done so, most states currently cap the WBA at much lower levels. In many states, the maximum WBA is too low: Benefits replace far less than half of the earnings for even lower-middle-class earners. Between 2014 and 2015, for example, the maximum state-provided benefits ranged from 21.5 percent of the average weekly wage in the District of Columbia to 64.3 percent in Montana.[192] In several states such as Mississippi, where average weekly wages are relatively low, even high earners receive only just-above-poverty-level wage replacement. For workers who may have fixed payments based on income, such as a mortgage, this low cap on benefits may make UI insufficient to properly serve as insurance.

As a result of differences in benefit calculation formulas and maximum WBAs, average replacement rates for workers vary widely across the states, ranging from 32.3 percent in Alaska up to 55.3 percent in Oklahoma in 2015, as shown in Figure 4.[193]

FIGURE 5

UI benefit adequacy varies widely across states

Average weekly benefit amount and maximum weekly benefit amount as a share of state's average weekly wage, 2014 to 2015



Note: State average weekly UI benefit amounts and state average weekly wages in covered employment are for the 12 months ending June 30, 2015. State maximum UI benefit amounts are as of 2015.

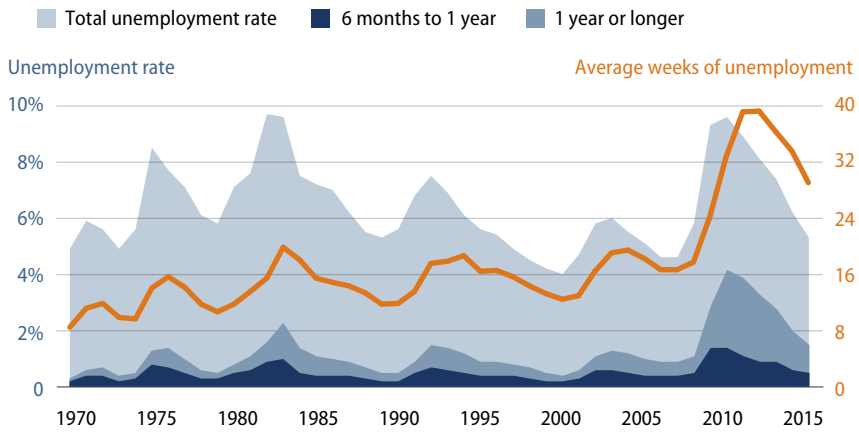
Source: Authors' calculations from U.S. Department of Labor Employment and Training Administration, "UI Data Summary" (2015), available at http://ows.doleta.gov/unemploy/content/-data_stats/datasum15/DataSum_2015_2.pdf; U.S. Department of Labor Employment & Training Administration, "Significant Provisions of State UI Laws Effective July 2015," available at http://www.unemploymentinsurance.doleta.gov/unemploy/content/sigpros/2010-2019/July2015.pdf; U.S. Bureau of Labor Statistics, "Quarterly Census of Employment and Wages," available at http://www.bls.gov/cew/data.htm (last accessed March 2016).

At the same time, as many states have reduced the adequacy of benefits, the average length of unemployment has actually been increasing. The average unemployed worker was out of work for 29.1 weeks in 2015—almost double the average of 15.2 weeks between 1980 and 2000.[194] Research suggests that longer duration of unemployment spells—as well as increased prevalence of long-term unemployment,[195] as shown in Figure 6, and slower economic recoveries from recession—may be structural changes in the labor market that are here for the foreseeable future.

FIGURE 6

Seven years after the Great Recession, long-term unemployment remains elevated as a share of total unemployment

Total and long-term unemployment rates and average duration of unemployment, 1970 to 2015



Note: Workers who have been searching for work longer than 6 months (26 weeks) are typically considered long-term unemployed.

Source: Authors' calculations from U.S. Bureau of Labor Statistics, "Labor Force Statistics of the Current Population Survey," Table A-35, available at http://www.bls.gov/web/empsit/cpseea35.htm (last accessed March 2016).

Furthermore, the typical working family is less prepared for the financial shock of unemployment than in the past because households' levels of savings have declined in recent decades.[196] This is not surprising given that wages have been flat or declining for the typical two-parent, two-child American family. At the same time, the costs associated with maintaining a middle-class lifestyle—child care, health care, retirement savings, housing, and higher education—rose by $10,600 between 2000 and 2012 for that same typical middle-class family.[197] Furthermore, a recent report found that only 41 percent of households had enough liquid savings to cover a $2,000 emergency.[198] This savings crisis underscores the need to improve the replacement rate of UI benefits; households are more reliant than ever on earned income and have little savings to replace lost wages. The increasing financial precariousness of American households means that UI has all the more critical a role to play.

In addition to offering inadequate benefits, some states explicitly deprive newly unemployed workers of the insurance benefits they have earned. All but eight states maintain a so-called waiting week, requiring workers who satisfy all of the requirements for eligibility to wait one week to begin receiving UI benefits.[199] The waiting week, while saving states a modest amount of money, creates particular

hardship among groups of workers who are most likely to be living paycheck to paycheck—such as low-income workers and younger workers—and likely to have urgent expenses, such as sole breadwinners. Furthermore, most states only eventually pay the benefits associated with this waiting week to workers who exhaust all available weeks of UI, shortchanging many workers during a time when they most need financial assistance.

Currently, workers in any state who hold multiple jobs simultaneously or during the course of a tax year contribute a disproportionate amount into the UI system. This is because more than one employer submits payroll taxes on their behalf—taxes that are passed on to workers in the form of lower wages—yet they are not generally eligible for commensurate benefits. What's more, these multiple-job holders are disproportionately likely to be low-income and to experience economic instability. This is the case even though low-paid workers already tend to face a greater share of their total income in payroll taxes than their higher-earning counterparts.

Despite the increasing shortfall in UI benefit adequacy in many areas, however, states have little reason to improve adequacy in the absence of federal reforms—and history suggests that many will not do so unless such reforms are mandatory.[200] On the contrary, recent experience suggests that some states, when next faced with budgetary constraints, may further dismantle the adequacy of their programs as memory of the Great Recession fades.

Steps to improve UI benefit adequacy

Several changes should be taken to bring all states up to a minimum standard of benefit adequacy. In addition to setting minimum standards across states, the federal government can provide incentives in the form of additional resources to encourage states to boost UI adequacy above this minimum bar.

A uniform minimum duration of 26 weeks of state-funded benefit weeks must be federally guaranteed to all UI participants. In light of evidence suggesting that 26 weeks is the minimum benefit duration recommended by many economists[201]—and considering the increased prevalence of long-term unemployment among the unemployed—states that provide earned insurance benefits for fewer than 26 weeks are not only short-changing workers but also have negative spillover effects on the macroeconomic stability provided by more responsible states. Beyond this minimum duration, partial federal funding should be made available as an

incentive to states that wish to provide additional weeks of benefits. Specifically, we recommend the federal government contribute $1 of every $4 of the cost of additional weeks of state benefits beyond week 26, up to 39 weeks. In addition to increasing benefit duration toward what many economists consider optimal, states that accept incentive funding would give policymakers the opportunity to study the effects of longer duration during nonrecessionary times.

Two key measures should be adopted to reduce the disparity in benefit adequacy and replacement rates across states. First, a federal standard should be established for the benefit calculation method, requiring adoption of the high-quarter method of benefit calculation in the 21 states that do not currently use it and requiring that benefits replace at least 50 percent of high-quarter wages for eligible workers whose earnings fall below the maximum WBA.[202] Secondly, all states should be required to set their maximum WBA—the highest weekly payment a UI claimant can receive—at no less than 50 percent of the state's average weekly wages in covered employment. This will ensure that, at a minimum, all eligible workers with below-average earnings will see half of their wages replaced during unemployment. In addition, it will raise benefit amounts—substantially, in some cases—in the 30 states where the ratio of the maximum WBA to average wages is below 50 percent.[203] Furthermore, although we recommend a federally mandated floor of 50 percent, states would be encouraged to index their maximum WBAs up to two-thirds (or 66-2/3 percent) of the state's average weekly wage—as is currently the formula in an estimated five states and as recommended by the Advisory Council on Unemployment Compensation—to further improve benefit adequacy for moderate earners.[204]

As advocates for low-income workers have long recommended,[205] the waiting week should be eliminated in the 42 states and the District of Columbia where it still exists[206] to reduce hardship faced by workers who have little savings or immediate critical expenses.[207] To further reduce the likelihood that economically vulnerable workers will face short-term emergencies that trigger a downward financial spiral, a portion of UI benefits should be made available as a lump sum up front for qualifying reasons, such as housing assistance to forestall eviction.[208]

Finally, the Federal Unemployment Tax Act, or FUTA, tax should be reconciled at year's end for workers who have held more than one job during the tax year. This would partially resolve the inequity for these workers. The amount paid in excess of a single-job holder would be returned to the individual by the IRS through the routine tax refund process. States that wish to give low-income workers an income boost could follow the federal example with their own state unemployment taxes.

Key federal reforms to Disaster Unemployment Assistance

In addition to the basic UI program, federal law also authorizes Disaster Unemployment Assistance, or DUA, for people who lose their jobs because of the effects of disasters such as Hurricane Katrina and Superstorm Sandy or because of terrorists attacks such as on September 11, 2001.[209] While it is positive that such a program exists, major restrictions enacted in the late 1980s mean that the DUA program does not provide as adequate safety net to disaster victims as was intended. Any discussion of UI reform must, therefore, also consider reform to the DUA program.

There are four key reforms that will help dramatically improve the DUA program. First, federal law currently requires unemployed workers in disaster areas to collect limited state UI benefits before getting DUA. The state UI trust funds are not intended to cover costs associated with a geographically concentrated disaster, and such a requirement puts too much pressure on those trust funds. This federal restriction should be removed. Second, DUA benefits are often inadequate to meet the needs of those who qualify for them. We recommend that the DUA weekly benefit be made more adequate—and ensure it remains so in future years—by pegging it to the national average weekly UI benefit for the calendar year, about $325 in 2015.

Next, unlike state UI benefits, regulations require states to reduce an individual's DUA benefits dollar for dollar with several sources of income, including private insurance payments, supplemental unemployment benefits provided by employers, and a certain amount of pensions and annuities. By contrast, such required deductions are much more limited for state UI benefits. These regulations should be repealed and DUA recipients should be subject to the same deduction rules that apply to the state's unemployment benefits.

Finally, currently DUA benefits have a maximum duration of only 26 weeks. But as recent major disasters and attacks demonstrate, recovery periods are typically substantially longer than six months.[210] Therefore, we recommend that DUA be extended from 26 weeks to a minimum of 39 weeks—and up to 52 weeks—to account for the severe economic hardship and the increased prevalence of long-term joblessness.

Summary of recommendations: Boost benefit adequacy

- Require that all states provide at least a uniform maximum duration of 26 weeks of state-funded benefits for all claimants
- Make partial federal funding available beyond 26 weeks, up to 39 weeks
- Require all states to adopt the high-quarter method of benefit calculation with a minimum replacement rate of 50 percent for workers below the maximum weekly benefit amount, or WBA
- Require all states to tie their maximum WBA to at least 50 percent of the state's average weekly wage and encourage states to tie their maximum WBA up to two-thirds (or 66-2/3 percent) of the state's average weekly wage

- Eliminate the waiting week
- Raise partial UI earnings disregards (see Section 1.2.1)
- Reconcile FUTA taxes paid at year's end for workers who have held more than one job during the year
- Improve the Disaster Unemployment Assistance, or DUA, program:
  - Lift the requirement that unemployed workers in disaster areas collect state UI benefits before getting DUA
  - Peg the weekly benefit to the national average weekly UI benefit for the calendar year
  - Limit the set of income deductions for DUA benefit determination to those used for UI benefit determination
  - Extend DUA benefits from 26 weeks to a minimum of 39 weeks

1.2.3 Increase program access and recipiency

The UI system has been a bedrock of the American economy since 1935.[211] Yet unlike other well-established social insurance programs, such as Social Security and Medicare, UI take-up rates are relatively low. The take-up rate is a measure of participation; in the case of UI, the take-up rate generally refers to the share of recently unemployed workers who file new applications for UI benefits, regardless of whether they are eligible. Researchers typically examine take-up among workers who have been unemployed for fewer than five weeks.[212] From 2006 to 2015, an estimated 61 percent of newly unemployed workers applied for UI. This rate varies significantly by state, from as low as 28 percent in South Dakota to as high as 86 percent in Hawaii.[213] On an annual basis, the UI take-up rate tends to rise and fall with the business cycle—in 2009, for example, following the Great Recession, nearly 8 in 10 recently unemployed workers applied for UI benefits. But the most recently available annual rate of 50 percent in 2015 is the lowest since 2000 and is just slightly greater than the all-time recorded low of 43 percent in 1989.[214] This should be cause for concern, as research suggests that declining UI recipiency is due in part to stagnant application rates.[215]

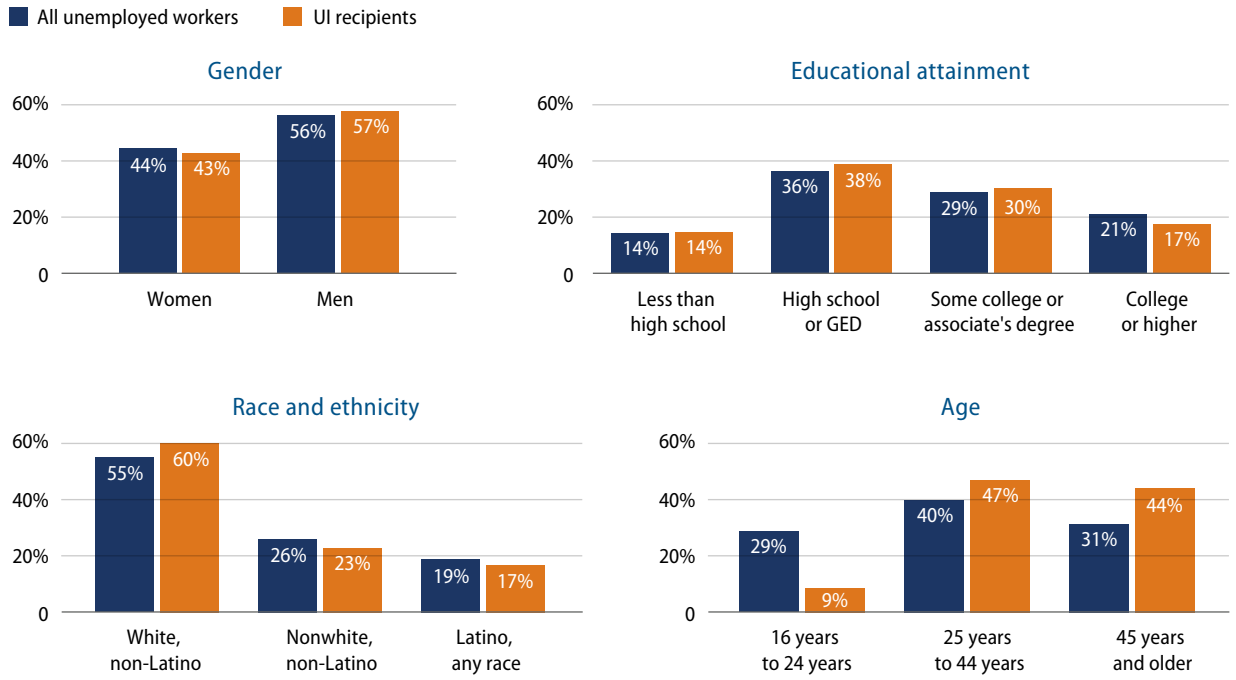
Evidence suggests a key explanation for lack of full participation is that many American workers believe they are ineligible for UI benefits. According to data from a 2005 survey, nearly 52 percent of newly unemployed workers who did not apply for UI reported it was because they believed they were ineligible, making it the most widely cited explanation among four categories of reasons for nonfiling.[216]

Participation rates vary significantly by state, with take-up rates tending to be higher in more generous states.[217] Recent research explored the demographics of nonapplicants for UI.[218] It found that workers without a high school diploma and Latino workers were significantly less likely than college-educated workers and non-Latino white workers, respectively, to apply for UI benefits. Findings for nonfiling reasons suggest that greater shares of lower-educated and unemployed Latino workers lack knowledge of the program and eligibility criteria, and they fail to apply for a program they may be qualified to access. New analysis conducted for this report, displayed in Figure 7, confirms discrepancies between UI recipients and the overall population of unemployed workers. These differences suggest that in addition to awareness of the program, UI participation may also be influenced by benefit adequacy and the relative ease of accessing benefits, both of which determine an unemployed worker's expected return from the program.

Finally, unions have historically been an important source of information for workers on potential eligibility and the rights to benefits under the UI program.[219] The long-term decline of union density in the United States means that far fewer workers today have access to information through this channel: In 2014, just 14 percent of full-time workers were represented by collective bargaining agreements, compared to nearly twice as many—27 percent—three decades earlier.[220] Research shows that unions have played a particularly important role for African American and Latino workers, who experience significant wage and benefit premiums from union membership.[221] This suggests that the decline of unions may be especially detrimental to workers of color when they become involuntarily unemployed.

FIGURE 7

Characteristics of UI recipients compared to all unemployed workers, 2006 to 2015



Notes: Except for educational attainment, which is limited to individuals age 25 and older, estimates are for individuals age 16 to 85. The Benefit Accuracy Measurement, or BAM, survey data are a statistical sampling of state UI administrative data, managed by the U.S. Department of Labor. The sample captures paid claims in three programs: state UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Servicemembers. Data from 2006 to 2015 are pooled together. Data are weighted to account for state population size and volume of benefit payments.

Source: Estimates of unemployed workers are based on authors' calculations using Center for Economic and Policy Research uniform extracts of the Current Population Survey Outgoing Rotation Group, available at http://ceprdata.org/cps-uniform-data-extracts/cps-outgoing-rotation-group/ (last accessed March 2016). Estimates of UI recipients are based on authors' calculations using data provided upon request by the Benefit Accuracy Measurement program of the U.S. Department of Labor.

Why boost UI participation?

For several reasons, policymakers should seek to maximize participation in the UI program. In addition to the economic stimulus that UI benefits provide, higher take-up of UI increases pressure on state-level policymakers to maintain high standards and good practices within their state's UI program, ensuring that the program will be equipped to stabilize the economy during future recessions. Second, UI is earned insurance funded by its beneficiaries, primarily through a set of dedicated trust funds; greater take-up of this earned benefit among cash-strapped workers can take pressure off of taxpayer-financed public assistance programs. Finally, participating in UI decreases the likelihood that newly unemployed workers will drop out of the labor market altogether, hampering economic productivity and growth and damaging their own future earning potential.

Measures to boost UI participation

Efforts to increase UI participation should address four key causes of low take-up: low visibility and awareness, lack of facilitated connections to benefits, barriers to access, and inadequacy.

Increase program visibility and worker awareness

Insofar as nonuniversal take-up of UI is due to lack of worker awareness or low program visibility, policymakers can look to other domestic programs, as well as to international experience, for examples of how to increase take-up. For example, while take-up of Social Security and Medicare can be expected to be—and, indeed, is—nearly universal by virtue of the programs' age-based eligibility criteria, these two programs are nonetheless also made highly visible to American workers thanks to the taxes that fund them. Virtually all Americans who receive a pay stub—as well as self-employed Americans who pay quarterly taxes—see the Federal Insurance Contributions Act, or FICA, tax prominently displayed. These highly salient personal tax contributions create buy-in to Social Security and Medicare as personally earned benefits, despite the fact that both programs are funded using the so-called pay-as-you-go model.

Following the example of these higher-take-up social insurance programs, policymakers could increase UI's visibility by requiring FUTA taxes paid on behalf of employees to be reported on both end-of-year tax statements and employee pay stubs, similar to the FICA tax. Simply seeing the tax on a pay stub, as with the employee portion of the FICA tax, could increase worker awareness of UI, making workers more likely to recognize that their employers have paid into the program on their behalf and to view its benefits as earned. Increased visibility may both increase the likelihood that workers take advantage of the program when they experience job loss and bolster public support for the UI program in the future.

Another method to increase awareness involves directly notifying individual workers of their potential eligibility. This could be accomplished by mandating that states send a letter to workers when they separate from an employer—a step for which states can already be reimbursed[222]—informing workers of potential eligibility for UI, informing them of how to apply, and even providing an estimate of their potential weekly benefits if their claim is accepted. Conceptually, this notice letter could be modeled after the Worker Adjustment and Retraining Notification, or WARN, Act, which obligates midsize and large employers to provide most

workers with 60 days' notice before a mass layoff or plant closing.[223] With thoughtful design, this letter could also impart that UI is an earned benefit and reduce stigma around participating.

For example, the letter could inform workers that employers deduct UI payroll taxes directly from workers' paychecks—which affects money wages—and that, for this reason, UI can be considered part of a workers' earned compensation package. Research by the U.S. Department of Health and Human Services on reminder letters for child-support payments suggests letters affect the behavior of recipients, modestly increasing the likelihood that they will engage.[224]

In addition to these measures, recommendations elsewhere in this report that would make jobseeker's assistance nearly universally available—both through expansions to the UI program detailed in Section 1.2.1 and through the introduction of a new Jobseeker's Allowance in Section 2—should increase public awareness that such assistance exists, leading a greater share of eligible workers to participate in UI.

Facilitate connections to benefits

One area ripe for further exploration by scholars and policymakers is the use of employer-filed claims. Previous research finds that ease of filing, in general, raises application rates and that employer filing has an especially positive effect on UI applications.[225] For workers who may lack knowledge of the UI program or have questions about their eligibility status, employer filing facilitates a connection to benefits when it might not otherwise exist. It is most common in manufacturing settings in states in the Southeast.[226] States commonly rely on some form of employer filing for work sharing participants, as well as for workers who are partially unemployed or on temporary layoffs.[227] At minimum, employer filing in these instances should be federally mandated. States should also explore the possibility of expanding this practice into other service-providing sectors.

In addition, the U.S. Department of Labor should explore the feasibility of developing a federal performance standard requiring states to maintain a certain minimum UI application rate, calculated as the share of workers unemployed for fewer than five weeks who file initial claims for UI benefits over a specified time period. The steps identified elsewhere in this section—such as increasing use of employer-filed claims, sending workers with a letter upon separation from an employer, and so on—would help states meet this standard. And in turn, such a standard could help policymakers gauge states' progress on these steps.[228] Greater

ongoing awareness of what share of their state's newly unemployed workers are filing applications for UI benefits may also lead state policymakers and agency heads to identify and remove other common obstacles to filing claims and to more proactively connect jobless workers to state UI programs. Setting the appropriate time frame and level for such a standard will require additional research by the U.S. Department of Labor. State-level data on unemployment duration are already available on an annual basis, but these data have a high degree of statistical noise, or random fluctuations. This noisiness, combined with the high degree of cyclicality of the annual rate, suggests that a multiyear average is advisable. However, recent experience could inform the choice of a standard. On average across the past 10 years, for example, 37 states saw at least half of their newly unemployed workers apply for UI, but just 16 states had application rates of two-thirds or greater. A sensible standard, covering fewer years, may lie somewhere between these two benchmarks.

Remove barriers to access by increasing UI administrative funding

Underfunding of program administration erects major barriers to accessing UI. Funding for UI administration is a primary part of the federal role in UI—yet the federal government has consistently abdicated this responsibility, shortchanging states in the appropriations process. In FY 2012, federal funding fell short of covering states' administrative expenses by an estimated $231 million; had funding simply kept pace with inflation since 1995, it would have been $600 million greater in 2013. The shortfall in administrative funding—which is exacerbated during times of higher unemployment—leaves states without sufficient resources to ensure all UI applications receive proper treatment, much less sufficient resources to update their outdated technological infrastructure.[229]

Had funding for states' UI administrative expenses simply kept pace with inflation since 1995, it would have been $600 million greater in 2013.

In addition to underfunded administrative services, a growing number of states are disregarding their obligations to operate fair and accessible UI programs,[230] often by constructing complex automated claims-filing systems and overly stringent documentation requirements that are unsupported by the necessary customer service. Such changes may suppress participation in UI by potentially discouraging eligible workers from initially applying for the benefits they have already earned or by preventing workers from successfully submitting ongoing weekly claims. This may be especially true among lower-wage workers, who may be less likely to have access to application materials, informational resources, or the Internet.[231] Other worker groups for whom new system technologies and automated claims-filing practices may pose significant challenges include workers with disabilities, workers with limited English proficiency, older workers, individuals

with limited computer technology experience, and individuals with literacy issues. In states with poorly designed claims-filing systems, many workers who do not fall into any of these categories may also struggle with filing. For these and other reasons, low-wage workers are only half as likely as higher-income workers to get UI, even though they are two and a half times more likely to experience unemployment in a given year.[232] A modernized UI system must include more aggressive enforcement by the U.S. Department of Labor of existing federal standards regarding UI benefit access.[233]

In order to alleviate the administrative funding crisis for the UI programs throughout the country, we recommend the following five steps:[234]

1. **End sequestration:** Congress should reject proposals to extend these automatic budget cuts at any time in the future.

2. **Restore UI administrative funding:** Congress should increase UI administrative funding by a total of $600 million over the next three years. This will ensure minimum levels of state UI agency staffing and adequate telephone service for claims filing and related benefit information. More importantly, before this supplemental period is over, Congress should—with assistance from the U.S. Department of Labor—update the formula that the federal government uses to determine and distribute administrative funding to states. At minimum, the formula should better reflect the costs associated with processing UI applications, claims investigations, and appeals during periods of lower and higher unemployment.

3. **Improve UI technology, including by leveraging federal bargaining power:** Congress should appropriate $300 million in one-time funding for states to modernize their UI information technology, or IT, infrastructure, including updating their worker profiling models. Additionally, the DOL should take advantage of the federal government's position as a large-scale buyer to negotiate favorable terms with information technology and phone system vendors. Contracts for technology upgrades should provide that states may recoup payments if changes are not implemented in a timely or cost-effective manner.

4. **Increase federal oversight of UI IT systems:** According to the Government Accountability Office, the DOL lacks the capacity to monitor upgrades to state UI IT.[235] Given the costs associated with this unfortunate reality, the DOL should greatly expand its monitoring of state systems and establish customer

service standards and enforcement mechanisms that target current system failures. For example, all state phone systems should schedule call backs to claimants who are unable to reach an agent on their first attempt. States with a significant share of workers who cannot reach an agent by phone within a reasonable period of time should be held out of compliance with existing UI timeliness standards.

5. **Institute systematic federal audits of state UI IT systems:** First, states should follow the lead of California, New Mexico, Oregon, and Tennessee, which recently made public detailed audits of contracts to upgrade their UI IT systems. These audits documented significant cost overruns and system failures. More importantly, the DOL should require systematic auditing of state UI IT systems. A new DOL audit regime should include sensible measures of success and failure—including, for example, whether a state offers adequate customer service; states could be assigned a grade. For the sake of transparency, state grades should be ranked and prominently featured on the DOL website.

Increase the returns to UI participation

Finally, insofar as participation is influenced by the adequacy of UI benefits, the recommendations to improve adequacy in Section 1.2.2 above—particularly those that would most affect states with the lowest benefit levels and shortest durations—would have the side effect of boosting participation in the program.

Summary of recommendations: Increase program access and recipiency

- Require FUTA taxes paid on behalf of employees to be reported on both end of year tax statements and employee pay stubs, similar to the FICA tax
- Mandate that states notify all employees of potential UI eligibility following separation from an employer
- Explore development of a federal performance standard requiring states to maintain a certain minimum UI application rate among newly unemployed workers
- Require that state UI programs provide methods for employers to file initial and weekly claims on behalf of their employees for short-term layoffs and business shutdowns, partial UI, and work sharing

- Require states' automated online claim-filing systems to comply with federal standards that ensure the process of filing initial and continuing claims for UI benefits can be readily understood and accomplished by the vast majority of claimants, including workers with limited English proficiency, disabled workers, older workers, and workers with literacy challenges; mandate that states provide alternate means of filing claims for workers who are unable to file through a state's online system

- Fully fund UI program administration in annual federal appropriations

- Improve UI technology by providing one-time funding of $300 million to help states modernize their UI IT infrastructure—including updating worker profiling models—and increasing federal oversight of states' IT systems

1.3 Prepare the unemployment insurance system for the next recession

1.3.1 Reform UI's financing and improve solvency

How UI is funded

As described in detail in the text box below, the UI system is funded by two dedicated payroll taxes: the federal, or FUTA, tax and a state-level, or SUTA, tax determined by each state. Employers pay these taxes on behalf of their workers, although in practice most of the taxes' incidence falls on workers in the form of lower wages.[241]

The FUTA tax rate is 0.6 percent. It is assessed on the first $7,000 of an employee's wages; so long as they earn at least this amount, high- and low-wage workers alike pay $42 each year.[242] States have significant discretion over both their SUTA tax rates and taxable wage bases, although the SUTA taxable wage bases cannot be lower than the FUTA taxable wage base. Additionally, within each state, the SUTA rate facing an individual employer is adjusted according to that employer's experience rating. (see Section 1.1.2)

Revenues from the FUTA tax feed into a federal UI trust fund, and revenues from each state's SUTA tax feeds into that state's individual trust fund. States use the revenues they collect to fund regular UI benefits for claimants, and the federal government is responsible for using revenues to cover states' costs for administering their UI programs, as well as funding re-employment services and—in times of recession—Extended Benefits.

If states deplete their trust fund reserves, they may borrow from the federal government to pay UI benefits, and most did during the Great Recession. They must repay the loans with interest before three years' time, however, or the federal government gradually increases the effective FUTA tax rate by 0.3 percent per year in that state until the loan is repaid.[243]

How UI is funded

The UI system is jointly funded by the states and the federal government. Funds are provided by two dedicated taxes, one at the federal level (the Federal Unemployment Tax Act, or FUTA, tax) and one at the state level (the State Unemployment Tax Act, or SUTA, tax). Employers pay these taxes on behalf of their workers, although economists agree that the incidence of all of the federal tax—and most of the state tax—falls on workers in the form of lower wages.[236] The amount of tax paid by employers is primarily determined by two factors: the tax rate and the taxable wage base upon which the tax rate is assessed. In the case of the state tax, an individual employer's tax rate is also partly determined by its experience rating, an adjustment factor based on the employer's historical behavior (its experience) with layoffs. (see Section 1.1.2)

The federal tax rate is currently 0.6 percent and is assessed on a taxable wage base equal to the first $7,000 of an employee's wages each year.[237] The federal taxable wage base is not indexed to wages or inflation; it has remained at $7,000 since 1983. This means that high- and low-wage workers alike pay $42 per year, so long as they earn at least $7,000 per year. This makes the tax regressive, meaning that lower-wage workers pay a larger proportion of their wages in taxes than their higher-wage counterparts.

As for the SUTA tax, by law a state's taxable wage base cannot be lower than the FUTA taxable wage base. Currently, that means the minimum taxable wage base for each state's UI tax is $7,000 per worker. While many states have increased their taxable wage bases above this level, few have increased them substantially, and three—including California and Florida, two of the largest states in terms of UI-covered workers—maintain the minimum base of $7,000.[238] As a result, for many workers the SUTA tax is as regressive as the FUTA tax. However, 19 states and the U.S. Virgin Islands index the SUTA base so that it increases automatically each year, and a few, such as Washington and Hawaii, have wage bases near or above the annualized average weekly wage, making their SUTA taxes less regressive.[239] States have discretion over the tax rates; although there is variation across employers within each state due to experience rating, average SUTA tax rates on employers ranged from about 1 percent to more than 6 percent in 2015.[240]

With the revenue raised by these taxes, states are responsible for funding UI benefits for claimants, while the federal government is responsible for covering states' costs for administering the program, as well as funding re-employment services and—in times of recession—Extended Benefits. Revenues from the FUTA tax feed into a federal UI trust fund, and each state's SUTA tax revenues feed into its individual trust fund.

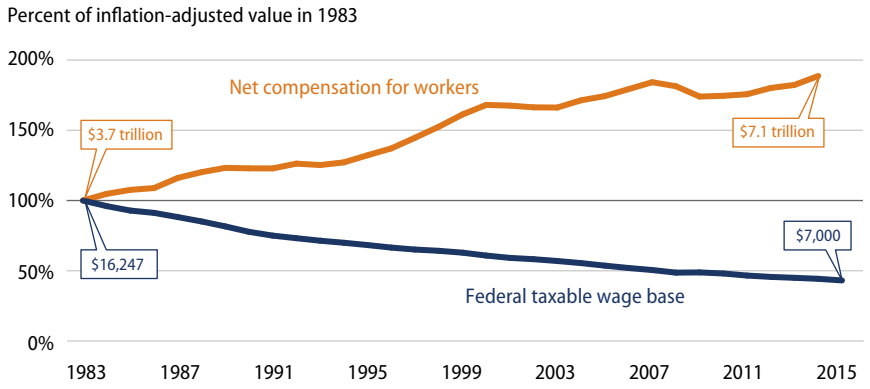
Shortcomings with funding and solvency

The federal taxable wage base—just $7,000—is strikingly low. In 1983, when it was last increased, it represented more than 43.1 percent of wages in covered employment; today, more than 30 years later, it represents less than 27 percent.[244] By comparison, the Social Security taxable wage base was $118,500 in 2015—nearly 17 times that of UI.[245] As a consequence, the FUTA tax is highly regressive and has become more so over time. Workers earning the minimum wage pay the same dollar amount as workers with six-figure salaries. Yet despite having contributed a much greater proportion of their overall pay, low-wage workers receive significantly less unemployment compensation if laid off and, in many cases, do not receive UI at all.

FIGURE 8

The real value of the federal taxable wage base has shrunk by more than half since it was last raised in 1983

Over the same period, net compensation received by American workers nearly doubled



Note: Figure shows the value of the Federal Unemployment Insurance Tax Act, or FUTA, taxable wage base and the net compensation for workers relative to their inflation-adjusted values in 1983. Endpoint values are in inflation-adjusted 2015 dollars. Net compensation includes wages, tips, and the like as reported by employers on a W-2 form and subject to federal income taxes.

Source: Authors' calculations from Social Security Administration, "AWI Series and Underlying Data", available at https://www.ssa.gov/oact/cola/awidevelop.html (last accessed March 2016).

Federal policymakers' failure to increase the FUTA taxable wage base has another effect: A narrow federal taxable wage base allows states to maintain regressive taxes as well because by law the FUTA base sets the minimum for states' SUTA bases.

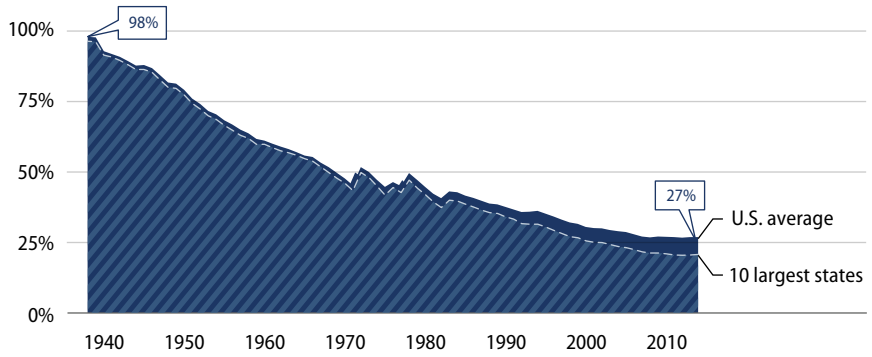
In fact, states have consistently failed to forward-fund their trust funds—that is, build up trust fund reserves during economic expansions—and have instead chosen to maintain low SUTA tax rates and narrow tax bases. This is often the result of a short-term approach by state policymakers, who are tempted to cut taxes during healthy economic times.

As a consequence, when unemployment rises states are unable to meet the increased obligation of UI benefits in ways that can actually harm businesses through reduced demand in the economy during recessions. At the end of 2007, the eve of the Great Recession, two-thirds of states had too little in their trust funds to cover even one year of UI benefits.[246] In the face of increasing UI expenses, state policymakers are left with a choice of raising taxes during a downturn or cutting UI benefits during a time when working families are most in need. However, cutting benefits undermines UI's ability to act as an automatic stabilizer, with negative consequences that spill over to the national economy, including to a state's more responsible neighbors.

FIGURE 9

The share of wages subject to state UI taxes has significantly eroded—especially in the largest states

Ratio of wages subject to state unemployment taxes to total wages paid in covered employment, 1938 to 2014



Note: The 10 largest states are those with the greatest numbers of workers in covered employment in 2014: California, Florida, Georgia, Illinois, Michigan, New York, North Carolina, Ohio, Pennsylvania, and Texas.

Source: Authors' calculations of data from the U.S. Department of Labor, "ET Financial Data Handbook 394 -- FOREWORD," available at http://ows.doleta.gov/unemploy/hb394.asp (last accessed March 2016).

In the fallout from the Great Recession, 36 states depleted their trust funds and had to take out loans to finance UI benefits[247]—$51.2 billion from the federal government at the peak.[248] To date, states have also relied on an estimated $11.4 billion of private borrowing.[249] In late 2015—almost seven years into the economic recovery—three states and the U.S. Virgin Islands still had outstanding loans totaling $7.6 billion and faced higher FUTA tax rates for this reason.[250]

Recommendations to improve financing and boost solvency

As a first step, policymakers should make the federal and state UI taxes more progressive and stable by simultaneously increasing the taxable wage bases and lowering the tax rates. Federal policymakers should gradually raise the FUTA taxable wage base over a six-year period—until it reaches half of the Social Security taxable wage base,[251] or about $59,000—while simultaneously lowering the federal tax rate. Because states' taxable wage bases must be at least as great as the federal taxable wage base, this increase to $59,000 would automatically raise all states' taxable wage bases to varying degrees. Federal policymakers should

allow states the flexibility to phase in this change as they prefer over a period of six years.[252] Thereafter, the wage base should be linked to growth in the Social Security tax base so that it will increase automatically in future years. At the same time as they broaden the wage base, policymakers should lower the FUTA tax rate. The rate should be lowered to a degree that ensures sufficient revenue to support an expanded Employment Service, fund benefits that the federal government will be newly responsible for under this proposal, and prepare to finance the federal agenda for automatic economic stabilization described herein during the next recession.

Likewise, states could lower their SUTA tax rates in tandem with increasing their taxable wage bases—but would be subject to new requirements that would ensure they properly forward-fund their UI programs. Specifically, states should be required to increase trust fund reserves to reach an average high-cost multiple of at least 1.0—in other words, a level of reserves sufficient to pay out benefits for one year under recession-like conditions—within five years.[253] This requirement would ensure that states build up trust fund reserves during economic expansions, which in turn would afford policymakers the option to reduce tax rates during recessions to provide economic stimulus. Thereafter, states' UI tax rates should be linked to their trust fund reserves so that tax rates automatically increase in non-recessionary times when the state's trust fund reserves are forecast to dip below the target average high-cost multiple of 1.0. To reward states that maintain healthy levels of reserves, federal policymakers should also introduce differentially higher interest rate payments for states when they exceed this target.

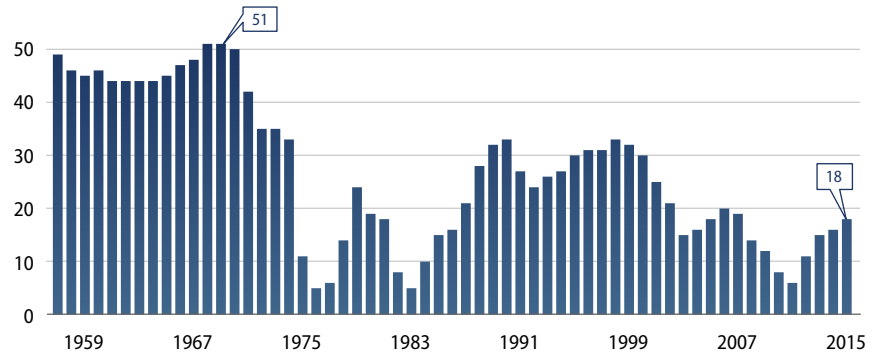
On top of this, federal policymakers should establish a minimum rate below which states' UI tax revenues cannot fall. Finally, federal policymakers should also better align the experience-rating formulas across states—including gradually raising the lowest maximum tax rate from the current 5.4 percent to 7.0 percent—as discussed in Section 1.1.2.

Together, these changes will reverse decades of erosion in the taxable wage base, make the payroll tax significantly more progressive, and enhance the solvency of the UI system.[254]

FIGURE 10

Far fewer than half of states have the recommended level of reserves in their UI trust funds

Jurisdictions reaching or exceeding an average high-cost multiple of 1.0, 1957 to 2015



Note: Totals include the 50 states and the District of Columbia, as well as Puerto Rico starting in 1984 and the U.S. Virgin Islands starting in 1997. States with an average high-cost multiple of 1.0 or greater have a level of reserves that can be expected to finance UI benefits for at least one year under recession-like conditions.

Source: Authors' calculations of data from the U.S. Department of Labor, "ET Financial Data Handbook 394 -- FOREWORD," available at http://ows.doleta.gov/unemploy/hb394.asp (last accessed March 2016); U.S. Department of Labor, *State Unemployment Insurance Trust Fund Solvency Report* (2016), "Total Maximum Amount of Outstanding Advances, United States," available at http://www.ows.doleta.gov-/unemploy/docs/trustFundSolvReport2016.pdf.

In addition to these measures, policymakers should step up efforts to ensure employers pay the UI taxes they owe. This includes better funding of enforcement efforts to reduce so-called SUTA dumping.[255] SUTA dumping refers to efforts by employers to avoid higher SUTA taxes, particularly the experience-rated component. For example, a firm may buy another firm that has a lower SUTA tax rate and shift its employees to that firm. Or a firm may obtain multiple tax account numbers from the UI administering agency and shift employees to the account number with the lowest tax rate each year. Furthermore, as mentioned above, states and the federal government should better enforce labor laws—or amend them when necessary—to curb the widespread misclassification of employees as independent contractors.

Finally, the federal government should increase its role in funding certain types of benefits. This includes, for example, providing partial federal funding for benefits claimed for personal reasons unrelated to the employer (see Section 1.2.1) and additional weeks of benefits offered by states between 26 weeks and 39 weeks. (see Section 1.2.2)

Summary of recommendations: Reform UI's financing and improve solvency

- Broaden the FUTA taxable wage base to half of the Social Security taxable wage base—or about $59,000—over a period of six years and link the base to the Social Security base going forward. Simultaneously lower the FUTA rate, raising sufficient revenue to support an expanded Employment Service, fund benefits for which the federal government will be newly responsible under this proposal, and prepare to finance Extended Benefits during the next recession

- Require states to set SUTA tax rates as necessary to reach a target average high-cost multiple of at least 1.0 within five years

- Link states' SUTA tax rates to their trust fund reserves so that rates automatically increase when the state's trust fund is forecast to dip below the target level of reserves

- Introduce differentially higher interest rate payments for states that exceed the target average high-cost multiple

- Establish a minimum tax rate for states

- Standardize the experience rating system across states, including increasing the lowest maximum tax rate (see Section 1.1.2)

- Increase enforcement efforts to reduce SUTA dumping

- Increase the federal role in the UI system by providing partial federal funding for certain types of benefits, including benefits claimed for reasons unrelated to the employer (see Section 1.2.1) and additional weeks of benefits offered by states between 26 weeks and 39 weeks (Section 1.2.2)

- Provide full federal funding for states' UI administration costs (see Section 1.2.3)

1.3.2 Improve the ability to respond to recessions

The unemployment insurance system should be a core part of a broader strategy to automatically stabilize families, communities, and the macroeconomy during economic downturns. Laying out such a strategy in full is beyond the scope of this document but should include additional fiscal measures to stabilize state and local finances, help a wider range of families maintain and smooth consumption, expand public investment in employment opportunities, assist especially hard-hit communities, and generally increase aggregate demand in the economy. Tried and true measures—such as increasing subsidized employment and national service funding,[256] enhancing the Supplemental Nutrition Assistance Program, transferring federal resources to stem state and local employment loss, introducing well-targeted temporary tax cuts for struggling families[257], and making investments in infrastructure—can prevent recessions from worsening and prime the pump to help the economy rebound.[258]

During and following the most recent recession, UI played a particularly targeted yet sizeable role as part of a larger federal fiscal response. In 2009 alone, UI saved more than 2 million jobs[259] and kept 5 million Americans out of poverty.[260] Between 2008 and 2012, UI prevented an estimated 1.4 million home foreclosures.[261] That success, while appropriate for UI, was far from assured on the eve of the recession, however. It took substantial additional, temporary policy measures from lawmakers[262] to produce a strong UI response to the loss of millions of jobs over an 18-month period. This section recommends several steps that policymakers should take to prepare UI for future downturns.

How UI responds to recessions

By reaching more workers and their families as unemployment rises during a recession, states' regular UI programs tend to automatically expand as unemployment grows. The economy, in turn, benefits from the boost in consumption financed by increased UI benefits.

Still, when jobs are scarce, workers need more time to look for and find employment.[263] For this reason, there is a program within the permanent UI system that provides for automatic extensions of maximum UI benefits as state economic conditions deteriorate: the Extended Benefits, or EB, program.

The EB program is intended to kick UI into high gear during recessions. The EB program automatically turns (or triggers) on or off in an individual state depending on specific measures related to unemployment, as specified in state and federal law.[264] Under current law, all states provide 50 percent more weeks of benefits through the EB program during periods of high and increasing unemployment. For example, a worker who would normally receive 26 weeks of regular state benefits would receive an additional 13 weeks under EB.[265] Benefits under the EB program are 50 percent federally financed and 50 percent financed by each state.

For the purposes of the EB program, unemployment is measured by the state's three-month average insured unemployment rate, or IUR, which accounts for unemployment only among UI-eligible workers. Specifically, the IUR counts three types of unemployed workers—those who have filed a valid UI claim, are in their UI waiting-week period, or are receiving UI benefits—and divides this total by the number of employees covered by UI. To trigger Extended Benefits, the IUR must be at least 5 percent and must also be at least 20 percent greater than each of the same 13-week periods during the prior two years.

Under federal law, states also have the option of adopting an additional trigger that uses the more standard unemployment rate, called the total unemployment rate, or TUR. The optional TUR trigger provides the same 50 percent increase in benefit weeks when the three-month average TUR is at least 6.5 percent and is at least 10 percent higher than the same period in either of the prior two years. This TUR option also allows for 80 percent additional weeks of benefits—or 20 additional weeks for a worker receiving 26 weeks of regular state benefits—when the TUR is at least 8 percent and is at least 10 percent higher than the same period in either of the prior two years.

Beyond the EB program, Congress can further extend UI benefits through emergency extensions. The most recent program—the Emergency Unemployment Compensation, or EUC, program—was established in 2008. EUC benefits—which come on top of the regular state-funded 26 weeks of benefits and the EB program—are 100 percent federally funded.[266] Unlike the EB program, which is intended to be automatically triggered when recession hits, emergency extensions such as the EUC program are implemented by Congress only on an ad hoc basis. EUC benefits were most recently extended in 2012 and expired at the end of 2013.[267] At that time, EUC provided up to four tiers of benefits, each of which offered a number of additional weeks of UI benefits depending on the state's unemployment rate.

UI's current countercyclical response falls short

Nearly since its inception, the EB program has proven largely inadequate. First, the current financing arrangement—under which states are responsible for half of the cost of EB—provides states with a financial disincentive to utilize EB, instead waiting in hope that Congress will enact fully federally funded emergency benefits. This disincentive has meant, for example, that a number of states have failed to adopt the optional—but more appropriate—TUR trigger because doing so would increase the likelihood that the state would trigger on EB during a downturn.

A second problem is that the EB program often turns on too slowly—if at all—when conditions in the labor market worsen and then turns off before conditions have adequately improved. As states have shrunk the share of workers who are covered by and access UI at a given time, the IUR has become increasingly irrelevant as a gauge of a state's unemployment conditions since it ignores all workers who are not eligible or attempting to access UI. However, even the optional TUR trigger falls short during lengthy recessions and recoveries because it requires continued deterioration in the labor market merely to remain turned on. This fact is particularly troubling in light of recent research suggesting that economic recoveries take longer in modern times, especially with regard to labor-market recovery.[268]

In the past, policymakers have routinely—yet belatedly and insufficiently—extended UI benefit durations during recessions when the existing EB program has proven inadequate. In the wake of the Great Recession in 2010, for example, a number of tiers for additional weeks of UI benefits also needed to be established through the EUC program in response to the recession's devastating effects. In particular, policymakers recognized that the average unemployment spell had become longer as jobs became scarce in the recession and that the average unemployed worker needed more weeks of UI benefits to successfully search for work. Enacting and sustaining these emergency extensions was politically challenging, despite a sudden and deep nationwide decline in employment and economic conditions. A different presidential administration and different Congress easily could have failed to extend benefits in this manner despite the extremely high UI exhaustion rate and the unprecedented number of jobseekers per job opening. Unfortunately, there is little reason to believe that workers can consistently rely on policymakers to enact needed measures in a timely way for every future downturn.

Recommendations to improve UI's ability to respond to recessions

As a first step toward ensuring that the UI program plays a robust role in mitigating future recessions, policymakers should adopt this report's recommendations for modernizing UI during nonrecessionary times. Expanding eligibility, improving benefit adequacy, boosting participation, and enhancing re-employment services will ensure a stronger countercyclical response from the UI system when a downturn hits. But two additional steps are needed to alter UI's recessionary response. The first and most critical is fixing the EB program. An improved EB program would further extend and expand UI automatically when reliable economic indicators document that labor-market demand is deteriorating. Second, UI's response to recessions can also be improved by introducing automatic countercyclical adjustments to re-employment services for the long-term unemployed, work sharing, federal UI tax rates, and allocation of financial aid for higher education.

Repair the Extended Benefits, or EB, program

If the UI system is to reliably counteract recessions, the EB program must have different financing, triggers, and benefit tiers. First, rather than splitting the cost of Extended Benefits equally between the states and the federal government—thereby discouraging states from ensuring that the EB program is maximally responsive and effective—a more sensible approach would be to fully fund EB at the federal level. Full federal funding of EB was in place temporarily upon enactment of the Recovery Act of 2009.[269] It spurred widespread state adoption of the better-suited TUR trigger[270] and substantially enhanced the UI system's response to the Great Recession.

Second, rather than hoping that policymakers will be wise and fast enough to build a strong emergency program each time an economic crisis occurs, the EB program should be modified to add new benefit tiers and its triggers should be reformed. As the president's two most recent budgets proposed, the EB program should offer an increase of 50 percent in regular state benefit durations at TURs of 6.5 percent, 7.5 percent, 8.5 percent, and 9.5 percent.[271] The recommendation in our proposal would trigger the appropriate tier of benefits on when either:

1. The state's TUR equals or exceeds one of those thresholds (the standard state trigger)

2. The state's TUR, plus any TUR increase from the same period from any of the prior three years, equals or exceeds one of those thresholds (the alternative state trigger)[272]

For example, if the TUR was 6 percent in South Dakota from January to March 2015 and 5.5 percent from January to March 2012, one would add the 0.5 percent increase over time to the 6 percent TUR in early 2015 to trigger on the first tier of these benefits. In this situation, South Dakota would trigger on the first tier of Extended Benefits under the alternative trigger, even though its TUR was insufficient to trigger on under the standard trigger. In part because EB would be fully federally financed, these new triggers and tiers would not be optional for states.

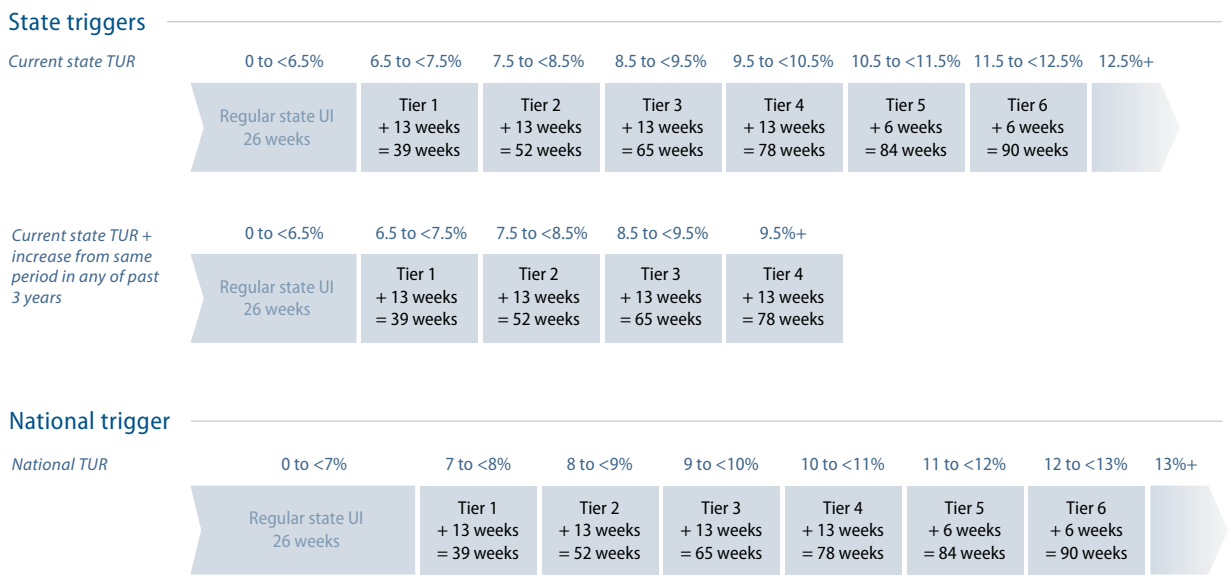
We propose that the reformed EB program provide an additional 13 weeks—or, if lower, 50 percent of a claimant's maximum potential duration of regular benefits—beginning at 6.5 percent TUR in a given state and for each additional percentage point above that level, up to four tiers. So, for example, UI claimants in a state where the TUR equaled or exceeded 6.5 percent would automatically receive an additional 13 weeks of unemployment compensation. States could become eligible for these first four tiers under either the standard trigger or the alternative trigger. After the fourth tier, the reformed EB program would provide an additional six weeks—or, if lower, 25 percent of a claimant's maximum potential duration of regular benefits—for each additional percentage point the TUR exceeded 9.5 percent. For instance, UI beneficiaries in a state that reached 10.5 percent TUR would receive an additional six weeks of unemployment compensation, in addition to the 52 weeks provided by the first four tiers of EB and the 26 weeks of regular state-funded benefits. However, unlike the first four tiers, states could only qualify for tiers five and above under the standard trigger. In other words, only states that had very high TURs in the current period would trigger additional weeks of benefits beyond the fourth tier; states' past TURs would not be considered.

In addition to these state-level triggers, additional tiers of benefits would trigger on based on the national unemployment rate. National triggers would be set starting at 7 percent and at each percentage point above that threshold (8 percent, 9 percent, and so on). National triggers are a long-standing practice that remains important for two reasons. First, one part of a state may experience far higher unemployment than another part of a state, making that state's overall TUR an insufficient indicator of economic distress within the state. Second, extending benefits nationwide during times of high unemployment—even in areas that have not yet reached high levels of unemployment—will fully deploy UI's powers as an automatic stabilizer, helping prevent the further rise and spread of unemployment. The highest trigger that has turned on in a state—whether national or state based—will apply to workers in that state. (see Figure 11 and Appendix A for a breakdown of proposed triggers)

FIGURE 11

Proposed federal Extended Benefits program

Extended Benefits would activate under conditions of high or rising state unemployment or high national unemployment



Note: Figure illustrates the proposed Extended Benefits program for a state that offers 26 weeks of regular UI benefits. TUR stands for total unemployment rate. For state and national TUR triggers, tiers are not capped, meaning an additional six weeks of Extended Benefits will be available for each additional percentage-point increase in the relevant TUR.

There is little reason to worry about a robust countercyclical UI expansion having sizeable undesirable consequences. Research suggests that UI extensions during the Great Recession—the deepest recession in generations—increased the overall unemployment rate by only about half a percentage point, making the costs of a ramped-up program less than previously thought.[273] In addition, one of the mechanisms through which the UI system increases the unemployment rate is by preventing workers from exiting the labor force; labor-market exits lower the unemployment rate without improving desired outcomes.[274]

Additional improvements for strengthening UI's countercyclical response

Several additional improvements to UI can help stabilize employment during recessions. A first change— ensuring all EB recipients receive in-person Reemployment Services and Eligibility Assessments, or RESEAs, within the first few weeks of their UI claim—would improve outcomes for the long-term unemployed.[275] Long-term unemployment, which often affects workers who face the greatest challenges to reemployment, tends to rise as a share of unemployment during recessions.

A second set of improvements involves work sharing programs, which Section 1.1.2 of this report proposed requiring states to establish. Because the UI costs to employers associated with work sharing are generally the same as if an equivalent number of hours were reduced through layoff, federal funding of work sharing benefits could be a particularly effective incentive at the beginning of a recession. One known result of rising unemployment is that the average duration of joblessness typically grows longer, and the number of long-term unemployed increases. If employers are provided an alternative to layoffs and the costs of compensating reduced work hours are federally subsidized, employers will have much greater incentive to consider reduced hours through work sharing as a business strategy during downturns. Thus, to further heighten the program's countercyclical response, the federal government should fully fund work sharing benefits in states that trigger on EB, whether under one of the state-level triggers or under the national trigger. States should receive full federal funding for work sharing benefits for a minimum of one year and up to the entire length of time during which EB is triggered. That is, federal reimbursement would continue for work sharing plans approved up until the date of EB expiration. Since work sharing plans are generally approved for six months, this would allow continuation of federal funding for the entire length of operation—for some, until after the EB program ends.

In addition, states should suspend the experience rating of work sharing benefits—that is, not charge participating employers—for as long as states are receiving federal reimbursement for benefits paid,[276] instead of socializing the costs of these job-saving benefits by spreading them across the UI system. Once economic conditions in states decline enough to trigger on EB, these changes will reward employers who choose to retain workers under work sharing plans in place of layoffs—which, while temporary from the employer's perspective, are nevertheless devastating for individual workers.

Third, FUTA tax rates ideally fall during downturns, when employers face reduced demand—a change that would be offset by increases in these tax rates during economic expansions. These adjustments could be triggered by changes in the national unemployment rate, turning on for the rest of a calendar year and the following calendar year, to allow for reasonable employer and IRS administration of temporary changes.

A final recommendation would mitigate the negative effects of recession on our nation's next generation of workers: giving financial aid officers at higher-education institutions discretion to substantially reduce or eliminate the Expected

Family Contribution, or EFC, for federal student aid for UI claimants and their dependents during recessions. Eligibility for student aid is typically calculated based on the prior year's income, so a family that experiences a job loss may be expected to pay more than they can afford. Policymakers should formalize guidance such as that issued by the U.S. Department of Education in 2009, which encouraged financial aid officers to exercise professional judgment in determining eligibility for financial aid—including not counting UI benefits toward determination of income—without fear of negative consequences.[277] This would enable students to benefit from maximum federal financial aid during their family's time of economic hardship and uncertainty and would decrease the likelihood that they will drop out or otherwise disrupt their education due to parental job loss.

Summary of recommendations: Improve the ability to respond to recessions

- Fully fund the Extended Benefits, or EB, program through federal revenues, ending the current equal split with states
- Establish several benefit tiers in EB to replace the current two tiers
- Introduce more appropriate EB triggers to reflect the possibility that economic recovery may take longer today, especially with regard to the labor market
- Provide Reemployment Services and Eligibility Assessments, or RESEAs, to every EB recipient
- Make work sharing more countercyclical, including by providing full federal funding for work sharing for at least one year in states that trigger on EB and encouraging states to suspend experience rating of work sharing benefits during periods of federal reimbursement
- Adjust the federal unemployment insurance tax, or FUTA, to become countercyclical
- Encourage financial aid officers to exercise professional judgment in determining the Expected Family Contribution for federal student aid for UI claimants and their dependents during recessions

Section 2:

Recommendation to establish a Jobseeker's Allowance

The need for a new effort to help jobseekers with limited resources

Under our proposed reforms to unemployment insurance, or UI—detailed in Section 1—a significantly larger share of all unemployed workers would be eligible for UI benefits. For example, under just three of our reforms—requiring states to adopt the alternative base period, enabling workers who are seeking part-time work to be eligible, and permitting unrestricted good-cause quits—UI would cover 13 percent more newly unemployed workers, according to updated analysis by the Urban Institute commissioned for this report.[278]

However, a substantial share of unemployed jobseekers would remain ineligible for UI, even under our proposed expansions. This includes many jobseekers who have very limited recent work history, often because of caregiving responsibilities or health issues; young people looking for work after completing school or a training program; and workers who have exhausted UI. This also includes independent contractors, or ICs—that is, self-employed workers who file 1099 tax forms.[279] (As discussed in Section 1.2.1, labor laws must be better enforced and strengthened to prevent employers from misclassifying employees as ICs.)

To reach a greater share of these workers and jobseekers, this report proposes a new federal means-tested program: the Jobseeker's Allowance, or JSA. At its core, the JSA would help jobseekers who are ineligible for UI find employment and attach or reattach to the labor market through job-search assistance, through job preparation and training, and by addressing barriers to employment. By providing short-term income support and employment services to a wide range of jobseekers, the JSA would encourage them to actively search for work and improve their work-related knowledge and skills. Providing a JSA of modest duration would especially help low-paid workers who face a volatile job market and who frequently lack precautionary savings and the income-smoothing employment protections generally afforded to higher-income workers, such as paid leave and flexible schedules. A JSA would also provide an incentive and support for individuals with limited or no recent work history to reconnect with or newly attach to the labor force, as well as connect them with training and education opportuni-

ties. This feature could help improve labor-market outcomes for low-income and previously self-employed discouraged workers—individuals who want to work and are available for work but have given up actively looking for a job in the face of challenging labor-market conditions. A JSA also could serve broader goals of social integration and family stability while promoting efficient geographic relocations for job opportunities.

The remainder of this section describes the core features of our proposed Jobseeker's Allowance. The proposal would:

- Provide a standard, means-tested federal benefit to help workers with limited resources who are ineligible for UI due to limited recent earnings history or UI's nonmonetary eligibility restrictions
- Establish a benefit level that is less generous in amount and duration than UI but meaningful enough to support job search in combination with other support
- Set a rolling time limit on receipt to prevent overuse and control costs
- Strictly enforce requirements for and strongly support job search, including by connecting workers to subsidized employment, national service, apprenticeships, and other opportunities as appropriate
- Allow participants who find employment away from home to receive any balance of their allowance to subsidize relocation
- Ensure a robust countercyclical response during recessions

Gaps remain in the public assistance system

Currently, the Supplemental Nutrition Assistance Program, or SNAP, is the primary federal program that provides meaningful income security to jobseekers who are left out of UI. However, SNAP benefits are very modest—the maximum monthly benefit for a one-person household is only about $194—and can only be used to purchase groceries.[280] Moreover, existing SNAP restrictions severely limit benefits for unemployed jobseekers without dependents.[281] In the past, many low-income jobseekers ineligible for UI could have also turned to programs such as Temporary Assistance for Needy Families, or TANF, or state General Assistance, or GA, programs for help; in many states today, these programs are minimal to nonexistent. For example, as of July 2015, TANF benefits for a family of three with no other cash income were below 50 percent of the federal poverty line in every state.[282] Moreover, TANF income assistance reaches only one in four poor families with children and offers little assistance in the way of connecting families to work.[283] State GA programs have also shrunk in terms of availability and adequacy. Today, just 26 states offer GA programs, and in nearly every state, the benefits have decreased in inflation-adjusted terms since 1998.[284] In part as a consequence of these trends, roughly 3.6 million unemployed Americans who were actively looking for work lived with families that had disposable incomes, including from noncash benefits, below 150 percent of the poverty line in 2014.[285] The safety net also does much less to protect jobless workers from deep poverty than in the past. According to the Center on Budget and Policy Priorities, "Among very poor unemployed workers looking for work in any given week, the safety net lifted 60 percent above half of the poverty line in 2005, down from 70 percent of very poor unemployed workers in 1995."[286]

Overview of the new Jobseeker's Allowance

A federally funded JSA, available in every state and jurisdiction where UI is available, would help close gaps in the safety net for workers and their families, while also incentivizing new, continued, or renewed attachment to the labor force. Similar to UI, the JSA would provide eligible jobseekers with a weekly allowance that would help meet workers' basic needs and job-search-related costs such as transportation. The allowance would be meager compared to already-modest UI benefits—lasting roughly half as long and equaling less than half the typical UI weekly benefits—and unlike UI's earned insurance benefits, it would be subject to a means test. Table 5 provides a comparison between the proposed JSA and the reformed UI system. The JSA would be a parallel and complementary program to UI but would differ in terms of the populations it serves, the benefits and services it provides, the criteria required for eligibility, and its administration and financing. The following section explores each of these aspects of the JSA in greater detail.

TABLE 5

Comparison of reformed unemployment insurance program to proposed Jobseeker's Allowance

	Unemployment insurance	Jobseeker's Allowance
Target population	Workers involuntarily separated from recent employment	New labor market entrants, re-entrants, UI exhaustees, legitimately self-employed workers, and intermittent workers with limited resources
Eligibility	Involuntary separation from employment and voluntary separation for good cause; minimum recent earnings history	At least age 19 or GED/high school degree holder; ineligible for UI; annual household income below the Social Security maximum taxable wage ($118,500 in 2015)
Benefit duration	At least 26 weeks with tiers of Extended Benefits during economic contractions	At least 13 weeks with tiers of Extended Benefits during economic contractions
Weekly benefit level	Weekly benefit varies with base-period earnings; maximum weekly benefit of at least 50 percent of state average weekly wage	Uniform weekly benefit of $170 (about half of a typical low-wage worker's wages) indexed to the 10th percentile of wages
Administration	Federal funding for state administration for benefits and service delivery; federal government maintains state financial accounts	Federal funding for state administration for benefits and service delivery; federal government splits state administrative and outreach costs evenly
Financing	State payroll taxes fund regular benefits; federal payroll tax funds Extended Benefits; federal appropriations fund state administration	Federal funding from general revenues with options for partial offsets
Services	Re-employment services (required for long-term unemployed)	Employment services, skills and training options, subsidized employment option

As with UI, an individual must be able to work, available for work, and actively seeking work in order to receive the JSA. Unemployed jobseekers participating in JSA would also have to meet strictly enforced job-search requirements at least as stringent as their state's UI job-search requirements. If employment had not been found after 13 weeks of job search—or sooner in some cases, as described below—JSA participants would receive more intensive services and assistance.

As a complement to UI, JSA would be administered at the federal level by the U.S. Department of Labor and would be a core part of the workforce development system. To ensure cross-program coordination and alignment, program rules would be aligned to the extent possible and consistent with rules in SNAP and Medicaid. The JSA would include automatic extensions at the national level, based

on national unemployment rate triggers, mirroring the tiers and triggers proposed earlier in this report for a revamped UI Extended Benefits program. Similarly, there would be a JSA counterpart to Disaster Unemployment Assistance, which provides unemployment insurance to workers, including those who are self-employed, in the event of earnings loss or unemployment due to a disaster.[287]

Likely positive effects from the Jobseeker's Allowance

Although the JSA would be much more modest and shorter term than UI, many of the JSA's personal, social, and economic benefits would mirror those of UI. In fact, this can be considered a direct goal of JSA: to make the positive effects associated with UI—on jobseekers, families, society, and the economy—much more widespread. However, we propose the JSA due to the importance of preserving UI, with its more adequate benefits, as an earned insurance program.

The immediate personal benefits of the JSA would fall on a different population than UI—namely, UI-ineligible jobseekers and their families. By providing even very modest income support for jobseekers who are not eligible for UI, the JSA would reduce the risk and degree of hardship during spells of unemployment and job search, reduce income volatility, and prevent negative social outcomes such as foreclosure and eviction. In turn, the JSA could reduce family stress and improve family stability by mitigating some of the root economic causes of family dissolution.

A well-designed and well-implemented JSA should reduce duration of receipt for other public benefits and increase taxable earnings by quickly connecting people to jobs and job-preparation tools and by bringing discouraged workers back into the labor market. The JSA should also improve the quality of participants' subsequent employment. JSA benefits could prevent jobseekers from needing to accept a low-quality job right away out of financial desperation. As has been demonstrated for other social insurance programs,[288] JSA could increase wages upon reemployment by enabling cash-strapped workers to search for an opportunity that better matches their interests and skills.[289] Additionally, the JSA could help people relocate for better work opportunities.

The JSA's effects on the economy would multiply and amplify those of UI. Similar to UI, the JSA would enhance the automatic stabilization function of the tax and transfer system. During and following a recession, the JSA likely would have a similar economic multiplier effect to other programs that serve those who are

temporarily cash-strapped or unemployed, such as SNAP, which generates an estimated $1.72 to $1.79 in additional economic activity for every dollar spent,[290] and UI, which generates $1.70 to $2.50 in economic activity per dollar spent.[291] This economic multiplier effect would occur because JSA recipients would likely spend their benefits rapidly in order to meet their immediate needs. This spending, in turn, would stimulate demand and help stabilize the economy. In fact, because it would serve a less advantaged population than UI—and less advantaged families tend to spend a greater share of additional income immediately—we might expect public funds spent on JSA to have an even larger multiplier effect than UI.

Eligibility

Under our proposal, the federal government would set JSA eligibility standards, with state flexibility for enforcement of participation requirements and for developing any benefit supplements. To be eligible for JSA, individuals would be required to be unemployed or underemployed and be available and looking for work. Jobseekers would also need to be ineligible for UI, either because they have no recent work history or it is too limited or because their reason for job separation rendered them ineligible for UI. For workers whose separation did not qualify as a so-called good-cause quit under UI, the JSA would apply the state SNAP standard for voluntary quits[292] to determine whether a worker would need to wait to become eligible for JSA. Individuals would also need to have at least a high school degree or equivalent or be at least 19 years old (18 years for foster youth).[293] Furthermore, full-time students would not be eligible for the JSA, except for individuals at least 18 years old who seek employment while working toward a GED.

Examples of individuals who would be eligible for JSA include people making the transition from school to work; workers with temporary or permanent disabilities; individuals who are transitioning from full-time caregiving (for a spouse, child, or other family member) or recovering from their own illness or injury into the paid labor force; those who have exhausted UI benefits; those who formerly worked as independent contractors or were self-employed; underemployed independent contractors who are experiencing reduced demand for their services and need to smooth their income as they seek new employment or engage in training; and workers who do not meet nonmonetary requirements for UI.[294]

To limit costs and target JSA to a population most likely to benefit from it, applicants would also be required to meet certain financial requirements. Eligibility would be limited to households with incomes below the monthly equivalent of the Social Security taxable wage base, which is $118,500 for 2016.[295] This means test represents an important difference between UI—which is social insurance that workers earn through their payroll tax contributions and is available to all qualifying workers who have contributed regardless of their income or family means—and the more modest JSA, which is not conditional on contributions from participants.

In addition, eligibility would be limited to 52 weeks in any rolling five-year period to limit costs and misuse, with exceptions for people experiencing extreme hardship through no fault of their own—such as victims of domestic violence and disasters—and time limits suspended during recessions. Weeks of receiving JSA during training, education, or subsidized employment would not count toward JSA time limits. States could modify the time restrictions to make them more generous if they so choose.

Benefits and services

The Jobseeker's Allowance represents an opportunity to offer basic income insurance with employment-related conditions to a wide range of unemployed workers who are ineligible for our proposed expanded UI. By providing short-term income support and employment services, JSA would encourage jobseekers to actively search for work and improve their work-related knowledge and skills. Participants would receive a modest uniform stipend of $170 per week—or about half of a typical low-wage worker's wages, indexed to the 10th percentile of wages—for up to 13 weeks.[296] This would make the JSA less generous than earned insurance benefits, such as UI and the paid family leave benefits proposed by the FAMILY Act[297], and less than the earned income from a minimum-wage job.[298]

Similar to the UI program, the JSA would have an earnings disregard, meaning that a modest amount of earnings would be ignored—or disregarded—for purposes of determining eligibility and calculating the benefit amount. Specifically, participants could earn up to 50 percent of the JSA benefit—or $85 per week—without facing a reduction in their JSA. Above this threshold, the JSA benefits would be reduced at a rate of 50 percent for each additional dollar earned.[299] This would encourage re-employment by allowing participants to engage in part-time

work as a stepping-stone to a full-time job; reduce financial hardship by lowering the penalty for having modest supplementary earnings during a job search; and speed labor-market transitions by allowing underemployed individuals—including independent contractors who experience reduced demand for their services—to search for new opportunities prior to becoming totally unemployed.

All JSA participants would be eligible to receive this stipend until they either found employment or reached 13 weeks of job searching. For many participants, receipt of JSA would be less than 13 weeks. Participants who find employment that requires relocation would also be eligible to receive any balance of their allowance to subsidize relocation. This would allow participants to search across a wider range of employers, facilitating better matching between employers and employees and, in turn, potentially leading to higher wages and more stable employment.[300] The JSA also includes a countercyclical trigger (identical to our proposed UI trigger) that would automatically facilitate proportionately more weeks of benefits in periods of high unemployment. During these periods, additional weeks of JSA receipt would not count toward time limits, even for those who have already reached these limits.

All JSA applicants would be screened upon application to determine individualized placement into one of two program pathways for meeting the employment-related requirements: job search and career ladders or individualized mobility strategies.[301]

Path 1: Job search and career ladders

The majority of placements would likely be in Path 1, which includes job search supports and connects jobseekers to career-specific training and education opportunities. In this path, a worker would have 13 weeks to seek employment opportunities with a job-search requirement at least as demanding as that state's UI rules. Searching for part-time work would be permissible, which would help serve populations such as workers who are primary caregivers for a young child or workers with disabilities. If after 13 weeks of job searching, the jobseeker had still not found employment, the worker would be routed directly into a Platform to Employment-, or P2E, style intensive engagement model (described below) with continued benefits contingent upon participation in this opportunity.[302] This pathway also would be made available to certain workers as appropriate at the start of their JSA participation. P2E offers long-term unemployed workers a five-week preparatory program—including skills assessments, career readiness workshops, participant assistance programs, coaching, and more—after which workers receive

assistance finding open positions at local companies. The worker then enters a trial placement of eight weeks during which wages are subsidized. If, during this trial period, the worker meets placement expectations, a full-time job offer would ideally be extended.[303] A P2E model for jobseekers could also encompass work activities such as apprenticeships and publicly funded or subsidized avenues back into the labor market, such as subsidized jobs[304] or national service positions.[305] In addition, if it were determined as part of the screening process that additional training and education—potentially combined with JSA[306]—or entrepreneurship was the best path, the worker would be guided toward Pell grants, Small Business Administration resources, programs under the Workforce Innovation and Opportunity Act, or other appropriate services.

Path 2: Individualized mobility strategies

Even among workers who are able, available, and actively searching for work, there will be a subset of individuals facing significant barriers to work, including but not limited to workers facing homelessness, mental health or substance abuse problems, or domestic violence. In some cases, these workers may be better served by and directed to other social assistance programs. However, for many others, more intensive and integrated services may be needed through JSA to ensure labor-market success. In these cases, jobseekers would be routed to Path 2. In this path, the 13 weeks of JSA benefits would require engagement with a program navigator to connect the participant to a host of wraparound services, such as mental or behavioral health services, beyond the work supports such as child care and transportation assistance that would be provided under Path 1. (Relatedly, as part of a plan to connect young Americans to first job opportunities, President Barack Obama proposed increasing funding for the Career Navigators, who play a similar role in our nation's current workforce development system, in the administration's FY 2017 budget proposal.[307]) Because this population may need additional time to secure employment, they would be eligible for an additional 13 weeks of benefits, which would count toward their JSA time limit. In addition, navigators and jobseekers would work together to develop an individualized plan to overcome the participants' barriers to employment and prepare them for work in the medium to long term with reasonable benchmarks for progress. As a caveat to these plans, however, jobseekers could not be penalized for failing to meet program contingencies if the services to which they were referred were not available.

In both paths, participants would have access to legal help with services such as expungement or pardon of a criminal record or conviction, improving credit reports, and other needed legal services to help remove barriers to employment.

Reaching underserved worker populations through the JSA

The JSA would reach multiple populations of jobseekers who are currently underserved by our nation's social insurance system—including, notably, workers with disabilities and independent contractors.

Workers with disabilities

Workers with disabilities or chronic health conditions that do not rise to Social Security's strict disability standard may not be able to participate in—or secure—full-time unsubsidized work. In fact, workers with disabilities are twice as likely as nondisabled workers to be unemployed.[308] Workers with disabilities are also more likely to have low-wage jobs and work part time—often earning wages not nearly adequate to cover the additional costs associated with a disability, let alone provide a financial buffer to protect against hardship in the event of a job loss. As a result, a modest unemployment assistance program such as JSA would be an important step toward ensuring that unemployed jobseekers with disabilities or chronic health conditions could receive the accommodations and services they need to connect to employment. This might include the provision of supported work and/or the appropriate modification of job-search requirements or other work- and education-related requirements to allow for participation in treatment, counseling, and rehabilitation. These workers would also receive wraparound services and supports, as detailed in the recent Center for American Progress report "A Fair Shot for Workers with Disabilities," to help them attach to and remain in the labor market.[309] If desired, these workers could also be routed to a broader subsidized employment program, such as described in recent reports from the Georgetown Center on Poverty and Inequality and the Center for American Progress, which can include options for long-term supported work.[310]

Independent contractors

An important challenge for economic security proposals is their ability to help independent contractors, or ICs—self-employed workers who fill out 1099 tax forms—when they lose work, especially those with limited resources. As discussed in Section 1.2.1 above, labor laws must be better enforced and strengthened to prevent employers from misclassifying employees as ICs. However, there are many workers who are properly classified as independent contractors and will remain ineligible for UI even under these improvements. Unlike employees, ICs are not currently entitled to a host of benefits, including unemployment insurance. While these workers may have more flexibility than workers in traditional employment relationships, this lack of access to critical benefits leaves ICs particularly vulnerable to economic insecurity and hardship.

The United States lacks national data on the extent and growth of independent contracting.[311] In 2013, Census survey data revealed that about 10.2 percent of the workforce reported being self-employed in their main job, and researchers speculate that about 64 percent of these workers—or 6.5 percent of the overall workforce—are ICs.[312] While Census data suggest that self-employment has been fairly stable or declining over time—yielding little information on trends in independent contracting[313]—IRS analysis of 1099 and Schedule C filings instead indicate that both independent contracting and self-employment have been on the rise.[314] Recent work by Lawrence F. Katz of Harvard University and Alan B. Krueger of Princeton University also found a sharp rise in contingent and alternative work arrangements, including temporary help agency workers, on-call workers, contract company workers, and independent contractors or freelancers. The share of workers engaged in these arrangements increased from 10.1 percent in early 2005 to 15.8 percent in late 2015.[315]

Employees who are misclassified as independent contractors should be properly classified, and regulatory guidance and vigorous enforcement are necessary to address this misclassification problem. But a clear hole in our nation's economic security system is the very limited protection against temporary earnings loss experienced by workers who are not considered employees of any employer. The proposed Jobseeker's Allowance is particularly well suited to help people who rely on independent contract work. The JSA is not calculated based on hours or earnings and, in fact, does not require prior employment or earnings. By providing modest income security, the JSA also offers an opportunity to engage independent contractors with insufficient work opportunities, helping them gain new skills that are valued in the labor market.

Potential future directions for JSA

The JSA would offer a fairly meager benefit compared to UI and would be extremely time-limited. It also would be intended only to provide minimal income support for unemployed workers in relatively low-resource households. The JSA benefit would be insufficient on its own for meeting basic needs, and it would not address other insecurities facing independent contractors and contingent workers such as retirement or the risk of long-term or permanent disabilities. These limits to the JSA suggest that for such groups of workers—individuals who are building or have built work histories but lack the traditional employee-employer relationship and are thus excluded from programs such as unemployment insurance—a more generous solution is warranted.

In the future, policymakers could explore the possibility of building off of the minimal JSA proposed herein—which is funded by general revenues—to establish a more generous tier of JSA for independent contractors and other self-employed workers. This more generous tier could, for example, require or encourage contributions from firms relying on these workers (in the case of independent contractors) or from employees themselves (in the case of the self-employed).[316] In particular, there has been an increasing focus in recent years on the lack of benefits provided to gig or sharing economy workers classified as independent contractors.[317] The JSA could potentially be used to provide more adequate unemployment assistance for workers at companies that rely on independent contractors as an integral part of their workforce.

Administration and financing

The JSA benefit would be administered primarily at the state level through the same agency designated by the state to administer UI. The current Office of Unemployment Insurance at the U.S. Department of Labor's Employment and Training Administration would be the responsible agency at the federal level.

The JSA benefit would be federally funded. State administration, outreach, support services, and workforce development expenses for JSA recipients would be jointly funded by states and the federal government through a 1:1 federal match of state spending. The federal government would pay for these costs through general

The United Kingdom's Jobseeker's Allowance

The United Kingdom has an income-based Jobseeker's Allowance—similar to the JSA proposed in this report—to complement its contribution-based JSA, which is similar to UI in the United States in that recipients must have sufficient work history and made sufficient tax contributions. The income-based JSA is available to less-than-full-time working households: Recipients cannot be full-time students; they must average fewer than 16 hours of work per week, and a partner of the recipient cannot average more than 24 hours of work per week. The program is limited to workers with £16,000 (approximately $24,125) or less in savings, and the benefit phases out with income above £6,000 ($9,045).[320] The weekly benefit varies by age and marital status, ranging from £57.90 ($87) for single 18- to 24-year-olds to £73.10 ($110) for older singles to £114.85 ($173) for couples where both adults are age 18 or older.[321]

Although the weekly benefit for the United Kingdom's income-based JSA is less generous than the proposal in this report (approximately 65 percent to 85 percent of the proposed U.S. JSA), the U.K. income-based JSA is often combined with a number of other benefits—such as housing and child benefits—unmatched by the U.S. tax and transfer system.[322] In addition, the U.K. income-based JSA is available for up to six months, twice as long as the proposed U.S. JSA.

U.K. income-based JSA claimants commit to spending a number of hours per week—generally 35 hours—taking "all reasonable action" and "any particular action" specified to find paid work.[323] The definition of all reasonable action includes both the quantity and quality of the claimant's work search. There are also exceptions to this hours rule for people with certain caregiving responsibilities and health impairments, as well as deductions that allow people to reduce the time they spend searching for work if they are engaged in other specified activities, such as volunteer work.[324]

The income-based JSA was, in part, intended to help young people attach to the labor force by providing income support and job-search assistance, as well as subsidized employment if no job is found. Research suggests that it significantly increased transitions to employment among young adult workers, particularly in the near term, through both job-search assistance and the job subsidy.[325]

revenues. If policymakers wish to offset the cost of the JSA, a number of possibilities could raise needed revenue. For example, a modest offset could come from modifying a tax reporting exemption. Specifically, when a business pays $600 or more during a year to an individual—that is, an independent contractor—for services performed, that business is required to submit Form 1099. This creates a third-party record of income earned by independent contractors and increases the likelihood taxes will be paid on that income. However, the U.S. Treasury Department exempts most corporate payees—primarily small businesses—from this reporting requirement. For this reason and others, small businesses are among the biggest contributors to the so-called tax gap—the amount of tax owed that is not paid on time—which is estimated at 16 percent to 20 percent of total taxes owed.[318] Previous proposals, including the president's FY 2008 budget, have

pointed out that reversing this exemption would reduce the tax gap, thus raising revenue, and would also reduce misclassification of independent contractors. Other potential offsets include one or more widely supported reforms to tax expenditures such as those listed in a recent report from the Center for American Progress.[319] Examples include the preferential tax treatment of income from capital gains, dividends, and carried interest or the corporate jet subsidy.

In addition, as noted earlier, to avoid multiple spells of benefits, the JSA program would limit total months of receipt during a multiyear period with limitations temporarily suspended during recessions. These limitations could represent a floor, with states able to provide more adequate benefits if they so choose. States also could supplement JSA benefits with their own funding.

The German unemployment assistance program

The resilience of the German labor market during the global recession and ensuing years has been the subject of intense interest by U.S. scholars, media, and policymakers.[326] Germany weathered the Great Recession better than neighboring countries due in large part to a combination of work sharing—in which companies reduce the hours of employees who then receive partial UI benefits, as discussed in Section 1.1.2—and other hours-reduction policies such as working-time accounts.[327] In addition, a series of UI and other labor market policy reforms implemented between 2003 and 2005 are credited with helping to stem the rise in unemployment during the recession.[328] These reforms were intended to address the high unemployment rates in the decade following reunification and respond to concerns that German UI beneficiaries were not finding jobs quickly enough.[329]

The German UI system is notably stronger and more generous than the existing American system. It is essentially comprised of two tiers of benefits: standard earned "unemployment insurance" benefits, known as Arbeitslosengeld I, herein referred to as Tier I benefits, and means-tested "unemployment assistance," known as Arbeitslosengeld II, herein referred to as Tier II benefits.[330] A separate tier of means-tested social assistance benefits, known as Sozialgeld, are available to individuals who cannot work and are thus ineligible for Tier II benefits, either due to a disability, illness, or caregiving obligations.[331] The proposed Jobseeker's Allowance most closely resembles German Tier II benefits. Similar to the proposed JSA, the German form of means-tested unemployment assistance is meant to secure the livelihood of lower-income workers who are able and available for work but ineligible for standard UI benefits. The German system may offer lessons about developing additional alternative forms of income and re-employment support for workers who fall outside of standard UI rules.

German Tier II beneficiaries include anyone between the ages of 15 and 65 who are able, available for, and actively seeking work.[332] This includes workers who have exhausted Tier I benefits.[333] Recipients are required to register in person as unemployed and available for work with a local office of the Federal Employment Agency and to accept any offer of suitable work or training.[334]

Tier II benefits are not based on prior earnings and are treated as social welfare benefits.[335] Prior to the system reforms, these benefits were meant to preserve a worker's standard of living throughout a spell of unemployment. Today, benefits are set at levels intended to cover basic needs.[336] They are paid at the beginning of each month. The level depends on a worker's marital status and household structure; as of January 2016, the basic benefit was €404 (approximately $437) per month.[337] Workers with dependents younger than age 18 are eligible for monthly supplements ranging from €237 ($259) to €306 ($335) per month, depending on the age of the children.[338]

For beneficiaries who have some earnings, such as from part-time or sporadic work, up to €100 ($108) per month is disregarded for purposes of the benefit calculation. Generally, income or assets in excess of this threshold that serve the same purpose as benefits—that is, to secure a basic standard of living—are deducted from the monthly payment.[339] In this way, the German system for unemployed jobseekers is set up to guarantee that beneficiaries who earn wages from short-term jobs come out financially ahead compared to simply claiming benefits and electing not to work at all.[340] Assistance for family, housing, and child care expenses, along with certain retirement savings, are excluded.

Although Tier II benefits are intended to ensure basic standards of living, they cover a much broader range of family expenses than would be considered standard in the United States. In addition to cash benefits, beneficiaries receive assistance for housing and heating costs.[341] Additional expenses for special circumstances such as pregnancy, single parenthood, disability, or a medically prescribed diet may also be covered.[342]

While the duration of Tier I benefits ranges from 6 months to 24 months, depending on the claimant's age and employment history,[343] the duration of Tier II benefits is indefinite as long as beneficiaries continue to meet eligibility rules. A claimant's need for benefits is typically assessed every six months.[344]

Finally, whereas Tier I benefits in Germany are financed by dedicated tax contributions from workers and employers, Tier II benefits are financed by federal and municipal governments through general tax revenues.[345] Administration of Tier II benefit payments—along with Tier I benefits and social assistance—is handled by the Federal Employment Agency.[346] Local agencies handle provision employment and social services and help connect workers to benefits.

Cost and funding options

In fiscal year 2014, the United States spent about $42 billion on the UI system, including both state and federal benefit outlays. Of this amount, about $35.9 billion was for regular state benefits.[347] The total cost of the proposal in this report—including improvements to UI and the new Jobseeker's Allowance—would increase spending by about $18.9 billion per year if economic conditions remain similar to 2014 and 2015.[348] About two-thirds of additional costs would be borne by the federal government and the remaining one-third by states. In addition, the federal government would also incur a one-time cost totaling $0.9 billion in the initial years. Assuming that inflation matches the projections of the Congressional Budget Office and that wages rise at roughly the rate of inflation, the 10-year nominal cost of the proposal would be approximately $206 billion. Greater detail on the cost estimation approach is provided in Appendix B.

The new JSA accounts for about 58 percent of this amount, or about $10.9 billion per year, and would serve an estimated 5.4 million jobseekers annually in economic conditions similar to 2014 and 2015. Spread across the entire labor force, this comes out to a cost of less than 19 cents per worker each day. The average annual cost per worker served by JSA would be a little more than $2,000. About three-quarters of JSA's cost would consist of the allowance itself—that is, the monetary benefits paid on a weekly basis to participants who meet the eligibility and job-search criteria. The remainder of the cost would come from nonbenefit items such as training and administration.

TABLE 6

Estimated annual cost of proposal

Recurring single-year cost of UI reforms and new JSA, in billions of dollars

Unemployment insurance	Federal	$1.6
	State	$6.4
Jobseeker's Allowance	Federal	$10.9
Total		**$18.9**

Note: Cost estimates are based on 2014 labor-market conditions. Excludes one-time federal costs of $0.9 billion.

Source: Authors' analysis of multiple data sources, including data from the U.S. Department of Labor, the U.S. Bureau of Labor Statistics, and the White House Office of Management and Budget. Cost estimation approach is described in the Appendix B of this report.

The relatively modest federal cost for UI reform would be financed from the changes made to the FUTA taxable base and rate, described in Section 1.3.1. Similarly, states would finance increased spending with changes to SUTA taxes: Under this proposal, nearly all states would be required to raise their taxable wage bases to varying degrees; they could then adjust tax rates downward as appropriate to finance existing obligations and proposed reforms (within the restrictions proposed above). The states with the least adequate UI systems—in general, the same states that maintain very low tax rates and small wage bases—would incur the greatest cost under our proposed reforms.

As previously noted, the Jobseeker's Allowance would be fully federally financed, but funding would come from general revenues rather than from the UI system. Policymakers would have the option to offset the JSA's cost, including from revenue sources described in Section 2.

Conclusion

For eight decades, our nation's unemployment insurance system has been critical to the prosperity of America's working families, its communities, and its economy. UI protects families from financial hardship when workers lose a job through no fault of their own, while also stabilizing our economy during recessions and hastening the return of economic expansion. However, our nation has dramatically underinvested in UI—and as a result, the UI system has failed to keep pace with changes in the workforce and families. A smaller share of unemployed workers has access to UI than at any time on record, and the program's finances remain in a dismal state almost seven years after the Great Recession.

A weakened UI program leaves our nation dramatically underprepared for the next recession—which, while unpredictable, is likely approaching: In its recorded history, the United States has never experienced an economic expansion lasting longer than 10 years. Yet even if the country continues expanding for an unprecedented period, UI is underperforming today in its role as a tool for improving job placements, maintaining labor-force attachment, promoting skills and training, and ensuring economic security for workers and their families.

The Center for American Progress, the Georgetown Center on Poverty and Inequality, and the National Employment Law Project propose to update the unemployment insurance system to reflect 21st century realities. Our recommendations would give more unemployed workers access to the tools they need for successful re-employment and training and bolster effective job-retention measures that reduce layoffs. These recommendations would also expand UI eligibility and access, as well as improve the adequacy of UI benefits, providing more American families with stronger protection against the shock of unemployment. And, crucially, our proposal would prepare UI for its role as our economy's first line of defense when the next recession arrives.

However, even an updated UI system will not reach all jobseekers. We propose a new Jobseeker's Allowance—a modest, temporary, means-tested benefit—to assist jobseekers who would remain left out of UI. The federally funded JSA would connect these jobseekers to employment opportunities and help them improve their work-related knowledge and skills. The JSA would boost labor force participation, provide greater economic security to working families, and complement UI as a macroeconomic stabilizer.

The measures in this proposal—including both reforms to the UI system and the new JSA—would roughly double the number of unemployed workers who are currently served by our nation's social assistance system for unemployed jobseekers. Through JSA, these proposals would, for the first time, extend protections against job loss to multiple groups of jobseekers such as independent contractors, the self-employed, and workers returning from caregiving or illness.

Since the next recession is inevitable, policymakers must act now to strengthen UI and assist the many American jobseekers whom our current system leaves behind. Working families and our economy need a social insurance system that is responsive to today's economic realities and workforce and puts unemployed workers and our country back on a path to prosperity.

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Appendices

Appendix A: Proposed Extended Benefits program

TABLE A1

Proposed federal Extended Benefits program for long-term unemployed workers

The proposed Extended Benefits program would activate under conditions of high or rising state unemployment or high national unemployment

Tier	Additional weeks of benefits	State trigger		Alternative state trigger		National trigger	
		On	Off	On	Off	On	Off
1	Lesser of **13 weeks** or 50% of benefit entitlement	6.5% TUR	< 6.5% TUR	Current TUR + increase from same period in any of past 3 years = 6.5%	Current TUR + increase from same period in any of last 3 years < 6.5%	7.0% TUR	< 7.0% TUR
2	Lesser of **13 weeks** or 50% of benefit entitlement	7.5% TUR	< 7.5% TUR	Current TUR + increase from same period in any of past 3 years = 7.5%	Current TUR + increase from same period in any of past 3 years < 7.5%	8.0% TUR	< 8.0% TUR
3	Lesser of **13 weeks** or 50% of benefit entitlement	8.5% TUR	< 8.5% TUR	Current TUR + increase from same period in any of past 3 years = 8.5%	Current TUR + increase from same period in any of past 3 years < 8.5%	9.0% TUR	< 9.0% TUR
4	Lesser of **13 weeks** or 50% of benefit entitlement	9.5% TUR	< 9.5% TUR	Current TUR + increase from same period in any of past 3 years = 9.5%	Current TUR + increase from same period in any of past 3 years < 9.5%	10.0% TUR	< 10.0% TUR
5 and above	Lesser of **6 weeks** or 25% of benefit entitlement	10.5% TUR	< 10.5% TUR	None	None	11.0% TUR	< 11.0% TUR

Note: This proposal would not cap the number of weeks of Extended Benefits, or EB, that exhaustees of regular UI benefits in high-unemployment states could be eligible to receive under the state and national triggers. An additional six weeks of EB would be available with every additional percentage-point increase in the state TUR above 10.5 percent or the national TUR above 11 percent. However, EB would be limited to four tiers under the alternative state trigger, as shown.

Appendix B: Cost estimates

This appendix describes the approach to estimating the cost of the major recommendations in this report, including both reforms to unemployment insurance, or UI, and the newly proposed Jobseeker's Allowance, or JSA. Estimates reflect expected costs during nonrecessionary conditions—specifically, economic environments similar to 2014 and 2015.[349]

These estimates are intended to provide only a general sense of the scope of the proposal's costs and should be interpreted cautiously for multiple reasons. Notably, while cost estimates rely mainly on data from calendar years 2014 and 2015—the most recent data available at the time of estimation—the values of these inputs are expected to change over time, and several states have already undergone policy changes that will affect subsequent data. Furthermore, this analysis does not capture behavioral responses to changes in social assistance for jobseekers.

This analysis does not estimate costs for countercyclical measures—such as the proposed Extended Benefits program—which would largely depend on the severity of future economic downturns. Several of the reforms we propose are expected to have relatively little or no cost, and we exclude them from this analysis.[350]

Subject to these assumptions, the estimated cost of the proposal in this report is $18.9 billion per year. Of this amount, $8 billion—or about 42 percent—would be used to modernize UI, while the remaining $10.9 billion would go toward creation of the new JSA. Two-thirds of these annual costs, including all of the cost of the JSA, would be borne by the federal government, and the remaining one-third by states. In addition to these annual costs, the federal government would incur a one-time cost of $0.9 billion.

Unemployment insurance reforms

Federal costs

The federal costs of the proposal are mostly concrete and do not require estimation.[351] Section 1.1 calls for increasing federal investment in re-employment services by a total of $1.54 billion each year, including $535 million to the Reemployment Service and Eligibility Assessment, or RESEA, program and $1 billion to the Employment Service, or ES. In addition to these recurring costs, the federal government would incur three concrete one-time costs:

1. $600 million for states' administration costs

2. $300 million for states to modernize their information technology infrastructure

3. $28 million to help states establish Self-Employment Assistance, or SEA, programs

To assess the cost of establishing SEA programs, we compute the inflation-adjusted value of grants—offered by the U.S. Department of Labor in 2012 to establish and improve SEA programs—in the 44 states that did not have active programs as of 2014.[352] With one exception, covered below, this concludes the federal costs in the proposal.

A final federal cost comes from the recommendation that the federal government partially reimburse states for regular benefit weeks beyond 26 weeks, up to 39 weeks.[353] We presume that both Massachusetts and Montana—which offered maximum durations of 30 weeks and 28 weeks, respectively, in 2016—would accept the 25 percent federal funding without changing their maximum durations. We somewhat arbitrarily—but, we think, not unreasonably—also assume that three additional states would take advantage of the opportunity to extend their maximum durations for three weeks.[354] We assume these states face the average of unemployment compensation cost across states for 2014. We assign new state adopters the average UI exhaustion rate—that is, claimants exhausting benefits as a share of first payments—across states in 2014 and conservatively assume that all exhaustees would receive the full additional weeks.[355] Under this recommendation, federal costs would increase by about $83 million per year, and state costs would increase by about $80 million.

State costs

We begin with the cost of operating and maintaining Self-Employment Assistance, or SEA, programs, discussed above. Drawing on analysis by economist Adriana Kugler of Georgetown University, who examines SEA programs in Washington state and Massachusetts, we estimate that across the 42 states that do not currently operate SEA programs, total costs would be slightly less than $82 million per year.[356] We presume that in the long run, 1 percent of UI claimants would participate in SEA—a high, and thus conservative, estimate relative to past experience.

Next, Section 1.2 gives multiple recommendations for expanding eligibility and improving the adequacy of UI benefits. We begin by evaluating the cost of extending the maximum benefit duration in states that offered fewer than 26 weeks of UI at the end of 2014.[357] We use this variation in states' maximum weeks and exhaustion rates to linearly approximate the decline in the exhaustion rate with each additional week of benefits.[358] For each affected state, we use this approximation to predict the change in the exhaustion rate that would result from bringing the state up to 26 weeks and multiply this change by the number of weeks required to reach 26 weeks. At the end of 2014, bringing all states up to a maximum duration of 26 weeks would have cost approximately $506 million per year.[359]

In states where the maximum duration is well below 26 weeks, this reform would likely lead to an increase in the average duration of UI claims.[360] To adjust for this, we estimate a new average benefit duration for each state, using the weighted average of the actual 2014 average duration for nonexhaustees and the new expected duration for exhaustees.[361] We employ this new average duration where appropriate in subsequent cost estimates.

Second, we evaluate the recommendation that states set maximum weekly UI benefit amounts at no less than half of the state average weekly wage, or AWW. In recent years, this would have required changes in about 22 states.[362] Using data from the 2014 March Current Population Survey to construct the national earnings distribution of adult civilian employees, we identify the share of employees whose UI benefits likely would be affected by this policy were they to experience unemployment.[363] We then approximate the aggregate increase in benefits these workers would receive, based on affected states' AWW, average benefit durations, and number of first UI payments during 2014.[364] In total, we estimate that this recommendation would require affected states to disburse an additional $3.1 billion in UI benefits during a typical nonrecessionary year.

This reform would slightly change the average weekly benefit amount, or WBA, in affected states.[365] To account for this when evaluating subsequent recommendations, we compute a new average WBA.[366] In the average affected state, the new average WBA is about $12.50, or about 0.2 percent, higher.[367]

Next, we evaluate the cost of switching to the high-quarter method of benefit determination in states that have not already adopted it. Comparing the average UI replacement rate in high-quarter states to their counterparts, we find that the average wage replacement rate was 3.8 percentage points greater in these states. Assuming that each newly adopting state would experience an increase of this size in its average replacement rate after adopting the reform, we multiply that increase by affected states' number of first payments, average WBAs, and average durations as of 2014. Switching to the high-quarter method nationwide would cost states an estimated $568 million.

We turn next to the cost of eliminating the waiting week. We exclude the eight states that did not have waiting weeks as of 2014, as well as the four states in which the waiting week is paid after a specified period of unemployment.[368] In the remaining states, providing an additional week of benefits has a cost roughly equal to the average WBA for each claimant.[369] However, the waiting week does not shorten the maximum possible duration of UI benefits for claimants who exhaust benefits; rather, it only delays the timing of payment by one week. For this reason, we scale our estimate down by the share of UI claimants in affected states who were nonexhaustees in 2014. Eliminating the waiting week would cost affected states about $931 million per year in additional UI benefits.

We now evaluate three key UI modernization reforms that would expand eligibility—adopting the alternative base period, allowing part-time workers to seek comparable employment, and allowing good-cause quits. A concurrently published study by the Urban Institute analyzes the effect on UI eligibility among newly unemployed workers if these reforms were to be implemented in all states.[370] From this study's analysis, we examine the subset of workers who reported searching for a job—excluding, for example, those returning to school—in states that had yet to adopt the reforms in 2014. Using the weighted average increase over the past 12 months estimated by the study, these three reforms would have collectively increased the eligibility rate by 8.7 percentage points, an increase of 13.4 percent. We assume that UI participation would increase proportionately to eligibility.[371] For the relevant subset of workers in the set of

states affected by each reform, we estimate the number of new UI recipients and approximate the weighted averages of their expected WBAs and UI durations.[372] Based on this analysis, we project that extending these reforms nationwide would cost slightly more than $1.1 billion in affected states.

Together, the cost of these reforms to the UI system total about $8 billion per year, with additional one-time costs of less than $1 billion.

Jobseeker's Allowance

The cost of the JSA program would have six primary components, each of which we evaluate in turn below.

Regular weekly JSA benefits

Regular JSA benefits—that is, the $170 weekly payments received by participants for up to 13 weeks—would constitute about three-quarters of total JSA costs. To estimate the cost of benefits, we separate likely JSA participants into three populations using recent labor force data on nonemployed individuals.[373] Then, we apply labor-market data on nonemployment durations to estimate how quickly each of the populations turns over—that is, cycles through nonemployment—to translate the point-in-time nonemployed population into an annualized estimate of JSA participation.[374] For most eligible individuals, we assume a participation rate of 61 percent in accordance with the United Kingdom's high range estimate of take-up of its own Jobseeker's Allowance for recent years.[375]

- **Population 1** is made up of individuals who have recent workforce experience. This includes workers who have been laid off, left work, or have been dismissed from a job but would not be eligible for unemployment insurance even under the expanded UI eligibility criteria.[376] The JSA would serve about 468,000 workers in Population 1 each year.

- **Population 2** consists of labor-market re-entrants and new entrants, who made up about 29 percent and 11 percent of the nonemployed population in 2015, respectively. This includes new graduates, individuals returning to work after caregiving or health problems, and secondary earners with little or no work history. The JSA would serve about 4.7 million workers in this population each year.

- **Population 3** would be made up of select groups who are not currently in the labor force. So-called discouraged workers are the largest group in this population who would participate in the JSA. Disadvantaged workers and those facing significant barriers to employment are likely to be disproportionately represented in Population 3.[377] We estimate that the JSA would serve about 160,000 individuals in Population 3 each year.

In total, the regular JSA program would serve an estimated 5.4 million workers each year—although not all would receive the full 13 weeks of benefits—at a cost of $8.2 billion in regular benefits.

Employment-related services

We assume that JSA participants would receive employment-related services—described in Section 1.1.1—at the same rate that UI beneficiaries would under our UI proposal and that the average per-participant cost of these services would be roughly equivalent across the two programs.[378] Based on expected participation, the cost of providing these services to the JSA population is estimated at just less than $1 billion per year.

Program administration

Because the JSA would serve similar purposes as unemployment insurance—and would require similar tools, technologies, and knowledge from administrators—we gauge the cost of administering the JSA in accordance with states' existing UI programs. We assume that administration costs would scale proportionately to the increase in the size of the population served, which would have been about 80 percent the size of the UI population in 2014.[379] However, in light of economies of scale between the two programs, as well as the shorter duration and more straightforward assessment of benefits under the JSA, we assume these services would cost about one-quarter as much per participant. These assumptions entail annual administration costs of about $0.5 billion.

Training and education

Under JSA, jobseekers who exhaust their initial 13 weeks of benefits would be routed into a Platform to Employment-type pathway.[380] The three populations of jobseekers described above would be expected to participate in this path at very different rates—and to incur different average costs associated with training.[381]

- **Population 1**, the recently unemployed, has relatively strong labor-market attachment and a short duration of unemployment. We presume that about 10 percent of them would use JSA training, commensurate with take-up rates of Workforce Innovation Act, or WIA, training opportunities among adult workers to whom these opportunities were available in recent years, at a cost of $2,500 per participant.[382]

- **Population 2**, composed of re-entrants and new entrants, experiences the shortest duration of unemployment. Moreover, many new entrants join the labor market from an educational or skills-building setting and have less need for additional training. We assume this population would take up at half of the rate of Population 1 with a per-person cost equal to Population 1.

- **Population 3** contains disadvantaged and discouraged workers, a larger share of whom may struggle to find work within 13 weeks. We presume that one in four of these individuals—more than twice the share in the less disadvantaged populations—would be routed into the training path. Moreover, training and related opportunities would be more expensive for these individuals. For this population, we double the average training cost for Populations 1 and 2 to $5,000.

Under these conditions, JSA training activities would cost about $0.9 billion per year. However, as described in Section 1.1.1, this proposal would increase funding for Employment Service grants, about 60 percent of which typically go toward jobseekers who are not UI eligible. The majority of these jobseekers would be eligible for—and would likely participate in—JSA. Because this funding is already accounted for under the unemployment insurance reform proposal cost estimate, we subtract the amount of this overlap from the overall JSA cost.

Extended JSA benefits

JSA participants who undertake qualifying training or educational opportunities after the initial 13 weeks could continue to receive the weekly allowance, conditional upon following their training or education plan. We assume that the average participant in training or education receives an additional 13 weeks of benefits.[383] Using the estimated take-up rates described above for training opportunities, we estimate that extended JSA benefits would cost $0.6 billion per year.

Wraparound support services

For disadvantaged populations and those with barriers to work, the JSA would make funding for wraparound support services—such as eviction prevention, transportation, or expungement assistance—available to support participants' job search and family economic security. Given that jobseekers facing barriers to employment—those who, under the JSA, are most likely to be routed into paths with training, education, or a subsidized job—are also most likely to be financially or otherwise in need, we presume that the population in need of support services would be roughly the same size with an average cost of $300 per claimant.[384] This entails an annual expenditure of nearly $98 million on support services.

Endnotes

1 Under the federal-state structure, federal law sets minimum requirements for state programs primarily in the areas of employee coverage, financing, and administration.

2 Three states also levy a direct tax on the worker's earnings. Regardless, much of the state tax on employers is actually passed along to workers in the form of otherwise lower compensation.

3 Arloc Sherman, "Safety Net More Effective Against Poverty Than Previously Thought" (Washington: Center on Budget and Policy Priorities, 2015), available at http://www.cbpp.org/research/poverty-and-inequality/safety-net-more-effective-against-poverty-than-previously-thought.

4 Heather Boushey and Matt Separa, "Unemployment Insurance Dollars Create Millions of Jobs"(Washington: Center for American Progress, 2011), available at https://www.americanprogress.org/issues/labor/news/2011/09/21/10367/unemployment-insurance-dollars-create-millions-of-jobs/.

5 Joanne W. Hsu, David A. Matsa, and Brian T. Melzer,"Positive Externalities of Social Insurance: Unemployment Insurance and Consumer Credit" (Washington: National Bureau of Economic Research, 2014), available at http://www.nber.org/papers/w20353.

6 Wayne Vroman, "The Role of Unemployment Insurance as an Automatic Stabilizer During a Recession" (Washington: IMPAQ International, 2010), available at http://wdr.doleta.gov/research/FullText_Documents/ETAOP2010-10.pdf.

7 Authors' calculations based on the most recent 12 months of regular UI continued weeks claimed and total unemployment data. As of 2015, 27.2 percent of unemployed workers nationwide claimed UI. However, UI served a lower share of unemployed workers—23.4 percent—if one counts only claims paid, discounting those who faced waiting weeks or claim denials. U.S. Department of Labor Employment and Training Administration, Report 5159, "Claims and Payment Activities," available at http://ows.doleta.gov/unemploy/DataDownloads.asp (last accessed March 2016).

8 Authors' calculations from National Bureau of Economic Research, *US Business Cycle Expansions and Contractions* (National Bureau of Economic Research, 2012), available at http://www.nber.org/cycles.html.

9 See for example Lawrence Summers, "Why the Fed Needs to Prepare for the Worst Right Now," *The Washington Post*, January 10, 2016, available at https://www.washingtonpost.com/opinions/why-the-fed-needs-to-prepare-for-the-worst-right-now/2016/01/10/b754a962-b7a3-11e5-99f3-184bc379b12d_story.html and Jared Bernstein, "Getting Ready for the Next Recession—Summers and Beyond," On the Economiy: Jared Bernstein Blog, December 7, 2015, available at http://jaredbernsteinblog.com/getting-ready-for-the-next-recession-summers-and-beyond/.

10 Harry J. Holzer, "Workforce Development As an Antipoverty Strategy: What Do We Know? What Should We do?" *Focus* 26 (2) (2009): 62-68.

11 Vroman, "The Role of Unemployment Insurance as an Automatic Stabilizer During a Recession" (Washington: IMPAQ International, 2010).

12 Authors' calculations based on the most recent 12 months of data analyzed in a concurrently released report from the Urban Institute. See Thomas Callan, Austin Nichols, and Stephan Lindner, "Unemployment Insurance Modernization and Eligibility" (Washington: Urban Institute, 2016). The three reforms modeled in this study are adopting the alternative base period, allowing part-time workers to seek comparable employment, and allowing good-cause quits. We use only the share of workers who report searching for a job after separation in only the states that had not adopted the reforms listed as of 2014.

13 This benefit would grow automatically with the 10th percentile of wages.

14 This is based on data from 2014, as described in the "Cost and funding options" section of this report. The share of jobseekers served by the proposed UI and JSA system would be expected to increase further during a recession.

15 Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster, *Chasing the American Dream* (New York: Oxford University Press, 2014).

16 American Job Centers are available for all American workers to use, regardless of whether they are receiving UI or are unemployed. However, UI recipients make heavy use these centers to fulfill UI's job-search requirements.

17 The Employment Service was established and is funded by the Wagner-Peyser Act of 1933.

18 Passed in July 2014 and effective July 2015, the Workforce Innovation and Opportunity Act, or WIOA, superseded and updated the Workforce Investment Act of 1998. See U.S. Department of Labor Employment and Training Administration, "WIOA Overview," available at https://www.doleta.gov/wioa/Overview.cfm (last accessed April 2016).

19 Indeed, one of the goals of the Workforce Innovation and Opportunity Act is to better integrate the UI system and the Employment Service into the larger federal job training system, thus providing UI claimants with greater access to training and education programs and resources. The law now requires the co-location of the Employment Service in American Job Centers. See Kisha Bird, Marcie Foster, and Evelyn Ganzglass, "New Opportunities to Improve Economic and Career Success for Low-Income Youth and Adults: New Provisions of the Workforce Innovation and Opportunity Act (WIOA)" (Washington: Center for Law and Social Policy, 2015), available at http://www.clasp.org/resources-and-publications/publication-1/KeyProvisionsofWIOA-Final.pdf.

20 In 2014, UI claimants made up the large majority of participants completing the WIOA dislocated worker program. See U.S. Department of Labor Employment and Training Administration, "PY 2014 WIA Summary Report —Dislocated Workers" (2015), available at https://www.doleta.gov/performance/results/WIASRD/PY2014/PY%202014%20Summary%20Report-DW.pdf.

21 Louis S. Jacobson, "Strengthening One-Stop Career Centers: Helping More Unemployed Workers Find Jobs and Build Skills" (Washington: The Hamilton Project, 2009), available at http://www.brookings.edu/~/media/research/files/papers/2009/4/02%20jobs%20skills%20jacobson/0402_jobs_skills_jacobson; U.S. Department of Labor, *Budget in Brief* (2016), available at https://www.dol.gov/dol/budget/2016/PDF/FY2016BIB.pdf.

22 Rick McHugh, "Public Labor Exchange Programs in the 2017 Budget," National Employment Law Project, March 4, 2016, available at http://nelp.org/blog/public-labor-exchange-programs-in-the-2017-budget/.

23 Jacobson, "Strengthening One-Stop Career Centers: Helping More Unemployed Workers Find Jobs and Build Skills."

24 Ibid.

25 See, for example, the work of economist Peter Cappelli, including *Why Good People Can't Get Jobs: The Skills Gap and What Companies Can Do About It* (Philadelphia: Wharton Digital Press, 2012).

26 See *Unemployment Compensation Amendments of 1993*, Public Law 103-152, 103rd Cong. (November 24, 1993), available at http://workforcesecurity.doleta.gov/dmstree/pl/pl_103-152.pdf.

27 U.S. Department of Labor, "U.S. Secretary of Labor Elaine L. Chao Announces Nearly $18 Million in New Reemployment and Eligibility Assessment Grants," Press release, March 10, 2005, available at http://www.dol.gov/opa/media/press/opa/archive/OPA20050343.htm.

28 Reemployment and Eligibility Assessments are an expanded version of the eligibility review process that claimants must traditionally complete after two or three months of unemployment. One of the primary goals of both programs is to prevent and detect improper UI payments. Stephen Wandner, "The Response of the U.S. Public Workforce System to High Unemployment During the Great Recession" (Washington: Urban Institute, 2012), available at http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412679-The-Response-of-the-U-S-Public-Workforce-System-to-High-Unemployment-during-the-Great-Recession.PDF.

29 A good summary of this earlier research on re-employment services and job-search assistance is found in Stephen A. Wandner, *Solving the Reemployment Puzzle: From Research to Policy* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 2010). For additional overview of the literature, see Claire McKenna, Rick McHugh, and George Wentworth, "Getting Real: Time to Re-Invest in the Public Employment Service" (Washington: National Employment Law Project, 2012), available at http://nelp.org/content/uploads/2015/03/NELP-Report-Investing-Public-Reemployment-Services.pdf. Key studies include Christopher J. O'Leary and Randall W. Eberts, "The Wagner-Peyser Act and U.S. Employment Service: Seventy-Five Years of Matching Job Seekers and Employers" (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 2008), available at http://research.upjohn.org/cgi/viewcontent.cgi?article=1032&context=reports. For additional evidence in support of individualized job-search and re-employment assistance, see David Card, Jochen Kluve, and Andrea Weber, "Active Labor Market Policy Evaluations: A Meta-Analysis." Working Paper 16173 (National Bureau for Economic Research, 2010), available at http://www.nber.org/papers/w16173.

30 Card, Kluve, and Weber, "Active Labor Market Policy Evaluations."

31 On the effectiveness of RESEA, see, for example: Marios Michaelides and others, "Impact of the Reemployment and Eligibility Assessment (REA) Initiative" (Washington: IMPAQ International, 2012), available at http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_resultDetails&pub_id=2487&mp=y. Research of the Nevada program can be found at: Marios Michaelides and others, "Impact of the Reemployment and Eligibility Assessment (REA) Initiative in Nevada" (Washington: IMPAQ International, 2012), available at http://wdr.doleta.gov/research/FullText_Documents/ETAOP_2012_08_REA_Nevada_Follow_up_Report.pdf; Marios Michaelides and Peter Mueser, "Are Reemployment Services Effective? Experimental Evidence from the Great Recession." Working Paper 1509 (University of Missouri, 2015), available at https://economics.missouri.edu/working-papers/2015/wp1509_mueser.pdf.

32 In addition, the Nevada program was established during the recession, whereas earlier evidence in support of re-employment assistance comes from periods of relatively low national unemployment.

33 For background, see U.S. Department of Labor, "Unemployment Insurance Program Letter No. 13-15" (2015), available at http://wdr.doleta.gov/directives/attach/UIPL/UIPL_13-15_Acc.pdf; U.S. Department of Labor, "Unemployment Insurance Program Letter No. 7-16" (2016), available at http://workforcesecurity.doleta.gov/dmstree/uipl/uipl2k16/uipl_0716.pdf.

34 Rebecca Dixon, "Federal Neglect Leaves State Unemployment Systems in a State of Disrepair" (Washington: National Employment Law Project, 2013), available at http://www.nelp.org/content/uploads/2015/03/NELP-Report-State-of-Disrepair-Federal-Neglect-Unemployment-Systems.pdf.

35 Bureau of Labor Statistics, *Current Employment Statistics* (U.S. Department of Labor, 2015), "Civilian Labor Force," retrieved from Federal Reserve Bank of St. Louis, *FRED Economic Data*, available at https://research.stlouisfed.org/fred2/series/CLF16OV/ (last accessed December 2015).

36 Authors' calculations of ES state grant spending in FY 2014 via U.S. Department of Labor, *Budget in Brief,* divided by the total number of ES jobseekers in program year 2014 via U.S. Department of Labor, "Wagner-Peyser Act Employment Services," available at https://www.doleta.gov/performance/results/wagner-peyser_act.cfm (last accessed December 2015).

37 U.S. Department of Labor, "Wagner-Peyser Act Employment Services."

38 In particular, given the expense and time invested as a result of individual training decisions, counselors should be permitted to assist customers with their training choices rather than leaving them to select on their own from lists of approved training providers. Randall W. Eberts, *Transforming U.S. Workforce Development Policies* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 2015), available at https://www.kansascityfed.org/publications/community/transform-workforce.

39 Wandner, "The Response of the U.S. Public Workforce System to High Unemployment During the Great Recession."

40 U.S. Department of Labor, "Monthly Program and Financial Data," available at http://workforcesecurity.doleta.gov/unemploy/claimssum.asp (last accessed December 2015).

41 Ralph E. Smith, "Options for Addressing Long-Term Unemployment as the Economy Recovers" (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 2011), available at http://research.upjohn.org/cgi/viewcontent.cgi?article=1009&context=up_policypapers.

42 Economic Policy Institute, "Missing Workers: The Missing Part of the Unemployment Story" (2015), available at www.epi.org/publication/missing-workers/.

43 Authors' calculations based on data from Bureau of Labor Statistics, *Current Population Survey* (U.S. Department of Labor, 2016).

44 Bird, Foster, and Ganzglass, "New Opportunities to Improve Economic and Career Success for Low-Income Youth and Adults: Key Provisions of the Workforce Innovation and Opportunity Act (WIOA)."

45 To access training services, participants must establish an Individual Training Account, or ITA. When they have found an appropriate training opportunity from the qualified provider in the community, the ITA provides the funds. Ibid.

46 Jeremy Schwartz points out that little attention has been paid to the costs of job search in the literature. But if search is costly—entailing out-of-pocket expenses that are either necessary or sufficiently improve the probability of successful re-employment—it may be optimal to provide the newly unemployed with a larger UI benefit. See Jeremy S. Schwartz, "Optimal Unemployment Insurance When Search Takes Effort and Money," *Labour Economics* 36 (2015): 1–17, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2662518##. Yet many unemployed workers have little or no savings to address these costs: Jonathan Gruber found that the median unemployed worker had only enough savings to cover two-thirds of lost income during unemployment—and one in three unemployed workers could only cover 10 percent of lost income. Furthermore, the author finds a strong negative correlation between wealth and duration of unemployment. Jonathan Gruber, "The Wealth of the Unemployed," *Industrial Labor Relations Review* 55 (2001): 79–94, available at http://ilr.sagepub.com/content/55/1/79. And a more recent report from Pew found that in 2014, the typical household in the bottom quintile of the income distribution could only replace nine days' income with liquid savings (checking accounts, savings accounts, and cash). Lack of significant savings was not unique to low-income households; the study found that the average family in even the top quintile could not replace two months of income with liquid savings. The Pew Charitable Trusts, "The Precarious State of Family Balance Sheets" (2015), available at http://www.pewtrusts.org/~/media/assets/2015/01/fsm_balance_sheet_report.pdf.

47 U.S. Department of Labor, "TAA Program Benefits and Services under Reversion 2014," available at http://www.doleta.gov/tradeact/2014_amend_att1.cfm (last accessed January 2016).

48 In program year 2014, 3.9 percent of all UI claimants received supportive services that were not Individual Training Accounts or Pell Grants. Social Policy Research Associates, "PY 2014 WIASRD Data Book" (2015), available at https://www.doleta.gov/performance/results/pdf/PY_2014_WIASRD_Data_Book.pdf.

49 In 2014, nearly four in five employees were in the private or nonprofit sectors; the remainder were public-sector employees or self-employed. U.S. Bureau of Labor Statistics, "Employment by Major Industry Sector," available at http://www.bls.gov/emp/ep_table_201.htm (last accessed December 2015).

50 This would depend on the cost of treatment. The estimate in this report is based on the estimated $201 per-person treatment cost of Nevada's successful 2009 REA initiative, which provided eligibility assessments and re-employment services to claimants simultaneously, through the same counselor. See Michaelides and others, "Impact of the Reemployment and Eligibility Assessment (REA) Initiative," p. 4; Michaelides and Mueser, "Are Reemployment Services Effective? Experimental Evidence from the Great Recession," p. 13. The 3.2 million person estimate is equal to the total annual investment of $650 million divided by the per-person estimate of $201.

51 In the Nevada REA program, $2.60 of savings were produced for every $1.00 spent on re-employment services, with claimants who received services drawing nearly two fewer weeks of benefits. Michaelides and others, "Impact of the Reemployment and Eligibility Assessment (REA) Initiative."

52 Information on historical federal funding for the Employment Service and other re-employment services is available in Wandner, "The Response of the U.S. Public Workforce System to High Unemployment during the Great Recession."

53 The administration's FY 2016 budget requested an additional $400 million for Employment Service state grants relative to 2015 spending, or total annual funding of $1.06 billion. U.S. Department of Labor, *FY 2016 Congressional Budget Justification: Employment and Training Administration* (2016), available at http://www.dol.gov/sites/default/files/documents/general/budget/2016/CBJ-2016-V1-09.pdf.

54 The proposed increase in funding for the REA and RES initiatives would serve only UI claimants. By contrast, states have flexibility over the use ES funding for non-UI claimants and may use these funds to serve non-UI claimants as well, including those who receive the Jobseeker's Allowance proposed in Section 2. UI claimants typically make up 4 in 10 jobseekers served by the ES; this proportion rises slightly during recessions. Other ES jobseekers include veterans, dislocated workers, people with disabilities, and agricultural workers. See U.S. Department of Labor Employment and Training Administration, "Wagner-Peyser Act of 1933, As Amended by the Workforce Investment Act of 1998," available at https://www.doleta.gov/programs/w-pact_amended98.cfm (last accessed January 2016). Given levels of need among jobseekers and the decades-long disinvestment in public workforce services, the funding increase in ES state grants proposed herein represents a lower bound for prudent investment in these grants. In fact, it is not uncommon today for workers receiving re-employment services or training referrals through an American Job Center to be eligible for support by more than one federal funding stream, such as WIOA, the ES, veterans services, and so on. The breakdown is difficult to trace and largely depends on how the American Job Center staff choose to report the service to the federal government.

55 The proposal to boost funding for Career Navigators is a new feature of the administration's budget as of FY 2017. U.S. Department of Labor, *FY 2017 Congressional Budget Justification: Employment and Training Administration*.

56 The administration's FY 2017 request for additional Career Navigators funding appears to come at the expense of the ES. In the FY 2016 budget, the administration requested additional funding for the ES. By contrast, in FY 2017, it simply requested the same level of ES funding as was enacted in the prior year but added the Career Navigators proposal.

57 Raj Chetty, "Moral Hazard vs. Liquidity and Optimal Unemployment Insurance." Working Paper 13967 (National Bureau for Economic Research, 2008), available at http://www.nber.org/papers/w13967.

58 For detail on relocation allowances in the TAA program—which serve as a model for allowances proposed here—see Benjamin Collins, "Trade Adjustment Assistance for Workers" (Washington: Congressional Research Service, 2012), available at https://www.fas.org/sgp/crs/misc/R42012.pdf.

59 Marco Caliendo, Steffen Künn, and Robert Mahlstedt, "The Return to Labor Market Mobility: An Evaluation of Relocation Assistance for the Unemployed" (Bonn, Germany: Institute for the Study of Labor, 2015), available at http://ftp..org/dp9183.pdf; Etienne Lalé, "Front-Loading the Payment of Unemployment Benefits" (Bristol, United Kingdom: University of Bristol, 2014), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2534364.

60 This proposal would offer the relocation allowance only to workers who are eligible for or have exhausted UI benefits. Generally speaking, these restrictions would limit the allowance to those who are involuntarily unemployed; workers who quit their job in one state in order to move to another state could not benefit. An alternative, broader proposal would be for policymakers to extend the allowance to unemployed workers who have been unemployed for a certain number of weeks. This would enable workers without UI-qualifying work histories—as well as those who separated from their employers voluntarily but could not subsequently find work in their home state for a period of time—to seek opportunities in other labor markets.

61 Based on the TAA program, policymakers could expect relocation allowances to have relatively little take-up; in FY 2011, less than 1 percent of TAA participants received an allowance. This experience makes it unlikely that relocation allowances would approach the maximum we recommend for the share of ES funds that could be used for newly allowable purposes (10 percent); nonetheless, these allowances would offer an important resource to unemployed workers facing liquidity constraints in areas where job opportunities are scarce. While the TAA program offered a maximum relocation allowance of $1,250 in 2015, this maximum has not been increased since the program's inception in 2002. Had it kept pace with inflation, it would be about $1,650 today. For this reason—and because moving across the country costs far more than this amount—we propose a higher maximum of $2,000. U.S. Department of Labor Employment and Training Administration, "TAA Program Benefits and Services under the 2002 Benefits," available at https://www.doleta.gov/tradeact/2002law.cfm#6 (last accessed December 2015).

62 This time limit would effectively prevent the allowance from being used by seasonal or temporary employees to move back and forth between seasonal industries in different parts of the country.

63 The receiving state and its employer community would be the beneficiaries of the workers' relocation; states where employers have trouble filling vacant positions may find the ability to offer relocation allowances a useful tool. Under TAA, the state of the workers' previous employment—the "sending" state—is largely responsible for making workers aware of and approving relocation allowances; the lack of enthusiasm from sending states may be one reason that the TAA allowances have been little utilized.

64 J.D. Harrison, "The Decline of American Entrepreneurship—in Five Charts," *The Washington Post*, February 12, 2015, available at https://www.washingtonpost.com/news/on-small-business/wp/2015/02/12/the-decline-of-american-entrepreneurship-in-five-charts/; Ian Hathaway and Robert E. Litan, "Declining Business Dynamism in the United States: A Look at States and Metros" (Washington: The Brookings Institution, 2014), available at http://www.brookings.edu/~/media/research/files/papers/2014/05/declining%20business%20dynamism%20litan/declining_business_dynamism_hathaway_litan.pdf.

65 U.S. Department of Labor, "Self-Employment Assistance," available at http://workforcesecurity.doleta.gov/unemploy/self.asp (last accessed January 2016). A 2001 review of the seven SEA programs then in existence found favorable outcomes and low administrative costs for these programs—although participants claimed somewhat more in total UC and required more in training costs. After 25–36 months, participants were four times more likely than nonparticipants to have obtained employment of any kind; most participants (about 40–60 percent) were either self-employed or self-employed with other wage/salary income, as well. Participants also reported high levels of satisfaction with the program. U.S. Department of Labor and Employment Training Administration, "Final Report: Comprehensive Assessment of Self-Employment Assistance Programs" (2001), available at http://www.doleta.gov/reports/searcheta/occ/papers/sea.pdf.

66 According to the Congressional Research Service, the small scale and low adoption of SEA programs is "likely due to the authorizing legislation requirement that SEA be budget neutral; that is, no UC funds may be used to provide self-employment training." Estimates from 2001 suggest that administration costs $300–$600 per participant and training $200–$1,200 per person. Because SEA participation within each state is capped at 5 percent of all UI claimants in that state, relieving this requirement would not be expected to present a significant financial burden to states' UI programs. Katelin P. Isaacs, "The Self-Employment Assistance (SEA) Program" (Washington: Congressional Research Service, 2014), available at http://greenbook.waysandmeans.house.gov/sites/greenbook.waysandmeans.house.gov/files/R41253_gb.pdf.

67 Ibid.

68 France introduced such a program, "Aide à la reprise ou à la création d'entreprise," in 2007. Unemployed workers may claim up to 50 percent of their remaining unemployment benefits to start up their own company. While research generally finds that optimal UI benefits should be flat (constant)—or even increasing—over the course of an unemployment spell in order to mitigate losses from consumption-smoothing problems, researchers recognize that front loading may be justified on other grounds: "In future work, we would like to investigate other arguments that could justify the provision of unemployment benefits as an initial one-off payment. One such argument is that this would help the unemployed set up their own company if they face limited access to credit." Lalé, "Front-Loading the Payment of Unemployment Benefits."

69 Recent work from the Georgetown Center on Poverty and Inequality gives a comprehensive overview of subsidized employment programs, including history and effects. Indivar Dutta-Gupta and others, "Lessons Learned from 40 Years of Subsidized Employment Programs" (Washington: Georgetown Center on Poverty and Inequality, 2016), available at https://www.law.georgetown.edu/academics/centers-institutes/poverty-inequality/current-projects/loader.cfm?csModule=security/getfile&PageID=269877. Additionally, a 2014 proposal from the Center for American Progress proposes creating a national subsidized employment program modeled on states' successful programs using TANF Emergency Fund funding during the Great Recession; see Rachel West, Rebecca Vallas, and Melissa Boteach, "A Subsidized Jobs Program for the 21st Century" (Washington: Center for American Progress, 2015), available at https://www.americanprogress.org/issues/poverty/report/2015/01/29/105622/a-subsidized-jobs-program-for-the-21st-century/.

70 Harry Stein and Shirley Sagawa, "Expanding National Service to Address Long-Term Unemployment" (Washington: Center for American Progress, 2016), available at https://www.americanprogress.org/issues/economy/report/2016/01/14/128837/expanding-national-service-to-address-long-term-unemployment/; Tracey Ross, Shirley Sagawa, and Melissa Boteach, "Utilizing National Service as a 21st Century Workforce Strategy for Opportunity Youth" (Washington: Center for American Progress, 2016), available at https://www.americanprogress.org/issues/labor/report/2016/03/01/132039/utilizing-national-service-as-a-21st-century-workforce-strategy-for-opportunity-youth/.

71 Stein and Sagawa, "Expanding National Service to Address Long-Term Unemployment."

72 The Obama administration has made apprenticeship a priority and will seek to increase the number of apprenticeships from 450,000 to 700,000 in 2015; the U.S. Department of Labor has awarded $175 million in grants to states to expand apprenticeships. U.S. Department of Labor, "American Apprenticeship Grants," available at http://www.dol.gov/featured/apprenticeship/grants (last accessed December 2016).

73 Sarah Ayres Steinberg and Ethan Gurwitz, "The Underuse of Apprenticeships in America" (Washington: Center for American Progress, 2014), available at https://www.americanprogress.org/issues/economy/news/2014/07/22/93932/the-underuse-of-apprenticeships-in-america/.

74 Stein and Sagawa, "Expanding National Service to Address Long-Term Unemployment"; West, Vallas, and Boteach, "A Subsidized Jobs Program for the 21st Century."

75 See, for example, Austin Nichols, Josh Mitchell, and Stephan Lindner, "Consequences of Long-Term Unemployment" (Washington: Urban Institute, 2013), available at http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412887-Consequences-of-Long-Term-Unemployment.PDF.

76 On children's behavior, see Heather D. Hill and others, "Getting a Job is Only Half the Battle: Maternal Job Loss and Child Classroom Behavior in Low-Income Families," *Journal of Policy Analysis and Management* 30 (2) (2011): 310–333, available at http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3235037/. On educational performance, see, for example, Elizabeth Oltmans Ananat and others, "Children Left Behind: The Effects of Statewide Job Loss on Student Achievement." Working Paper 17104 (National Bureau for Economic Research, 2011), available at http://journalistsresource.org/wp-content/uploads/2011/07/Job-loss-test-scores.pdf.

77 Shawn Fremstad and Melissa Boteach, "Valuing All Our Families" (Washington: Center for American Progress, 2014), available at https://www.americanprogress.org/issues/poverty/report/2015/01/12/104149/valuing-all-our-families/.

78 Notably, these costs often can never be fully recovered.

79 Heather Boushey and Sarah Jane Glynn, "There Are Significant Business Costs to Replacing Employees" (Washington: Center for American Progress, 2012), available at https://cdn.americanprogress.org/wp-content/uploads/2012/11/16084443/CostofTurnover0815.pdf.

80 In a recent paper, economist Harry Holzer of Georgetown University describes "high-road" employers and creators of "high-performance workplaces" as those characterized by better pay and promotional possibilities, resulting in more skill development and lower turnover among workers. He suggests that in the current environment—with a low minimum wage and the decline in collective bargaining—the private sector may create a suboptimal number of the higher-quality jobs these employers provide and that it is in the interest of the public sector to take steps to encourage these employers. See Harry Holzer, "Higher Education and Workforce Policy: Creating More Skilled Workers (and Jobs for Them to Fill)" (Washington: The Brookings Institution, 2015), available at http://www.brookings.edu/~/media/research/files/papers/2015/04/workforce-policy-briefs-holzer/higher_ed_jobs_policy_holzer.pdf.

81 Neera Tanden and Blair Effron, "How to Foster Long-Term Innovation Investment" (Washington: Center for American Progress, 2015), available at https://cdn.americanprogress.org/wp-content/uploads/2015/06/LongTermism-brief.pdf.

82 Neil Ridley and David Balducchi, "Work Sharing: An Alternative to Layoffs" (Washington: Center for Law and Social Policy, 2012), available at http://www.clasp.org/resources-and-publications/files/Work-Sharing-An-Alternative-to-Layoffs.pdf.

83 Ibid.

84 International Labour Organization, "Work Sharing During the Great Recession" (2013), available at http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_215599.pdf. In contrast to the United States, where the unemployment rate rose 5.6 percentage points during the recession, German unemployment rose only half a percentage point and quickly regained lost ground. Michael C. Burda and Jennifer Hunt, "What Explains the German Labor Market Miracle in the Great Recession?" (Bonn, Germany: Institute for the Study of Labor, 2011), available at http://ftp.iza.org/dp5800.pdf.

85 Dean Baker, "Work Sharing: The Quick Route Back to Full Employment" (Washington: Center for Economic and Policy Research, 2011), available at http://cepr.net/documents/publications/work-sharing-2011-06.pdf.

86 Katharine G. Abraham and Susan N. Houseman, "Short-Time Compensation as a Tool to Mitigate Job Loss? Evidence on the U.S. Experience during the Recent Recession." Working Paper 12-181 (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research), available at http://research.upjohn.org/cgi/viewcontent.cgi?article=1198&context=up_workingpapers.

87 Ibid.

88 U.S. Department of Labor, "US Labor Department Announces Nearly $100 Million in Grants Available for States to Implement, Improve Short-Time Compensation or 'Work Sharing,'" Press release, August 13, 2012, available at http://www.dol.gov/opa/media/press/eta/ETA20121618.htm. When the grant funding came to a close, 29 states and D.C. had work sharing programs. Alison M. Shelton, "Short-Time Compensation Programs Help Older Workers: Evidence from Five States" (Washington: AARP Public Policy Institute, 2015), available at http://www.aarp.org/content/dam/aarp/ppi/2015/short-time-compensation-programs-help-older-workers.pdf.

89 Neil Ridley and George Wentworth, "Seizing the Moment: A Guide to Adopting Work Sharing Legislation After the Layoff Prevention Act of 2012" (Washington: National Employment Law Project, 2012), available at http://nelp.org/content/uploads/2015/03/Seizing-Moment-Work-Sharing-State-Legislation-Guide.pdf; Pamela Prah, "States Risk Losing Millions of Federal Work-Share Dollars" (Washington: The Pew Charitable Trusts, 2014), available at http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2014/01/29/states-risk-losing-millions-of-federal-workshare-dollars.

90 Mario Centeno, "The Match Quality Gains from Unemployment Insurance." Working Paper 9-02 (Lisbon, Portugal: Banco de Portugal, 2002), available at https://www.bportugal.pt/en-US/BdP%20Publications%20Research/WP200209.pdf. For a summary of additional research on how UI supports job search and positively affects job matching, see National Employment Law Project, "Unemployment Insurance Policy Advocate's Toolkit" (2015), Chapter 4c, available at http://www.nelp.org/content/uploads/4C-Preventing-Poverty-Supporting-Job-Search-and-Helping-the-Economy.pdf.

91 See the *Layoff Prevention Act* contained in *Subtitle D of Title II of the Middle Class Tax Relief and Job Creation Act of 2012*, Public Law 112-96, 112th Cong. (February 22, 2012), available at https://www.congress.gov/112/plaws/publ96/PLAW-112publ96.pdf.

92 Indeed, research suggests that usage of state work sharing programs can be an early indicator of an economic downturn. Only 17 states had work sharing programs at the beginning of the Great Recession in 2007, but within two years, the number of individuals working reduced hours (in lieu of layoffs) under employer work sharing plans had increased tenfold.

93 For a more detailed discussion, see George Wentworth, Claire McKenna, and Lynn Minick, "Lessons Learned, Maximizing the Potential of Work Sharing in the United States" (Washington: National Employment Law Project, 2014), available at http://nelp.org/content/uploads/2015/02/Lessons-Learned-Maximizing-Potential-Work-Sharing-in-US.pdf.

94 Ridley and Wentworth, "Seizing the Moment: A Guide to Adopting State Work Sharing Legislation After the Layoff Prevention Act of 2012."

95 Proven strategies include program websites; media advertisements; promotion of work sharing through routine channels of employer communication, including communication about state UI programs; and visiting employers contemplating layoffs in order to explore using work sharing as an alternative to terminating employees. Having examples of employers who successfully used work sharing is also key to convincing others to do the same.

96 U.S. Department of Labor, "TAA Program Benefits and Services under Reversion 2014," available at https://www.doleta.gov/tradeact/2014_amend_att1.cfm (last accessed April 2016).

97 Jeffrey R. Kling, "Fundamental Restructuring of Unemployment Insurance: Wage-Lost Insurance and Temporary Earnings Replacement Accounts" (Washington: The Hamilton Project, 2006), available at http://www.hamiltonproject.org/assets/legacy/files/downloads_and_links/Fundamental_Restructuring_of_Unemployment_Insurance-_Wage-Loss_Insurance_and_Temporary_Earnings_Replacement_Accounts_Brief.pdf; Lori G. Kletzer and Howard R. Rosen, "Reforming Unemployment Insurance for the Twenty-First Century Workforce" (Washington: The Hamilton Project, 2006), available at http://www.hamiltonproject.org/assets/legacy/files/downloads_and_links/Reforming_Unemployment_Insurance_for_the_Twenty-First_Century_Workforce.pdf.

98 Stephen Wandner, "Wage Insurance as a Policy Option in the United States" (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 2016), available at http://dx.doi.org/10.17848/wp16-250.

99 Maurice Emsellem, "Innovative New Reforms Shape New National Economic Security Plan for the 21st Century" (Washington: National Employment Law Center, 2006), available at http://www.nelp.org/content/uploads/2015/03/NELPAgenda.pdf. A recent review of wage insurance proposals during the past three decades, authored by workforce programs and policy expert Stephen Wandner, suggests there may be reasons for policymakers to be cautious in the broad application of wage insurance. Importantly, little is known of the extent to which such programs hasten re-employment of recipients or which recipients would most benefit. Moreover, the current wage insurance for older workers in the Trade Adjustment Assistance program is limited in scope and has not been subject to evaluation. See Wandner, "Wage Insurance as a Policy Option in the United States."

100 U.S. Department of Labor Employment and Training Administration, "Significant Provisions of State Unemployment Insurance Laws, Effective January 2015," available at http://workforcesecurity.doleta.gov/unemploy/content/sigpros/2010-2019/January2015.pdf (last accessed December 2015).

101 Removing experience-rating caps would likely result in more legal challenges by employers in high-turnover and seasonal industries, such as construction and agriculture, which unfairly benefit from these caps today. This could be partially offset by fewer legal challenges from lower-turnover employers who would see their taxes—and thus, their incentive to contest charges—fall. For more information about the impact of experience rating on claims and challenges, see Stephen A. Woodbury and others, "Layoff and Experience Rating of the Unemployment Insurance Payroll Tax: Panel Data Analysis of Employers in Three States" (2004), available at https://www.researchgate.net/publication/228871378.

102 Research investigating incomplete experience rating systems has found significant clusters of employers at the minimum and maximum rates, suggesting significant cross-subsidization of high-layoff firms by low-layoff firms. See, for instance, Denton Marks, "Incomplete experience rating in State unemployment insurance," *Monthly Labor Review* (1984): 46–51, available at http://www.bls.gov/opub/mlr/1984/11/rpt3full.pdf.

103 Researchers have also identified the issue of so-called free layoffs by high-turnover employers who are not subject to benefit charges when employment duration is very short. Especially in industries with high turnover or mobility, it is not uncommon for layoffs to occur within the period between the end of an applicant's base period, as defined by state law, and the filing of a claim. This effectively relieves the separating employer from benefit charges. This gap was first studied in 1993 by Paul Burgess and Stewart Low using UI administrative data from Illinois. Burgess and Low have recommended that more research be done in order to determine how changes to methods of assigning employer charges in states would affect firms' hiring decisions. Their work and other studies are discussed in Wayne Vroman, "Systemic Disincentive Effects of the Unemployment Insurance Program"(Washington: U.S. Department of Labor, 2005), pp. 21–26, available at https://wdr.doleta.gov/research/FullText_Documents/Systemic%20Disincentive%20Effects%20of%20the%20Unemployment%20Insurance%20Program%20Report.pdf.

104 An ideal system in theory would eliminate ceilings on tax rates altogether: This would ensure that firms faced the cost of each additional layoff they create and would forestall the subsidization of high-layoff firms by low-layoff firms that occurs in practice today. However, in the near term, full experience rating would substantially change the tax landscape in certain high-layoff industries such as construction—particularly in combination with the recommendation to lift restrictions on seasonal employees' access to UI. (see Section 1.2.1) And while there is significant variation in maximum tax rates across states, no state currently has a theoretically ideal experience-rating environment in which tax rates are unrestricted. In the long term, however, firms that are not financially viable without subsidization within the unemployment insurance system should arguably not continue to operate; if these firms are determined to be serving a valuable social or economic purpose, policymakers should consider other channels of subsidization than the UI system. This would avoid passing the cost of these firms' layoffs on to lower-layoff firms and their workers.

105 In 2015, the median maximum tax rate across states was 7.2 percent, according to the authors' calculations; this recommendation would lead to an increase in the lowest maximum tax rate in an estimated 22 states. For 2015 state minimum, maximum, and new employer tax rates, see U.S. Department of Labor Employment and Training Administration, "Significant Provisions of State Unemployment Insurance Laws, Effective July 2015."

106 Unlike the United States, many other developed nations directly regulate or severely limit layoffs and do not have at-will employment. In Europe and Japan, for instance, public employees and core employees of large employers cannot be laid off without payment of significant severance benefits and months of advance notice. This environment leads to lower levels of layoff activity in other countries without the need for experience rating.

107 For example, research finds that firms are highly responsive to experience rating: "A 5% increase in experience rating reduces job flows by an average of 1.4%." Furthermore, increasing experience rating—rather than imposing a uniform tax increase on all firms—actually reduces unemployment while raising an equivalent amount of revenue. David D. Ratner, "Unemployment Insurance Experience Rating and Labor Market Dynamics" (Washington: Federal Reserve Board, 2013), available at http://www.federalreserve.gov/pubs/feds/2013/201386/201386pap.pdf.

108 Alix Gould-Werth, "The Unnoticed Actor: The Employer's Role in Unemployment Benefit Claims" (Ann Arbor, MI: University of Michigan Gerald R. Ford School of Public Policy, 2015), available at http://npc.umich.edu/publications/u/2015-01-npc-working-paper.pdf.

109 Jason DeParle, "Contesting Jobless Claims Becomes a Boom Industry," *The New York Times*, April 3, 2010, available at http://www.nytimes.com/2010/04/04/us/04talx.html?pagewanted=all&_r=1.

110 Ibid.

111 Authors' conversations with Wayne Vroman of the Urban Institute in February 2015 and Jeffrey Wenger of RAND in May 2015.

112 Thanks to Jeff Wenger for pointing this out in conversation. Interestingly, he also points out that abolishing experience rating—and thus equally distributing the UI-related cost of layoffs across firms—could lead low-turnover firms to pressure high-turnover firms to reduce layoffs because the former group would subsidize the latter's costs through SUTA taxes.

113 Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster, *Chasing the American Dream* (New York: Oxford University Press, 2014).

114 Joanne W. Hsu, David A. Matsa, and Brian T. Melzer, "Positive Externalities of Social Insurance: Unemployment Insurance and Consumer Credit." Working Paper 20353 (National Bureau of Economic Research, 2014), available at http://www.nber.org/papers/w20353.

115 Arloc Sherman, "Safety Net More Effective Against Poverty Than Previously Thought" (Washington: Center on Budget and Policy Priorities, 2015), available at http://www.cbpp.org/research/poverty-and-inequality/safety-net-more-effective-against-poverty-than-previously-thought.

116 Households respond to a working member's potential job loss by decreasing consumption and increasing labor supply among other members more than they otherwise would. Nathaniel Hendren's research shows that UI is valuable to working households in part because it allows them to reduce these precautionary activities. Nathaniel Hendren, "Knowledge of Future Job Loss and Implications for Unemployment Insurance." Working Paper 21819 (Cambridge, MA: National Bureau of Economic Research, 2015), available at http://www.nber.org/papers/w21819.pdf.

117 Rates of UI recipiency, as reported by the U.S. Department of Labor, are traditionally based on continued weeks claimed rather than continued weeks compensated or paid. The number of weeks claimed is usually higher than the number of weeks paid because it includes weeks for which benefits are not paid, such as waiting weeks, weeks for which denials are being served, and weeks for which a monetary or nonmonetary issue is pending (according to reporting information from states). For more information about this distinction and state recipiency rates based on weeks paid as of 2014, see Will Kimball and Rick McHugh, "How Low Can We Go? State Unemployment Insurance Programs Exclude Record Numbers of Jobless Workers" (Washington: Economic Policy Institute, 2015), available at http://www.epi.org/files/2015/how-low-can-we-go-state-unemployment-r3.pdf. Cynthia M. Fagnoni, "Unemployment Insurance: Receipt of Benefits Has Declined, with Continued Disparities for Low-Wage and Part-Time Workers," Testimony before the Subcommittee on Income Security and Family Support, Committee on Ways and Means, House of Representatives, September 19, 2007, available at http://www.gao.gov/new.items/d071243t.pdf.

118 The majority of states (all but 12) require good cause to be explicitly connected to the worker's job. However, states can make individual exceptions for personal reasons not directly related to work. As discussed further in Section 1.2.1, such exceptions include workers who voluntarily separate due to drastic involuntary changes in scheduled hours or pay, a situation of domestic violence, or a spousal relocation. Nonetheless, these exceptions are arguably within the spirit of the no-fault criterion because, at least in some respect, they involve circumstances beyond the control of the worker. See Claire McKenna, "Making Unemployment Insurance Work Better for Low-Wage Families" (Washington: National Employment Law Project, 2014), available at http://www.nelp.org/content/uploads/2015/03/Spotlight-Poverty-Making-Unemployment-Insurance-Work-Better-Low-Wage-Families.pdf; U.S. Department of Labor, *Comparison of State Unemployment Laws, Chapter 5: Nonmonetary Eligibility* (2014), available at http://workforcesecurity.doleta.gov/unemploy/pdf/uilawcompar/2014/nonmonetary.pdf.

119 U.S. Department of Labor, *Comparison of State Unemployment Laws, Chapter 3: Monetary Entitlement* (2010), available at http://workforcesecurity.doleta.gov/unemploy/pdf/uilawcompar/2010/monetary.pdf.

120 Earnings disregards vary significantly across states. In many states, the disregard mirrors the value of permissible weekly part-time earnings in excess of the weekly benefit amount for total unemployment. In others, the earnings threshold is capped at the full benefit or slightly above, regardless of an earnings disregard. In general, earnings disregards are specified as a share of a recipient's full weekly benefit or weekly part-time wages; a flat, usually low, dollar amount; or a combination of these conditions. A few states reduce the weekly benefit amount by some share of a dollar for every dollar earned. (In Minnesota, for example, the weekly benefit amount is reduced by 50 cents for every $1 earned). Some states have very low earnings disregards: New York does not disregard any earnings, and Maine disregards only $25. In practice, states that tie the earnings disregard to a fraction of the worker's weekly benefit amount or wages—such as Wyoming (50 percent of the full benefit) or Connecticut (one-third of wages)—will offer the most generous partial benefits to the average worker; this approach also prevents erosion over time relative to inflation. U.S. Department of Labor, *Comparison of State Unemployment Laws, Chapter 3: Monetary Entitlement*; National Employment Law Project, "Unemployment Insurance Policy Advocate's Toolkit: Updating Partial Benefits to Encourage Work by Claimants and Fairness for Part-Time Workers" (2015), available at http://www.nelp.org/content/uploads/1F-Updating-Partial-Benefits.pdf.

121 National Employment Law Project, "Modernizing Unemployment Insurance: Federal Incentives Pave the Way for State Reforms" (New York: National Employment Law Project, 2012), available at http://www.nelp.org/content/uploads/2015/03/ARRA_UI_Modernization_Report.pdf.

122 Thomas Callan, Austin Nichols, and Stephan Lindner, "Unemployment Insurance Modernization and Eligibility" (Washington: Urban Institute, 2016).

123 Alan S. Blinder and Mark Zandi, "The Financial Crisis: Lessons for the Next One" (Washington: Center on Budget and Policy Priorities, 2015), available at http://www.cbpp.org/research/economy/the-financial-crisis-lessons-for-the-next-one.

124 National Employment Law Project, "Modernizing Unemployment Insurance: Federal Incentives Pave the Way for State Reforms."

125 Rates of UI recipiency, as reported by the U.S. Department of Labor, are traditionally based on continued weeks claimed rather than continued weeks compensated or paid. The number of weeks claimed is usually higher than the number of weeks paid because it includes weeks for which benefits are not paid, such as waiting weeks, weeks for which denials are being served, and weeks for which a monetary or nonmonetary issue is pending (according to reporting information from states). For more information about this distinction and state recipiency rates based on weeks paid as of 2014, see Kimball and McHugh, "How Low Can We Go? State Unemployment Insurance Programs Exclude Record Numbers of Jobless Workers"; Wentworth and McKenna, "Ain't No Sunshine: Fewer Than One in Eight Unemployed Workers in Florida is Receiving Unemployment Insurance."

126 Fagnoni, "Unemployment Insurance: Receipt of Benefits Has Declined, with Continued Disparities for Low-Wage and Part-Time Workers."

127 See, for example, Amy Traub and Catherine Ruetschlin, "The Racial Wage Gap: Why Policy Matters" (New York: Demos, 2015), available at http://www.demos.org/publication/racial-wealth-gap-why-policy-matters.

128 Alix Gould-Werth and H. Luke Shaefer, "Unemployment Insurance Participation by Education and Race and Ethnicity," *Monthly Labor Review* (2012): 28–41, available at http://www.bls.gov/opub/mlr/2012/10/art3full.pdf.

129 In 2013, 29.4 percent of women worked part time, compared with 15.8 percent of men. Institute for Women's Policy Research, "Status of Women in the States" (2015), available at http://statusofwomendata.org/explore-the-data/employment-and-earnings/employment-and-earnings/#PartTimeWork%20.

130 Organisation for Economic Co-operation and Development, "Closing the Gender Gap: Act Now" (2012), available at https://www.oecd.org/gender/closingthegap.htm.

131 Bureau of Labor Statistics, *Current Employment Statistics* (U.S. Department of Labor, 2015), "Civilian Labor Force Participation Rate: Women," retrieved from Federal Reserve Bank of St. Louis, *FRED Economic Data*, available at https://research.stlouisfed.org/fred2/series/LNS11300002/ (last accessed December 2015); Organisation for Economic Co-operation and Development, "LFS by Sex and Age – Indicators : Labour Force Participation Rate," available at https://stats.oecd.org/ (last accessed December 2015).

132 Authors' calculations based on the most recent 12 months of data analyzed in Callan, Nichols, and Lindner, "Unemployment Insurance Modernization and Eligibility." The three reforms modeled in this study are adopting the alternative base period, allowing part-time workers to seek comparable employment, and allowing good-cause quits. We use only the share of workers who report searching for a job after separation, in only the states that had not adopted the reforms listed as of 2014.

133 In order to receive incentive funding from the president's proposed UI modernization fund, states would need to adopt two measures that expand eligibility, as well as two measures that better connect workers to training and employment opportunities. The fund would offer bonus payments to states that maintained these changes for at least four years. White House Office of Management and Budget, *Fiscal Year 2016 Budget of the U.S. Federal Government* (2016), available at https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf.

134 Based on 2016 state minimum wage rates, 24 states would see their minimum base period earnings requirements rise under the new federal standard, according to the authors' estimates.

135 Because monetary eligibility is based on calendar quarters, in theory, a very high earner could qualify for UI with only two hours of work—so long as those two hours spanned two calendar quarters—while a low earner who worked just short of 13 weeks at the minimum wage would not qualify. While in practice the alternative base period mitigates a substantial part of the current discrepancy between qualifying requirements for lower- and higher-wage workers, only moving to a purely hours-based requirement would ensure full parity.

136 A 2000 GAO study analyzed the significant variation across states in the work history requirements of a low- versus a moderate-wage worker, pointing out: "As a practice, the use of earnings to measure employment history treats low-wage workers differently from higher-paid workers, even if their participation in the workforce is similar." Government Accountability Office, "Unemployment Insurance: Role as Safety Net for Low-Wage Workers Is Limited" (2000), available at http://www.gao.gov/new.items/d01181.pdf.

137 To take just one example, in a system of social insurance to cover nontraditional employment arrangements, employer contributions could be prorated based in part on hours worked. See Section 2 for a discussion.

138 Current requirements based on hours are not necessarily preferable to the earnings-based requirements. In Washington state, for example—one of two states with an hours-based eligibility—the high threshold is more stringent in practice than most states' wage-based requirements. In 2015, Washington state required workers to have 680 hours of work in either the base period or the alternative base period to qualify. U.S Department of Labor, *Comparison of State Unemployment Laws, Chapter 3: Monetary Entitlement*.

139 The connection between workforce attachment and UI eligibility is worth maintaining from the perspective of defenders of social insurance, since connecting work and UI eligibility provides considerable advantages for the program's political reception compared with weaker support for other public assistance programs. While recognizing this advantage, there is a corresponding risk that setting eligibility thresholds too high will cause lower-wage workers to lose UI eligibility completely, undercutting protections against involuntary unemployment. The authors believe that 20 hours of work, which many would consider a half-time schedule, strikes the right balance for the part-time workforce.

140 The Bureau of Labor Statistics counts as part time anyone who regularly works between 1 hour and 34 hours per week. Authors' calculations from Bureau of Labor Statistics, "Employed and Unemployed Full- and Part-Time Workers by Age, Sex, Race, and Hispanic or Latino Ethnicity: 2014," available at http://www.bls.gov/cps/cpsaat08.htm (last accessed December 2015).

141 U.S. Department of Labor, *Comparison of State Unemployment Laws, Chapter 5: Nonmonetary Eligibility*.

142 Organisation for Economic Co-operation and Development, "Closing the Gender Gap: Act Now."

143 Liz Ben-Ishai, Rick McHugh, and Kathleen Ujvari, "Access to Unemployment Insurance Benefits for Family Caregivers: An Analysis of State Rules and Practice" (Washington: Center for Law and Social Policy, 2015), available at http://www.clasp.org/resources-and-publications/publication-1/2015.04.06_UIforFamilyCaregivers_FINAL.pdf.

144 Specific examples of good-cause reasons for separation include: the serious illness or disability of a member of the individual's immediate family; a worker's own serious illness or injury; a situation of domestic violence that causes the individual to reasonably believe that continued employment would jeopardize the individual's own or a family member's safety; the need relocate outside of a practical commuting range to accompany a spouse; or the loss of child care, provided the worker made reasonable efforts to secure alternate care arrangements.

145 See, for example, Liz Ben-Ishai, Rick McHugh, and Claire McKenna, "Out of Sync: How Unemployment Insurance Rules Fail Workers with Volatile Job Schedules" (Washington: National Employment Law Project and Center for Law and Social Policy, 2015), available at http://www.nelp.org/content/uploads/Out-of-Sync-Report.pdf. Recent research by the Economic Policy Institute found that about 17 percent of the workforce is subject to unstable shift schedules at work.

146 Ben-Ishai, McHugh, and McKenna, "Out of Sync: How Unemployment Insurance Rules Fail Workers with Volatile Job Schedules."

147 For example, John Schmitt and Janelle Jones estimate that between 1979 and 2010, the U.S. economy lost about one-third of its capacity to create so-called good jobs that support a middle-class lifestyle. At the same time, they document that low-quality jobs have been on the rise, despite the increase in worker productivity and educational attainment. John Schmitt and Janelle Jones "Where Have All the Good Jobs Gone?" (Washington: Center for Economic and Policy Research, 2012), available at http://cepr.net/documents/publications/good-jobs-2012-07.pdf; John Schmitt and Janelle Jones "Bad Jobs on the Rise" (Washington: Center for Economic and Policy Research, 2012), available at http://cepr.net/documents/publications/bad-jobs-2012-09.pdf.

148 As recommended in Ben-Ishai, McHugh, and McKenna, "Out of Sync: How Unemployment Insurance Rules Fail Workers with Volatile Job Schedules." When employees must miss required work hours because of job-schedule volatility—to attend to ongoing personal or family obligations, for example—and are discharged for this reason, they also should not be disqualified from UI.

149 An estimated 65 million adults—many of whom are workers—are providing unpaid care to disabled or elderly family members, and this number can be expected to grow as the population ages. One in 10 of these caregivers reports that caregiving duties have caused them to leave a job. Ben-Ishai, McHugh, and Ujvari, "Access to Unemployment Insurance Benefits for Family Caregivers: An Analysis of State Rules and Practice."

150 National Employment Law Project, "Unemployment Insurance Policy Advocate's Toolkit" (2015), available at http://www.nelp.org/content/uploads/4C-Preventing-Poverty-Supporting-Job-Search-and-Helping-the-Economy.pdf.

151 Namrata Uberoi, Kenneth Finegold, and Emily Gee, "Health Insurance Converage and the Affordable Care Act" (Washington: Department of Health and Human Services, 2016), available at https://aspe.hhs.gov/sites/default/files/pdf/187551/ACA2010-2016.pdf.

152 In states that have refused Medicaid expansion, more than 3 million poor uninsured adults earn too much to qualify for Medicaid but too little to qualify for the tax credits in the Affordable Care Act health insurance marketplace. Samantha Artiga, Anthony Damico, and Rachel Garfield, "The Impact of the Coverage Gap for Adults in States not Expanding Medicaid by Race and Ethnicity" (Washington: The Henry J. Kaiser Family Foundation, 2015), available at http://kff.org/disparities-policy/issue-brief/the-impact-of-the-coverage-gap-in-states-not-expanding-medicaid-by-race-and-ethnicity/.

153 Maya Rossin-Slater, Christopher J. Ruhm, and Jane Waldfogel, "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes." Working Paper 17715 (National Bureau of Economic Research, 2011), available at http://www.nber.org/papers/w17715.pdf. In addition to the three states—California, New Jersey, and Rhode Island—that have enacted paid family leave policies, the state of Washington passed legislation to create a program in 2007 but has yet to implement it. Sarah Jane Glynn, "Administering Paid Family and Medical Leave" (Washington: Center for American Progress, 2015), available at https://www.americanprogress.org/issues/labor/report/2015/11/19/125769/administering-paid-family-and-medical-leave/.

154 Glynn, "Administering Paid Family and Medical Leave."

155 Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States" (Washington: Center for American Progress, 2015), available at https://www.americanprogress.org/issues/early-childhood/report/2015/09/02/119944/a-new-vision-for-child-care-in-the-united-states-3/.

156 Ibid.

157 Lawrence H. Summers and Ed Balls, "Report of the Commission on Inclusive Prosperity" (Washington: Center for American Progress, 2015), available at https://www.americanprogress.org/issues/economy/report/2015/01/15/104266/report-of-the-commission-on-inclusive-prosperity/.

158 In some states, the SBP includes the most recent four completed calendar quarters.

159 Julie M. Whittaker and Katelin P. Isaacs, "Unemployment Insurance: Programs and Benefits" (Washington: Congressional Research Service, 2015), available at https://www.fas.org/sgp/crs/misc/RL33362.pdf. In states that have an SBP that includes the most recent four completed calendar quarters, an ABP includes the filing quarter and the most recent three completed calendar quarters.

160 National Employment Law Project, "What is an 'Alternative Base Period' and Why Does My State Need One?", available at http://www.nelp.org/content/uploads/2015/03/Alternative-Base-Period.pdf (last accessed April 2016).

161 State of Oregon Employment Department, "Claimant Handbook," available at http://www.oregon.gov/EMPLOY/Unemployment/Documents/UIPUB350%20English.pdf (last accessed April 2016).

162 U.S. Department of Labor, *Comparison of State Unemployment Laws, Chapter 3: Monetary Entitlement*.

163 In a recent publication, NELP points out that no experience-rating system will ever cover the full cost of UI benefits for seasonal employees. (And even so, these employers may not be deterred from layoffs by full charging because of the inherently seasonal nature of their work—and because UI does not restore full wages and benefits to laid-off workers, workers would remain worse off.) The authors argue that "100-percent-effective charging is neither practical nor desirable" and that "the fact that some social costs are created is not a compelling reason for denying UI benefits to seasonal workers." They conclude "limiting UI benefits to seasonal employees shifts too much of the burden of seasonal employment upon the employees, who are no more responsible for their seasonal unemployment than other laid-off employees." National Employment Law Project, "Protecting Our Unemployment Insurance Lifeline: A Toolkit for Advocates" (2015), available at http://www.nelp.org/content/uploads/2015/03/UI_Toolkit_Final.pdf.

164 Advisory Council on Unemployment Compensation, "Collected Findings and Recommendations: 1994–1996" (1996), available at http://www.ows.doleta.gov/dmstree/misc_papers/advisory/acuc/collected_findings/adv_council_94-96.pdf.

165 U.S. Department of Labor, *Comparison of State Unemployment Laws, Chapter 3: Monetary Entitlement*.

166 In general, educational employees (including teachers, administrators, bus drivers, cafeteria workers, cleaning staff, etc.) are not entitled to UI during periods of recess, such as holiday breaks or summer vacations, if they have a "reasonable assurance" of employment the following fall. Although the contours of this policy vary by state, states are currently free to permit retroactive UI claims when reasonable assurance does not materialize into a job after the vacation or break, and the authors believe this should be a uniform policy across all states. Moreover, federal law should be amended to apply the denial of UI during recess periods only to professional, administrative, and executive positions that have tenure or its equivalent and require that all other school workers such as bus drivers, aides, crossing guards, and cafeteria workers who are not offered summer employment be eligible for UI.

167 The Advisory Council on Unemployment Insurance recommended eliminating seasonal work restrictions. See National Employment Law Project, "Protecting Our Unemployment Insurance Lifeline: A Toolkit for Advocates."

168 Rand Ghayad, "The Jobless Trap," available at http://www.lexissecuritiesmosaic.com/gateway/FEDRES/SPEECHES/ugd_576e9a_f6cf3b6661e44621ad26547112f66691.pdf.

169 Rob Valletta and Catherine van der List, "Involuntary Part-Time Work: Here to Stay?" (Federal Reserve Bank of San Francisco, 2015), available at http://www.frbsf.org/economic-research/publications/economic-letter/2015/june/involuntary-part-time-work-labor-market-slack-post-recession-unemployment/.

170 The majority of states reduce the UI benefit amount dollar for dollar when a claimant's earnings exceed the earnings disregard, creating a 100 percent effective marginal tax rate on additional work. Research by Thomas Le Barbanchon suggests this is suboptimal; the author finds that if UI benefits were reduced at a rate of 80 percent rather than 100 percent with additional earnings in excess of the earnings disregard, not only could UI claimants receive a somewhat more adequate weekly income (from combining wages and UI benefits), but partial UI benefits would be less costly for the UI system. See Thomas Le Barbanchon, "Optimal Partial Unemployment Insurance: Evidence from Bunching in the U.S." Unpublished working paper (2015), available at http://www.hec.unil.ch/documents/seminars/deep/1633.pdf.

171 States currently specify earnings disregards in a number of ways—ways that affect the returns to work across types of workers differently. In general, disregards that are tied to the full weekly benefit are more generous for lower-wage workers than disregards that are tied to weekly wages. Although, in principle, a flat dollar disregard could be more generous to lower-wage workers than a percent of the full weekly benefit—if the flat dollar amount were to constitute a significant share of low-wage workers' weekly benefit amount—in practice, most states with flat dollar disregards set them too low. For states' current earnings disregards, see U.S. Department of Labor, "Significant Provisions of State Unemployment Insurance Laws, Effective January 2015."

172 For example, a study of underemployed workers in Norway finds allowing underemployed workers to collect partial UI simultaneously shortens the time to full re-employment and reduces overall spending on UI by allowing workers to use part-time work as a stepping stone to a full-time job. See Anna Godøy and Knut Røed, "Unemployment Insurance and Underemployment" (Bonn, Germany: Institute for the Study of Labor, 2014), available at http://ftp.iza.org/dp7913.pdf. A somewhat earlier study by Tomi Kyyra and others using Danish data finds that the effect of partial employment on the transition rate back to full-time work differs across worker groups, but that the stepping-stone effect from part-time work is unambiguously positive. Tomi Kyyrä, Pierpaolo Parrotta, and Michael Rosholm, "The Effect of Receiving Supplementary UI Benefits on Unemployment Duration," *Labour Economics* 21 (2013): 122–133, available at http://www.sciencedirect.com/science/article/pii/S0927537113000158.

173 Annette Bernhardt, "Labor Standards and the Reorganization of Work: Gaps in Data and Research." Working Paper 100-14 (Institute for Research on Labor and Employment, 2014), available at http://www.irle.berkeley.edu/workingpapers/100-14.pdf.

174 Ibid.

175 U.S. Department of Labor, "Independent Contractors: Prevalence and Implications for Unemployment Insurance Programs" (2000), available at https://wdr.doleta.gov/owsdrr/00-5/00-5.pdf. For more information on federal studies and state-level task forces and commissions that have studied misclassification, see National Employment Law Project, "Independent Contractor Misclassification Imposes Huge Costs on Workers and Federal and State Treasuries" (2015), available at http://www.nelp.org/content/uploads/Independent-Contractor-Costs.pdf.

176 In 2014, a Federal Reserve Bank survey found that 47 percent of Americans said that they could not cover an unexpected expense of $400 with their savings. Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2014" (2015), available at http://www.federalreserve.gov/econresdata/2014-report-economic-well-being-us-households-201505.pdf.

177 Bureau of Labor Statistics, *Current Employment Statistics* (U.S. Department of Labor, 2015), "Median Duration of Unemployment," retrieved from Federal Reserve Bank of St. Louis, *FRED Economic Data*, available at https://research.stlouisfed.org/fred2/series/UEMPMED/ (last accessed December 2015).

178 Bureau of Labor Statistics, *Current Employment Statistics* (U.S. Department of Labor, 2015), "Average (Mean) Duration of Unemployment," retrieved from Federal Reserve Bank of St. Louis, *FRED Economic Data*, available at https://research.stlouisfed.org/fred2/series/UEMPMEAN/ (last accessed December 2015); Bureau of Labor Statistics, *Current Employment Statistics* (U.S. Department of Labor, 2015), "Of Total Unemployed, Percent Unemployed 27 Weeks and over," retrieved from Federal Reserve Bank of St. Louis, *FRED Economic Data*, available at https://research.stlouisfed.org/fred2/series/LNS13025703/ (last accessed December 2015).

179 Jesse Rothstein, "Unemployment Insurance and Job Search in the Great Recession." Working Paper 17534 (National Bureau of Economic Research, 2011), available at http://www.nber.org/papers/w17534.pdf. Additional recent research on the German labor market found that extended UI benefits offered to middle-age workers during the 1980s and 1990s did not cause these workers to refuse job offers that they would otherwise have accepted to a greater extent. See Johannes F. Schmieder, Till von Wachter, and Stefan Bender, "The Effect of Unemployment Benefits and Nonemployment Durations on Wages," *American Economic Review* 106 (3) (2016): 739–777.

180 An extensive literature shows that UI improves employer-employee matching, leading to net positive effects on social welfare. For a more extensive literature review, see Simonetta Longhi, "Do the Unemployed Accept Jobs Too Quickly? A Comparison with Employed Job Seekers" (Bonn, Germany: Institute for the Study of Labor, 2015), available at http://ftp.iza.org/dp9112.pdf.

181 Ibid.

182 Raj Chetty, "Moral Hazard versus Liquidity and Optimal Unemployment Insurance," *Journal of Political Economy* 116 (2) (2008): 173–234, available at https://dash.harvard.edu/bitstream/handle/1/9751256/Chetty_MoralHazard.pdf.

183 Raj Chetty, "Optimal Unemployment Insurance When Income Effects are Large." Working Paper 10500 (National Bureau of Economic Research, 2004), available at http://www.nber.org/papers/w10500; Raj Chetty interviewed by Romesh Vaitilingam, "Public finance theory, evidence and policy," *Vox EU*, March 6, 2009, available at http://voxeu.org/vox-talks/public-finance-theory-evidence-and-policy.

184 Itay Saporta-Eksten, "Job Loss, Consumption and Unemployment Insurance," available at http://economics.cornell.edu/sites/default/files/files/events/Itay.Saporta_jmp.pdf (last accessed April 2016). As noted in Section 1.3, during recessionary times, when jobs are scarce and UI is needed to stabilize and stimulate the economy, evidence indicates that the generosity of UI should temporarily be increased. Camille Landais, Pascal Michaillat, and Emmanuel Saez, "A Maccroeconomic Theory of Optimal Unemployment Insurance." Working Paper 16526 (National Bureau of Economic Research, 2010), available at http://www.nber.org/papers/w16526.

185 U.S. Department of Labor, *Comparison of State Unemployment Laws, Chapter 3: Monetary Entitlement*.

186 Analysis by the Economic Policy Institute examines changes in the short-term recipiency rate, which measures the proportion of workers who have been unemployed for fewer than 27 weeks who are receiving UI benefits in each state. The exception that proves the rule is Illinois, which only cut benefits by one week—from 26 weeks to 25 weeks—for one year in 2012. Will Kimball and Rick McHugh, "How Low Can We Go? State Unemployment Insurance Programs Exclude Record Numbers of Jobless Workers" (Washington: Economic Policy Institute, 2015), available at http://www.epi.org/files/2015/how-low-can-we-go-state-unemployment-r3.pdf.

187 Center on Budget and Policy Priorities, "Policy Basics: How Many Weeks of Unemployment Compensation Are Available?" (2016), available at http://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available; Kimball and McHugh, "How Low Can We Go? State Unemployment Insurance Programs Exclude Record Numbers of Jobless Workers."

188 U.S. Department of Labor, "Monthly Program and Financial Data," available at http://oui.doleta.gov/unemploy/5159report.asp (last accessed March 2016).

189 National Employment Law Project, "Unemployment Insurance Policy Advocate's Toolkit," "Why Every State Should Pay 26 Weeks of UI Benefits."

190 U.S. Department of Labor, *Comparison of State Unemployment Laws, Chapter 3: Monetary Entitlement*.

191 National Employment Law Project, "Unemployment Insurance Policy Advocate's Toolkit," "Why Every State Should Pay 26 Weeks of UI Benefits."

192 Authors' calculations from U.S. Department of Labor Employment and Training Administration, "UI Data Summary" (2015), available at http://ows.doleta.gov/unemploy/content/-data_stats/datasum15/DataSum_2015_2.pdf; U.S. Department of Labor, "Significant Provisions of State UI Laws, Effective July 2015"; U.S. Bureau of Labor Statistics, "Quarterly Census of Employment and Wages," available at http://www.bls.gov/cew/data.htm (last accessed March 2016).

193 Calculations for the year ending in the fourth quarter of 2015. State UI replacement rates reported by the U.S. Department of Labor—calculated by dividing total UI benefits paid by total wages in covered employment—typically understate the share of claimant lost earnings that are actually replaced by UI benefits. This is because UI claimants tend to earn lower wages than the average covered worker; on the other hand, in instances when UI claimants earn higher wages than all covered workers, the reported replacement rate will overstate the actual rate. This issue has been confirmed by research by the Advisory Council on Unemployment Compensation. Advisory Council on Unemployment Compensation, "Unemployment Insurance in the United States: Benefits, Financing, and Coverage" (1995), available at http://research.upjohn.org/cgi/viewcontent.cgi?article=1003&context=externalpapers.

194 Authors' calculations based on Bureau of Labor Statistics, *Current Employment Statistics* (U.S. Department of Labor, 2015), "Median Duration of Unemployment," retrieved from Federal Reserve Bank of St. Louis, *FRED Economic Data*, available at https://research.stlouisfed.org/fred2/series/UEMPMED/ (last accessed December 2015).

195 The long-term unemployed are workers who have been jobless for 27 weeks or longer. Long-term unemployed as a share of all unemployed workers spiked during the Great Recession to a greater extent than in previous (although less severe) recessions and remained above prerecession levels in 2014. Karen Kosanovich and Eleni Theodossiou Sherman,"Trends in Long-Term Unemployment"(Washington: Bureau of Labor Statistics, 2015), available at http://www.bls.gov/spotlight/2015/long-term-unemployment/.

196 Pew Research Center, "The Lost Decade of the Middle Class" (2012), available at http://www.pewsocialtrends.org/2012/08/22/the-lost-decade-of-the-middle-class/.

197 Jennifer Erickson, ed., "The Middle-Class Squeeze" (Washington: Center for American Progress, 2014), available at https://www.americanprogress.org/issues/economy/report/2014/09/24/96903/the-middle-class-squeeze/. A 2012 study from the International Monetary Fund showed that American households with consistently lower incomes between 1999 and 2007 experienced sharper declines in their savings rates during this period compared to higher-income households. International Monetary Fund, "United States: Selected Issues" (2012), available at http://www.imf.org/external/pubs/ft/scr/2012/cr12214.pdf.

198 The Pew Charitable Trusts, "What Resources Do Families Have for Financial Emergencies" (2015), available at http://www.pewtrusts.org/~/media/assets/2015/11/emergency-savings-report-2_artfinal.pdf.

199 U.S. Department of Labor, "Significant Provision of State Unemployment Insurance Laws, Effective July 2015."

200 The pattern among states that adopted UI modernization reforms in the aftermath of the Great Recession, for example, suggests that states with the most generous benefits already are most likely to respond to incentives to voluntarily improve adequacy and coverage in their UI programs, with little response from ungenerous states where such reforms could have the greatest impact.

201 Carl Davidson and Stephen Woodbury, "Optimal Unemployment Insurance," *Journal of Public Economics* 64 (1997): 359–387.

202 In addition to being supported by research as a lower bound on the optimal replacement, a 50 percent replacement rate was recommended by the Advisory Council on Unemployment Compensation. See Christopher J. O'Leary, "The Adequacy of Unemployment Insurance Benefits" (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 1995), available at http://research.upjohn.org/cgi/viewcontent.cgi?article=1009&context=up_technicalreports). Under this proposal, the Jobseeker's Allowance provides a floor for the weekly benefit amount. Any UI-eligible workers whose weekly monetary entitlement was less than JSA benefit would be able to receive benefits (and other programmatic resources) through UI, but the benefit amount would be determined by the JSA benefit.

203 Eight of these jurisdictions already link their maximum WBA to a measure of the jurisdiction's wage levels, causing the maximum WBA to increase automatically with wage growth, as we recommend. However, in these jurisdictions, the maximum WBA is linked at a level below 50 percent of the jurisdiction's average weekly wage, and thus our recommendation would increase the maximum WBA in these places, as well as in the remaining jurisdictions where the maximum WBA is not indexed to wages and is below 50 percent of the average weekly wage. Authors' comparisons of maximum weekly benefit amounts as of 2015 based on U.S. Department of Labor, "Significant Provision of State Unemployment Insurance Laws Effective July 2015" with the most recently available 12 months of state average weekly wage in covered employment data as of the 12 months ending June 30, 2015. Data available at Bureau of Labor Statistics, "Quarterly Census of Employment and Wages," available at http://www.bls.gov/cew/data.htm (last accessed April 2016).

204 The level of a state's maximum weekly benefit amount largely determines the percentage of a state's insured unemployed population that receives weekly benefits that are equal to or greater than a certain percentage of lost earnings. Historically, policymakers have recommended that UI benefits should replace 50 percent of lost earnings for four-fifths of all insured unemployed, a formula first cited by President Richard Nixon in 1973. Given the stagnation in maximum weekly benefit formulas, most individuals eligible for a state's maximum weekly benefit amount have less than 50 percent of their prelayoff earnings replaced. Analysis by the Advisory Council on Unemployment Compensation shows that even states with maximum weekly benefit amounts that are "significantly lower" than 75 percent of a state's average weekly wage can meet this goal, or come close to doing so. Advisory Council on Unemployment Compensation, "Collected Findings and Recommendations, 1994–1996" (1996), available at http://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=externalpapers.

205 Rebecca Dixon, Rick McHugh, and Mike Evangelist, "Protecting Our Unemployment Insurance Lifeline: A Toolkit for Advocates" (Washington: National Employment Law Project, 2012), available at http://nelp.org/content/uploads/2015/03/UI_Toolkit_Final.pdf.

206 In 2015, four of these states pay the waiting week after a period of time in unemployment. U.S. Department of Labor, "Significant Provisions of State Unemployment Insurance Laws, Effective January 2015."

207 As noted above, the International Monetary Fund found that American households with lower incomes between 1999 and 2007 experienced sharper declines in their savings rates during this period compared to higher-income households. International Monetary Fund, "United States: Selected Issues." Research from Jonathan Gruber and the Pew Charitable Trusts documents the low levels of savings among the unemployed. Gruber, "The Wealth of the Unemployed,"; The Pew Charitable Trusts, "The Precarious State of Family Balance Sheets." Further research suggests that the lack of savings among lower-income households, in particular, is also partially attributable to policy choices that shape incentives to save. Recent work by Christian Weller and Teresa Ghilarducci, for example, demonstrates that lower-income households face significantly reduced incentives to save for retirement relative to higher-income households. See Christian E. Weller and Teresa Ghilarducci, "The Inefficiencies of Existing Retirement Savings Incentives" (Washington: Center for American Progress, 2015), available at https://cdn.americanprogress.org/wp-content/uploads/2015/10/29075443/ExistingRetirementIncentives-brief.pdf.

208 Jeremy Schwartz points out that little attention has been paid to the costs of job search in the literature. But if search is costly—entailing out-of-pocket expenses that are either necessary or sufficiently improve the probability of successful re-employment—it may be optimal to provide the newly unemployed with a larger UI benefit. See Schwartz, "Optimal Unemployment Insurance When Search Takes Effort and Money."

209 For an overview of Disaster Unemployment Assistance and a more detailed discussion of recommended reforms, see Maurice Emsellem, "Reforming Disaster Unemployment Assistance to Support Families Left Jobless After Hurricane Katrina, Their Families, and The Region's Economy" (New York: National Employment Law Project, 2005), available at http://www.nelp.org/content/uploads/2015/03/DUAReform.pdf.

210 Ibid. For the victims of the attacks on September 11, 2001, and of Hurricane Katrina in 2005, federal legislation extended the duration of benefits from 26 weeks to 39 weeks. Julie M. Whitaker, "Disaster Unemployment Assistance (DUA)" (Washington: Congressional Research Service, 2015), available at https://www.fas.org/sgp/crs/misc/RS22022.pdf.

211 U.S. Department of Labor, "History of Unemployment Insurance in the United States," available at https://www.dol.gov/ocia/pdf/75th-Anniversary-Summary-FINAL.pdf (last accessed April 2016).

212 Wayne Vroman, "Low Benefit Recipiency in State: Unemployment Insurance Programs" (Washington: Urban Institute, 2001), available at http://www.urban.org/sites/default/files/alfresco/publication-pdfs/410383-Low-Benefit-Recipiency-in-State-Unemployment-Insurance-Programs.PDF.

213 Two other states, Pennsylvania and Wisconsin, have respective application rates of 105 percent and 107 percent. This is likely due to a combination of factors, including statistical noise in the state data on unemployment duration and additional initial claims in states—subsequent initial claims filed by a claimant during an existing benefit year due to new unemployment and when a break of at least one week has occurred due to intervening employment. This is common in the construction industry, for example.

214 The UI application rates cited in this paragraph are based on the authors' calculations of monthly UI new and additional initial claims data, covering the state UI, UCFE, and UCX programs. U.S. Department of Labor, "Claims and Payment Activities," available at http://ows.doleta.gov/unemploy/DataDownloads.asp (last accessed April 2016); unemployment duration data from the Bureau of Labor Statistics. State data are based on published annual figures from the Census.

215 Vroman, "Low Benefit Recipiency in State: Unemployment Insurance Programs."

216 More specific reasons for not applying vary according to an individual's reason for unemployment. For example, workers re-entering the labor force were most likely to state that they did not apply because they believed they had insufficient work histories. Job leavers were most likely to state that did not apply because of a disqualifying reason related to their separation from work. And workers in temporary employment, despite being covered by state UI programs, were especially ill-informed about their rights to benefits, stating that they believed they were not covered or were not aware of the program. An additional 17.8 percent of nonapplicants, the second-largest category, did not apply because of their understandings of or attitudes toward the UI program. Some stated that they did not need the money or want to hassle, and some said that they did not know about UI or how to file. Others were told, usually by an employer, that they were not eligible. Wayne Vroman, "Unemployment insurance recipients and nonrecipients in the CPS," *Monthly Labor Review*, October 2009, available at http://www.bls.gov/opub/mlr/2009/10/art4full.pdf. To date, the Current Population Survey, a monthly survey of approximately 60,000 U.S. households, has conducted four supplemental surveys of workers on applications of unemployment insurance and recipiency among applicants. The Vroman paper summarizes results of the most recent survey from 2005.

217 A Government Accountability Office assessment found great variation in UI access by region of the country, as well as by other correlates of benefit adequacy and access, such as degree of unionization and industry of work. (Unionized workers and workers in certain industries tend to earn higher wages and, therefore, receive greater UI benefits if they become unemployed.) Government Accountability Office, "Unemployment Insurance: Role as Safety Net for Low-Wage Workers Is Limited" (2000), available at http://www.gao.gov/new.items/d01181.pdf.

218 Alix Gould-Werth and H. Luke Shaefer, "Unemployment Insurance participation by education and by race and ethnicity," *Monthly Labor Review*, October 2012, available at http://www.bls.gov/opub/mlr/2012/10/art3full.pdf.

219 Two older studies by the same authors, using data from the National Longitudinal Survey of Youth and then from the 1996 Displaced Worker Supplement of the Current Population Survey, find that blue-collar workers eligible for UI benefits and laid off from union jobs are significantly more likely to receive UI benefits than similar workers laid off from nonunion jobs. In addition, both studies find that unions do not have a significant impact on the likelihood that white-collar workers will receive UI. See John W. Budd and Brian P. McCall, "The Effect of Unions on the Receipt of Unemployment Insurance Benefits," *Industrial and Labor Relations Review* 50 (3) (1997): 478–492; John W. Budd and Brian P. McCall, "Unions and Unemployment Insurance Benefits Receipt: Evidence from the Current Population Survey," *Industrial Relations* 43 (2) (2004): 339–355. These studies identify potential "rights-facilitating" and "incentive" effects of union representation on UI benefit receipt.

The first category includes union activities that help workers understand potential UI eligibility and how or where to apply or that protect workers from employer retaliation. Unions act as UI information conduits. The second category refers to the incentives for eligible jobless workers laid off from union jobs to apply for UI benefits because, for example, of the availability in certain contracts of supplemental unemployment benefits, or SUB, which usually require regular UI receipt. Results from both studies find that unions increase receipt by providing information and assistance; the effect of additional incentives, such as SUB plans, are not significant.

220 Richard Freeman and others, "What Do Unions Do for the Middle Class?" (Washington: Center for American Progress, 2016), available at https://cdn.americanprogress.org/wp-content/uploads/2016/01/11102501/UnionsMiddleClass-report.pdf.

221 Larry Mishel, "Unions, inequality, and faltering middle-class wages" (Washington: Economic Policy Institute, 2012), available at http://www.epi.org/publication/ib342-unions-inequality-faltering-middle-class/; John Schmitt and Nicole Woo, "Women Workers and Unions" (Washington: Center for Economic and Policy Research, 2013), available at http://cepr.net/documents/union-women-2013-12.pdf.

222 As NELP points out, in recommending that letters be sent to UI exhaustees notifying them of social assistance for which they may be eligible, "states are reimbursed for the cost of UI-related mailings to UI claimants." Rebecca Dixon and Maurice Emsellem, "When Unemployment Insurance Runs Out: An Action Plan to Help America's Long-Term Unemployed" (Washington: National Employment Law Project, 2012), available at http://www.nelp.org/content/uploads/2015/03/UIActionPlanGuide.pdf?nocdn=1.

223 See U.S. Department of Labor, "The Worker Adjustment and Retraining Notification (WARN) Act Compliance Assistance Materials," available at https://www.doleta.gov/layoff/warn.cfm (last accessed April 2016).

224 Peter Baird and others, "Reminders to Pay: Using Behavioral Economics to Increase Child Support Payments" (Washington: U.S. Department of Health and Human Services, 2015), available at http://www.acf.hhs.gov/sites/default/files/opre/reminders_to_pay_using_behavioral_economics_to_increase_child_support_2.pdf.

225 Vroman, "Low Benefit Recipiency in State: Unemployment Insurance Programs."

226 U.S. Department of Labor, "Benefit Accuracy Measurement State Data Summary, Improper Payment Information Act Year 2014," available at http://www.ows.doleta.gov/unemploy/bam/2014/IPIA_2014_Benefit_Accuracy_Measurement_Annual_Report.pdf (last accessed April 2016).

227 Alix Gould-Werth and Claire McKenna, "Unemployment Insurance Application and Receipt: Findings on Demographic Disparities and Suggestions for Change" (Washington: National Employment Law Project, 2012), available at http://www.nelp.org/content/uploads/2015/03/Unemployment-Insurance-Application-Receipt-Demographic-Disparities-Report.pdf; Vroman, "Low Benefit Recipiency in State: Unemployment Insurance Programs."

228 This would be added to the set of existing performance measures that the U.S. Department of Labor currently tracks. Similar standards around other recipiency metrics, such as the overall recipiency rate or the first payment rate (that is, the share of new initial claims for UI benefits that result in first benefit payments), may be complicated by factors such as agency practice, state laws, and unique features of local labor markets. Technically, the penalty for states that fall out of compliance with various provisions of federal law requiring them to operate fair and efficient UI programs, such as requirements around methods of administration or performance measures, is the loss of their federal administrative grant funding authorized under the Social Security Act. But the U.S. Department of Labor has very rarely followed through with this option. One reason offered is that it would only further compromise performance. Instead, states usually receive a letter, and unless a state and the state's legislature if necessary can take corrective action by a certain date, they enter compliance proceedings. Typically, however, just receiving a letter triggers a process of negotiation and an eventual settlement in which states agree to the necessary steps. In the case of performance standards, regional offices of the U.S. Department of Labor are tasked with monitoring. In instances when states fall short, they must usually provide an explanation and then demonstrate incremental steps toward improved performance. See U.S. Department of Labor Employment and Training Administration, "Unemployment Insurance Performance Management," available at http://workforcesecurity.doleta.gov/unemploy/performance.asp (last accessed April 2016); Thomas E. West and Gerard Hildebrand, "Federal State Relations." In Christopher O'Leary and Stephen Wandner, eds., *Unemployment Insurance in the United States: Analysis of Policy Issues* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 1997), available at http://research.upjohn.org/up_bookchapters/527.

229 According to a 2013 report, the average 2009 state's UI benefits technology was 26 years old, and tax technology was 28 years old. In addition to creating barriers to access for unemployed workers, outdated IT infrastructure hampers the cost effectiveness of the UI delivery system. Rebecca Dixon, "Federal Neglect Leaves State Unemployment Systems in a State of Disrepair" (New York: National Employment Law Project, 2013), available at http://www.nelp.org/content/uploads/2015/03/NELP-Report-State-of-Disrepair-Federal-Neglect-Unemployment-Systems.pdf.

230 The Social Security Act contains federal standards that states must meet to make sure eligible jobless workers can access benefits and are not unfairly disqualified. Specifically, Section 303 (a) (1) requires states to use "methods administration … as are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due." Section 303 (b) (1) ensures that state UI programs are not issuing an excessive number of denials or denials "in a substantial number of cases." In addition, various federal civil rights laws, such as the Civil Rights Act of 1964 and the Americans with Disabilities Act, contain provisions pertaining to administration of state UI programs. The U.S. Department of Labor's Civil Rights Center oversees compliance in this area. Social Security Administration, "Compilation of the Social Security Laws," available at https://www.ssa.gov/OP_Home/ssact/title03/0303.htm (last accessed March 2016).

231 Wentworth and McKenna, "Ain't No Sunshine: Fewer than One in Eight Unemployed Workers in Florida is receiving Unemployment Insurance."

232 Government Accountability Office, "Low-Wage and Part-Time Workers Continue to Experience Low Rates of Receipt" (2007), available at http://www.gao.gov/new.items/d071147.pdf.

233 A recent positive step forward in this area is the issuance of guidance regarding "State Responsibilities for Ensuring Access to Unemployment Benefits." Compelled by recent transitions to web-based claims-processing systems and the adoption of modernized IT infrastructure in states, the U.S. Department of Labor Employment and Training Administration issued UI Program Letter No. 02-16 in October 2015 to clarify that new technologies and processes must not create barriers that prevent access to UI benefits, information, and related services. State programs must provide people who cannot access web-based systems with alternative methods of accessing information and benefits, including by telephone or in person. U.S. Department of Labor, "Unemployment Insurance Program Letter No. 2-16" (2015), available at https://wdr.doleta.gov/directives/attach/UIPL/UIPL_02-16_Acc.pdf.

234 For more detail about the consequences of inadequate administrative funding, please see Dixon, "Federal Neglect Leaves State Unemployment Systems in a State of Disrepair."

235 U.S. Government Accountability Office, "Information Technology: Department of Labor Could Further Facilitate Modernization of States' Unemployment Insurance Systems" (2012), available at http://www.gao.gov/products/GAO-12-957.

236 Don Fullerton and Gilbert E. Metcalf, "Tax Incidence." Working Paper 8829 (National Bureau for Economic Research, 2002), available at http://www.nber.org/papers/w8829.pdf.

237 The full FUTA tax rate is in fact 6 percent, but—except in special circumstances—the federal government gives states a credit of 5.4 percent, resulting in an effective rate of 0.6 percent.

238 U.S. Department of Labor, *Comparison of State Unemployment Insurance Laws: Chapter 2* (2015), available at http://ows.doleta.gov/unemploy/pdf/uilawcompar/2015/financing.pdf.

239 Wayne Vroman, "The Big States and Unemployment Insurance Financing" (Washington: Urban Institute, 2016), available at http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000661The-Big-States-and-Unemployment-Insurance-Financing.pdf. The majority of states that index link the SUTA tax base to a percentage of the state's average annual wage. U.S. Department of Labor, *Comparison of State Unemployment Insurance Laws: Chapter 2*.

240 U.S. Department of Labor Employment and Training Administration, "Significant Provisions of State Unemployment Insurance Laws, Effective January 2015."

241 Fullerton and Metcalf, "Tax Incidence."

242 The full FUTA tax rate is in fact 6 percent, but except in special circumstances, the federal government gives states a credit of 5.4 percent, resulting in an effective rate of 0.6 percent.

243 Technically, the federal government raises the effective rate by decreasing the FUTA credit it gives to states from the usual 5.4 percent. See Internal Revenue Service, "FUTA Credit Reduction," available at https://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/FUTA-Credit-Reduction (last accessed March 2016).

244 U.S. Department of Labor Employment and Training Administration, "Handbook 394 data ("Ratio of taxable to total wages")," available at http://ows.doleta.gov/unemploy/hb394/hndbkrpt.asp (last accessed January 2016).

245 Social Security Administration, "Contribution and Benefit Base," available at https://www.ssa.gov/oact/cola/cbb.html (last accessed April 2016).

246 Heather Boushey and Jordan Eizenga, "Toward a Strong Unemployment Insurance System" (Washington: Center for American Progress, 2016), available at https://www.americanprogress.org/issues/labor/report/2011/02/08/9125/toward-a-strong-unemployment-insurance-system/.

247 Wayne Vroman and Stephen A. Woodbury, "Financing Unemployment Insurance," *National Tax Journal* 67 (1) (2014): 253–268, available at http://research.upjohn.org/jrnlarticles/162.

248 States' UI loans from the federal government peaked in May 2011. U.S. Department of Labor, *State Unemployment Insurance Trust Fund Solvency Report* (2015), "Total Maximum Amount of Outstanding Advances, United States," available at http://www.ows.doleta.gov/unemploy/docs/trustFundSolvReport.pdf.

249 For the past two years, the U.S. Department of Labor has released a report featuring total private borrowing by state UI trust funds since 2010 and the date on which private debt was last issued. According to this report, private debt totaled $9 billion as of the beginning of 2015. U.S. Department of Labor, *State Unemployment Insurance Trust Fund Solvency Report*. Prior to this report, it was difficult to estimate the exact amount of states' private debt. George Wentworth, "Responding to the Unemployment Insurance Funding Crisis" (Washington: National Employment Law Project, 2012), available at http://www.naswa.org/assets/utilities/serve.cfm?gid=90223d70-c2e3-4dcf-b6bd-1e4a35b224a9&dsp_meta=0.

250 U.S. Department of Labor Employment and Training Administration, "Trust Fund Loans," available at http://www.ows.doleta.gov/unemploy/budget.asp (last accessed January 2016).

251 The Social Security trust fund is financed by the Federal Insurance Contributions Act, or FICA, payroll tax. The Social Security trustees determine the FICA taxable wage base each year; in 2016, the tax was levied on the first $118,500 of workers' earnings; half of this amount is $59,250. Social Security Administration, "Benefits Planner: Maximum Taxable Earnings (1937–2016)," available at https://www.ssa.gov/planners/maxtax.html (last accessed January 2016). Setting the FUTA taxable wage base at half of the FICA base would restore the value of the wage base to just above where it would be today had it kept pace with inflation since it was first established: In 1940, the taxable wage base was set at $3,000, the equivalent of about $51,000 in 2015. Prior to 1940, FUTA taxes were assessed all of a worker's wages. Bureau of Labor Statistics, "Consumer Price Index Research Series Using Current Methods," annual data, available at http://www.bls.gov/cpi/cpiurs.htm (last accessed January 2016).

252 Phasing in this change over six years would allow states multiple legislative sessions to adjust their experience-rating systems to accommodate a higher taxable wage base and then come into full compliance. States would have the option of raising their bases all at once or doing so gradually each year according to the schedule they prefer.

253 Technically, the average high-cost multiple is the quotient of two values: the balance of the state's trust fund, expressed as share of all wages paid in covered employment, and the average cost associated with the three highest-cost years in the state's recent history.

254 Broad and indexed taxable wage bases are associated with improved trust fund solvency among the states and increase the responsiveness of UI tax revenues during recovery from recession. Rick McHugh and Andrew Stettner, "Indexed State Taxable Wage Bases: Taking a Significant Step toward Better UI Financing" (Washington: National Employment Law Project, 2004), available at http://www.nelp.org/content/uploads/2015/03/Indexing.pdf.

255 See Karla Walter and others, "States at Work: Progressive Policies to Rebuild the Middle Class" (Washington: Center for American Progress Action Fund, 2013), "Improve the quality of existing jobs," available at https://www.americanprogressaction.org/issues/labor/report/2013/03/21/57375/states-at-work-progressive-state-policies-to-rebuild-the-middle-class/.

256 Recent work from the Georgetown Center on Poverty and Inequality gives a comprehensive overview of subsidized employment programs, including history and effects. Dutta-Gupta and others, "Lessons Learned from 40 Years of Subsidized Employment Programs." Two recent papers from the Center for American Progress call for the creation of national subsidized employment and national service programs, respectively. On subsidized employment, see West, Vallas, and Boteach, "A Subsidized Jobs Program for the 21st Century." On national service, see Stein and Sagawa, "Expanding National Service to Address Long-Term Unemployment."

257 Research shows that tax cuts generate economic activity when targeted toward lower-income groups but have little effect when instead directed toward higher-income groups. Owen Zidar, "Tax Cuts For Whom? Heterogeneous Effects of Income Tax Changes on Growth and Employment." Working Paper 21035 (National Bureau of Economic Research, 2015), available at http://www.nber.org/papers/w21035.

258 For example, the American Recovery and Reinvestment Act of 2009 included these approaches and had significant positive effects on the labor market and economy overall. Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output from October 2012 Through December 2012" (2013), available at https://www.cbo.gov/sites/default/files/cbofiles/attachments/43945-ARRA.pdf.

259 See, for example, Melissa Kearney and Ben Harris, "The Importance of Unemployment Insurance for American Families and the Economy: Take 2" (Washinton: The Hamilton Project, 2013), available at http://www.hamiltonproject.org/assets/legacy/files/downloads_and_links/The_Importance_of_Unemployment_Insurance_for_American_Families_and_the_Economy_Take_2_-_Full_paper.pdf.

260 Arloc Sherman, "Despite Deep Recession And High Unemployment, Government Efforts — Including The Recovery Act — Prevented Poverty From Rising In 2009, New Census Data Show" (Washington: Center on Budget and Policy Priorities, 2011), available at http://www.cbpp.org//sites/default/files/atoms/files/1-5-11pov.pdf.

261 One study estimates that UI prevented about 1.4 million foreclosures by helping unemployed workers avoid default, while also expanding access to credit for economically insecure households. Joanne W. Hsu, David A. Matsa, and Brian T. Melzer, "Positive Externalities of Social Insurance: Unemployment Insurance and Consumer Credit." Working Paper 20353 (National Bureau of Economic Research, 2014), available at https://www.nber.org/papers/w20353.

262 For an overview of the numerous laws enacted to ensure UI's recessionary response, see the House Ways and Means Committee's chronology of federal unemployment insurance legislation during and following the Great Recession. U.S. House of Representatives Committee on Ways and Means, "Chronology of Federal Unemployment Compensation Laws" (2014), pp. 82–109, available at http://greenbook.waysandmeans.house.gov/sites/greenbook.waysandmeans.house.gov/files/UI%20chronfedlaws%20July%202014.pdf.

263 Camille Landais, Pascal Michaillat, and Saez Emmanuel, "Optimal Unemployment Insurance over the Business Cycle." Working Paper 16526 (National Bureau of Economic Research, 2013), available at http://ceg.berkeley.edu/research_27_4224264158.pdf.

264 The federal law establishing this program is the Federal-State Extended Unemployment Compensation Act of 1970.

265 These benefit tiers turn on for a minimum of 13 weeks when triggered, regardless of any improvements in trigger indicators during that time. At the same time, they remain off for a minimum of 13 weeks when trigger indicators drop below the necessary threshold following initial activation.

266 Boushey and Eizenga, "Toward a Strong Unemployment Insurance System."

267 The most recent EUC extension was in the American Taxpayer Relief Act of 2012. See U.S. Department of Labor, "Emergency Unemployment Compensation (EUC) Expired on January 1, 2014," available at http://www.workforcesecurity.doleta.gov/unemploy/supp_act.asp (last accessed December 2015).

268 James DeNicco and Christopher A. Laincz, "Jobless Recovery: A Time Series Look at the United States" (2014), available at http://www.pages.drexel.edu/~jpd48/Jobless%20Recovery.pdf.

269 Henry S. Farber, Jesse Rothstein, and Robert G. Valletta, "The Effect of Extended Unemployment Insurance Benefits: Evidence from the 2012-2013 Phase-Out." Working Paper 2015-03 (Federal Reserve Bank of San Francisco, 2015), available at http://www.frbsf.org/economic-research/files/wp2015-03.pdf.

270 Jesse Rothstein, "Unemployment Insurance and Job Search in the Great Recession," *Brookings Papers on Economic Activity*, Fall 2011, available at http://www.brookings.edu/~/media/Projects/BPEA/Fall%20 2011/2011b_bpea_rothstein.PDF.

271 For an overview of the budget proposal, see Danny Vinik, "Obama's Budget Proposes a Major Overhaul of Unemployment Insurance," *The New Republic*, February 2, 2015, available at https://newrepublic.com/article/120934/obamas-2016-budget-proposes-reforming-unemployment-insurance-system.

272 This recommendation differs from President Obama's FY 2016 budget proposal, which allowed a lookback of only two years.

273 Rothstein, "Unemployment Insurance and Job Search in the Great Recession"; Henry S. Farber and Robert G. Valletta, "Do Extended Unemployment Benefits Lengthen Unemployment Spells? Evidence from Recent Cycles in the U.S. Labor Market." Working Paper 19048 (National Bureau of Economic Research, 2013), available at http://www.nber.org/papers/w19048.

274 See, for example, Farber, Rothstein and Valleta, "The Effect of Extended Unemployment Insurance Benefits: Evidence from the 2012-2013 Phase-Out."

275 The Obama administration included this proposal in its FY 2016 budget. For EB claimants who were initially profiled at the start of their UI claim as likely to exhaust their regular benefits, job counselors should make an effort to prevent duplication of earlier services, as well as to acknowledge the possible need for continuing education or training.

276 This was an option for states under the Middle Class Tax Relief and Job Creation Act in 2012. For more information, see U.S. Department of Labor, "Advisory: Unemployment Insurance Program Letter No. 22-12" (2012), available at http://workforcesecurity.doleta.gov/dmstree/uipl/uipl2k12/uipl_2212.pdf. This and other provisions of the legislation are being tested. U.S. Department of Labor, "Current Studies: Short-Time Compensation Program Demonstration and Evaluation (ETA)," available at http://www.dol.gov/asp/evaluation/currentstudies/30.htm (last accessed December 2015).

277 In 2009, the U.S. Department of Education issued a letter to financial aid administrators reminding them of their ability to exercise professional judgment when determining the eligibility of students for federal financial aid and encouraging them to consider special circumstances of students and families, such as unemployment. See U.S. Department of Education, "Update on the use of 'Professional Judgment' by Financial Aid Administrators," available at http://www.ifap.ed.gov/dpcletters/GEN0905.html (last accessed April 2016).

278 Authors' calculations based on the most recent 12 months of data analyzed in Thomas Callan, Austin Nichols, and Stephan Lindner, "Unemployment Insurance Modernization and Eligibility" (Washington: Urban Institute, 2016). The three reforms modeled in this study are adopting the alternative base period, allowing part-time workers to seek comparable employment, and allowing good-cause quits. We use only the share of workers who report searching for a job after separation and in only the states that had not adopted the reforms listed as of 2014.

279 In general, these are self-employed workers who are not the owners of incorporated businesses. Self-employed workers whose businesses are incorporated—about one-third of the self-employed—have the option to pay themselves as wage and salary workers and thus to pay unemployment taxes. If they meet other eligibility criteria, these self-employed workers may collect UI if they become unemployed. Steven F. Hipple, "Self-employment in the United States" (Washington: U.S. Department of Labor, 2010), available at http://www.bls.gov/opub/mlr/2010/09/art2full.pdf.

280 In practice, there is a very small exception to this rule. According to the U.S. Department of Agriculture, "In some areas, restaurants can be authorized to accept SNAP benefits from qualified homeless, elderly, or disabled people in exchange for low-cost meals." U.S. Department of Agriculture, "Supplemental Nutrition Assistance Program (SNAP): Eligible Food Items," available at http://www.fns.usda.gov/snap/eligible-food-items (last accessed April 2016).

281 In particular, SNAP limits benefits to three months out of any 36-month period for many prime-age adults without disabilities or dependents who are not engaged in training or work—even if these workers are desperately seeking both. Ed Bolen and others, "More Than 500,000 Adults Will Lose SNAP Benefits in 2016 as Waivers Expire" (Washington: Center on Budget and Policy Priorities, 2016), available at http://www.cbpp.org/research/food-assistance/approximately-1-million-unemployed-childless-adults-will-lose-snap-benefits. Also, many recent adult immigrants are barred from SNAP. See for example, U.S. Department of Agriculture, "Supplemental Nutrition Assistance Program (SNAP): SNAP Policy on Non-Citizen Eligibility," available at http://www.fns.usda.gov/snap/snap-policy-non-citizen-eligibility (last accessed April 2016).

282 Ife Floyd and Liz Schott, "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode" (Washington: Center on Budget and Policy Priorities, 2015), available at http://www.cbpp.org/research/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states-and-continue-to-erode.

283 Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net" (Washington: Center on Budget and Policy Priorities, 2015), available at http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net.

284 Liz Schott and Misha Hill, "State General Assistance Programs Are Weakening Despite Increased Need" (Washington: Center on Budget and Policy Priorities, 2015), available at http://www.cbpp.org/research/family-income-support/state-general-assistance-programs-are-weakening-despite-increased.

285 For a three-person family, 150 percent of the poverty line was $28,275 in 2014. To calculate the number of families below this threshold, we use disposable income after taxes and benefits rather than the more limited "money income" definition used in the official poverty statistics.

286 Arloc Sherman, "Safety Net Effective at Fighting Poverty But Has Weakened for the Very Poorest" (Washington: Center on Budget and Policy Priorities, 2009), available at http://www.cbpp.org/research/safety-net-effective-at-fighting-poverty-but-has-weakened-for-the-very-poorest.

287 U.S. Department of Labor, "Disaster Unemployment Assistance (DUA)," available at http://www.ows.doleta.gov/unemploy/disaster.asp (last accessed April 2016).

288 Section 1.1.2 discusses several studies finding that unemployment insurance increases re-employment wages and job quality, primarily by easing liquidity constraints. A recent study of access to consumer credit—which also relieves liquidity constraints and provides implicit insurance against hardship—reaches the same conclusion. A second recent study uncovers similar effects from the Medicaid program: In states that expanded Medicaid—giving greater access to low-income and unemployed adults—workers were more likely to engage in beneficial risk-taking in job search and to obtain higher-quality jobs, moving to industries and occupations with "greater wage spreads and higher separation probabilities, but with higher wages and higher educational requirements." See Ammar Farooq and Adriana Kugler, "Beyond Job Lock: Impacts of Public Health Insurance on Occupational and Industrial Mobility" (Washington: National Bureau of Economic Research, 2016), available at http://www.nber.org/papers/w22118.pdf; Kyle Herkenhoff, Gordon Phillips, and Ethan Cohen-Cole, "How Credit Constraints Impact Job Finding Rates, Sorting & Aggregate Output" (Charlottesville: University of Virginia, 2015), available at http://economics.virginia.edu/sites/economics.virginia.edu/files/macro/herkenhoff.pdf.

289 In fact, the JSA could help close the wage gap that exists between equally credentialed lower- and higher-income new labor-market entrants. Research finds that graduates from low-income backgrounds have significantly lower starting pay—and lower subsequent earnings trajectories—compared to their counterparts from higher-income backgrounds. One explanation given by scholars for this gap is that lower-income students cannot afford to wait for better-suited job opportunities after graduation or may prefer the certainty of a mediocre job offer to the risk of holding out for a better offer. See for example, Brad Hershbein, "So, Why Is a College Degree Worth Less If You Are Raised Poor? A Response to Readers' Comments" (Washington: The Brookings Institution, 2016), available at http://www.brookings.edu/blogs/social-mobility-memos/posts/2016/03/04-why-is-college-degree-worth-less-raised-poor-response-hershbein.

290 Dorothy Rosenbaum, "House-Passed Proposal to Block-Grant and Cut SNAP (Food Stamps) Rests On False Claims About Program Growth: Recent Increases in SNAP Spending Largely Reflect the Recession; Program Does Not Contribute to Nation's Long-Term Budget Problems" (Washington: Center on Budget and Policy Priorities, 2011), available at http://www.cbpp.org//sites/default/files/atoms/files/4-5-11fa.pdf.

291 According to one analysis commissioned by the U.S. Department of Labor, during the "eight calendar quarters from 2008Q3 to 2010Q2 … The UI multiplier effect on real GDP averages 2.0 and the share of the downward deviation in real GDP filled by responsive UI benefits averages 0.11." Wayne Vroman, "The Role of Unemployment Insurance As an Automatic Stabilizer During a Recession" (Washington: IMPAQ International, 2010), available at http://wdr.doleta.gov/research/FullText_Documents/ETAOP2010-10.pdf.

292 The SNAP program temporarily disqualifies those who voluntary quit or reduce hours for periods of one month or longer—and potentially permanently in some cases of repeat violations. See Cornell University Law School, "7 U.S. Code § 2015 - Eligibility disqualifications," Legal Information Institute, available at https://www.law.cornell.edu/uscode/text/7/2015 (last accessed December 2015).

293 The age requirement is intended to encourage rather than discourage high school completion while offering help to the most vulnerable youth. Foster youth, in particular, typically receive no financial support upon turning 18 years old. Placing conditions on social assistance available to youth has been shown to increase high school completion among those at risk of dropping out. See Øystein Hernæs, Simen Markussen, and Knut Røed, "Can Welfare Conditionality Combat High School Dropout?" (Bonn, Germany: International Institute of Labor, 2016), available at http://ftp.iza.org/dp9644.pdf.

294 U.S. Department of Labor, *Comparison of State Unemployment Laws—Chapter 5: Nonmonetary Eligibility* (2013), available at http://www.unemploymentinsurance.doleta.gov/unemploy/pdf/uilawcompar/2013/nonmonetary.pdf.

295 Social Security Administration, "Contribution and Benefit Base," available at https://www.ssa.gov/oact/cola/cbb.html (last accessed December 2015).

296 The JSA benefit amount is slightly less than half of the earnings of a low-wage worker during a typical work week. Specifically, the JSA benefit amount is based on the hourly wage of a worker at the 10th percentile of the wage distribution—calculated as a three-year moving average across workers ages 18 to 64, here for years 2012–2014—during a full-time work week. By contrast, the average weekly benefit amount for UI was about $325 in 2015—nearly twice this amount. Wage data are taken from Josh Bivens and others, "Raising America's Pay: Why It's Our Central Economic Policy Challenge" (Washington: Economic Policy Institute, 2014), available at http://www.epi.org/publication/raising-americas-pay/. As noted elsewhere in Section 2, under special circumstances, some participants could receive JSA benefits for longer than 13 weeks, such as if they were enrolled in a qualifying training program.

297 National Partnership for Women & Families, "The Family and Medical Insurance Leave Act (The FAMILY Act)" (2015), available at http://www.nationalpartnership.org/research-library/work-family/paid-leave/family-act-fact-sheet.pdf.

298 These relationships factor in the Earned Income Tax Credit, Child Tax Credit, and SNAP benefits, the first two of which require earnings. They also factor in an expanded EITC for childless adults and noncustodial parents, which has widespread support but has not been enacted. For a proposal that would expand this portion of the EITC to those ages 18–24, see Rebecca Vallas, Melissa Boteach, and Rachel West, "Harnessing the EITX and Other Tax Credits to Promote Financial Stability and Economic Mobility" (Washington: Center for American Progress, 2014), available at https://cdn.americanprogress.org/wp-content/uploads/2014/10/EITC-report10.8.pdf.

299 Similar to our UI proposal, this would give beneficiaries the opportunity to earn up to 150 percent of the weekly benefit amount, or about $255 per week, before they become entirely ineligible for the program.

300 Evidence from Germany suggests that relocation subsidies can help improve job matches, resulting in higher wages and more stable employment. Marco Caliendo, Steffen Künn, and Robert Malstedt, "The Return to Labor Market Mobility: An Evaluation of Relocation Assistance for the Unemployed" (Bonn, Germany: Institute for the Study of Labor, 2015), available at http://ftp.iza.org/dp9183.pdf.

301 This screening process will involve an employment/reemployment assessment interview, as conducted in the UI system. Jane Oates, "Reemployment Eligibility Assessments (REAs)," U.S. Department of Labor Blog, May 7, 2012, available at http://blog.dol.gov/2012/05/07/reemployment-eligibility-assessments-reas/.

302 Platform to Employment, "Make Employment Happen," The WorkPlace, Inc., available at http://www.platformtoemployment.com/ (last accessed December 2015).

303 Executive Office of the President, *Addressing the Negative Cycle of Long-Term Unemployment* (The White House, 2014), available at https://www.whitehouse.gov/sites/default/files/docs/wh_report_addressing_the_negative_cycle_of_long-term_unemployment_1-31-14_-_final3.pdf.

304 One framework for a subsidized jobs program is provided in a report by Rachel West, Rebecca Vallas, and Melissa Boteach, "A Subsidized Jobs Program for the 21st Century: Unlocking Labor-Market Opportunities for All Who Seek Work" (Washington: Center for American Progress, 2015), available at https://www.americanprogress.org/issues/poverty/report/2015/01/29/105622/a-subsidized-jobs-program-for-the-21st-century/. A comprehensive overview of past subsidized jobs programs is provided in Indivar Dutta-Gupta and others, "Lessons Learned from 40 Years of Subsidized Employment Programs" (Washington: Georgetown Center on Poverty and Inequality, 2016), available at https://www.law.georgetown.edu/academics/centers-institutes/poverty-inequality/current-projects/upload/GCPI-Subsidized-Employment-Paper-20160413.pdf.

305 Harry Stein and Shirley Sagawa, "Expanding National Service to Address Long-Term Unemployment" (Washington: Center for American Progress, 2016), available at https://www.americanprogress.org/issues/economy/report/2016/01/14/128837/expanding-national-service-to-address-long-term-unemployment/.

306 Weeks of receiving JSA during training, education, or subsidized employment would not count toward JSA time limits.

307 Office of the Press Secretary, *Fact Sheet: President Obama Proposes New 'First Job' Funding to Connect Young Americans with Jobs and Skills Training to Start Their Careers* (The White House, 2016), available at https://www.whitehouse.gov/the-press-office/2016/02/04/fact-sheet-president-obama-proposes-new-first-job-funding-connect-young.

308 Rebecca Vallas, Shawn Fremstad, and Lisa Ekman, "A Fair Shot for Workers with Disabilities" (Washington: Center for American Progress, 2015), available at https://www.americanprogress.org/issues/poverty/report/2015/01/28/105520/a-fair-shot-for-workers-with-disabilities/.

309 Ibid.

310 Dutta-Gupta and others, "Lessons Learned from 40 Years of Subsidized Employment Programs"; West, Vallas, and Boteach, "A Subsidized Jobs Program for the 21st Century."

311 The U.S. lacks national data on independent contractors—both properly and improperly classified—and on the contingent workforce more broadly. The most relevant Census Bureau survey, a supplement of the Current Population Survey, was discontinued in 2005. A recent paper lays out the significant knowledge gaps on nonstandard work arrangements. See Annette Bernhardt, "Labor Standards and the Reorganization of Work: Gaps in Data and Research" (Berkeley, CA: Institute for Research on Labor and Employment, 2014), available at http://www.irle.berkeley.edu/workingpapers/100-14.pdf.

312 Ibid. Researchers approximate the share of self-employed workers who are independent contractors by considering only the self-employed who are "unincorporated." In 2013, this was about 6.5 percent of the workforce, or about 9.4 million employed workers.

313 Personal communication with Annette Bernhardt, senior researcher, Institute for Research on Labor and Employment, University of California, Berkeley. Bernhardt suggested that a hypothesis for why we do not see evidence of an increase in independent contracting as a main job, nor a decline in regular employment, is that many on-demand workers may be moonlighting—that is, working only a small number of hours per week. The use of technology, however, has formalized such moonlighting, which was formerly off the books, or informal.

314 Alan Krueger and Lawrence F. Katz, "The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015" (Cambridge, MA: Harvard University, 2016), available at http://scholar.harvard.edu/files/lkatz/files/katz_krueger_cws_v3.pdf?m=1459290955. The authors identify the divergent trends in self-employment in the Current Population Survey and IRS data as an area in need of further research.

315 Ibid. While so-called gig or on-demand economy workers—those who provide services through online intermediaries—have garnered significant attention in recent years, the authors found that these workers nonetheless accounted for only a small share of the workforce (0.5 percent) as of late 2015.

316 Several recent proposals have offered visions for extending social insurance benefits beyond conventional employment arrangements. For example, in a 2015 article for *Democracy,* Nick Hanauer and David Rolf describe a contributory "shared security" system that would provide benefits such as paid leave, retirement, and unemployment insurance in a "fully prorated, portable, and universal" manner. See Nick Hanauer and David Rolf, "Shared Security, Shared Growth," *Democracy* 37 (2015), available at http://democracyjournal.org/magazine/37/shared-security-shared-growth/. See also Seth D. Harris and Alan B. Krueger, "A Proposal for Modernizing Labor Laws for Twenty-First-Century Work: The 'Independent Worker,'" (Washington: The Hamilton Project, 2015), available at http://www.hamiltonproject.org/assets/files/modernizing_labor_laws_for_twenty_first_century_work_krueger_harris.pdf. Substantial detail remains to be developed in these proposals; at the same time, there are drawbacks that need to be addressed. For example, see Rebecca Smith, "Gig Economy Workers Deserve Better," *U.S. News & World Report,* December 9, 2015, available at http://www.usnews.com/opinion/economic-intelligence/2015/12/09/on-demand-economy-workers-deserve-employee-rights. However, these thought pieces have helped spark a timely conversation among policymakers, advocates, and other stakeholders on the future of social insurance. Regardless of how their ideas develop, the Jobseeker's Allowance could offer a platform through which to administer social insurance benefits independently of employing or contracting agencies, with aspects of employer and/or employee contributions and tiered benefits based on individuals' work history.

317 Rebecca Smith and Sarah Leberstein, "Rights on Demand: Ensuring Workplace Standards and Worker Security In the On-Demand Economy" (Washington: National Employment Law Project, 2015), available at http://www.nelp.org/content/uploads/Rights-On-Demand-Report.pdf.

318 In 2008, the Joint Committee on Taxation estimated that eliminating the exemption would raise between $6.8 billion and $7.7 billion over 10 years—or between $7.5 billion and $8.5 billion in today's dollars. A Government Accountability Office study found that the change would have relatively low costs for small businesses. Leandra Lederman, "Reducing Information Gaps to Reduce the Tax Gap: When is Information Reporting Warranted?", *Fordham Law Review* 78 (4) (2010): 1733–1759, available at http://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=4517&context=flr.

319 See, for example, Harry Stein, Alexandra Thornton, and John Craig, "The Growing Consensus to Improve Our Tax Code," (Washington: Center for American Progress, 2014), available at https://cdn.americanprogress.org/wp-content/uploads/2014/09/SteinTaxReformReport.pdf.

320 Conversions estimated as of November 30, 2015, using Google Finance.

321 Government of the United Kingdom, "Jobseeker's Allowance (JSA)," available at https://www.gov.uk/jobseekers-allowance (last accessed January 2016).

322 The combination of social assistance benefits is subject to a benefit cap in many cases. For a list of other benefits and a brief overview of the benefit cap, see Government of the United Kingdom, "Benefit Cap," available at https://www.gov.uk/benefit-cap (last accessed January 2016).

323 U.K. Department of Work and Pensions, "Chapter R4: JSA claimant responsibilities – work-related requirements" (2015), available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/473406/admr4.pdf.

324 Ibid.

325 Richard Blundell and others, "Evaluating the Employment Impact of a Mandatory Job Search Program," *Journal of the European Economic Association* 2 (4) (2004): 569–606, available at http://onlinelibrary.wiley.com/doi/10.1162/1542476041423368/abstract; Elizabeth Rayner and others, "Evaluating Jobseeker's Allowance: A Summary of the Research Findings" (U.K. Department of Social Security, 2000), available at http://webarchive.nationalarchives.gov.uk/20130314010347/http:/research.dwp.gov.uk/asd/asd5/rrep116.pdf; Denis Fougère, Jacqueline Pradel, and Muriel Roger, "Does Job-Search Assistance Affect Search Effort and Outcomes? A Microeconometric Analysis of Public versus Private Search Methods" (Bonn, Germany: Institute for the Study of Labor, 2005), available at http://ftp.iza.org/dp1825.pdf.

326 See, for example, Dean Baker and Kevin Hassett, "The Human Disaster of Unemployment," *The New York Times*, May 12, 2012, available at http://www.nytimes.com/2012/05/13/opinion/sunday/the-human-disaster-of-unemployment.html.

327 John Schmitt, "Labor Market Policy in the Great Recession: Some Lessons from Denmark and Germany" (Washington: Center for Economic and Policy Research, 2011), available at http://cepr.net/documents/publications/labor-2011-05.pdf.

328 Elisabeth Jacobs, "Growth through Innovation: Lessons for the United States from the German Labor Market Miracle," The Brookings Institution, available at http://www.aimcmp.com/73044_0113_jobs_jacobs.pdf (last accessed April 2014). Commonly referred to as the Hartz reforms, these reforms are named after Peter Hartz, the chairman of the commission under which the new rules were developed and established.

329 Lena Jacobi and Jochen Kluve, "Before and After the Hartz Reforms: The Performance of Active Labour Market Policy in Germany" (Bonn, Germany: Institute for the Study of Labor, 2006), available at http://ftp.iza.org/dp2100.pdf.

330 In international comparisons of benefits and programs for unemployed jobseekers, the term "unemployment insurance," or UI, typically refers to cash assistance for individuals with a history of sufficient employment and earnings, as defined by state or federal law. "Unemployment assistance," or UA, typically refers to benefits for jobseekers who do not meet standard UI eligibility rules, either because they have not worked enough or because they exhausted their standard UI benefits. Unemployment assistance benefits are typically subject to an income and assets test.

331 Prior to the 2003–2005 reforms, recipients of Tier II, or UA, benefits could also receive social assistance benefits. Today, these benefits are only available to individuals who cannot work. Jacobs, "Growth through Innovation"; Jacobi and Kluve, "Before and After the Hartz Reforms."

332 As a result of 2007 federal legislation, Germany's standard retirement age will gradually increase from 65 to 67 by 2029, as will the upper age of eligibility for UA benefits.

333 Organisation for Economic Co-operation and Development, "Benefits and Wages: Statistics" (2013), available at http://www.oecd.org/els/benefits-and-wages-statistics.htm.

334 Not fulfilling these conditions can result in loss of benefits. Cornelia Spross, "Germany: Public Policy" (Boston: Sloan Center on Aging and Work, 2010), available at http://www.bc.edu/content/dam/files/research_sites/agingandwork/pdf/publications/GPB17_Germany.pdf.

335 UA benefits prior to the Hartz reforms were based on prior earnings. Jacobi and Kluve, "Before and After the Hartz Reforms."

336 Ibid.

337 Bundesagentur fur Arbeit, "Regelbedarf in der Grundsicherung für Arbeitsuchende steigt," available at https://www.arbeitsagentur.de/web/content/DE/BuergerinnenUndBuerger/Arbeitslosigkeit/Arbeitslosengeld/Detail/index.htm?dfContentId=L6019022DSTBAI804103 (last accessed January 2016). Benefit levels are adjusted in July of every year to account for wage growth, inflation, and other factors. Organisation for Economic Co-operation and Development, "Benefits and Wages: Statistics." Conversions estimated as of November 30, 2015, using Google Finance.

338 Members of a beneficiary's household who are unable to work may receive social assistance payments, according to the Organisation for Economic Co-operation and Development. Young adults age 25 and older must apply separately for Tier II benefits, regardless of whether they live with their parents or in a separate household. Organisation for Economic Co-operation and Development, "Benefits and Wages: Statistics."

339 Bundesagentur fur Arbeit, "Regelbedarf in der Grundsicherung für Arbeitsuchende steigt."

340 Beneficiaries are strongly encouraged to accept part-time work on the margin, including what are known as "mini-jobs" and "midi-jobs." Mini-jobs pay less than 450 euros per month; midi-jobs pay between 450 euros and 850 euros per month. German Federal Ministry of Labour and Social Affairs, "450 Euro mini jobs/marginal employment," February 4, 2014, available at http://www.bmas.de/EN/Our-Topics/Social-Security/450-euro-mini-jobs-marginal-employment.html. Individuals holding these jobs pay no (mini-jobs) or reduced (midi-jobs) social security contributions to ensure net positive earnings. Jacobs, "Growth through Innovation."

341 Up to an amount deemed "reasonable." Bundesagentur fur Arbeit, "Arbeitslosengeld II / Sozialgeld," available at http://www.bmas.de/DE/Themen/Arbeitsmarkt/Grundsicherung/Leistungen-zur-Sicherung-des-Lebensunterhalts/2-teaser-artikelseite-arbeitslosengeld-2-sozialgeld.html (last accessed January 2016).

342 Bundesagentur fur Arbeit, "Geldleistungen," available at https://www.arbeitsagentur.de/web/content/DE/BuergerinnenUndBuerger/Arbeitslosigkeit/Grundsicherung/Detail/index.htm?dfContentId=L6019022DSTBAI485725 (last accessed January 2016).

343 Ibid. Workers younger than 50 years are eligible for benefits for between 6 months and 12 months; unemployed workers between the ages of 50 and the statutory retirement age are eligible for benefits for up to 15, 18, or 24 months, depending on their age. The duration of benefits prior to the Hartz reforms was from 6 months to 32 months. Jacobi and Kluve, "Before and After the Hartz Reforms."

344 Organisation for Economic Co-operation and Development, "Benefits and Wages: Statistics."

345 Social Security Administration, "Social Security Programs Throughout the World: Europe, 2014: Germany," available at https://www.ssa.gov/policy/docs/progdesc/ssptw/2014-2015/europe/germany.html (last accessed April 2016); Jacobs, "Growth through Innovation."

346 The Federal Ministry of Labour and Social Affairs is the agency responsible for overall supervision of benefits and services to jobseekers in Germany.

347 In additional to state benefits paid, federal administration accounted for about $4.4 billion of the total $41.9 billion, and a little more than $1 billion went to Federal Unemployment Benefits and Allowances, which is unemployment compensation for former federal employees and former service members. U.S. Department of Labor, *Unemployment Insurance Outlook: Midsession Review FY 2016* (2015), available at http://workforcesecurity.doleta.gov/unemploy/content/midsession_review.pdf.

348 Given uncertainty about what conditions that will prevail during future economic downturns—and the heavy dependence of its costs on the severity of a downturn—we do not model costs associated with the countercyclical recommendations such as the modernized Extended Benefits program.

349 Cost estimates include the 50 states and the District of Columbia. Puerto Rico and the U.S. Virgin Islands, both of which operate UI programs, are not included.

350 The analysis excludes the cost of several smaller-scale—but nonetheless important—reforms, such as eliminating restrictions on seasonal and temporary workers, enacting stronger partial UI formulas, increasing earnings disregards, making the extended base period available to workers with qualifying conditions, and applying minimum federal standards for eligibility based on earnings or hours worked, as well as other recommendations made in the report.

351 Federal costs in this proposal would require discretionary spending; they would impose net budgetary costs insofar as they exceed overall discretionary spending caps. However, it is the authors' position that discretionary spending caps should be raised or eliminated.

352 U.S. Department of Labor, "US Labor Department announces availability of $35 million in grants to implement or improve Self-Employment Assistance programs," Press release, May 24, 2012, available at https://www.dol.gov/opa/media/press/eta/eta20121073.htm.

353 The cost estimate for this reform takes advantage of the new benefit duration and average weekly benefit amount estimates, described later in this appendix. However, we discuss this reform so that it appears alongside other federal-cost reforms.

354 Three weeks is the midpoint between the four additional weeks already offered in Massachusetts and the two additional weeks offered in Montana. Similar to the number of adopting states, this choice is somewhat arbitrary but not, we hope, unreasonable.

355 Data come from U.S. Department of Labor, "ET Financial Data Handbook 394 -- FOREWORD" (2014), available at http://ows.doleta.gov/unemploy/hb394.asp. This measure—claimants exhausting benefits as a share of first payments—will lead to a slight overestimate of costs. This is because the majority of states—including many that have maximum benefit durations of 26 weeks—use so-called variable duration formulas to cap individual workers' potential benefit duration below 26 weeks, as discussed in Section 1.2.2. Under this proposal, in which we recommend a uniform 26 weeks of UI for all eligible workers, some workers who exhaust UI under states' variable duration formulas would not exhaust, lowering the exhaustion rate.

356 Adriana Kugler, "Strengthening Reemployment in the Unemployment Insurance System." Discussion Paper 2015-02 (The Hamilton Project, 2015), available at http://www.hamiltonproject.org/files/downloads_and_links/strengthening_reemployment_in_unemployment_insurance_syste_kugler.pdf.

357 U.S. Department of Labor, *Comparison of State Unemployment Insurance Laws: Chapter 3* (2015), available at http://www.unemploymentinsurance.doleta.gov/unemploy/pdf/uilawcompar/2015/monetary.pdf.

358 If each of these states were to extend benefits by only a single week, we could simply assume all UI exhaustees in these states gained extra compensation in the amount of the state average weekly benefit amount. But particularly in states where the maximum duration is far below 26 weeks, this does not suffice: During these extra weeks of UI, many recipients will find jobs.

359 Since 2014, several states have further decreased the maximum weeks offered, as illustrated by Figure 4 in this report. This reform would be more costly if implemented in 2016, for example—with all costs falling on the states that have chosen to cut benefit durations.

360 While multiple recommendations in this report would likely affect average duration, we expect requiring a maximum duration of at least 26 weeks to have the largest effect. For this reason, we estimate the cost of requiring 26 weeks before approaching other state-level recommendations and assume that changes in average duration due to other reforms would have relatively little impact on this reform's cost.

361 This increases average duration in affected states by about two weeks, on average. To make our estimates conservative, we assume that all exhaustees in these low-duration states take the full extra available week(s). In part, we do so to compensate for the likelihood that increasing program adequacy would induce a greater share of already-eligible workers to claim UI.

362 Authors' comparison of states' 2014 average weekly wages and maximum weekly benefit amounts in 2014. U.S. Department of Labor, "ET Financial Data Handbook 394 -- FOREWORD."

363 U.S. Bureau of Labor Statistics, "2014 March Current Population Survey," available at http://www.census.gov/cps/data/cpstablecreator.html (last accessed January 2016). Based on the Current Population Survey analysis, we estimate that just less than one-third of unemployed workers in affected states would be fully affected, meaning they would see unemployment compensation increase by the full difference between the state's current maximum benefit cap and the new benefit cap of 50 percent of the AWW. An additional 16 percent of workers would be partially affected, meaning they would see their weekly benefits rise by somewhat less than this amount. We make the simplifying assumption that partially affected workers' earnings are evenly distributed between the current and proposed max caps, such that the average worker in this group receives an increase of half of the difference between the current and proposed maximum caps. The remaining share of workers, who earn less than the current maximum benefit cap in their state, would be unaffected, meaning their unemployment compensation would be unchanged under this policy.

364 Authors' calculations from various state-level data series for calendar year 2014 from U.S. Department of Labor, "ET Financial Data Handbook 394 – FOREWORD." Consistent with other recommendations in Section 1.2, we assume that UI benefits replace about 50 percent wages for those who do not exceed the maximum cap.

365 Analogous to average benefit duration, discussed previously, multiple recommendations in this report would likely affect states' average WBAs. However, we expect that increasing the lowest maximum benefit amount would have the largest effect. For this reason, we estimate the cost of this reform early on and assume that changes in average WBAs due to other reforms have relatively little impact on this reform's cost.

366 This calculation combines three factors: the shares of the worker population that would be fully, partially, and not affected, as previously discussed; states' average WBAs in 2014; and the gap between each state's 2014 maximum benefit cap and the recommended maximum benefit (50 percent of the state's average weekly wage).

367 Several other reforms, such as requiring all states to use the high-quarter method of benefit determination, would also raise the average WBA somewhat. However, this increase would be small by comparison to the change in the maximum benefit cap.

368 We assume that these four states—Kentucky, Missouri, Tennessee, and Texas—would incur relatively little additional cost from eliminating the waiting week because it would primarily involve shifting the timing and not the amount of payments. U.S. Department of Labor, *Comparison of State Unemployment Insurance Laws: Chapter 3.*

369 Data for calendar year 2014 come from U.S. Department of Labor, "ET Financial Data Handbook 394 – FOREWORD."

370 Thomas Callan, Austin Nichols, and Stephan Lindner, "Unemployment Insurance Modernization and Eligibility" (Washington: Urban Institute, 2016).

371 Since a different set of states lacks these policies, we conduct our analysis for a separate set of states in the case of each reform. However, the Urban Institute analysis gives only the combined effect of the three reforms on eligibility. Thus, after excluding workers who do not search for a job after separation, we use information in Table 2 of the Urban Institute report—which gives the percentage-point increase in eligibility from each reform separately—to decompose the expected change in eligibility into the separate contributions of reforms to the base period, part-time workers, and good-cause quits. In doing so, we make the simplifying assumption that all pairwise correlations between the populations affected by each of the three reforms are identical. Under these assumptions, about 16 percent of the total eligibility change would come from the base period reform, 70 percent from the inclusion of part-time workers, and 14 percent from allowing good-cause quits. Callan, Nichols, and Lindner, "Unemployment Insurance Modernization and Eligibility."

372 Weights are the product of the number of first payments, the average WBA, and the average duration in the affected states in 2014. They are intended to be proxies for the relative size of affected states' programs.

373 Nonemployed individuals include both unemployed workers and individuals not currently participating in the labor force; 2014 data from the U.S. Bureau of Labor Statistics, "35: Persons not in the labor force by desire and availability for work, age, and sex," available at http://www.bls.gov/cps/cpsaat35.htm#cps_eeann_nilf.f.2 (last accessed January 2016).

374 This yields an estimate of how many workers would be eligible in the first year of the program. However, when the JSA has been in place for multiple years, restrictions on eligibility based on past participation would exclude a portion of otherwise-eligible individuals—primarily those who experience three or more spells of unemployment after taking up the JSA during their first two spells. A 2007 Census Bureau analysis reports that the average number of unemployment spells among those who were already unemployed in the four years between 2004 and 2007 was 1.5. (This is an average across those who experienced only one spell, those who experienced two spells, and those who experienced three or more spells.) We expect this average to be slightly higher over five rather than four years and slightly higher for JSA's more disadvantaged population than for the general unemployed. Thus, we assume that in the long term, about 10 percent of individuals would be disqualified based on past participation.

375 The range given by U.K. experimental statistics is 55 percent to 61 percent. We use the upper-bound estimate of take-up in the United Kingdom because the United States has fewer additional supports available to jobseekers, making U.S. workers more likely to draw down the benefit. See U.K. Department for Work and Pensions, "Income-Related Benefits: Estimates of Take-up - Financial Year 2013/14 (experimental)" (2015), available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/437501/ir-benefits-take-up-main-report-2013-14.pdf. This value seems reasonable in light of the fact that we would not expect take-up of the very modest JSA to exceed that of the more generous, earned benefit of UI, which recent research has estimated at 64 percent. (See Stephane Auray, David L. Fuller, and Damba Lkhagvasuren, "Unemployment Insurance Take-up Rates in an Equilibrium Search Model" (2013), available at http://www.fullerecon.com/tupaper_2.pdf.) A lower bound is likely provided by the take-up of the Supplemental Nutrition Assistance Program, or SNAP—which has stricter means testing than the JSA but benefits of similar monetary value and fewer conditions on receipt. Recent research suggests that SNAP take-up among recently unemployed workers with less than a bachelor's degree is 20.4 percent. (Authors' calculations from Luke Shaefer and Alix Gould-Werth, "Supported from Both Sides? Changes in the Dynamics of Joint Participation in SNAP and UI Following the Great Recession," Table 2. Discussion Paper 1422-14 (Institute for Research on Poverty, 2014), available at http://www.irp.wisc.edu/publications/dps/pdfs/dp142214.pdf.) This suggests that the take-up rate of 61 percent that we use throughout is conservative. We make an exception to this take-up rate among a subset of Population 3 individuals—those who report being unemployed because of significant family responsibilities. We assume a much smaller share of these workers, just 1 in 10, would participate in the JSA. We anticipate that roughly 75 percent of eligible workers would demonstrate successfully that they can pass the means test on household income.

376 In addition to these two larger groups, we also include a small percentage—5 percent—of workers who are on temporary layoff but would be induced by the availability of the JSA to search for a different job rather than waiting to be recalled by their employers. U.S. Bureau of Labor Statistics, "A-34: Unemployed persons by reason for unemployment, sex, age, and duration of unemployment," available at http://www.bls.gov/web/empsit/cpseea34.htm (last accessed January 2016).

377 Conceptually, this would exclude the portion of disadvantaged jobseekers who qualify for and choose to instead utilize employment assistance through other programs, such as Temporary Assistance for Needy Families, or TANF, job placement assistance, which simultaneously offer income assistance.

378 Estimates are based on 2015 enacted funding for Reemployment and Eligibility Assessments and the Employment Service; U.S. Department of Labor, *2016 Budget in Brief* (2016), available at http://www.dol.gov/dol/budget/2016/PDF/FY2016BIB.pdf.

379 Unemployment insurance served about 6.9 million workers in 2014. Authors' calculations from various state-level data series for calendar year 2014 from U.S. Department of Labor, "ET Financial Data Handbook 394 -- FOREWORD."

380 Similar to UI, the JSA program would connect participants with existing development opportunities—including training, education, subsidized jobs, and so on—but would not directly provide these opportunities itself. For this reason, we apply estimates of the marginal cost of training per participant rather than the cost of creating new programs to provide these services.

381 Costs associated with per-participant job training are notoriously difficult to pinpoint in previous research—particularly in isolation of less expensive services. Moreover, training expenditures per participant vary widely across localities, programs, individuals, and types of training received.

382 In 2012, 10.4 percent of Workforce Innovation Act adult participants received training. This share had been decreasing as the nation recovered from recession; we assume conservatively that about 10 percent will participate in coming years. Burt S. Barnow and Jeffrey Smith, "Employment and Training Programs" (Cambridge, MA: National Bureau of Economic Research, 2015), Table 8.5, available at http://www.nber.org/chapters/c13490.pdf. We assume a cost of $2,500 per participant, consistent with Heinrich and others (2011), as cited in Harry Holzer and others, "Does Federally-Funded Job Training Work? Nonexperimental Estimates of WIA Training Impacts Using Longitudinal Data on Workers and Firms" (Bonn, Germany: Institute for the Study of Labor, 2013), available at http://ftp.iza.org/dp7621.pdf.

383 Some would begin training before exhausting initial benefits, making this duration shorter. For others, the training opportunity may extend beyond the extra 13 weeks.

384 In their implementations of the Workforce Innovation and Opportunity Act, many local workforce development boards have a maximum cap of $750 to $1,000 per year on services for adults, with a waiver process available if further need arises. Since the JSA would typically be received for a much shorter term than one year, we presume the average participant would reach about one-third of this maximum expenditure.

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