

THE URGENT NEED FOR UNEMPLOYMENT INSURANCE REFORM

Congress enacted temporary programs during the pandemic to respond to significant shortcomings in the Unemployment Insurance (UI) system, including major gaps in coverage and meager benefits. Nearly half of the states have announced the premature termination of these benefits, eliminating all unemployment insurance to millions of displaced workers. Over 7 million jobless workers in the remaining states are now also projected to lose all of their UI benefits with the expiration of the temporary pandemic programs in the first week of September.

These massive cuts highlight the immense weakness in our nation's basic UI system. This is not just a matter of how much UI benefits provide, but whether laid-off workers get any assistance at all. And these huge gaps in coverage, which disproportionately hurt workers of color, could grow even worse as some States consider further cuts to basic UI benefits. Congress should follow President Biden's call for permanent UI reform and ensure the Build Back Better legislation includes federal standards in three key areas.

→ Prohibit coverage barriers that disproportionately hurt low-wage workers, workers of color, and women.

Only about 3 out of 10 unemployed workers received benefits from the basic, regular UI program nationwide, and as little as 1 out of 10 in some states. President Biden's Budget points out that coverage barriers and other features of the system have led to "long-standing racial and gender inequalities embedded in the UI system." Minimum federal UI standards should focus on allowing lower-wage levels to qualify, counting workers' most recent wages when determining eligibility, allowing UI claimants to seek part-time work without losing benefits, and permitting eligibility for individuals forced to leave work for compelling reasons, such as domestic violence or the loss of child care.

→ Require a minimum national wage replacement rate in every state.

Regular UI replaces only 44% of a worker's prior wages nationwide and less than that in many states, especially those with the highest proportion of Black workers. Every state should be required to meet a national wage replacement rate up to a certain level of prior wages. For example, a draft bill in the U.S. Senate calls for a 75% replacement rate up to two-thirds of a state's average weekly wage.

→ Require a minimum of 26 weeks of regular UI benefits in every state.

Until the last recession, all states routinely provided up to 26 weeks of regular UI benefits (with a couple of states going higher). But after the "Great Recession" some states began cutting back, going as low as 14 weeks, and others are threatening to do so now. All workers deserve adequate protection after job loss to provide for themselves and their families as they search for new work.

In addition to these fundamental reforms, Congress should consider: (1) providing assistance to unemployed workers who are seeking work but who are not generally covered by UI, including independent contractors; (2) revamping extended benefits programs that are supposed to automatically respond to worsening economic conditions; (3) improving the capacity of the UI system to provide benefits in a timely, effective, and responsive manner; and (4) updating the FUTA taxable wage base to make it more effective and less regressive.