THE BROOKINGS INSTITUTION

WEBINAR

UNEMPLOYMENT INSURANCE DURING
THE COVID-19 PANDEMIC:
REDUCING THE IMPACT OF THIS ECONOMIC DOWNTURN

A HAMILTON PROJECT WEBINAR

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P R O C E E D I N G S

MR. SHAMBAUGH: Okay. Good afternoon, everyone. My name's Jay Shambaugh. I'm the director of The Hamilton Project and I'd like to welcome you to this webcast, "Unemployment Insurance During the COVID-19 Pandemic: Reducing the Impact of This Economic Downturn."

So, as we all know, we're seeing an unprecedented surge right now of people applying for unemployment insurance. In the week of March 21st over 3 million people filed for unemployment insurance and we know that we may even see more when the data are released tomorrow for the following week. And this is four times the previous high we've ever seen. I believe it took about five weeks during the Great Recession to get that many people filing for unemployment insurance, so we're seeing the system put under a huge amount of strain. And it's clearly going to be a really important part of the policy response.

We also know that Congress has made some really sweeping changes to the unemployment insurance system in the last few weeks, expanding who gets benefit and expanding the amount of benefits. And so the goal today is to talk about these issues. What role should UI be playing in the downturn on the one hand? And how should we think about the changes that have been made?

And to do this, we've got a fantastic group of people and I really want to thank them for joining us today. Susan Houseman is the vice president and director of research at the Upjohn Institute; Arin Dube is professor in economics University of Massachusetts at Amherst; Katharine Abraham is the director of the Maryland Center for Economics and Policy, professor of survey methodology, and professor of economics at the University of Maryland; and Ryan Nunn is my colleague at The Hamilton Project where he is the policy director and he's also a fellow in Economic Studies at Brookings.

And so I want to jump right in and start, Sue, with you and just ask a little bit. So, can you just walk us through the overall picture of unemployment insurance and how you think about the role it plays in economic downturns and as part of a safety net?

MS. HOUSEMAN: So the unemployment insurance system in the United States is a federal-state program that provides benefits for workers how are laid off from their jobs or, in some circumstances, for workers whose hours have been significantly reduced. It provides insurance benefits not only to workers who have experienced a significant loss of earnings, as Jay said, it also is an important countercyclical tool for an economy during the recession cycle we're currently going through.

I want to review four components very briefly of the unemployment insurance system in the United States, all of which are quite relevant for our discussion of measures taken by Congress in response to the COVID-19 crisis. First, there are regular unemployment insurance benefits. These are benefits provided to workers who are completely laid off. The UI, or unemployment insurance, benefits typically vary across states, but generally workers receive about half of their weekly earnings. Amounts are capped, so replacement rates for higher wage workers are considerably less. In most states workers can receive unemployment benefits for up to 26 weeks.

Benefits are financed through an employer payroll tax and that tax is experience rated. What that means is that the more a company's workforce has received in the past in unemployment benefits, the higher the company's tax rate, though that tax rate is capped at some level.

And finally, on regular benefits, the federal government typically extends the time period during which workers may receive benefits during recessions. And when the federal government extends those benefits, it pays for them.

The second program is called short-time compensation or work sharing. It's an optional program for businesses that is currently available in 26 states, which cover about 70 percent of the U.S. workforce. Under short-time compensation, a business basically agrees to cut hours instead of laying off workers. And those workers collect prorated unemployment benefits for the hours that they don't work.

For example, suppose an employer needs to cut his workforce by about 20 percent. Instead of laying off 20 percent of its workers, it could instead reduce everyone's hours by 20 percent, say everybody works 4 instead of 5 days a week, those workers would receive 20 percent of the benefit that they would qualify for under regular unemployment insurance.

The program is really intended for workforce reductions that are expected to be temporary. That is it helps companies hold on to workers while they're experiencing this temporary reduction. Workers benefit by retaining their job and, quite importantly, any benefits like health insurance that they may get from their employer. And then, of course, they have access to unemployment benefits while they're on short-time. It's meant for moderate reduction in hours. It may only be used for hours reductions of up to 40 to 60 percent, depending on the state.

A third program is partial unemployment benefits. Partial unemployment benefits is available in all states and it's meant for workers who are experiencing greater reduction in hours than you would typically see under work sharing. It provides some level of unemployment compensation for large reductions in hours.

Now, all of the programs that I've just

described are intended for employees of an organization who have demonstrated significant attachment to the workforce based on prior earnings. So lots of people don't qualify for unemployment benefits. What about them?

During times of crisis, a certain type of Disaster Unemployment Assistance program may be invoked by the federal government. What this does is it opens up unemployment benefits to those who don't normally qualify: the self-employed, independent contractors, even gig workers, and employees who haven't established a sufficient work history to qualify for regular unemployment benefits. The federal government pays for these benefits, but they're operated through state unemployment insurance agencies.

So in the past, when Disaster Unemployment Assistance has been invoked, it's typically for natural disasters, instances like a hurricane that's limited to a particular region. Of course, we're not in normal times and this is not a normal disaster, so the kind of extended benefits that we're seeing now is much more extensive and covers the whole country.

So let me stop there. That's an overview of the program as it normally operates.

MR. SHAMBAUGH: Great. Thanks very much. That's a great place for us to start.

And what I want to turn to now is, Arin, turn to you, and just think about the changes that have happened to this program. So Congress has made a pretty sweeping number of changes in a very short amount of time. I was hoping you could talk a little bit about why we needed these changes. So what would motivate such big changes right now? Why couldn't the normal UI system just handle this situation? And how big these changes are and how you think about them.

MR. DUBE: Okay. Those are excellent questions. And let me start by sort of motivating the broad framework for fiscal policy during the pandemic.

Really, fiscal policy's going to play a really important role throughout this process. But right now, during this lockdown period, the key role is for a fiscal policy to provide social insurance to workers and also help fill any holes in the budget of a balance sheet for employers. And so this social insurance is particularly -- unemployment insurance is a particularly effective tool for providing this social insurance. Why?

One is because we already have these systems up and running. These are relatively fast in terms of getting people who are particularly hard hit some coverage in a relatively quick fashion with the caveat being that we currently have an unprecedented number of claims. So the claims volume and processing is definitely going to be a challenge. We had five times the number of claims last week than ever before, and that record is surely to be broken tomorrow.

Having said that, nonetheless this is a system that is something we have done before in terms of both the emergency unemployment compensation of federal funding of this otherwise state-federal partnership, as well as having multiple options of the sort that Sue just mentioned, including helping those who actually may receive partial benefits for reduced hours; also allowing for work sharing which is available in 29 states.

So, for all these reasons, UI provides an attractive way of providing this social insurance which is so critical at this time when essentially we have engineered a slowdown using public policy to help fight a pandemic.

So what are the key features of the changes in UI that were passed last week? Because for those who may not know, last week we passed a major $2 trillion package, relief package, of which about over $250 billion was allocated for unemployment benefits.

So what are these? So here there are sort of two key components of this UI package quite a bit along the line of what Sue just mentioned. So the first part is for those people who usually qualify for UI. One immediate thing is that instead of the usual 26-week period that people qualify for UI benefits, now the maximum benefit duration is going to be increased to 39 weeks.

Second, and really importantly, there's a new federal vehicle, the Pandemic Emergency Unemployment Compensation, for those who would usually qualify for UI are now going to get a substantial boost to their weekly benefits: about $600 in addition to their usual weekly benefits.

Another important aspect is usually there's often a waiting period, typically one-week waiting period, before you start receiving UI. That has been waived, as well, for people who usually qualify for UI. I'll say a little bit more in the next slide about how much this actually adds and how should we think of the $600 a week. But let's just say that that's a substantial increase and that's one really important part.

But the other important part is really providing unemployment benefits, some unemployment assistance to people who usually don't qualify for UI. Exactly like Sue said, there may be workers who haven't worked enough, they have an insufficient work history to qualify for UI. There are people who are self-employed. There are also people who actually were not laid off, which is the usual requirement for people to receive UI, but rather, they had to quit their jobs maybe because they're quarantined or maybe they're taking care of someone who's quarantined and the like.

So for this group of workers there's a new vehicle called the Pandemic Unemployment Assistance, modeled exactly after the Disaster Unemployment Assistance that may be relevant during a hurricane. And this group of people are going to get the following: they're going to get 50 percent of the state average weekly benefits. Okay. That's usually what you get under the Disaster Unemployment Assistance, but they're also going to get the $600 boost to their weekly benefit level, which overall makes this a lot more attractive than other times that we have done this, including after a hurricane.

So these are the two key aspects. And that's really important to keep in mind because in regular times across the U.S., only about 25 percent of workers who are unemployed actually receive UI. So this other part, this is really reaching out to those who would otherwise fall through the cracks of the UI system, is a really critical aspect beyond also increasing the benefit amount.

So how should we think of the $600 in terms of how large is it? And so just to sort of put that in perspective, here I did some simple calculations of what the benefit level would be if you changed the replacement rate. So, again, remember usually, although it varies by state, maybe let's say usually the replacement rate is something around 50 percent of weekly benefits. There's usually also a cap. Again, that varies by state, but maybe it's $800 a week or $900 a week at most.

Let's take the following case. We went from sort of current status quo and raised the benefit level all the way to 100 percent of replacement and even raised the cap to $1,500 a week, which is much higher than any of the states currently do. You would get about, according to my rough calculation, something close to $600 a week in addition. So overall, this is providing something like a 100 percent replacement rate, but with an important distinction, which is that this is a flat increase. That means you're raising the benefit levels a lot at the bottom and not so much at the top.

So one of the things that people have planned out is that essentially $600 a week is someone working full time at $15 an hour. So if you're working lower than $15 an hour, your benefits could actually or would actually exceed your usual paycheck. And that's an unusual circumstance here driven, in large part, by the following, and this was interesting and surprising to me that essentially doing a flat boost like $600 was a lot easier administratively, including reducing the hurdles of actually reprogramming the benefit replacement rates, which a lot of states were very concerned about. So this is not perhaps the perfect way of doing things, but it was a quick way of getting substantial relief to a large part of the workforce.

And so what does this all sort of add up to? Again, you know, if we kind of think about a 4-month period, this is just a hypothetical, a 4-month period where you have something like a 20 percent unemployment rate, just simple calculations, and if we went from something like 25 percent of unemployed being eligible to something more like 75 percent of people getting coverage, and we take that $600 increase, combining across the various vehicles for those who are usual UI recipients versus also those who are getting this Pandemic Unemployment Assistance, if we think that overall this is going to lead to something maybe less than 100 percent, maybe 85 or 90 percent, it roughly implies $250 billion in additional cost, which is not very different from what some of the analysts have suggested this program would cost.

So I think this just puts it in perspective. Now, if you have a more than 4-month period or more than 20 percent unemployment rate, you should expect this to cost a lot more.

So what are the -- I haven't talked about some of the small other particularities of this bill, but let me just focus on two things that I think are remaining challenges that we want to keep in mind.

First, and I know Katharine's going to talk more about this, we need better incentivizing work sharing or short-time compensation. That allows employers to actually keep their workers on the payroll and not do temporary layoffs or permanent layoffs if necessary.

Second, we really need to be mindful that while the federal government is picking up the tab for these additional benefits, very quickly the state funds are going to run out of money, especially with high unemployment rates. And this federal government is going to in weeks, not months, going to need to act to pick up the cost of regular UI benefits in many states. So that should be on our radar going forward.

So I'll stop here.

MR. SHAMBAUGH: Great, thanks. Katharine, I want to turn to you now and talk a little bit in more detail about the short-time compensation or work sharing as some people call it. So you, along with Sue, wrote a terrific proposal for The Hamilton Project a number of years ago advocating this short-term compensation as a really strong way to deal with a downturn and a better way than, you know, kind of firing some people and having some people stay in jobs.

So I'm just wondering if you could kind of walk through a little bit about why you think it's a much better approach to have more firms using this and anything that you think is important, kind of pointing to some of these issues Arin raised around anything else that we might need to do to make it more likely that it's used this time around, and how we think of it relative to partial UI or things like that.

MS. ABRAHAM: Great. Thank you very much, Jay. I guess the place where I start in thinking about this is thinking that there's a lot of value if you're heading into a downturn that you expect is going to be temporary, as we certainly hope this one will be, but there's a lot of value in preserving the relationship between employers and their employees. And that's really what work sharing is about. The idea is that if businesses are still operating, even at a reduced pace, as is the case for many businesses at this point, that it makes sense to encourage them to share the work and keep people on the payroll on a reduced schedule rather than keeping some on and laying others off.

One reason that that seems like a good approach to me is that it's, I believe, better on average for workers. If you think about what happens when there's a layoff, some people are fine and then there's another set of people who are all of a sudden totally without a job, they don't have health insurance benefits. Psychologically, we know that being laid off is a bad thing for people. So if the route that you go is the layoff route, you have a set of people who are really very adversely affected. Work sharing just seems like a more equitable approach.

I think it’s an approach that’s good for employers, as well. If you think about it from the employer perspective, this is a temporary downturn. The employers, many employers, need to cut costs at this point. But before too long, we hope, they’re going to be wanting to rebuild their workforces. And if they’ve had people on work sharing that’s easy to do. They don’t have to go out and recruit workers and there won’t be people who’ve left and they can’t get them back. And if it's good for workers, it’s good for employers, it’s good for their communities, too. So I think there’s a lot to argue for in terms of work sharing versus layoffs.

As both Sue and Arin alluded to, we do in the United States have what are referred to as short-time compensation programs. They’re programs where if an employer puts their workers on a reduced schedule, those workers get the share of their wages or salaries that they’re working to earn and then they get a prorated share of the unemployment benefit they would otherwise be entitled to for the time that they're not working.

And the legislation that was passed last week did a number of things to encourage the use of these work sharing programs. There's a provision that states that if employers -- if states pay out short-time compensation benefits to people who are involved in work sharing, the federal government will cover 100 percent of the cost of that. Even in states that don't have work sharing programs, the federal government has said that it will set up a special program to pay the short-time benefits to workers in most states and cover 50 percent of the cost. So there's a lot of encouragement for employers to use work sharing.

I should acknowledge, though, that given the situation we're currently in, those work sharing programs aren't going to be attractive to a lot of employers. If your business is down to 20 percent of normal, being able to cut your workers' hours by 40 or 50 percent isn't really going to do the job for you. And that's where partial unemployment benefits come in. I think in a way, in the current situation and given the changes that were made as part of this law, I would expect partial unemployment to play a much bigger role than is typical.

The way that partial unemployment insurance usually works is that you're not eligible for the benefit if your earnings are any more than, in a typical state, the weekly benefit amount, so your earnings have to have been cut way back. And the benefit that you're eligible for is typically not a whole lot more than the difference between your weekly benefit amount and the amount that you're earning. So it's normally providing a fairly modest cushion to people whose hours have been cut way back.

But one of the things that the legislation passed last week did was to introduce this extra $600 a week benefit. So if you're somebody whose hours have been cut back to 20 percent of normal, say, you can qualify for partial unemployment benefits which are modest, and then you can get this $600 a week in addition. That also is a way to make work sharing feasible for a lot of employers for whom these work sharing programs might not be the right answer.

So I think there's a couple of things that this new legislation did to encourage something that I think is a really good idea, which is to encourage work sharing as a way to preserve those relationships between workers and their firms.

MR. SHAMBAUGH: Okay, terrific. Thanks. Ryan, I'd like to turn to you and really push on this last point Katharine's making about the importance of keeping workers and firms attached to one another, and just think a little bit about why is it so important and in particular how UI can, in some cases, help keep people not just attached to firms, but attached to the labor market in general.

MR. NUNN: Thanks, Jay. I think this follows pretty nicely from what Katharine was just talking about. First, what I'd like to discuss is that policy objective and what I think is part of the rationale for both work sharing and UI more generally, which is that we want to keep workers attached both to the labor force and, especially in this crisis, to their previous employer, which will make it easier for the economy to quickly rebound once the public health measures can safely be lifted.

So what I want to do now is kind of talk about some of what we know about workers' tendency to return to previous employers and to employment. So the place I'd start is that we know from a paper by the economists Fujita and Moscarini that historically, a little more than 40 percent of all workers who transition from employment to unemployment do actually eventually come back to their previous employer, so recall is reasonably common.

In some recent analysis that Jana Parsons and I did, we looked separately at temporary and permanent layoffs. So the temporary layoffs are defined by BLS as those where the worker has an expectation that she will be recalled at some point to the previous employer. A permanent layoff is one for which there is no such expectation.

The BLS estimated in February 2020 that about 800,000 Americans were on temporary layoff and about 1.3 million Americans were on permanent layoff. And, of course, those numbers will be rising quite dramatically in the near future.

So both types of layoffs do rise during

recessions. And during the Great Recession permanent layoffs actually rose much more quickly than temporary layoffs did. But I think we should expect this time around to see a lot more temporary layoffs just given the nature of this crisis and the fact that, as was said before, we deliberately engineered a shutdown of economic activity for public health reasons, which I think has left many workers expecting to resume their previous work once that shutdown ends.

So the main thing I think to know about temporary layoffs is that they tend to be quite short in duration. So the majority of those temporary layoffs are lasting one month or less. A large majority in the data we looked at lasts two months or less. By contrast, between two-thirds and three-quarters of permanent layoffs are taking two months or more to end. I think this reflects the fact that permanent layoffs often necessitate a really costly and prolonged job search as workers are looking for a good match and as the workers need to navigate application and recruitment processes.

Another thing we know, and this is from some preliminary work by economist David Ratner, is that temporary layoffs result in reemployment. We know something about how temporary layoffs result in reemployment in other labor market states over time. The probability of going from temporary layoff in a given month to employment is about two and a half times higher than the probability of going from permanent layoff to employment.

We also know that workers on temporary layoff are somewhat less likely to leave the labor force altogether. But I think it's important to note that of those who expect recall to a previous employer, a small fraction lose that expectation every month that their layoff continues. This actually seems to happen at a substantially higher rate during recessions.

So I think that the policy goal today is really to keep that return to employment probability as high as we can. That depends on the duration of the temporary layoffs. Of course, it's hard to imagine temporary layoffs resulting in reemployment if they continue for many months. But it also depends on the economic and the policy conditions. Short-time compensation is one important such policy. And even if workers do become permanently separated from their employers, we know that UI generally helps workers to stay in the labor force overall.

Other policies that aren't the focus of this discussion are also important here. You know, support for small businesses can help maximize the number of employers that still exist for workers to return to once they can. But broadly speaking, I think we can mitigate the economic disruption caused by this crisis if we manage to largely preserve that network of employment relationships that existed before the pandemic.

MR. SHAMBAUGH: Great. Thanks, Ryan. So we've gotten a lot of questions from people, and I just want to thank all of you who are watching who have either emailed or Tweeted questions. And so I have some other questions I wanted to ask the group more broadly and I'll try to weave in some from the audience.

But one that we really have gotten a lot of, and it was honestly my first question to ask all of you, and I think, Arin, I'd like to start with you, it's just this question of can the UI systems handle this? So not the trust funds, and we can talk about financially can they handle this later, but just what do we know about their capacity to manage this deluge?

And so one question we got from someone was just, you know, an individual saying, like, hey, I've been on the phone with New York every day. I keep trying to apply and I have not yet successfully applied for a new claim. And so I think one question we have is just of that we know we got an unprecedented number last week and we'll get another large number tomorrow, but do we think the systems are even catching the people who are trying? And how should we think about all this complexity we've added: $600 here, you've got this rule here, bring in all the gig workers? Can they literally do this? Can we rely on UI to provide the social insurance that we all think it hopefully can?

MR. DUBE: Yeah, that's an excellent question. The first thing to keep in mind is I think the biggest hurdle is something that is going to happen and is happening anyway quite apart for what policy we passed, and that's just that a lot of people are going to file claims. That's nothing to do with $600 extra or not much to do with it. It’s we are going to just have a lot of people who are filing. And we’re seeing that this is causing strain. And especially in the first few weeks, I can -- you know, I would be shocked if that didn’t lead to delays. And I think this is something that a lot of people are actively trying to figure out, how exactly to ease that process.

I don’t have great insights into exactly what the delays times are except the anecdotes that we’ve all heard. But I certainly, you know, having had conversations with folks who are actively trying to mitigate it, I know that this is something that’s being taken very seriously.

Let me turn to the second part of it. I think this makes it really important to design policies that are relatively easy to implement. And as you folks may recall, I was mentioning about how the benefit increases were implemented in the PUC, the Pandemic Unemployment Compensation. That’s the $600 extra. I had proposed some weeks ago that we raise the replacement rate at least 85 percent, maybe even higher, for workers. In many ways I think that’s a better policy than having a flat amount. It avoids certain things like some people getting more than their paycheck, other people getting substantially less than their paycheck, depending on exactly what their earnings were, et cetera.

But here's the thing: that was going to be even more complicated. And so we have -- you know, so it's a reasonable sort of second best or maybe third best alternative that we have now is to have simpler policies that can go faster.

I think where there's a lot of confusion and people stressed out about, I've gotten an unbelievably large number of emails and messages from people who have seen a quote that I made in the newspapers about UI and asking about how can I get claims? And the number one example of the typical email I've gotten is I'm a self-employed worker or I didn't have enough hours, I don't qualify for UI. I heard you said that there's this Pandemic Unemployment Assistance. I went to the website. I don't see anything about it.

Well, of course, because this is a brand new program. No state so far, that I know of, has actually put up the intake system for that. That may happen in some days or a week to two weeks in some cases, probably going to vary a lot or somewhat across the states. But that is going to be there in the usual -- if you go to the website, for example, DUA here in Massachusetts, we'll have something. But they've put out a statement saying we're not going to be able to do this immediately. It's not going to be here today; we're still waiting to put that up.

One thing to keep in mind is how we process those. And, again, the Disaster Unemployment Assistance is a useful thing to keep in mind. It's just like in hurricanes except here it's like a hurricane in 50 states. Right? So that's a useful point of reference to keep in mind.

One suggestion that Jesse Rothstein from UC Berkeley and I made in a short piece a couple days ago is maybe we need to really change the presumptive rule about qualifications. So, pay now, verify later as much as possible. That helps us really have the funds flowing and not sort of gumming up the system, really trying to take a fine-toothed comb to try to make sure people are qualified for what they claim they are, et cetera. Let's first get the payments done as long as it's sort of facially legitimate and then actually have the verifications take place in the back end.

So I think there's going to -- you know, there are a variety of things we can try to do. I know that a number of states are looking into systems of setting up short-time compensation or work sharing that they don't have automated systems, so they're trying to figure it out. Some states do. Can we import those systems? So there's a lot of things going on. I think the dust is going to start settling maybe in the coming week. At the same time, we're going to see an incredible increase in the number of claims.

So, yes, I think the UI system is going to face a lot of challenges. Here's my question, though. Do we have another system in place that could have done it better? I'm not sure there was.

MR. SHAMBAUGH: Katharine, I think you wanted to hop in.

MS. ABRAHAM: Yeah. I just wanted to build on what Arin was saying, which is, you know, clearly this is going to be a -- there's going to be a lot of stress and strain in these early weeks as states gear up to process all of these claims. They're being very aggressive about finding ways to do that and I am confident that within a period of time things will be on a better footing. But I think this also points to the need to think about our policies and the systems that we have in place for dealing with economic downturns.

With respect to short-time compensation in particular, in an ordinary downturn I would expect short-time compensation to be something that might be very attractive to a lot of employers. But the way that it's currently constituted in most states is applying for it is a cumbersome process. And if we could figure out a way -- I agree completely with what Arin was just saying, you know, pay now, verify later. If instead of the process for a firm being able to put its employees on work sharing, being you have to file a plan and explain what you're doing and justify it and then you'll get the benefits, we could make the presumption that, yes, if the employer says they need to do this, it's warranted and we'll verify later.

I think we could also streamline the way that those benefits get paid. It would be a lot easier if you have an employer with a bunch of employees and they're being put on short time for the state just to make one payment to the employer and have the employer make the payments to the workers through the payroll system.

So I think just the general point is I think there are some lessons here about streamlining our processes for the future.

MR. SHAMBAUGH: Great, thanks. Sue, I wanted to turn to you on a question that I had, which is, so we've expanded UI to a lot of people, right, who weren't getting it before. But then there also is a question of who are we missing? So are there groups that we aren't bringing in? And in particular, a couple of the questions we got over email asked even about specific groups.

For example, what about people with no earnings history or no search history? You have the example, you know, a bunch of people are going to graduate from high school pretty soon. They normally would enter the job market. Will they be eligible for

UI, especially when we consider they have very low odds of finding jobs if the economy is still kind of on pause?

MS. HOUSEMAN: You know, just to start off, we should appreciate the fact that the current program is very generous and really should be expanding it to a lot of different people with the opening of this Pandemic Unemployment Assistance benefits. As Arin just pointed out, though, these benefits aren't yet available to people. And I know for my state, which is the state of Michigan, it signed I think maybe just yesterday or the day before an agreement with the U.S. Department of Labor, remember these benefits to this expanded group, self-employed, other people who might not qualify. It was signed just yesterday and the administrative details are still being worked out.

Exactly who is being covered is not clear right now. I think that the program will be sorted out administratively in the coming days and perhaps by next week. I would expect, based on past history, that that particular group he flagged was one that I had flagged myself: the new graduates. Typically wouldn't be qualified for assistance under this program, I believe. We'll have to see how long the crisis lasts. And it might be as we get experience with this new, you know, Disaster or Pandemic Unemployment Assistance program, see who's actually being covered and there might be some reason to open it up even further, particularly if this extends much beyond four months, which it may very well.

MR. DUBE: I just want to add one thing to what Sue said, which is that my understanding, also, by the way, is that new entrants to the labor market would not qualify, at least there's nothing written that I remember that would. However, the House bill actually prior to the final Senate CARES Act did specifically have a clause about new entrants that, unfortunately, did not make it in the final version. I think that's something we want to keep in mind.

Again, like if it's two months and we have a fast recovery, the consequence of that is going to be, you know, very different than if it's much more drawn out. We know that there's a lot of scarring that happens when people come into a labor market during a serious downturn. The goal here is to reduce that. If we can have a quick recovery, that will significantly reduce the scarring of that generation, you know, and our cohort of people who are coming in now. But in the meantime, I think a longer downturn would require us to start expanding the PUA approach.

The good news is we have them -- once we have the mechanism in place, we still don't have it yet, once we have it in place, you know, tinkering that to expand it to particular groups is easier than sort of starting something from scratch.

MR. SHAMBAUGH: Great. Ryan, I think you wanted to hop in? You're on mute.

MR. NUNN: I think a group that can be left out is just a group that we're not reaching of eligibles. And so one thing we know from data from prior to the crisis is the states varied a tremendous amount in the fraction of their unemployed who actually received UI benefits. Some of that was about differences in eligibility rules, but some of it was about how accessible the states made the UI benefits.

MR. SHAMBAUGH: Yeah, I think --

MS. ABRAHAM: If I could jump in on that

point.

MR. SHAMBAUGH: Yeah.

MS. ABRAHAM: I mean, I’m less worried in our current situation about people not applying than I might otherwise be, in part because with -- I mean, at least in the near term, this extra $600 only is on the books at this point through the end of July. But for now, there’s a pretty significant incentive for people to apply for these benefits. With normal UI benefits in a lot of states it’s not a very generous program necessarily. But this is a very generous program and I would expect people to apply.

I’m hoping that community groups and others will be helpful with getting the word out to people about the benefits that they’re entitled to, but that program will be important.

MR. SHAMBAUGH: Great. I wanted to turn a little bit to this $600 that you were just talking about, Katharine, or we’re all talking about a lot. And maybe, Ryan, ask you just one of the things that has come up is should we be worried that we actually made the replacement rate too high? So a few of us have already talked about it.

And one of the questions we got was over email was just saying, well, how should I think about this relative to the past? And my recollection is in the Recovery Act there was an additional $25. Right? This is adding 600, so it's a big difference in what we've done here. And so how worried are we about this or is the time limiting four-month aspect enough that we shouldn't worry too much?

MR. NUNN: I would agree with Arin and others that the ideal policy would have been a very generous increase in the replacement rate. The benefit that we saw that was necessary because of these administrative limitations will boost replacement rates well above 100 percent for many lower wage workers.

Now, I think that a couple things work against that having any really large effect. One is that there are pretty substantial long-run benefits to many workers from remaining employed. And, you know, kind of looking to the future it's hard to imagine for many workers that they would be induced to want to leave.

It's also important to remind folks that, you know, you still, in general, need to be laid off without cause in order to be eligible. There are obviously changes to that under this new legislation, but this is not something that is quite as straightforward as some may have suggested.

MR. SHAMBAUGH: Great. So one of the questions that we got, and I open this to anyone, is how should we think about the role of UI here as opposed to the direct checks that everybody's getting? And so I even notice honestly some confusion when I've talked to reporters. And I'll be talking about the $600 increment in UI and they'll say, wait, so is that the same as the $1,200? I think it was $1,200. I said, no, no, no, these are different things.

And so how do you think about the effectiveness of the policy or how you think about which way it made sense to put an emphasis or is there a reason we do both?

MS. HOUSEMAN: So I can jump in on that one, you know, a bit. First, I think it made sense, in some sense, to do both because the checks will go out quickly. We've already seen that the unemployment insurance agencies of the state are overwhelmed. And just for that very reason -- and they're doing a lot to ramp up, you know, either hiring a lot more people and so forth, so I would expect it to get better, especially as this initial just incredible surge in benefits claims kind of damps down. But so that check can get out to people very quickly.

But unemployment insurance benefits are much better targeted. They're to the people who have lost their jobs. And remember, a lot of the people who are losing their jobs now are concentrated in service industries that often are low paid and they really need the money. You know, without these kinds of benefits they might not be able to pay for food or pay their rent or whatever. Just generally we would like to get the money to those who need it most in these situations. Unemployment benefits are a targeted program in that way.

MR. DUBE: I was just going to, you know, echo that and add that if we just sort of look at the actual numbers here, someone who is unemployed and receiving, let's say, their usual UI payment is $300 and now they're getting $900 a week, over a month they're going to make almost -- receive almost $4,000 a week *[sic]* from UI. And over several months that you can just, you know, do the math and you can see that is just a lot bigger, you know, than $1,200.

So for someone who's lost their job, the $1,200 that they'll get hopefully in the next 3 to 4 weeks is going to be really useful. But in terms of for those who are losing their jobs, the UI benefits will sort of swamp the $1,200 benefit.

I think it's also useful to keep in mind that the $1,200 benefit can also be useful as a way of -- which is being received broadly, not just by those who are losing their jobs, though, again, if you have 30 percent unemployment rate, you know, god forbid, but then, you know, it's pretty broad at that point, too. But that $1,200 can also help sort of -- let's say in the best-case scenario and sometime in late May we actually start -- are able to reopen parts of society and economy, that can also help boost demand.

And so that goes back to that figure that I had before that, you know, the role of fiscal policy, as

I sort of think about it, is sort of two-pronged. One, and most immediately, is to provide social insurance to those who are particularly hard hit. And then sort of in the medium and longer run, you know, the goal is to really boost demand to make sure that recovery is fast and recovery happens in sort of a V-shaped way, bringing those -- recalling those workers who are on temporary layoff back to work fast.

And so I think both of those make sense. And at a broadest level I think we don't really, as I see it, have any perfect system that can deal with all of this. And that's why I think having a multipronged approach builds a more robust system, which is more robust to breakdowns in any particular prongs. And this is why, for example, the loans to small businesses and medium-sized businesses which can become a grant, forgiven, if they keep workers on payroll, that is another real important part of it. Because the extent to which you're reducing the number of people who are actually on temporary layoff, let's say, that makes processing easier for UI.

So all of these together I think work better than really putting all our eggs in one basket. I wish we actually had the ability to do the one-basket approach if we had really a strong basket; pushing the metaphor too far perhaps. For example, Denmark went with a system where it lets us keep everyone on at work, okay, on the payroll at the national level and the labor unions agreed to a reduction in pay. And basically all of that was decided in a tripartite national agreement.

We don't really have an institution that can easily replicate that as far as I can see. It's not to say that we couldn't have done it, but it makes it harder to do it. Which is why I think having this multipronged approach -- the $1,200 checks, the UI benefits, the loans to small and medium-sized businesses, which, by the way, might make sense to extend further -- I think all together can provide that social insurance and also fill the hole in employers' balance sheets so we can sort of stay tethered to the economy.

MR. SHAMBAUGH: Katharine, you wanted to talk about it.

MS. ABRAHAM: Yeah, actually a quick comment.

I don’t disagree with anything that Sue or Arin just said about this, but it does point out that we don’t have a very good structure in place for dealing quickly and effectively with this sort of situation.

It made sense for us to send out $1,200 checks to almost everybody because we didn’t have any other way to get money into the pockets quickly. If we had a, for example, a more robust work sharing system where when hours of work started to get cut back, maybe even to zero, the government could step in to pay short-time compensation benefits, you would have the advantage both of getting money to the people quickly and getting it to the people in a targeted way so that it was to people who need it who were receiving it.

So I think this does push me to think we want to be taking the lessons we’ve learned from this and trying to be better prepared the next time around, if there is one.

MR. SHAMBAUGH: I’d like actually to pick up straight from there because we’ve got about 10 minutes left and just to think about a broader question here, which is, okay, we had to do all this in about two weeks. Right? A lot of this was done very quickly, but people have been thinking about reforming UI for a very long time and there have been a lot of proposals to things that we could do more broadly.

So what are we taking away from this? If people just kind of give their brief answer. What do we need to do to the UI system more broadly that would put it on better footing so we're not kind of duct-taping things together really rapidly the next time around?

Maybe we can just kind of go back in the same order. Sue, if you want to kick off there.

MS. HOUSEMAN: Sure. Well, you know, I think as Arin, I believe, said, pointed out, that the -- or perhaps it was Ryan. You know, the take-up rates on unemployment insurance benefits have been extremely low, the coverage rates. So while this program expands the reach, you know, quite dramatically, just generally we have an inadequate system and we need to kind of look and see who's qualified and who is not and what are the level of benefits that, you know, states -- it varies quite a bit by state, and rethink that.

I think a second question when you're thinking more broadly about unemployment insurance reform is that one group that doesn't qualify are self-employed, gig workers, and the like. And to the degree that that segment of the workforce is expanding, that's a concern. There's all sorts of complex issues that I don't think we're going to resolve in the next few minutes about how one would do that.

But it's really an important question because anyone, emphasizing again what all three of us have said, anyone who is not an employee is completely outside the unemployment insurance system. But they often, through reasons through no fault of their own, lose work. Okay, so if we have -- all that we have in the United States or the only way it's been used so far has been sort of there's really a big disaster and then we jump in and expand, for some very temporary period of time, benefits to this workforce. We should be thinking about ways in which just more generally we can expand it and finance it, too.

MR. SHAMBAUGH: Arin.

MR. DUBE: I think there are three structural changes that need to happen to UI. A lot of experts, including here in our virtual room, have talked about these and I think it’s really important to do.

And these are eligibility, just like Sue said. The second is having a more automated way of, a trigger-based way of federal funding, which is really haphazard currently. I’ll say a little more in a second. And finally, shoring up short-time compensation, which I’ll just briefly mention and let Katharine talk more about that.

So first about eligibility. It is incredible that in some states it’s like 15 percent of unemployed actually end up receiving UI; other states it’s more than 50 percent. There’s really no reason for that and we really need to have stronger federal sort of guidance and oversight in making sure that people are -- that, you know, like 85 percent of workers who are unemployed are not falling through the cracks. And then you have to have these Band-Aid solutions during times of great distress which are hard to do, especially when you’re trying to do everything else.

Secondly, the federal government has picked up the tab, for example, in the Great Recession using, again, these -- largely using this emergency unemployment compensation scheme. There's also a trigger-based system, you know, called emergency benefits. That has not -- it's not adequate and that has just not been adequate. And instead, what we need to do is have a set of policies in place where they're either -- because if there's a major downturn, you automatically have both expansion of benefits and federal funding of the benefits that sort of prevent having to reinvent the wheel every time. Right?

And finally, short-time compensation, work sharing, we know people like Katharine have written about this. We have seen how successful it was in Germany during the Great Recession where essentially they were able to ride out a major reduction in GDP or output without a substantial reduction in employment. That's a very strong success story. This is why they're using that system, which was already in place, to actually provide payments to workers whose hours may have fallen even to zero under the current system.

It's really just embarrassing to compare our 29 different systems across states, the work sharing programs we have. No fault of the people who are doing the hard work right now, but lack of leadership on our part to really shore that up and have that in place so we can do what, for example, other countries like Germany are doing in this crisis.

So I'll stop there and let Katharine talk more.

MR. SHAMBAUGH: Go ahead.

MS. ABRAHAM: I would agree with what both Sue and Arin have said. And as my earlier comments have suggested, I'm particularly interested in the idea of shoring up short-time compensation as a response to economic downturns.

When the economy is good it's not clear that you want to be making a lot of use of short-time compensation. If a firm's not doing well and it needs to cut back because it's not succeeding and the labor market is robust, it may be that what you really want is for those workers to get laid off and go find another job. But in a downturn, work sharing, short-time compensation makes enormous sense as a response.

And as Arin was just talking about, other countries have used short-time compensation to much greater effect than we have. But in order for it to be effective, it has to be something that just kicks in automatically, that's easy for employers to apply for, easy to get the benefits to workers. And I think that is something that we could engineer.

As we're thinking about all of this, I will make just one really boring point, which is that if you want all of this to happen, if you want these systems to work well, you need to be paying attention to something that is easy just to sort of shove aside, which is adequate funding to the states for modernizing their information technology systems. Part of the reason we've ended up with this approach that was the best we could do on a short timeline is because the states just weren't very well equipped given the history of funding and staffing that they've had to do anything more sophisticated. And I think we really have to pay attention to that, but I guess that's for the future, not right this minute.

MR. SHAMBAUGH: Ryan.

MR. NUNN: Really quickly, just to emphasize that I do think it'll be important to have automatic mechanisms for triggering extended benefits. You know, we can do better there.

And one thing to note is that we know recessions are accompanied by big declines in the likelihood of finding a job. So there are folks who are already unemployed who are going to have difficulty finding work and will, in pretty short order, need to extend UI.

MR. SHAMBAUGH: That's great. So we're just about out of time. So I just want to wrap by adding, picking up one thing as we talk about modernization or fixes to UI, just because it came up in a couple spots and through some of the questions we got, which is what will soon probably be the severely problematic positions for all the trust funds and the fact that we're probably going to need the federal government to do a lot of help there. States can borrow from the federal government, I believe, for the trust funds, but at an interest rate. And given what's about to happen to them, they're almost certainly going to need a lot of help and not just paying for the extended benefits or emergency or pandemic piece, but the regular piece I think Arin mentioned at one point.

And I know there have been proposals that just in a recession the federal government should just pick up a nontrivial chunk of regular UI because it's going to strain the systems beyond their capacity. So that's one we didn't get to talk as much about, but I know all of us are interested in, as well.

So we're at 4:00 now, so I really just want to thank all the participants. I know we could keep this conversation going for a long time, but we're out of time. And I want to thank everyone who wrote in questions and for all of you for watching.

So thank you, everyone, and we'll see you soon.

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