

BY TIMOTHY NOAH AND CRISTINA RIVERO

PRO POINTS

- **Workplace shutdowns due to the coronavirus outbreak** sent weekly unemployment claims into the millions, overwhelming state unemployment offices. It happened so quickly that federal statistics have not yet caught up, but economists predict double-digit unemployment through summer.
- **Congress passed two bills in March that address the unemployment crisis.**
- **The first bill, signed into law on March 18, allocated \$1 billion to states to help them handle the sudden rise in administrative costs.** It also provided interest-free loans to states whose unemployment fund reserves are low.
- **The second bill, signed into law on March 27, added \$600 to every weekly unemployment check for a period of four months, extended unemployment benefits to self-employed workers through a new temporary program and funded 13 additional weeks' unemployment benefits.**

HOW WE GOT HERE

The Covid-19 pandemic prompted an abrupt shutdown in March of workplaces across the country to reduce exposure to the virus, which can be deadly. That caused U.S. unemployment, which as recently as February had been a very low 3.5 percent, to spin out of control, with some economists predicting it will reach levels last seen during the Great Depression of the 1930s.

Unemployment insurance is a state-federal program. It's funded by payroll taxes on businesses at the federal and state level, and it's administered by the states. Eligibility, duration of benefits and the percentage of wages covered varies by state. The unemployment system never really recovered from the Great Recession of 2007-09. Many of the largest states, including California, Texas and New York, entered the coronavirus crisis with low unemployment fund reserves, and many other states years ago stabilized their funds by cutting benefits.

U.S. unemployment rate projections for 2020 and 2021 as a result of the Covid-19 outbreak



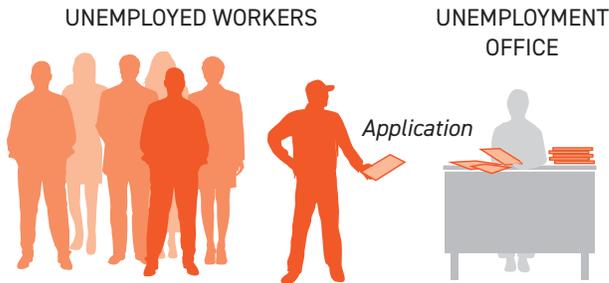
Source: Goldman Sachs Global Investment Research

Unemployment assistance eligibility and compensation

The massive stimulus bill signed by the president on March 27 expanded eligibility for, and the duration of, unemployment benefits to help counter the effects of the coronavirus outbreak. Here are some key changes.

1 FILING CLAIMS

A worker files for benefits with the state unemployment office, typically by phone or through the office's website.



COVID-19 ADJUSTMENTS

Coronavirus-prompted layoffs overwhelmed state unemployment offices with applicants.

A coronavirus relief bill signed by the president March 18 provided the states \$1 billion in administrative assistance to help them process the additional claims.

2 UNEMPLOYMENT INSURANCE ELIGIBILITY

Workers typically must have been dismissed by employers; must have worked a certain minimum number of weeks or months that varies from state to state; and can't be self-employed.

If a self-employed worker (or an employee who has not worked the state-mandated length of time) lives in a state that the president declares a "major disaster area," and if the worker can't get to his or her work site, then he or she may qualify for the Disaster Unemployment Assistance program, managed by the Labor Department and FEMA. The executive branch has discretion to release these funds and did not after the coronavirus pandemic hit.



The March 27 coronavirus law substituted for DUA Pandemic Unemployment Assistance, a temporary program set to expire at the end of this year (though it can be renewed).

PUA does essentially the same thing DUA does, but it's managed just by the Labor Department and provides benefits for up to 39 weeks (compared with DUA's 26).

3 BENEFIT COMPENSATION

The percentage of wages received in unemployment compensation, and the length of time unemployed people may collect it, vary from state to state. Most states provide 26 weeks' benefits, though it can be as little as 12. Benefits typically represent half the recipient's former wages.



50 percent pay for up to 26 weeks

The March 27 coronavirus bill adds \$600 to everybody's state unemployment benefit, which they can collect for four months.

It also makes available 13 additional weeks of unemployment benefits, as well as PUA.

Source: POLITICO staff reports

WHAT CONGRESS DID

State unemployment offices have been overwhelmed with requests for benefits, with callers unable to get through and websites crashing, so the first thing Congress did was appropriate \$1 billion to help states meet administrative costs. It also provided loans to states with low unemployment fund reserves that will be interest-free through Dec. 31.

The next thing Congress did, in its \$2 trillion coronavirus stimulus, was add \$600 to every unemployment check — a significant boost, since the average weekly unemployment benefit is less than \$400. Congress also funded, through the end of 2020, an additional 13 weeks' unemployment benefits (waiving the 50 percent contribution it usually requires from states when it does so).

And Congress created a new temporary program, Pandemic Unemployment Assistance, which extends unemployment benefits to self-employed workers and others who would ordinarily be ineligible. A federal program to provide emergency unemployment benefits to this usually excluded group existed already, Disaster Unemployment Assistance, but the new temporary program extends benefits 13 weeks longer.

POWER PLAYERS



Eugene Scalia, *Labor secretary*

Scalia kept a low profile while negotiating with Senate Democrats over the \$600 boost to unemployment benefits. His department will distribute the cash and administer the new gig-worker program, with benefits distributed through state unemployment offices.



Sen. Chuck Schumer (D.-N.Y.), *Senate minority leader*

Schumer pressed hard in negotiating the \$2 trillion coronavirus stimulus for what he called “unemployment insurance on steroids,” a plan in which workers would receive 100 percent of their salary. In the end, he settled for the \$600 boost.



Sen. Lindsey Graham (R.-S.C.)

Graham, along with three other Republican Senate dissidents — Sens. Rick Scott (Fla.), Tim Scott (S.C.) and Ben Sasse (Nebraska) — briefly held up passage of the \$2 trillion stimulus because, they said, the \$600 sweetener means some workers will get paid more for not working than to work. The dissidents may be heard from again if Congress tries to extend the sweetener beyond its current four months.