

A Plan to Improve Unemployment Protections in America

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Unemployment insurance, or UI, has been a pillar of the nation's social insurance system for 80 years. A partnership between the federal government and the states, UI provides critical support for involuntarily unemployed jobseekers and their families by replacing a share of lost wages while workers search for new jobs. UI also helps stabilize the economy during downturns by boosting the spending power of struggling families and creating demand in the economy. In 2009 alone, UI kept more than 5 million Americans out of poverty¹ and saved more than 2 million jobs by boosting demand.²

As important as UI has been in the past, the system has not kept pace with changes in the labor force or the economy. With more than two-thirds of American households experiencing at least a year of unemployment during their working years³ and the next recession inevitably approaching, there is no better time to update this crucial part of the social insurance system, benefiting both families and the economy.

A proposal from the Center for American Progress, or CAP; Georgetown Center on Poverty and Inequality, or GCPI; and National Employment Law Project, or NELP, would modernize UI and create a Jobseeker's Allowance, or JSA. These recommendations would form a significantly more robust system of assistance for American jobseekers, roughly doubling the number of workers served each year and offering greater protection during economic downturns. And for the first time, the JSA would extend earnings-loss protection to independent contractors and others who are ineligible for UI.



This document summarizes the 2016 CAP, GCPI, and NELP report "Strengthening Unemployment Protections in America."

Challenges facing the nation's assistance system for jobseekers

- Technology and globalization mean that many lost jobs are not returning. Yet too few unemployed workers have access to tools for successful re-employment, first employment, and/or training in a new sector.
- Changes in the American workforce have left workers more vulnerable than ever to involuntary unemployment, but fewer are protected by UI, with disproportionate effects on women, younger workers, workers of color, and independent contractors.

- Since UI was first enacted, recoveries from recessions have become lengthier and increasingly jobless. Meanwhile, UI’s capacity as an automatic macroeconomic stabilizer has been steadily undermined by policy decisions, including states making deep cuts while neglecting necessary financing improvements. As a result, the UI system is unprepared for the next recession.

Reforming unemployment insurance

To protect more working families, CAP, GCPI, and NELP have developed a set of recommendations for Congress and state legislatures. These reforms would ensure a robust employment, training, and income security system for involuntarily unemployed workers.

1. Reduce layoffs and ensure that more unemployed workers have access to re-employment and training tools

- Reinvigorate and expand UI’s effective re-employment programs and services; connect workers with a greater variety of job opportunities; and provide an overdue makeover for outdated technological systems
- Encourage states to bolster tools, such as work sharing programs, that help keep workers in the jobs they already have

2. Provide more Americans with enhanced protection against the shock of unemployment

- Harmonize states’ disparate benefit amounts and eligibility rules, thereby making UI’s earned insurance stronger and available to more American workers—notably, many women and low-paid workers
- Boost labor-force participation and add to UI’s countercyclical impact when unemployment rises

3. Prepare the unemployment insurance system for the next recession

- Strengthen UI’s macroeconomic potential by introducing solvency requirements for state trust funds
- Offer parameters for an improved, fully federally financed Extended Benefits program that would kick in automatically during recessions

Creating a Jobseeker’s Allowance

Even with a modernized UI system, some workers would not qualify. To help these workers actively search for work and improve their skills, we propose a Jobseeker’s Allowance, or JSA—a small, short-term weekly allowance equal to approximately 50 percent of the wages of a typical low-paid worker, alongside services that facilitate employment and connections to job opportunities.

Endnotes

- 1 Arloc Sherman, “Safety Net More Effective Against Poverty Than Previously Thought” (Washington: Center on Budget and Policy Priorities, 2015).
- 2 Heather Boushey and Matt Separa, “Unemployment Insurance Dollars Create Millions of Jobs” (Washington: Center for American Progress, 2011).
- 3 Mark Robert Rank, Thomas A. Hirschl, and Kirk A. Foster, *Chasing the American Dream* (New York: Oxford University Press, 2014).