10 Key Trends from the Unemployment Crisis in California and Their Implications for Policy Reform

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SUMMARY

In March of 2020, the rapid spread of COVID-19 and ensuing public health responses led to a dramatic surge in Initial Claims for unemployment insurance (UI). During the week of March 28th alone, over 1 million Californians filed for UI benefits. In the following weeks, the total number of UI claimants continued to climb and reached over 5 million in early May. The unprecedented increase in claims put an enormous strain on the UI system in every state, and California was no exception. Due to this surge and the fast-paced development of the crisis, UI claims data became a crucial and timely source of information about the state of the labor market and the fate of affected workers.

The California Policy Lab partnered with the Employment Development Department (EDD) early in the crisis to analyze unemployment claims data. On April 29th, 2020, CPL released its first analysis. It was clear, even then, that the crisis would disproportionately harm the state’s most vulnerable workers. As the crisis progressed, CPL released 15 more reports, providing near real-time analysis about the impact of the crisis, while simultaneously identifying strategies to mitigate the damage, like making the Work Sharing program more accessible to companies; increasing the availability and amounts of partial UI benefits for workers; highlighting the impact of raising benefits and extending durations for vulnerable workers; clarifying who was and was not collecting UI benefits; illuminating weaknesses with the Extended Benefits program, and documenting the role federal UI supplements played in supporting workers.

This snapshot looks back at the 10 most essential findings from these reports, shows how this crisis was different, and what these findings have taught us about the Unemployment Insurance system in California and nationwide.
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1. Benefit extension programs provided increasingly essential support for unemployed workers as the COVID-19 crisis dragged on. 70% of claimants receiving regular UI benefits at the beginning of April 2021 were receiving benefits through an extension program (either PEUC or FED-ED). The Pandemic Unemployment Assistance (PUA) program, despite some issues with fraud, also provided benefits to hundreds of thousands of Californians each week who otherwise would not have qualified for benefits. Since the start of the crisis in March 2020, over 7.8 million Californians have collected UI benefits.

**FIGURE 1: Individuals Receiving Unemployment Insurance each week**

By Program Type
- **PEUC**
- **FED-ED (EB)**
- Regular UI
- **PUA**

X-axis denotes the week of unemployment. This figure does not include individuals who certified for benefits but were denied payment. Data in recent weeks has been adjusted to account for regular delays in processing and retroactive certifications.
2. Workers relying on UI Benefits during COVID-19 crisis have been substantially more vulnerable than in past recessions. Workers in the food service and entertainment industries, who tend to be younger, lower-educated, and people of color, were the most impacted as these industries shut down in response to public health orders. Women, who were also particularly affected by the unique nature of the crisis, filed proportionally more claims than men.
3. CPL’s new measure of UI receipt – the number of individuals by the week in which they experienced unemployment – is robust to substantial swings in published UI statistics during the crisis. Historically, policymakers have relied on the number of UI benefits weeks individuals certified for in a given calendar week to count the number of UI beneficiaries, an approach that may neither correspond to the number of individuals, nor the week in which they experienced that unemployment, and that is affected by swings in retroactive claiming, which raised concerns (including by the GAO) about numbers possibly being inflated.

FIGURE 3: Measuring Continued Claims By The Number of Individuals Paid Benefits for Unemployment Experienced in That Week Tells a Different Story Than the Counting Number of Payments Processed in a Given Week

This figure includes claims for regular UI, PUA, and extension programs. The number of "Individuals Paid Benefits by week of unemployment" has been adjusted to account for regular delays in claim processing.
4. The UI system was not meant to support low-wage workers with little savings over extended periods of time as was the case during the COVID-19 pandemic. Federal UI benefit supplements (FPUC, LWA, and PAC) made an important difference for workers struggling to make ends meet. In California, Unemployment Insurance pays weekly benefits equivalent to about half of prior earnings, with a maximum of $450 per week. Without benefit supplements, the average weekly benefit amount (WBA) during the crisis ($332) was just 56% of the state threshold for “Very Low Income.” Even with the extra $600 FPUC supplement, the average claimant’s WBA still fell below the state’s “Low Income” threshold.

**FIGURE 4: Average Weekly Benefit Amount of Initial Claimants**

*Initial claims for Regular UI only – This figure does not include PUA claimants or transitions to extension programs.*
5. The UI recipiency rate (the share of unemployed workers who receive UI benefits) has risen substantially in California, and is well above levels seen in past recessions, but access to UI benefits among the unemployed remains unequal. Our February analysis showed substantial differences in recipiency among counties that varied systematically with socioeconomic and demographic factors like income, race, ethnicity and access to technology.

FIGURE 5A: County Level UI Recipiency Rates

Dot sizes correspond to number of unemployed workers in that County. U-6 unemployment has been adjusted to account for potentially misclassified workers, as outlined by the Department of Labor.

FIGURE 5B: How do County-Level UI Recipiency Rates Vary With Different Social and Economic Measures?

Interpretation Example: Counties with a higher median household income tended to see a higher share of unemployed individuals receive UI benefits, while counties with a higher share of Hispanic residents tended to see a lower share of unemployed individuals receive UI benefits. Recipiency rates calculated with December 2020 data. County-level correlates calculated with IPUMS data, using ACS 5-year estimates from 2014-2018. Information on COVID confirmed cases is sourced from the Los Angeles Times.
6. A large and growing number of vulnerable workers have experienced or are experiencing long-term unemployment (LTU), putting them at risk of adverse consequences, including lasting income reductions, poverty and challenges with ever returning to work. We define long-term unemployment as receiving more than 26 weeks of UI benefits during the first twelve months of this crisis and our March 2021 report shows that women and lower-educated workers claiming regular UI benefits are at especially high risk of experiencing LTU.

**FIGURE 6: Share of All UI Claimants Experiencing Long-Term Unemployment**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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<tbody>
<tr>
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<tr>
<td>Gender</td>
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<tr>
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<tr>
<td>Male</td>
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<tr>
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<tr>
<td>55+</td>
<td>53.3%</td>
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<tr>
<td>Race/Ethnicity</td>
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<tr>
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<tr>
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<td>52.1%</td>
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<tr>
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</tr>
</tbody>
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*Long-Term Unemployment defined as being paid UI benefits for more than 26 weeks of unemployment between March 15, 2020 and March 13, 2021.*
7. Extended Unemployment Benefits (EB) are supposed to help workers during long-term downturns like this crisis, but CPL’s research found the current system puts long-term UI recipients at risk of having their benefits cut off prematurely. In 33 states and territories, extended benefits have already “turned off” because the Insured Unemployment Rate (IUR) measure excludes claimants on extension programs.

FIGURE 7A: Workers in 33 States and Territories Have Seen their Extended UI Benefits Cut Short Due to the Insured Unemployment Rate (IUR) Measure Excluding Claimants on Extension Programs

California’s Long-Term Unemployed May Soon Be Affected by the Faulty Trigger. In California, the IUR measure has already dropped below the trigger threshold. However, the state is currently eligible for 20 weeks of Extended Benefits via the Total Unemployment Rate (TUR) measure. Once this measure (at 8.6% as of April 25, 2021) falls below 8.0%, Extended Benefits will only be available for 13 weeks in the state. When the measure drops below 6.5%, Extended Benefits will trigger off in California.

FIGURE 7B: While California’s IUR Measure Has Fallen Below the Trigger Threshold, it Still Qualifies for 20 Weeks of Extended Benefits via the TUR Measure

"TUR" = "Total Unemployment Rate". The TUR is derived from monthly surveys of the number of unemployed people conducted by the Current Population Survey (CPS) run by the Bureau of Labor Statistics. California’s IUR measure is illustrated in the appendix accompanying our Policy Brief.
8. Initial claims have remained above historic levels as the crisis drags on, in part because of additional claims: claims which have been re-opened after a claimant has had a break in certifications with intervening work. This may imply workers are experiencing a large amount of churn in and out of work and the UI system.

FIGURE 8: As the Crisis Dragged on, Additional Claims Became the Primary Factor Driving Initial Claims Numbers

*Additional Claims are claims which have been re-opened before the end of the benefit year after a break in certifications with intervening employment. In this figure, Transitional claims are included in the “Additional Claims” region.*
9. A substantial share of UI claimants have been working, but at reduced hours, allowing them to continue receiving UI benefits, implying workers have remained connected to their employers. This has important implications for how the UI system should be structured - as discussed below.

**FIGURE 9: Share of UI Claimants Reporting Part-Time Earnings, by Industry**

Workers who have seen their hours reduced can claim "Partial UI" and receive a reduced Weekly Benefit Amount.

- Accommodation and Food Services
- Health Care and Social Assistance
- Manufacturing
- Retail Trade

Data includes regular UI claimants in California. PUA claimants are not included. Denominator is all paid claimants in that week from that industry. Does not include claimants who saw their UI payments denied due to full-time work or excess earnings.
10. Throughout the crisis, a large (and recently increasing) fraction of workers filing new claims reported that they expect to be recalled to their prior job, suggesting that some layoffs could be temporary, not permanent. The extent to which these recalls actually occur will play a major role in shaping the economic recovery.

FIGURE 10: Recall Expectations Among Workers Filing New Initial Claims Are Substantially Higher Than the Pre-Pandemic Period

This figure only includes new initial claimants for regular UI - it does not include additional claimants, nor does it include transitional claims or PUA claims.
Policy Recommendations Based on These Findings

1. The Federal Government should reform Extended Benefit triggers to count workers on extended UI benefits to better provide adequate UI extensions as economic conditions warrant. The EB program should also be expanded to automatically provide more than 20 weeks of federal funded benefits when economic conditions warrant.

2. The high rate of partial UI usage during the pandemic, coupled with consistently high numbers of additional claims, and high expected recall, indicate that the Work Sharing program was under-utilized in California. States and the federal government should work to increase participation in Work Sharing programs during the recovery. Work Sharing programs (also known as Short-Time Compensation) allow employers to reduce employee working hours (or rehire laid off workers at reduced hours), while employees claim partial UI benefits (and are eligible to receive the full federal UI supplements like the $300 PAC benefit).

3. California and other states should raise the “earnings disregard” for the substantial number of claimants receiving partial UI benefits. As discussed in our July 29th Analysis, this will allow workers with partial employment opportunities whose employers do not participate in Work Sharing to receive higher benefits.

4. The computing infrastructure supporting the Unemployment Insurance system should be further modernized, enabling it to rapidly process large numbers of claims, and flexibly adjust system rules and eligibility requirements. The large volume of claims from vulnerable workers during COVID-19 crisis laid bare the costs of under-investing in the Unemployment Insurance infrastructure. There is movement in Congress to reform the UI system, such as the recent proposal from Senators Bennet and Wyden, but it will take active state participation to make this happen.

5. The federal government should support academic-public partnerships and micro data access to evaluate the effectiveness of UI-related programs and policies implemented during the COVID-19 pandemic. Given the amount already invested in UI programs – since March of 2020 California alone has served at least 7.8 million workers and paid out $139 Billion in UI benefits – the federal government should set aside funding for a broad-based academic-public partnership for evaluating the effectiveness of these programs to better guide structuring UI programs going forward.

6. Federal reporting of state UI activity data should be reformed, harmonized, and made more transparent. States’ data reports are often the only window into the functioning of the UI system. CPL’s research has shown that more revised data reports from states would lead to more timely and accurate information, that could provide important insights on UI receipt by race and ethnicity, if states’ reports would be enriched and harmonized, among others.

7. More states’ Employment Departments should partner with research organizations to analyze data on UI claims and earnings. The California example has shown how state-owned administrative data on the UI program can provide key insights into how the UI system is functioning, enable real-time updates on the state of the labor market, and aid in the evaluation of both federal and local economic policies.
Acknowledgments

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Background on the data in this report

The size and richness of the administrative data we use allows us to analyze how the crisis in the labor market has affected workers by gender, age, education, race, and ethnic groups, as well as by detailed regions and industries. These analyses complement both traditional survey-based measures of labor market outcomes, which are very detailed but suffer from large lags and low frequency, and weekly publications of total UI claims, which are timely but lack the detail available here. These data allow us to track the fast-moving nature of the crisis and to help inform assistance for workers and firms affected by the upheaval in the labor market.

For inquiries about the definitions, methodology, and findings of this policy brief, please contact Till von Wachter. Email: tvwachter@econ.ucla.edu. To obtain the data tabulations used in this policy brief, please contact: Dr. Muhammad Akhtar, Chief, Labor Market Information Division, California Employment Development Department. Email: Muhammad.Akhtar@edd.ca.gov.