Changes in State Unemployment Insurance Rules during the COVID-19 Outbreak in the U.S.

Xie, Zoe

Federal Reserve Bank of Atlanta

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Zoe Xie†

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Abstract

The COVID-19 pandemic led to an unprecedented expansion in unemployment insurance (UI) eligibility across states. While more than forty states had modified UI rules by the end of March, not all states responded in the same way. This article summarizes the changes to state UI rules in response to the crisis and explores factors that have contributed to the variation in states' responses. The main findings are: (1) States differ in whether and how they extend UI eligibility to workers who are unable to work due to quarantine, COVID-19 related illness, caring for sick family or at-home children. (2) The service sector share of employment in a state is positively correlated with extended UI eligibility coverage. (3) The number of confirmed COVID-19 cases is only weakly correlated with UI eligibility expansion, while the solvency of a state's UI fund does not limit the expansions.

Keywords: COVID-19, Unemployment insurance, Fiscal policy

JEL classifications: H72, J65

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†Research Economist and Assistant Adviser, Federal Reserve Bank of Atlanta.

The COVID-19 pandemic led to an unprecedented expansion in unemployment insurance (UI) eligibility across states. States are often able to respond faster than the federal government to economic emergencies and the COVID-19 crisis was no exception. By the end of March, more than forty states had passed modified UI eligibility rules to help impacted workers. In contrast, the federal government Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed on March 27th, did not become effective until April 5th.[1]

Not all states have responded to the crisis in the same way. More than half of states extended eligibility to include workers unable to work due to quarantine or illness related to COVID-19. About one-third of states extended coverage to workers caring for family with COVID-19 related illness or at-home children due to school closure. A few states extended coverage to self-employed workers, who are usually not eligible to apply. While many states substantially increased eligibility coverage, others did not adjust their UI programs at all. What accounts for the variation in states' responses?

In this article, I summarize the key changes in states' UI eligibility rules in response to COVID-19, and explore factors that potentially contributed to the differential responses by states. States with larger shares of service sector employment were more likely to extend UI eligibility coverage. States with more confirmed COVID-19 cases were slightly more likely to extend coverage to workers caring for sick family or at-home children. The solvency of a state's UI fund did not limit the expansion of UI coverage. In fact, states with worse-funded UI programs were more likely to expand coverage during this crisis.

Adapting social policies such as unemployment insurance swiftly to an economic or social crisis can provide important relief. Specific to the current situation, extending UI coverage to previously ineligible workers provides income to the many American workers who have little backup funds and are unable to work.[2] Increasing the UI eligibility coverage can also help keep sick workers home, which is important for slowing down the virus spread.[3]

1. Key changes in states' UI rules

I first summarize state UI policy changes in response to the spread of COVID-19 in March 2020. These changes are usually announced through an emergency executive order issued by the governor's office. Table 1 provides details on the changes for each state.

Worker search requirement. Weekly job search is part of the requirements for a worker to continue collecting benefits. In order to promote social distancing and reduce the spread of the novel coronavirus, over forty states have temporarily waived or relaxed the job search requirement. Some including Maine, Maryland, Nevada, North Dakota, Pennsylvania, Texas, Washington, West Virginia, and Wisconsin waived it for all unemployed workers; some states only waived it for COVID-19 related claims (e.g. Hawaii, Iowa, Kansas, Louisiana, North Carolina) or new claims approved after certain dates (e.g. Georgia, Virginia); a few modified the search requirement to online search only (e.g. California, Minnesota, Oregon).

Able and available requirement. Being "able and available" for work is another important criterion for continued collection of UI benefits. Quarantine or illness related to COVID-19 could make workers unable to work, while caring for family with COVID-19 illness or at-home children would make workers unavailable for work. In response to the current unique situation, some states have modified the concept of "able and available." Alabama modified the rules to include those who are quarantined, sick or taking care of family. Delaware and North Dakota treated quarantined or sick workers as if they are on temporary leaves (and hence eligible for unemployment benefits). Illinois relaxed the "able" standard by requiring workers to only demonstrate ability

[1] In the U.S. the unemployment insurance program is a "federal-state partnership based upon Federal law, but administered by state employees under state law" (Department of Labor). During normal times, states decide benefit eligibility criteria, benefit generosity and requirements for continued benefit collection. During recessions or emergencies such as the current situation, the federal government may pass supplementary UI rules that apply to all states and are funded by the federal government.

[2] Kaplan, Violante and Weidner (2014) find that 25-40% of U.S. households are hand-to-mouth. These are the households who "spend all of their available resources in every pay period."

[3] This logic is similar to Chetty (2008)'s finding that the liquidity effect of UI can lengthen workers' unemployment duration. Under normal circumstances the UI system is designed to minimize such work disincentive. But in the current crisis, the opposite may be true. At least in the short-run, slowing down the virus spread by keeping sick workers away from the work place is arguably a public health and economic priority. Extended UI eligibility can be important in keeping mildly sick and potentially contagious workers home especially in industries where paid sick days are traditionally not available, for example, in the meat processing industry (Bloomberg News, March 20th). Given the logistics involved in implementing any new policy, Using the UI system to provide this short-term liquidity to workers may also be more effective and less time-consuming than establishing a new system specifically designed to keep sick workers home.

to do certain work from home, e.g. transcribing, data entry. Kansas assumed impacted workers are able and available for work unless they refused suitable work due to illness. Massachusetts made similar concessions and without the requirement to accept suitable jobs unless the situations that prevent workers from working have been resolved. Arizona, Michigan and New Hampshire extended coverage to workers who are quarantined, sick, caring for sick family or at-home children. Oregon considered workers who are sick at home or quarantined and asymptomatic as able to work. West Virginia waived the "able and available" requirement.

Self-employed workers. A few states, such as Kentucky, New Hampshire, and New York extended coverage to self-employed workers, contract workers, and small business owners, who under usual circumstances are not covered by the state UI unless they have worked for an employer in the past 18 months.

Interpretation of "at fault" and "good cause." Workers who miss work due to fear of the virus but are not under quarantines recommended by a physician, the employer or the government would be considered quitting without a good cause. While the majority of the states still do not provide coverage to these workers, some states extended coverage to such workers who are expected to return to original work. Florida and Kentucky considered a worker leaving work due to reasonable risk of exposure to COVID-19 not the worker's fault. States such as Alabama, Indiana, and Wyoming, on the other hand, explicitly treated asymptomatic workers missing work due to self-quarantine as "at fault" or not good cause.

Additionally, all but eight states require a one-week **waiting period** after the unemployed worker is eligible but before benefits start paying. In response to the virus outbreak and in an effort to get checks to unemployed workers fast, more than half of states have temporarily waived the waiting period. Workers on temporary or permanent layoffs due to **employer downsizing or closing** are eligible under the usual UI rules, once they meet the state's requirements on work history. All states with partial benefit also cover workers whose hours are reduced due to the virus outbreak.

2. Factors that may affect UI rule modifications

2.1 Setup and data

States have modified their UI rules in very different ways. While a majority waived the job search and waiting period requirements, only a few extended UI coverage to self-employed workers. Among the changes that states implemented, there are large cross-state variations in the expansion of eligibility coverage to four types of workers (scenarios):

- workers under quarantine recommended/requested/ordered by a physician, the employer or the government;
- workers with confirmed COVID-19 (symptomatic) illness;
- workers leaving to care for family member with COVID-19 illness;
- workers leaving to care for children due to school closure.

I look at the state-level variations in these policy changes. A state covers the scenario ($dependent\ variable = 1$) if the official documentation (e.g. FAQ related to COVID-19 from state unemployment insurance agency or governor's executive order) says so. The state does not cover the scenario ($dependent\ variable = 0$) if the official documentation does not mention the specific scenario; or the rule says eligibility is determined case by case; or it specifically says the scenario is not covered because the worker does not satisfy the "able and available" requirement. A few states use other insurance programs (e.g. Disability, Caregiving, Family leave) to cover a scenario, which I exclude in the regression for that scenario.

I focus on three factors that may potentially affect a state's decision to extend UI eligibility.

1. Service sector share of private employment.
   - Workers in the service sector are often the most exposed to the risk of the coronavirus, as their work requires close contact. The service sector is also the hardest hit by the quarantines and business slowdowns. As such, states with more workers in the service sector may have a stronger incentive to expand UI eligibility in order to reach more impacted workers.

- Service sector employment and total private employment are from the Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages. I the most recent data, which the third quarter of 2019, to calculate the share (percent).

2. Number of confirmed COVID-19 cases.

   - Similarly, states with more confirmed cases and hence more potentially impacted workers, either through self-quarantine, sickness, or having to take care of family members, may have a stronger incentive to expand eligibility.
   - I take the total number of cases confirmed by March 28th from the Centers for Disease Control and Prevention. I exclude New York state for the analysis using this variable, as the sheer number of cases in New York makes it an outlier.

3. UI fund solvency.

   - Since it may be costly to expand UI coverage, states with poorly funded UI programs may be more reluctant to do so.
   - I use the Average High Cost Multiple index published by the Department of Labor for the year 2020. This is an index that captures the state's ability to fully fund future unemployment benefits. It is calculated using the state trust balance at the end of 2019, divided by average of the three highest years of benefit payments. An index of 1 means the state's UI fund is expected to exactly cover its highest future UI obligations. A higher index indicates the fund is better funded.

2.2 Results

Bar Chart. For each factor, I group states by whether it is above or below the medium. I then compute the share of states in the group with extended coverage to each type of workers (quarantined, sick, caring for family, caring for children). These are shown in Figure 1.

1. Service sector share of private employment. Panel (a) shows that states with below-median service employment share are less likely to provide extended coverage. The pattern is especially stark for the coverage of workers caring for sick family or at-home children: 26% of the states with service employment share below the median offered coverage for those workers, compared to 48% among states with above-median service employment share. For example, the state with the lowest service employment share, Wyoming, covered none of the scenarios, while Washington D.C. with the highest service employment share covered three of the four scenarios.
2. Number of confirmed COVID-19 cases. Panel (b) shows that states with more confirmed COVID-19 cases are more likely to extend coverage to workers caring for sick family or at-home child. For example, Massachusetts, Michigan, and Illinois, which covered all four scenarios, are among the top 10 in terms of confirmed cases, while Wyoming, Nebraska, and Hawaii, which covered none of the scenarios, are among the 10 states with the least confirmed cases.[4]
3. UI fund solvency. Panel (c) shows that, contrary to what one would expect, states with worse-funded UI programs are actually more likely to extend coverage. For example, Illinois (index 0.42) and Massachusetts (0.57) covered all four scenarios, whereas Nebraska (1.75) and Nevada (1.52) covered none of the scenarios. The relationship is most striking for the coverage of workers caring for sick family or at-home children. Among states with below-median UI fund solvency index (about 1.1), 48% provide coverage to workers caring for sick family and 52% to those caring for at-home children, compared to 26% and 22% among states with above-median UI fund solvency index. There are potentially two reasons that the solvency of a state's UI fund did not limit states' expansion of UI coverage. First, states likely expected the federal government to step in and take over paying for the extended coverage soon. Second, states with more generous UI benefits during normal times are more likely to have poorly funded UI programs, and may also be more willing to extend UI eligibility during a crisis. Indeed, I find that a state's maximum potential UI benefit amount in 2019 is positively correlated with extended coverage to workers in all four scenarios.[5]

[4] The total number of COVID-19 related deaths, on the other hand, does not show a positive correlation with extended coverage.
[5] Maximum potential UI benefit data are from BLS report "Comparison of State Unemployment Laws 2019", and is the product of the maximum weekly benefit amount and the maximum benefit duration.

Logit Regression. As another way to illustrate the results, I use a single-variate logit regression setup. The coefficients of these logit regressions are summarized in Table 2.

1. Service sector share of private employment. Service sector employment share is positively correlated with all four eligibility expansions. Among these, the correlation with the coverage of workers caring for at-home children is significant at the 5% level. A 1-percentage point increase in the service share of employment increases the log odds of a state offering coverage to these workers by 0.16.
2. Number of confirmed COVID-19 cases. The number of confirmed COVID-19 cases is also positively correlated with all four coverage extensions, although none is statistically significant.
3. UI fund solvency. Consistent with findings of Figure 1, states with worse-funded UI programs were more likely to extend coverage. The relationship is statistically significant for coverage of the sick and those caring for children. A 1-point increase in the UI fund solvency index, which ranges from 0.21 to 2.53, lowers the log odds of a state offering coverage to those workers by 1.08 and 1.71, respectively.

In addition, I consider the governor's party affiliation and the share of older population. States with a Democratic governor were more likely to extend eligibility coverage to workers caring for sick family or at-home children. A larger share of elderly population is positively correlated with extended coverage to workers caring for sick family, but negatively correlated with coverage for workers caring for at-home children.[6]

3. Conclusion

Recent evidence has shown that state governments can usually react faster than the federal government in a crisis. This is why changes to state UI rules in an emergency situation such as COVID-19 can be critical for households. This article has summarized the key changes in state UI rules during March 2020. There is a large variation across states in whether and how they responded. The article further investigated factors that contributed to the variations in states' responses. The service sector employment share contributes positively to state extending coverage, especially to workers caring for at-home children due to school closure. The number of confirmed COVID-19 cases is positively correlated with more actions by the state, although the relationship is not statistically significant. The solvency of a state's UI fund does not seem to limit its responses. One caveat to the findings here is how fast states can process unemployment benefit checks and get the money to workers. Anecdotal evidence suggests significant delays and, as a result, the workers who are covered as a part of states' extended eligibility coverage may not be able to get the unemployment check in time. Nevertheless, states that extended UI coverage early on may be better positioned (e.g. modifying the existing online system, mobilizing the necessary manpower to handle additional applications) to process unemployment checks to newly eligible workers even after the federal CARES Act comes into effect. The actual impact of state's extended UI coverage during this crisis will be an interesting avenue for future research.

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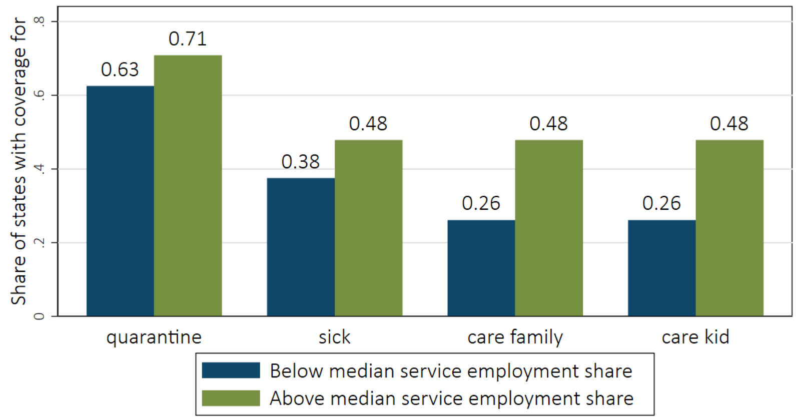
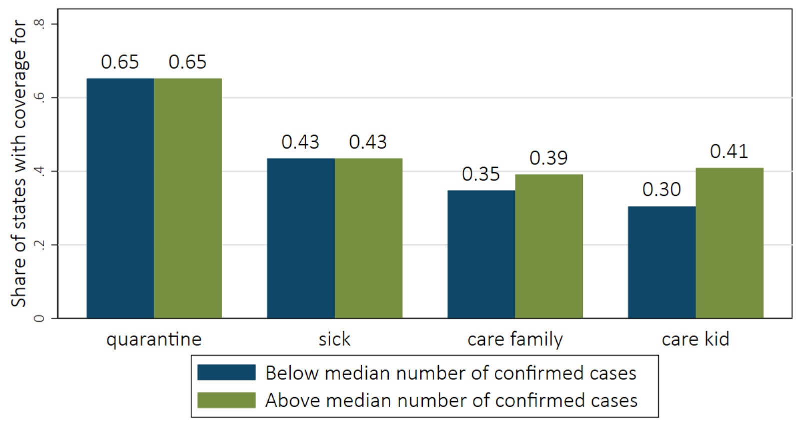
[6] I use the states' population share of residents 65+, which is readily available from the U.S. Census. A more accurate measure for the vulnerable group would be the share of population over 60, according to the CDC guidelines.

Figure 1: Share of U.S. States Extending UI Coverage in Response to COVID-19 by Contributing Factor and Worker's Reason for Leaving Work

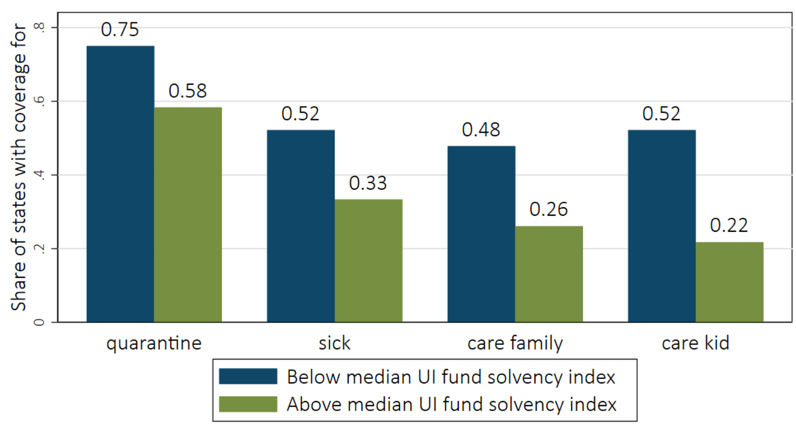
(a) Service Sector Share of Employment



(b) Confirmed COVID-19 Cases



(c) UI Fund Solvency Index – Average High Cost Multiples



Notes: Graph shows the share of states with below- or above-median (a) service sector share of employment; (b) confirmed COVID-19 cases; (c) UI fund solvency index that extend coverage to workers who are not usually eligible for UI benefits. Graph is grouped by the worker's reason for leaving work: under quarantine as recommended/requested/ordered by a physician, the employer or the government; contracted COVID-19; caring for family with COVID-19 illness; caring for children due to school closure.

Sources: Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages, Centers for Disease Control and Prevention (CDC), Department of Labor (DOL) State Unemployment Insurance Trust Fund Solvency Report 2020, State unemployment insurance agency.

Table 1: Changes in State Unemployment Insurance Rules in Response to COVID-19

States	Waiting period	Weekly job search	Rules modified to cover: Recommended quarantine	Self-imposed quarantine	COVID-19 illness	Caring for sick family	Caring for at-home kids	Other new coverage
Alabama[1]	waived for impacted	waived for impacted	covered	not covered	covered	covered	–	
Alaska	–	waived	covered	case by case	case by case	–	case by case	
Arizona	waived	waived	covered	case by case	covered	covered	covered	
Arkansas	waived	waived for new claims	–	–	–	–	–	
California	waived	waived or relaxed	covered	case by case	covered by DI/UI	covered by FL/UI	covered	
Colorado	–	–	not covered	not covered	not covered	not covered	not covered	
Connecticut	no waiting period	waived	case by case	case by case	case by case	not covered	case by case	
Delaware[2]	waived	waived	covered	case by case	covered	covered	covered	
D.C.	–	–	covered	–	covered	case by case	covered	
Florida	–	waived	not covered	covered	not covered	covered	not covered	
Georgia	no waiting period	waived for new claims	–	case by case	covered	covered	covered	
Hawaii	waived for impacted	waived for impacted	covered by TDI	–	covered by TDI/WC	covered by FL	covered by FL	
Idaho	waived	waived for temp layoff	covered	case by case	not covered	not covered	not covered	
Illinois[3]	–	waived	covered	case by case	covered	covered	covered	
Indiana	not waived	–	covered	not covered	covered	–	covered	
Iowa	no waiting period	waived for impacted	case by case	case by case	covered	case by case	–	
Kansas[4]	waived for impacted	waived for impacted	covered	–	covered	covered	covered	
Kentucky	waived	waived for temp layoff	covered	covered	–	covered	covered	Coverage expanded to include self-employed
Louisiana	waived for impacted	waived for impacted	–	–	–	–	–	
Maine	waived	waived	case by case	–	not covered	case by case	case by case	
Maryland	no waiting period	waived	covered	case by case	covered	covered		
Massachusetts[5]	waived	–	covered	case by case	covered	covered		
Michigan	no waiting period	waived	covered	case by case	covered	covered	covered	Benefits extended from 20 to 26 weeks
Minnesota	waived	relaxed	covered	case by case	covered	covered	covered	
Mississippi	waived	waived for new claims	covered	–	currently not covered	currently not covered	currently not covered	
Missouri	waived for impacted	waived for temp layoff	covered	case by case	case by case	–	not covered	
Montana	–	waived for temp layoff	covered	not covered	not covered	covered	not covered	
Nebraska	–	waived for new claims	–	–	not covered	–	–	
Nevada	no waiting period	waived	–	–	–	–	–	
New Hampshire	waived		covered	–	covered	covered	covered	Coverage expanded to self-employed and small business owners
New Jersey	no waiting period	–	covered by WC	covered by TDI	covered by TDI/WC	covered by FL	use sick leave	
New Mexico	not waived	waived	covered	not covered	–	covered	not covered	
New York	waived for impacted	waived	covered by sick leave	–	covered by WC/TDI	covered by sick leave	covered by emergency FML	Coverage expanded to independent contractor with an employer, e.g. gig-workers

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Changed in State Unemployment Insurance Rules in Response to COVID-19, continued

States	Waiting period	Weekly job search	Rules modified to cover: Recommended quarantine	Self-imposed quarantine	COVID-19 illness	Caring for sick family	Caring for at-home kids	Other new coverage
North Carolina	waived for impacted	waived for impacted	covered	–	case by case	–	–	
North Dakota	–	waived	covered	–	covered	–	–	
Ohio[6]	waived	waived	covered	case by case	case by case	case by case	–	
Oklahoma	waives	waived	–	–	–	–	–	
Oregon[7]	–	waived or relaxes	covered	case by case	covered	covered	covered	
Pennsylvania	waived	waived	covered	case by case	–	–	covered by FML	
Rhode Island[8]	waived for impacted	–	covered by TDI/TCI/UI	–	covered by TDI/TCI	covered by TDI/TCI	covered	
South Carolina	–	–	not covered	not covered	not covered	not covered	not covered	
South Dakota	–	–	covered	not covered	covered	not covered	not covered	
Tennessee	–	waived for temp layoff	covered	not covered	–	not covered	–	
Texas	waived for impacted	waived	covered	not covered	covered	case by case	covered	
Utah	not waived	case by case	case by case	not covered	not covered	–	–	
Vermont	–	waived for temp layoff	covered	–	covered if recovered	covered by FML	covered by FML	
Virginia	waived	waived for new claims	–	–	–	–	–	
Washington	waived	waived	covered	–	covered	case by case	case by case	
West Virginia[9]	waived	waived	covered	–	covered	–	–	
Wisconsin	waived	waived	covered for temp leave	not covered	not covered	not covered	not covered	
Wyoming	no waiting period	–	not covered	not covered	not covered	–	–	

Notes: Information on the changes in state unemployment insurance rules comes from state unemployment insurance agency or governor's executive order as of March 28, 2020. *Recommended quarantine* includes quarantines recommended/requested/ordered by a physician, the employer, or the government. *Self-imposed quarantine* includes those that are not among the recommended quarantines, such as refusal to go to work due to risk of the virus and worker is not part of a high-risk (over 60 or with underlying conditions) group. (T)DI: (temporary) disability insurance. (T)CI: (temporary) caregiver insurance. (P)FL: (paid) family leave. F(M)L: family (medical) leave. UI: unemployment insurance. WC: worker compensation. All states cover under usual rules not-at-fault temporary layoffs and firing due to employer downsizing or closing; states with partial unemployment insurance continue to cover reduced hours. I use "–" to mark when no special provision for a scenario is mentioned in the state's official document, and treat these as "case by case" in the analysis.

Notes on states: 1. Alabama treats impacted workers as able to and available for work. 2. Delaware treats medically quarantined, sick, and caring for sick family or at-home kids as temporary layoffs and hence eligible for benefits. 3. Illinois requires workers to demonstrate ability to do certain work from home (e.g. transcribing, data entry) to be considered able to work. 4. Kansas treats workers who miss work due to COVID-19 as able to work unless refuse suitable offer due to illness. 5. Massachusetts considers impacted workers as temporary leaves if expect to return to work, or medical leave if not; no requirement to accept suitable work in the meantime. 6. Ohio covers COVID-19 related illness, caring for family or children only if the leaves are requested by the employer. 7. Oregon considers sick at home and asymptomatic quarantines as able to work, hospitalized judged case-by-case. 8. Rhode Island covers sick workers with temporary disability or temporary caregiver insurance if unable to work, and unemployment insurance for quarantined but asymptomatic workers; potential to extend coverage to independent contractors and self-employed. 9. West Virginia waived able and available to work requirement for quarantined and sick.

Table 2: Coefficient from Single-Variate Logit Regressions of State Expansion of UI Coverage

Factors	Quarantine	COVID-19 illness	Care for sick family	Care for at-home kids
Service share of employment (%)	0.042	0.055	0.12	0.16**
Confirmed COVID-19 cases	0.000058	0.00023	0.00050	0.00049
UI fund solvency index	-0.85	-1.08*	-0.78	-1.71**

Notes: Results are from single-variate logit regressions, i.e. each cell is from one separate logit regression. ** Logit regression results significant at 5%; * significant at 10%. *Quarantine* includes quarantines recommended/requested/ordered by a physician, the employer, or the government.

Sources: Service sector employment and total private employment are from Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages for the third quarter of 2019. The number of confirmed COVID-19 cases come from the Centers for Disease Control and Prevention (CDC) as of March 28, 2020. The Average High Cost Multiple index is provided by the Department of Labor (DOL) as of Jan 1, 2020.