

# **Unemployment Insurance Modernization and Recession Readiness Act of 2023**

## *Section-by-Section Summary*

The COVID-19 pandemic made abundantly clear that the nation’s unemployment insurance (UI) system is inadequate to protect workers from financial devastation when they lose their jobs. In March 2020, Congress stepped in to enhance unemployment insurance on an emergency basis through the CARES Act. While the CARES Act’s emergency programs were vital in helping unemployed workers keep a roof over their heads and food on the table during the pandemic, they did nothing to fix the underlying problems facing our unemployment insurance system or prepare us for the next recession.

The *Unemployment Insurance Modernization and Recession Readiness Act* would update and expand unemployment insurance so that the program is ready to respond to the next recession and meet the needs of the modern workforce. First, the proposal would update the federal-state Extended Benefits program so that it will automatically add additional weeks of benefits when unemployment rises. Second, it would establish new requirements for state unemployment programs to ensure that benefits are adequate to support workers through job loss and that more workers are covered when they lose their jobs. The proposal also would establish new permanent federal programs for unemployed workers, including a Jobseeker Allowance that would be available to any unemployed workers not covered by the traditional unemployment insurance system, such as self-employed workers and new entrants to the labor force.

**Title I – Modernization of Extended Benefits.** The Extended Benefits (EB) program makes additional weeks of unemployment benefits available in times of high unemployment. This title would reform EB to ensure additional benefits automatically become available during economic downturns.

*Sec. 101.* Increases federal financing of EB from 50 percent to 100 percent.

*Sec. 102 and Sec. 103.* Sections 102 and 103 reform the “triggers” used to determine whether additional weeks of benefits are available and how many weeks are available.

Under this proposal, a state will be in an EB period (which makes 13 additional weeks of benefits available) when it meets any of the following conditions:

- A. When the state or national three-month average total unemployment rate (seasonally adjusted) is at or above 5.5 percent.
- B. When the three-month average rate of total unemployment (seasonally adjusted) at the national level is at least 0.5 percentage points higher than the lowest average rate of total unemployment for any continuous three-month period in the preceding 12 months.
- C. When the insured unemployment rate (IUR) trigger is at least 5 percent. The insured unemployment rate is the percentage of the labor force receiving unemployment benefits. (See section 108(c) and (d) for additional changes to the IUR trigger.)

When the total unemployment rate rises above 6.5 percent, additional weeks of benefits may become available.

- When unemployment is at least 6.5 percent, 26 total weeks of EB are available.
- When unemployment is at least 7.5 percent, 39 total weeks of EB are available.
- When unemployment is at least 8.5 percent, 52 total weeks of EB are available.

*Sec. 104.* Changes the calculation of the total amount of an individual’s EB entitlement to the greater of 50 percent of their total entitlement to regular unemployment compensation or 13 times their average weekly benefit amount.

*Sec. 105.* Allows individuals who are claiming EB when their state unemployment rate goes down to continue to claim EB until they exhaust the amounts to which they were entitled.

*Sec. 106.* Creates a coordination rule to allow individuals to continue to claim EB even when they begin a new benefit year if their EB amount would be higher than their regular compensation amount.

*Sec. 107.* Clarifies coordination rules for individuals living or working in multiple states.

*Sec. 108.* Makes several additional improvements to the extended benefits program:

- (a) Eliminates EB requirements that may conflict with state law to make it easier for states to administer the EB program. This section would eliminate the EB-specific definition of “actively engaged in seeking work”, allowing states to use their own definitions of actively seeking work. It also eliminates EB-specific work history requirements and limits on whether individuals may qualify for EB if the state has terminated a disqualification from receiving benefits.
- (b) Eliminates the mandatory 13-week off period that prohibits a state from triggering a new EB period less than 13 weeks after a previous EB period ended.
- (c) Modifies the insured unemployment rate (IUR) trigger to eliminate the requirement that a state’s IUR be at least 20 percent greater than each of the same 13-week periods during the prior two years in order for a state to enter an EB period based on the IUR trigger.
- (d) Changes the calculation of the insured unemployment rate to include not only claimants of regular unemployment compensation claimants, but also claimants of extended benefits and claimants of unemployment compensation for federal employees and ex–service members.

*Sec. 109.* Exempts EB from sequestration, effective as of date of enactment.

*Sec. 110.* The amendments made by this title (other than section 109) will be effective by January 1, 2025.

**Title II – Modernization of Regular Unemployment.** This title would ensure the adequacy of unemployment benefits and expand the number of workers they reach. Most provisions of this title create standards for state programs by imposing new requirements that states must meet in order for employers in the state to claim tax credits against federal unemployment tax. All changes are effective as of the earlier of the date a state changes its laws or policies to comply and January 1, 2025.

*Sec. 201.* States must offer at least 26 weeks of benefits.

*Sec. 202.* Weekly benefit amounts must replace 75 percent of the claimant's average weekly earnings in the claimant's highest quarter of earnings during the base period, subject to the state's maximum benefit amount.

*Sec. 203.* The state maximum benefit amount must be equal to at least two-thirds of state's average weekly wage.

*Sec. 204.* States may not deny unemployment to an individual because their base period includes part-time work or because they are seeking part-time work, provided that they are seeking work for a number of hours equal to at least half of the typical number of hours per week the individual worked during the base period. This section also requires states to disregard earnings equal to at least 1/3 of the individual's benefit amount when calculating partial unemployment benefits.

*Sec. 205.* States are required to use a base period or alternative base period that includes the most recently completed calendar quarter, and to use an extended base period that includes at least four additional quarters if the individual was incapable of work or took parental leave or other family leave with reduced or no pay during the base period.

*Sec. 206.* States cannot deny unemployment compensation to an individual if they quit their job for certain compelling reasons, including illness or disability of a family member, relocation of the individual's workplace or the individual's spouse's workplace, loss of child care, unusual risk to health or safety, or the employer's failure to conform to state and federal laws.

*Sec. 207.* States cannot deny unemployment compensation to an individual who voluntarily separates from work due to sexual harassment, other harassment, domestic violence, dating violence, sexual assault, or stalking.

*Sec. 208.* Eliminates the "waiting week" policies that deny individuals unemployment compensation during their first week of unemployment.

*Sec. 209.* States must consider the completion of a temporary work assignment to be an involuntary layoff.

*Sec 210.* Requires states to operate self-employment assistance programs to support unemployed workers seeking to pursue self-employment.

*Sec. 211.* Requires states to operate a short-time compensation (work share) program and makes workers who have lost up to 80% of their hours potentially eligible for short-time compensation. Also requires states to allow employers to file short-time compensation claims on behalf of their employees.

*Sec. 212.* Requires states to cover individuals who have at least \$1,000 of covered wages in the high quarter and at least \$1,500 in the base period.

*Sec. 213.* Requires states use the "ABC test" for the purpose of determining whether a worker is considered a UI-eligible employee.

*Sec. 214.* Expands UI eligibility to certain student workers who are not eligible under current law.

*Sec. 215.* Provides an additional federal benefit of \$25 per dependent per week for individuals with dependents claiming unemployment compensation.

*Sec. 216.* Prohibits states from denying unemployment compensation to workers involved in labor disputes under certain circumstances.

*Sec. 217.* Amends the “reasonable assurance” rules for instructional, research, or head administrative school employees (e.g., principals) so that employees may claim retroactive compensation for school breaks if they are not offered employment at the start of the new term.

*Sec. 218.* Increases the wage replacement rate of unemployment benefits to 100 percent during public health emergencies or other major disasters or emergencies. The benefit increase is federally funded.

**Title III—Jobseeker Allowance.** This new program would provide a federal weekly benefit to unemployed workers who are seeking work but are not covered by unemployment insurance or are eligible for only a small unemployment insurance payment. This would include coverage for workers newly entering the labor force and self-employed workers. The Jobseeker Allowance is 100 percent federally financed.

To be eligible for a Jobseeker Allowance, workers must:

- Be unemployed or partially unemployed
- Have either no rights to regular unemployment compensation or be eligible for unemployment compensation in an amount less than the amount of the Jobseeker’s Allowance
- Be able to work, available to work, and actively seeking work
- Be at least 19 years of age (or at least 18 in the case of foster youth), or have earned a high school diploma or equivalent
- Have adjusted gross income (AGI) less than the Social Security taxable wage base

The amount of the Jobseeker Allowance is \$250 per week (indexed annually for inflation), minus any weekly unemployment benefit for which the individual is eligible. For individuals seeking work for less than 20 hours per week, the maximum amount of the weekly Jobseeker Allowance is reduced by 50 percent. Individuals are entitled to 26 times the weekly benefit amount (meaning most individuals will qualify for 26 weeks of Jobseeker Allowance payments). The number of weeks that the Jobseeker Allowance is available can increase in times of high unemployment in a similar manner as Extended Benefits.

When unemployment is above 7.5 percent, individuals claiming a Jobseeker Allowance who have documented histories of self-employment may claim a supplement to their weekly Jobseeker Allowance such that their total Jobseeker Allowance replaces roughly 75% of their average weekly earned income in the most recently completed tax year.