

**The Wolf at the Door:
Addressing Unemployment in Pandemic America
A Talk with Professor Michael Graetz**

- Unemployment in America
 - In February 2020, the unemployment rate was 3.5%. It shot up to 14.7% in April as a result of the pandemic and was hovering around 10% by July.¹
 - The vast majority of Americans, however, were already struggling before the pandemic. Many American families reported having less than \$400 emergency savings.
 - Economic insecurity causes
 - Economic globalization
 - Manufacturing moving offshore
 - Cheaper imports
 - Decline of labor unions in the private sector
 - In recent years, more of the job dislocation and economic insecurity were caused by technological advancements than globalization.

- Unemployment insurance regime in the U.S.
 - First enacted during the Great Depression as part of the Social Security Act of 1935. Created a system of state unemployment systems, with each state administering their own program within federal guidelines. Results in patchwork protection.
 - Over time, coverage and the benefits paid decreased. Today, coverage and payment are inadequate in most states, covering such a small percentage of their wages that it would not prevent families from falling into poverty in some states.
 - Unemployment insurance is financed through taxes on payroll. Employers pay the Federal Unemployment Tax and a state unemployment tax, usually set very low.
 - The burden on low wage workers is higher than on high wage workers.
 - Independent contractors, part-time and temp workers not covered.
 - Labor economists estimate that between 2005 and 2015, 95% of job growth was among this group.
 - Includes gig economy jobs.
 - Companies like Google and Facebook employ independent contractors as a large portion of their workforce.
 - CARES Act, Pandemic Unemployment Assistance (PUA)
 - PUA is a temporary program that provides up to 39 weeks of unemployment for people not eligible for regular unemployment.

¹ U.S. Bureau of Labor Statistics, Graphics for Economic News Releases, Civil unemployment rate: <https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm#>

Covers independent contractors, gig workers, part-time workers, and self-employment if they meet certain criteria.

- Unemployment insurance expired July 1, 2020.
- Job dislocation from trade
 - Trade Adjustment Assistance Program
 - Adopted as part of the Trade Expansion Act of 1962 to help workers displaced by tariff reductions.
 - TAA provides eligible workers with reemployment services, training, job search, relocation, and income support payments or Trade Readjustment Allowances (TRA) that could be up to 65% of the workers' wages for a year.
 - TAA was expanded in the 2000s to help workers displaced by shifts in manufacturing and production to countries with which the U.S. has a trade agreement and to cover workers impacted by competition from cheap imports.
 - The program has been plagued by low coverage and under funding.
 - Though the program's benefits are expansive, only a small number of workers have actually been covered.
 - To be eligible, the worker has to prove that job loss was a result of international trade. Is an extremely high bar that is scrutinized by administering agencies.
 - Congress has not appropriated sufficient funds to provide all the benefits under this program.
 - Today, it's even harder for a worker to show that job loss was from trade agreements rather than technology.
- Universal Basic Income and Alternatives
 - Universal Basic Income (UBI)
 - Program to deliver payments to all citizens regardless of employment or income.
 - Though there are supporters on both sides of the political spectrum for different reasons, there is no strong legislative coalition needed to get any kind of UBI program passed in Congress.
 - Alternatives to UBI
 - Universal Adjustment Assistance (unemployment insurance + TAA under one program)
 - Retraining assistance
 - Community colleges in particular have been successful in providing retraining.
 - Relocation assistance
 - Mobility is good for the economy, but Americans in the recent decades have become less mobile.

- Relocation assistance would help workers move to places where there are jobs.
 - Adjustment assistance
 - Reemployment or transition bonus
- Making work pay better
 - Wages have been stagnant in the lower and moderate income groups for decades. Raises have been eaten up by health insurance costs as employers shift those costs to employees.
 - Federal minimum wage has been stuck at \$7.25 since it was raised from \$6.55 in 2009.²
 - State minimum wage
 - Some states like Alabama, Mississippi, South Carolina, and Tennessee have no minimum wage law, so the fed law applies. Many other states minimum wage laws are the same as the fed law.
 - Some states have raised their minimum wage, with most around \$9-12.
 - A few jurisdictions, including NYC; D.C.; Seattle, WA; and Berkeley, CA have \$15 or higher minimum wage.
 - Some states have barred localities from raising their min wages, e.g. Texas.
 - Economic evidence has shown that when wages are raised significantly, there is some job loss and overall price increases. Those price increases are not borne by the companies shareholders; they are borne by workers and consumers.
- Raising the Earned Income Tax Credit (EITC)
 - EITC is a tax credit for workers of low and moderate income. It reduces the tax amount and may give a refund.
 - EITC income limits and max credit amounts³
 - EITC phases in and levels off as wages increase.
 - E.g. In tax year 2020, a married couple filing jointly with two children could be eligible for up to \$5,920 up to an income level of \$53,330.
 - The credit is much less for single people without children.
 - Administered by the IRS, so does not require a separate bureaucracy to enforce.
 - EITC and child credits have lifted more families out of poverty, other than Medicaid and Social Security.

² U.S. DOL History of Changes to the Minimum Wage Law:

<https://www.dol.gov/agencies/whd/minimum-wage/history>

³ IRS EITC Income Limits and Maximum Credit Amounts: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-tax-credit-income-limits-and-maximum-credit-amounts>

- Taxes that pay for EITC is much more progressive than min wage or other programs.