The Daily Dish

The DoL's UI Fantasy

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It is easy to equate the work of Congress with only high-profile legislation like the recent foreign aid bill or the TikTok ban, but a big part of its job is performing the seemingly mundane – but critical – task of oversight. Accordingly, on May 1 the House Committee on Education & the Workforce will hold an oversight hearing of the Department of Labor (DoL).

Committee members might want to ask a few questions about this gem "Building Resilience: A plan for transforming unemployment insurance," which is DoL's vision for the future.

Not everything in the report is a bad idea. The pandemic revealed that state unemployment insurance (UI) systems were operating with antiquated computer and administrative systems. Indeed, the $600 per-week federal supplement in the Pandemic Unemployment Insurance program was largely based on the fact that it was not possible for states to implement a targeted replacement rate; e.g., providing 90 or 100 percent replacement of weekly wages. The $600 figure guaranteed that 63 percent of workers were making more on UI than at their previous jobs. This became problematic, quickly, as the economy returned to adding jobs in May 2020.

The poor administration also led to massive waste and fraud, with the Government Accountability Office putting the losses at $100–$135 billion. So, it makes sense that a large chunk of the report is devoted to modernizing the administration of UI. And since the American Rescue Plan doled out $2 billion for that purpose, that work should be well underway.

The remainder is a recipe to build more unemployment in the future. The report advocates for a federal floor on state-level benefits. You can be sure that such a floor would be set for political reasons, well above the economic optimum. This is reminiscent of the $300 federal benefit that replaced the unworkable $600 benefit during the pandemic.

The report also argues for automatic extensions of UI, another idea that was prominent during the pandemic. Again, the automatic extensions would be triggered by unemployment rate thresholds that are too low, guaranteeing that UI lasts too long and induces higher unemployment. And it ignores the fact that Congress *always* extends UI as a matter of discretion.

Finally, the report argues for broader UI eligibility, including those working part-time, are self-employed, or gig workers. This is another idea borrowed from the pandemic that should not be adopted outside of those emergency conditions. Employers pay into UI. Having the state go through the process of identifying the employer of an unemployed worker seeking UI helps weed out fraudulent claims.

In the end, "Building Resiliency" would do exactly the opposite: It would build a more expensive, fraud-ridden, and complicated UI program. Congress would be wise to ask lots of questions about this plan.