Insight

Key Labor Provisions in the COVID-19 Response Package

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Executive Summary

- The Consolidated Appropriations Act of 2021 (CAA) – which includes the latest coronavirus relief plan – extends several pre-existing provisions from previous coronavirus-related legislation that support unemployed individuals and those still attached to the labor force.
- Provisions that support those connected to the workforce include extending paid sick leave provisions from prior legislation, additional funding for employment training, and additional funding for the Child Care & Development Block Grant program.
- Provisions that support the unemployed include $300 a week in supplemental unemployment compensation and the continuation of the Pandemic Unemployment Assistance program.

Introduction

Late Monday night Congress passed the Consolidated Appropriations Act of 2021 (CAA), which included a $900 billion COVID-19 relief plan to support workers, business owners, vaccine distribution, and economic recovery. Much like the previous COVID-19 relief plans there was significant attention given to the current employment situation. Several provisions targeted unemployment, while others facilitated continued labor force attachment through training, paid leave, and access to child care. This latest COVID-19 package is largely extensions of existing aid and programs created under the Families First Coronavirus Relief (FFCR) Act and the Coronavirus Aid, Recovery, and Economic Security (CARES) Act.

Aid to Workers

The past year has seen the highest recorded unemployment in U.S. history. Fortunately, some individuals have been able to return to work or remain employed during this time of economic distress. It is critical that those who can remain attached to the labor force do so, and the legislation improves their opportunities. Skills training, access to child care, paid leave, and short-time compensation programs could all serve to strengthen labor force attachment in an unstable labor market.

Skills Training

In a downturn, the focus is often on current unemployment. The CAA, however, includes a forward-looking approach that gives workers access to valuable skills that can lead to greater job stability and higher potential wages. This investment helps to support a sustainable economic recovery. In total, the CAA puts over $3.6 billion toward training efforts and expenses associated with the Workforce Innovation and Opportunity Act (WIOA) and the National Apprenticeship Act. While training is important in providing workers with relevant and high-demand skills, previous research at the American Action Forum (AAF) has shown that much of the training available does not line up with high-growth industries, is not widely available, and does not teach the most in-demand skills. For example, 75 percent of federal apprenticeships train workers in goods-producing industries, which will only be responsible for an estimated 0.6 percent of job growth through 2024.

Child Care

Access to affordable child care supports a stable workforce. The COVID-19 pandemic led to a dramatic drop in the demand for child care, which led to significantly lower revenue for providers. Lost revenue paired with increased costs associated with COVID-19 meant many providers had to close permanently. Reduced child care capacity means it will be more difficult for working parents to make a transition back to full-time, on-site work. Previous analysis at AAF found that the typical demand for non-parental child care could number between 9 million and 21 million households, or 15 to 30.6 million people, once all businesses reopen.

To address the child care challenges and alleviate some of the pressure working parents face, the relief plan set aside $10 billion for the Child Care & Development Block Grant (CCDBG) program, which drives the child care subsidies and the course of child care in each state. While the CCDBG is mostly concerned with providing subsidies to low-income families it also focuses on health and safety standards. The legislation also included $250 million for Head Start as well. While these funds will help alleviate costs of COVID-19 compliance for some providers and potentially low-income families, it does not address the accessibility, supply-side challenge of having a great supply of child care.

Paid Sick Leave

In the midst of a pandemic, it is important to reduce the spread of the virus through quarantines when necessary and allowing workers who are ill to recover without fear of losing their jobs. The CAA extends sick and child care leave provisions that were part of the FFRCA. Previous analysis at AAF calculated that the leave provisions could cost between $45 and $118 billion

Short-time Compensation

While technically an unemployment program, short-time compensation (STC) allows workers to remain attached to the workforce with a small reduction in hours that are covered by unemployment compensation. The recently passed COVID-19 plan extends STC funding that would have the federal government cover the cost of existing STC programs and incentivizes states to create temporary programs. Prior to the pandemic 27 states had STC programs.

STC is intended as a layoff-preventative program where businesses can temporarily limit the hours of a group of workers in lieu of layoffs. While STC brings benefits to both employers and workers, it seems to be consistently underutilized. Even after the initial STC COVID-19 legislation was passed earlier this year, no states created temporary programs and Vermont's preexisting program shut down due to low take up and high administrative costs. If policymakers boost the awareness of the program and streamline the creation and approval process of STC programs, it could be useful tool as the market begins to recover.

Little attention has been given to these programs in large part because of all the other challenges with the unemployment system, such as problems implementing supplemental unemployment compensation and creating the Pandemic Unemployment Assistance. Ideally this time around, more businesses will be aware of and make use of this program while receiving support from unemployment offices. In addition to STC, there are several provisions that extend support for other unemployment programs and increase the amount that individuals receive in compensation.

Aid to the Unemployed

Unemployment claims remain high with most recent data showing initial claims rising to 885,000 in a week. Most of the labor related provisions included in congress's relief package are extensions of programs or additional funding from the CARES Act and the FFCR Act that were expected to expire in December 2020. Most extension now go to March 2021.

Unemployment Compensation

The central labor policy question during the pandemic has been the impact of enhanced unemployment compensation. In the first iteration of supplemental unemployment, legislators agreed to provide an additional $600 a week in unemployment compensation for all those eligible to receive any regular state unemployment compensation. Previous research at AAF found that at the $600 level the majority of workers could make more on unemployment than at work. CAA would reinstate the supplement at a lower level of $300 dollars a week. Research at AAF finds that at the $300 level, unemployment insurance would keep most workers above the poverty line with up to 45 percent still making above what they could at work. Additional AAF analysis, however, indicates that families who work at the minimum wage level would likely need a supplement of $400 in order to not drop below the poverty threshold. The $300 a week supplement will expire March 14, 2021.

Other extensions include federal funding for the Extended Benefits Program for high-unemployment states as well as Pandemic Emergency Unemployment Compensation, which gives workers additional weeks (up to 24) of unemployment compensation when they have exhausted their regular state benefits.

Pandemic Unemployment Assistance

The Pandemic Unemployment Assistance (PUA) program was created through the passage of the CARES Act and granted non-traditional workers such as freelancers and independent contractors access to unemployment benefits. The CAA would extend this legislation to March 14, 2021. The creation of PUA was crucial in affording benefits to workers who previously did not qualify for unemployment benefits. Unfortunately, the creation of this program was part of what initially held up disbursement of the original $600 a week unemployment supplement. It would seem as though in the intervening time some state systems have been updated and the programs strengthened in order to avoid further delays. Problems remain, however. Fraud remains a concern for many legislators and there is still a question as to whether or not a program like this will become permanent.

Conclusion

The latest COVID-19 relief bill includes many labor-related provisions both for the unemployed and those still connected to work. While many are extensions of programs or aid from the FFCR or CARES Acts, they can provide much needed support for struggling workers and families. There are certain programs such as the STC that remain untested and others such as PUA that could have serious future policy ramifications. The goal moving forward should be to avoid long-term unemployment by enabling more flexible work for those still in the labor force and supporting a transition back to work for the unemployed while the market recovers and demand for work rises.