



# The Coming Unemployment Crisis in the USA

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The United States response to an unprecedented global pandemic was itself unprecedented in U.S. history. While shelter-in-place orders rendered millions of workers idle around the world, workers in the U.S. experienced an enormous round of layoffs in a single week, more sudden and massive than any prior mass unemployment event in recorded U.S. labor market history. In one week ending March 21, 2.9 million workers filed unemployment claims indicating job loss.

On a seasonally adjusted basis, the week's unemployment insurance (UI) claims were 5 times larger than any week in the 2009 financial crisis, and 4.75 times larger than the prior record in the 1982 recession. The weeks ahead promise further damage to a labor market that just weeks earlier appeared to be functioning extraordinarily well.

While orders to socially distance and stay at home have been unrolled unevenly across the country due to the federal inaction and state and local government actions, as of March 30, more than 250 million Americans were under a stay at home order. Only 7 percent of U.S. workers had access to telework prior to the crisis, according to a [Pew survey](#). While up to 24% of workers in professional and business occupations already had access to work from home before the crisis, service industry workers, construction workers, and many others are shut out from the ability to work.

Several unprecedented pieces of federal legislation were also enacted in response to the crisis. On March 27, 2020, the \$2.2 trillion Coronavirus Aid, Relief, and Economic Security Act (CARES) was signed into law. It was the third piece of legislation related to the Coronavirus crisis, and the boldest yet measure to mitigate the economic losses of the pandemic.

Special "Pandemic Unemployment Compensation" funds regular state UI programs and provides workers with an additional flat \$600 weekly payment until July 31, 2020. While the replacement rate for UI in the U.S. varies by state, it is typically about 50% of prior wages with an average benefit of \$372 per week. The \$600 payment therefore means that some of the lowest paid workers may see incomes rise, at least until August.

For much of the decade prior to the Covid-19 crisis, stable GDP growth and recovery from the Great Recession masked weak labor market institutions. While other countries entered the crisis with employment rates that were higher than in 2008, the U.S. in 2020 had only just recovered to its pre-Financial Crisis level. Several emergency measures demonstrate how the stigmatization of unemployment and unemployment benefits left workers vulnerable without emergency measures.

In addition to offering funds for unemployment insurance, the federal government took several other steps to loosen eligibility and made efforts to encourage work sharing approaches that have been adopted by the UK, Germany, France, Denmark, and other countries. For the first time, the

federal government offered to fully reimburse state unemployment insurance programs that had implemented work sharing, and to provide \$100 million to states that would start work sharing programs. In addition, changes meant that furloughed workers (temporarily laid off, but ready for recall) can receive benefits from the UI system.

The federal government also provided funds to remove some of the means-testing and eligibility restrictions of state UI programs. Workers will no longer have to wait a week to receive benefits, don't have to look for new jobs, have more "good cause" to leave work. Typically, leaving work to care for a child or elder makes a worker ineligible to receive UI, but in the crisis, these reasons for leaving a job are covered by UI. Independent contractors whose employers never paid into the UI system can receive a special "Pandemic Unemployment Assistance" payment from the UI system as well.

Other measures enacted in the Families First Coronavirus Act include for the first time a right for workers to take paid sick leave and paid leave during the crisis and expanded the reasons workers can take unpaid job-protected leave under the Family and Medical Leave Act. While severely limited by restrictions about who can use paid sick leave and paid leave, and limited to employers with fewer than 500 employees, and limited only to the crisis, these are major steps that the federal government has not previously taken.

While workers in essential industries -healthcare, groceries, pharmacies, restaurant food delivery, for example- continue to work, concerns for occupational safety and health have increased. Un-unionized delivery workers at Instacart, a food delivery company, grocers at Whole Foods, an Amazon-owned grocery store, and warehouse workers at Amazon, the online retailer, have held wildcat strikes to protest working conditions. Unionized workers at General Motors have protested not being allowed to work on producing ventilators for the crisis.

Several other unusual provisions that have the potential to shape the labor market appear in the Coronavirus legislation. Companies with between 500 and 10,000 employees that receive bailouts must remain neutral in any potential union organizing campaigns, which means that they cannot hold "captive audience" meetings or campaign against unions during certification votes. Firms with under 500 employees can receive "forgivable loans" if they maintain payroll. Bailouts for airlines came with conditions that the companies maintain payroll. Large companies receiving Federal Reserve loans will need to maintain 90% of their payroll.

But for many laid off workers, it is too late. Working Americans who had few financial resources before the crisis face additional stresses due to delays in the administration and processing of benefits payments, including delays due to online UI systems crashing under the weight of overwhelming demand. Because many benefits are tied to employment in the U.S., millions of workers will lose health insurance, life insurance, and other benefits as well.

Just a few weeks ago, the U.S. labor market appeared to be in an envious position, with historically low levels of unemployment. It did not matter much that gaping holes in the social safety net meant that a health setback or job loss could put a person into poverty. With the entire nation now facing massive job losses and the rapid spread of Coronavirus, the emergency steps outlined above are just the beginning of the eventual effects of the Covid-19 crisis.

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