



The Job Ahead:

Advancing Opportunity for Unemployed Workers

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About NELP

For more than 45 years, the National Employment Law Project has worked to restore the promise of economic opportunity for working families across America. In partnership with grassroots and national allies, NELP promotes policies to create good jobs, enforce hard-won workplace rights, and help unemployed workers regain their economic footing. For more information, visit us at www.nelp.org.

Executive Summary

America's unemployment insurance (UI) program has not kept up with the needs of America's workers. In the year following the expiration of federal benefits for people out of work for longer than six months at the end of 2013, the percentage of unemployed receiving any benefits averaged just 27 percent, a record low. While 2014 was the strongest year of job gains yet during this recovery, there are still near-record numbers of long-term unemployed, along with millions more on the sidelines of the labor market, still without work and without benefits. Many who have found jobs are employed part time, often in lower-wage retail and fast-food jobs, because there are not enough full-time jobs to go around. While the official unemployment rate is now 5.6 percent as of this publication, the percentage of people who are working, also known as the employment rate, is still among the lowest levels in three decades.

Many experts say that the nature of work is irrevocably changing, and that workers face a future of more and longer periods of unemployment and underemployment. Fortunately, we can learn from the Great Recession and apply those lessons to future periods of economic instability. Governors and state legislatures can take steps now to ensure that workers can get back on their feet and participate in the growing economy that we have today, and the changing economy that we will have tomorrow.

This paper presents a menu of state policy options that respond to the continued crisis of long-term unemployment and the nation's growing reliance on part-time and temporary work. It highlights tried-and-true policy responses as well as new innovations that address the needs of the current workforce. Key steps for state lawmakers to take are as follows:

Preventing Long-Term Unemployment

1. **Prioritize funding for comprehensive reemployment services, to offset declining federal commitment.** State lawmakers should consider supplemental contributions to increase funding to hire additional career counselors and to sharpen state worker profiling systems that identify likely long-term UI recipients.

2. **Encourage part-time employment while claimants look for full-time jobs by amending state partial unemployment insurance rules.**

Ensuring that part-time earnings thresholds for partial unemployment insurance benefits are set high enough and that claimants are not financially penalized for accepting part-time work is sensible public policy.

3. **Prevent job losses during recessions by enacting work-sharing programs.** To date, 29 states and the District of Columbia have enacted work-sharing laws. The remaining states should enact work-sharing laws as soon as possible in order to give business owners the option to avert layoffs when facing temporary downturns.
4. **Prohibit hiring discrimination against jobless workers and enlist businesses to recruit qualified unemployed job applicants.** In addition to legislative intervention, governors should partner with human resources and employer groups and local workforce and economic development agencies to press local businesses to adopt fair hiring practices.

Expanding Unemployment Insurance Access for Lower-Wage Workers

1. **Extend eligibility to part-time workers and anyone who wants to reduce their schedules for compelling reasons.** A workable standard could provide that any otherwise eligible individual who is seeking only part-time work is not disqualified as long as the work being sought is for at least 20 hours per week.
2. **Strengthen state partial unemployment insurance rules to supplement earnings for underemployed workers.** Raising weekly earnings thresholds and minimizing the value of earnings deducted from a claimant's benefit would allow underemployed workers to maintain their basic needs, while boosting community spending levels.
3. **Eliminate arbitrary temporary worker disqualifications.** State UI laws should treat each assignment of temporary work as a separate contract of employment, and only claimants who refuse an offer of subsequent temporary work that is suitable

in terms of wages, hours, and conditions should be subject to disqualification.

4. **Broaden good-cause rules for workers who voluntarily quit their jobs.** While states should continue to adopt individual exceptions, including not disqualifying workers who quit because of transportation difficulties, the strongest approach would be to define good cause as any compelling reason for leaving work, whether or not it is related to the person's job.

Providing Greater Help for Long-Term Unemployed Jobseekers

1. **Establish subsidized work programs for long-term jobless workers, including unemployment insurance exhaustees.** As state budgets recover from the recession, lawmakers should appropriate the necessary funding to launch wage subsidy programs that are open to private, non-profit, and public employers, and should develop alternative funding mechanisms to match investments from foundations and business.
2. **Provide up to 26 weeks of additional unemployment benefits for jobless workers receiving training.** State investments in facilitating access to education and training help workers permanently improve their income prospects and reduce future risk of unemployment, while helping to ensure a better match between what employers need and what workers can offer.
3. **Better connect long-term unemployed workers and families with government support programs.** Without a deliberate, coordinated response across state agencies, families experiencing extended unemployment durations will continue slipping through the cracks of the human services system.
4. **Provide 26 weeks of unemployment insurance benefits to jobless workers.** Once state economies are more firmly in recovery from the Great Recession, lawmakers in states with reductions to the duration of benefits should reverse them. Lawmakers in states expecting to pass trust fund

solvency legislation should be prepared to counter proposals anchored by deep durational cuts with balanced financing measures.

Shoring Up Unemployment Insurance Infrastructure

1. **Adopt responsible financing measures to ensure preparation for the next recession.** For the federal-state UI program to function as a meaningful automatic stabilizer of economic activity, states need to make a clear commitment to the principles of forward financing. States facing the long-term prospect of eroding benefits tied to inadequate financing should examine the efficacy of employee contributions as a means of improving both solvency and benefits.
2. **Dedicate greater resources to state unemployment insurance program administration.** States should maintain some form of dedicated tax that ensures they have the resources to maintain efficient UI systems through the ebbs and flows of federal appropriations.
3. **Reduce access barriers for low-income workers and workers with language and literacy limitations.** Unemployment insurance must be accessible to all workers who lose jobs involuntarily and have earned sufficient wages to qualify for benefits.

More than five years after the official end of the most significant and sustained recession since the Great Depression, nine million Americans are counted as unemployed and another six million want to work but have quit looking. Millions more workers are underemployed or working in temporary positions, even though they would prefer to be employed in more stable arrangements. By adopting the policy recommendations featured in this report, states can take important steps toward helping these workers make the transition to good employment and financial security. Equally important, these measures will better prepare state unemployment insurance and workforce agencies for recessions in the future, while mitigating the effects on workers.

Introduction

Five years after the end of the Great Recession, the worst recession in seven decades, signs of recovery understate the weakness in the labor market. The unemployment rate fell below 6 percent in September 2014. But if the six million jobseekers who quit looking for work were to come off the sidelines and reenter the labor market, the unemployment rate would exceed 9 percent.¹ At nearly three million, the number of people who have been unemployed for longer than six months is less than half of what it was at the peak in 2010, but still just below the record reached prior to this recession. The percentage of prime-age men who are working, while somewhat recovered from its recessionary low point, is near its lowest level in decades.

The deep jobs hole left in the wake of the recession has been filled, but disproportionately so by jobs in lower-wage industries.² The labor market is experiencing elevated involuntary part-time and temporary employment. Much of this can be explained by the recession's lingering effects. The rest is a result of a long-term restructuring of the employer-employee contract in favor of flexible arrangements. This can weaken the working conditions and economic status of workers, especially those at the bottom of the labor market.

During and after the recession, the federal-state unemployment insurance (UI) program cushioned the blow of involuntary job loss and extended unemployment for millions of people, by partially replacing lost income to help them meet their basic needs as they looked for a new job. At the recessionary peak in 2010, nearly 7 out of 10 of the nation's unemployed were receiving regular state or federal benefits (Figure 1). In the aggregate, weekly benefit payments saved jobs by keeping workers engaged as active consumers in their communities.

Despite these achievements, the UI program faces significant challenges, many of which have been exacerbated by the intensity of the Great Recession, the slowness of economic recovery, the increasing polarization of American politics and social attitudes about the unemployed, and a general lack of effective job creation

initiatives and reemployment strategies. Further, there is consensus that the nature of work is irrevocably changing, and that workers face a future of greater and longer periods of unemployment and underemployment. The unemployment insurance program has not kept pace with these changes. Just over one-quarter (27%) of unemployed workers are receiving unemployment insurance benefits today, a record low (Figure 1).³ The Great Recession taught policymakers and workforce practitioners a series of hard lessons. Fortunately, this knowledge and experience can be applied to future periods of high unemployment and underemployment, as long as the will to do so exists.

Shortage of policies focused on prevention of long-term unemployment

The shortage of measures to prevent laid-off workers from becoming long-term unemployed is surprising, given that the probability of reemployment decreases the longer someone is unemployed, and the fact that lawmakers remain concerned about state unemployment trust fund solvency and budget revenues in general.

Unemployment insurance cushioned the blow of involuntary job loss and lengthy unemployment for millions of Americans.

The national network of public reemployment services is chronically underfunded. The 2014 passage of the Workforce Innovation and Opportunity Act was a start toward making sensible changes in the nation's workforce programs, but, by itself, will not provide the funds needed to help jobseekers find work and employers fill openings in the current labor market. Usage of work-sharing, a program that helps businesses avoid layoffs by compensating reduced work schedules with partial UI payments, increased sharply in states with active programs during the recession. At the same time, more than 20 states failed to enact work-sharing programs, despite generous federal incentives. Meanwhile, in

many states, UI program rules discourage claimants from working part time while they look for a permanent, full-time job, leading to longer unemployment spells. Furthermore, an untold number of experienced workers have been denied proper consideration for jobs solely because they are unemployed. President Obama is calling upon business leaders and federal hiring managers to eliminate unfair barriers to employment for jobless workers, but legislative efforts to prohibit such practices have been limited.

Need for greater reemployment support for contingent and long-term unemployed workers

Before the recession began, the unemployment insurance program was already providing benefits to fewer unemployed workers. Today, despite significant changes to the composition of the labor force and the nature of work since the UI program was established in 1935, state eligibility rules that bar access for part-time and temporary workers and people with caretaking responsibilities are largely unchanged. American Recovery and Reinvestment Act (Recovery Act) modernization grants produced positive reforms, but gaps remain in state programs.

Lawmakers have responded to the unemployment insurance solvency crisis by cutting benefits rather than correcting chronic financing shortfalls.

Responding to the deepest solvency crisis in the UI program's history, both federal and state lawmakers are tending to reduce benefits rather than correct chronic financing deficiencies to rebuild trust funds. Currently, eight states pay fewer than the previously standard 26 weeks of benefits. Meanwhile, the federal Emergency Unemployment Compensation program provided additional benefits to long-term unemployed workers until Congress let it expire in December 2013, when the long-term unemployment rate still exceeded the pre-Great Recession record. More than four million people were cut off from benefits in 2014.⁴

A national subsidized employment program for low-income, unemployed workers authorized by the Recovery Act expired in September 2010, seven months after employment hit its recessionary low point. Large-scale direct job creation measures have floundered since then.

Finally, a lack of federal administrative funding for state computer and phone-system upgrades is undermining basic access to benefits for many jobless workers.

A reemployment agenda for a changing labor market

Taken together, these factors threaten to compromise the core objective of the unemployment insurance program—to preserve the financial security of involuntarily unemployed and underemployed workers and to return them as quickly as possible to jobs that are similar in wages, hours, and working conditions to what they lost.

The challenges facing the current program will be increasingly important in the decades to come. In the future, workers will face longer spells of unemployment, and research demonstrates that their prospects for reemployment in good jobs will decline the longer they are out of work. Should current trends continue, more people—particularly workers at the lower end of the labor market—will face greater workplace uncertainty characterized by lower wages, fewer benefits, scarce opportunity for mobility, and the lack of a formal employer-employee relationship. In this emerging “gig economy,” lawmakers should adopt strategies to help unemployed workers transition into good-paying jobs as quickly as possible, and to ensure that the long-term unemployed do not recede to the margins of the labor market or withdraw completely. In addition, greater measures are necessary to financially support workers in non-standard employment arrangements.

Recent efforts by the Obama administration and selected states to respond to the crisis of long-term unemployment, described later in this report, suggest

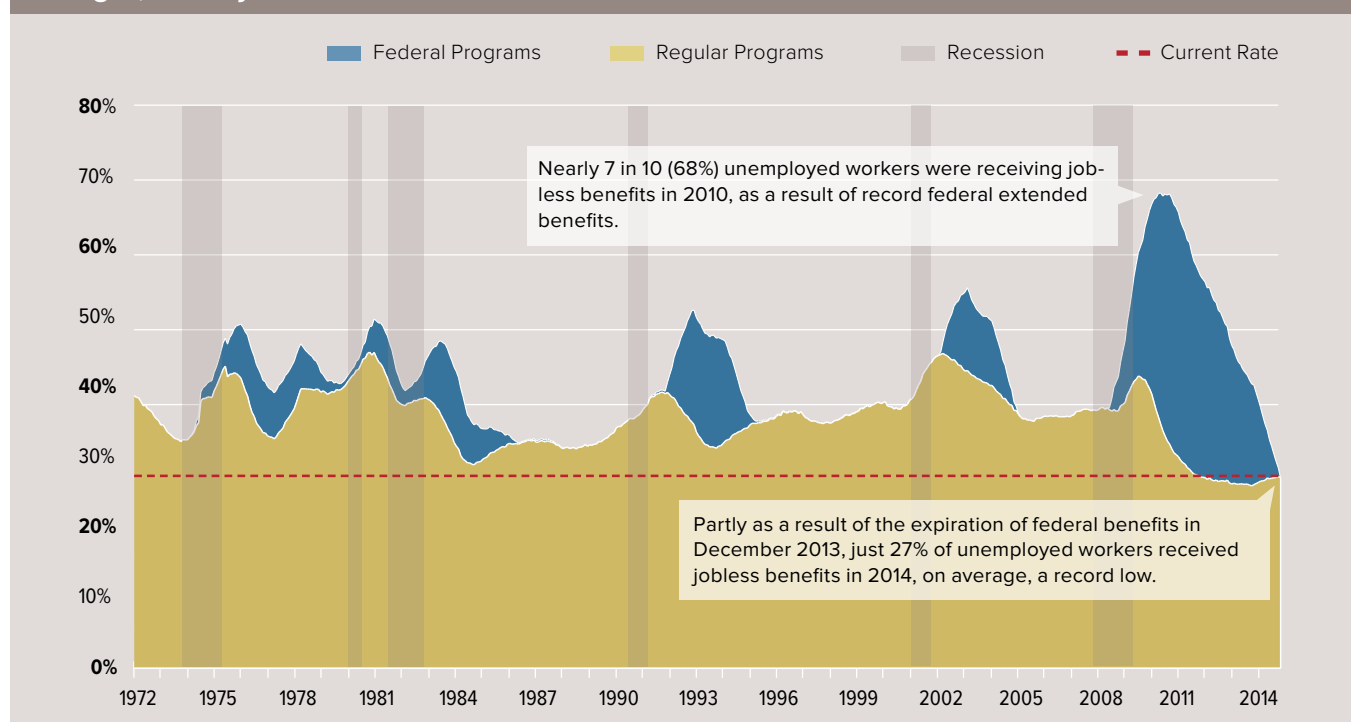
that significant policy intervention and political compromise on behalf of jobless workers are not out of reach. Given persistent weakness in the labor market, lawmakers across the country should feel compelled to build on this momentum.

This paper highlights a variety of steps lawmakers can take to prevent extended durations of unemployment and to more effectively help jobless workers become reemployed, so as to minimize further deterioration of long-run career prospects and financial security. The report features additional steps for strengthening the economic well-being of workers employed in temporary and less-than-full-time positions. Most recommendations focus on improving state unemployment insurance programs, but the report also advocates for greater funding for reemployment services and

subsidized employment programs. In many ways, this report is a successor of a major unemployment insurance policy prescription published by NELP before the Great Recession in 2006, [Changing Workforce, Changing Economy: State Unemployment Insurance Reforms for the 21st Century](#).

The recommendations featured in this report are directed at governors and state lawmakers, who are in the strongest position to enact policies that address the human and economic costs of unemployment in their states. In addition, because the federal partner plays an essential role in the UI program by setting benefits, financing, and administrative requirements, and given the severity of the nation's economic challenges, three of the four sections include additional recommendations for federal lawmakers.

Figure 1: Percentage of unemployed workers receiving unemployment insurance, 12-month moving averages, January 1972 to December 2014



Source: NELP analysis of monthly UI continued weeks claimed data, from ETA report 5159, U.S. Department of Labor. Regular programs data are downloadable [here](#). Federal programs data were provided upon request by the U.S. Department of Labor. Monthly not seasonally adjusted unemployment data are from the Bureau of Labor Statistics.

Note: Regular programs include State UI, UCFE, and UCX. Federal programs include Federal-State Extended Benefits and emergency benefits, including the most recent Emergency Unemployment Compensation 2008. These data include waiting and penalty weeks; reciprocity based on the number of weeks claimed for which benefits are paid is even lower.

1 Preventing Long-Term Unemployment

The consequences associated with job loss and long-term unemployment for workers and their families include material hardship, diminished job prospects and earnings, frayed social networks, and declines in physical and mental health.⁵ The consequences of unemployment may also be felt by the children of the unemployed, who have been shown to perform worse in school and to earn less income over their lifetimes compared to children from families not hit by job loss.⁶ At the community level, high rates of prolonged joblessness can lead to adverse behaviors that impact other residents, like crime, reduced consumption and lower tax revenues, lower investments in housing, and poverty.⁷

Given these outcomes, states should take bold action to prevent job losses and make sure that workers who lose their jobs do not become unemployed long term. In terms of unemployment insurance policy, this means minimizing the number of workers who exhaust their benefits and returning them to work as quickly as possible without compromising suitable-work principles. Specific solutions described here include devoting greater resources to reemployment services, amending state partial unemployment insurance requirements to encourage quicker returns to work, enacting or expanding existing state work-sharing programs, and prohibiting employment discrimination against jobless workers.

Prioritize funding for comprehensive reemployment services, to offset declining federal commitment

The public federal-state Employment Service (ES) was established in 1933, two years before the UI program was created under the Social Security Act. At its core is a free public labor exchange function in which trained ES labor market professionals match jobseekers with employers. Additionally, the ES ensures that UI claimants maintain an active job search and connects workers at greatest risk of exhausting benefits to reemployment services under the Worker Profiling and Reemployment Services program.

Services for jobseekers include skills assessments, job-search planning, provision of labor market and

occupational information, and referrals to training and job interviews. ES services are generally delivered in one of three ways—self-service, facilitated self-help, and staff-assisted. Controlled evaluations dating back to the 1980s show that early provision of staff-assisted services in combination with claimant eligibility assessments can significantly shorten UI durations and reduce benefits charges for employers.⁸ However, with shrinking resources, many states have moved away from staff-assisted services towards self-service options, internet-based resources, and classes that teach basic job-search skills.

Despite the growth in the labor force and the lingering labor market distress associated with the Great Recession, Congress and the various administrations have held ES funding levels between \$700 and \$800 million since the mid-1980s, with the exception of a one-time \$150 million boost provided under the Recovery Act. While reemployment services (RES) grants were distributed to states in the first half of the last decade, and again in 2009, Congress has since 2005 prioritized funding for states to conduct comprehensive claimant eligibility reviews, known as reemployment and eligibility assessments (REA), in order to reduce improper payments.⁹

Inadequate federal funding for reemployment services has led states to develop their own funding sources. In fiscal year 2013, states provided approximately \$187 million to supplement federal ES funds, the majority of which (\$123 million) came from taxes for administrative purposes. A common way to implement these taxes is to “piggyback” a fractional quarterly tax on top of the existing state UI payroll tax.¹⁰ Another potential source of state funding is UI penalty and interest funds. All states impose interest charges or penalties on employers for failure to timely pay UI contributions or file required reports, and many states use these funds for a variety of administrative purposes, including workforce development. In fiscal year 2013, states contributed \$30 million from this source. States also supplemented federal UI administration funds (by a total of \$205 million). Such funds could be used to hire additional

reemployment services staff, among other uses, as discussed later in this paper.¹¹

As the federal commitment to comprehensive reemployment services continues to stagnate, state lawmakers should consider these alternative methods of financing to increase funding to hire and train additional career counselors and to improve state worker profiling systems. Priority for staff-assisted reemployment services should be given to those claimants identified through worker profiling as most likely to exhaust their benefits.

Resources:

[Getting Real: Time to Re-Invest in the Public Employment Service](#), October 2012

Encourage part-time employment while claimants look for full-time jobs by amending state partial unemployment insurance rules

Another way to prevent extended unemployment is to encourage part-time job opportunities while claimants look for more stable work, by supplementing weekly earnings with reduced UI benefits. Since nearly one in five people are working part time—more during recessions—a reasonable job search for many workers seeking full-time work includes consideration of part-time opportunities. In an economy facing a shortage of full-time jobs, and in which the only options for claimants are part-time work or no work at all, state UI programs should have measures in place that encourage claimants to choose work. Claimants who maintain strong connections to any work are better positioned for permanent opportunities in the future.¹² In turn, states pay fewer UI benefits and collect greater payroll tax revenues. Unfortunately, more than half of states have outdated partial eligibility and benefit rules, which in certain cases may even *discourage* claimants from accepting part-time employment.

Since all states tie eligibility for partial unemployment insurance to a claimant's full benefit, those with higher maximums will have more eligible workers. Twenty-one states (plus Puerto Rico) have maximum benefits below

\$400.¹³ Lawmakers in the 29 states where the eligibility threshold is a claimant's full benefit (or the full benefit plus a small, flat dollar amount as in five others) should look to states like Connecticut, Delaware, and Idaho, which permit weekly part-time earnings of less than 1.5 times the claimant's full benefit.¹⁴ In addition, almost all states' partial UI laws include an earnings disregard—that is, the value of earnings not deducted from the claimant's benefit—usually based on the claimant's weekly benefit or part-time earnings, but the levels vary significantly. The three states listed also disregard a significant share of weekly part-time earnings.

For many jobless workers who are unable to find work that is similar to what they lost, taking a part-time job with the hope of it eventually becoming full time, or just to stay connected to the labor force, is the kind of action state UI programs should encourage. When a part-time job offer includes earnings that are similar in value to a claimant's weekly benefit amount, claimants expect that the earnings will be deducted but reasonably hope that they will not take a financial loss by accepting the job. States should examine their partial UI rules to ensure that eligibility thresholds are set high enough, and an adequate percentage of part-time earnings are disregarded, to eliminate any disincentives to accepting part-time work. Ensuring that partial eligibility requirements satisfactorily capture the range of available part-time opportunities, and that claimants are not financially penalized when they take a part-time job, is sensible public policy.

Resources:

Protecting Our UI Lifeline: A Toolkit for Advocates, Second Edition, [Questions and Answers about Partial Unemployment Insurance Benefits](#), (Page 11) 2014

Prevent job losses during recessions by enacting work-sharing programs

Work-sharing (also referred to as “shared work” or “short-time compensation”) is a type of unemployment benefit that provides employers with an alternative to layoffs when they are faced with a temporary decline in business. Instead of laying off a portion of the workforce

to cut costs, an employer can reduce the hours and wages of all employees or a particular group of workers who then become eligible for pro-rated unemployment benefits. For example, a firm facing a 20-percent reduction in production might normally lay off one-fifth of its work force. Faced with this situation, a firm with a work-sharing plan could retain its total workforce on a four-day-a-week basis. All affected employees would receive their wages based on four days of work, while receiving 20 percent of the total weekly unemployment benefit that would have been payable had they been unemployed a full week. Like regular unemployment insurance, work-sharing benefits do not fully cover lost income, but they help mitigate the loss.

In 2012, Congress enacted the Layoff Prevention Act, which established a new federal definition of short-time compensation and provided financial incentives to states with work-sharing laws that conform to the new federal standards. These incentives included full federal reimbursement of work-sharing benefits through August 22, 2015 and grants for program implementation, promotion, and enrollment for states enacting conforming laws by December 31, 2014. To date, 29 states and the District of Columbia have enacted work-sharing laws. The remaining states should enact work-sharing laws as soon as possible in order to give business owners the option to avert layoffs when facing temporary downturns. Work-sharing, if implemented widely, can become an integral part of a state's response to the problem of long-term unemployment. Work-sharing is likely to have its greatest impact at the onset of a recession but can be a valuable option during any business contraction.

Resources:

[Lessons Learned: Maximizing the Potential of Work-Sharing in the United States](#), October 2014
Jointly with CLASP, [Seizing the Moment: A Guide to Adopting Work Sharing Legislation After the Layoff Prevention Act of 2012](#), December 2012

Prohibit hiring discrimination against jobless workers, and enlist businesses to recruit qualified unemployed job applicants

Many Americans who lost their jobs and looked for work during the Great Recession have found that, despite years of relevant experience, employers will not consider them for a position due to their unemployed status. One study found that long-term unemployed applicants who possessed firm-specific experience were less likely to be called for an interview than recently employed applicants with no relevant experience.¹⁵

The strongest action that lawmakers can take is to prohibit hiring practices that discriminate against unemployed jobseekers. The strongest measure, passed in New York City in 2013, prohibits employers from refusing to consider a worker because she is unemployed, from stating in a listing that jobless workers will not be considered, and from directing an employment agency to consider an applicant's unemployed status in screening or referrals, as provided in the federal Fair Employment Opportunity Act of 2014.¹⁶ Lawmakers in Chicago, Madison, Wisconsin, the District of Columbia, New Jersey, and Oregon enacted at least one of the two latter measures. Similar bills have been introduced in Connecticut, Massachusetts, New Hampshire, New York State, and Oklahoma.

Governors should also follow the Obama administration's lead and press local businesses to adopt fair hiring practices. They could partner with human resources and employer groups and local workforce and economic development agencies in informing employers of the potential negative impacts on their bottom line: by arbitrarily screening out unemployed workers, businesses may fail to reach the most talented applicants for an open position.

Resources:

[New York City Council Passes Bill Prohibiting Hiring Discrimination Against Unemployed Jobseekers](#), January 2013
[Hiring Discrimination Against the Unemployed: Federal Bill Outlaws Excluding the Unemployed From Job Opportunities, as Discriminatory Ads Persist](#), July 2011

What Federal Lawmakers Can Do:

Restore funding for the Employment Service

The Obama administration's FY 2015 budget requests \$664 million (post-sequestration) for Employment Service grants to states. This is the same as the enacted level in the last two years, but 61 percent lower in real terms from the level in 1984. State tax revenues, adjusted for inflation, are still lower in 29 states than their pre-recession peak.¹⁷ State sources of funding can provide a necessary boost to resources for jobseekers, but in order to start adequately addressing the nation's reemployment needs, the federal partner must substantially increase its commitment.

At a minimum, Congress should lift the sequester cuts, which have further constrained federal resources for jobless workers. Furthermore, states that invest their own resources in reemployment services should qualify for a federal match as a reward for each year of their additional contributions. More significantly, an additional \$1.6 billion in annual funding for the Employment Service could support the provision of staff-assisted reemployment services to 2.8 million jobseekers.¹⁸ In addition, Congress should at least triple the administration's proposed 2015 budget amount of \$158 million for reemployment and eligibility assessments (REA) and staff-assisted reemployment services (RES) for substantially greater numbers of UI claimants and returning veterans identified as likely to exhaust benefits.

The substantial funding increase for the Employment Service would provide for enhanced services to all jobseekers in need, including claimants with shorter unemployment durations and non-UI recipients. The increased funding for REA and RES, which can be administered by ES and/or UI staff, would be focused exclusively on UI claimants and targeted early in their benefit year in order to shorten unemployment durations.

Pass the Layoff Prevention Extension Act of 2014

In September 2014, Senator Jack Reed (D-RI) and Representative Rosa DeLauro (D-CT) introduced the Layoff Prevention Extension Act of 2014. This legislation would extend federal financing of work-sharing benefits by one year to August 22, 2016. Furthermore, it would extend the deadline for states to enact conforming legislation and apply for federal work-sharing grants by one year to December 31, 2015. More than 20 states have failed to pass the necessary legislation to claim approximately \$29 million in remaining federal grant

dollars appropriated under the 2012 law. By passing this one-year extension, Congress would reaffirm its commitment to providing states and businesses with the tools to weather the next recession with minimal layoffs.

Pass the Fair Employment Opportunity Act of 2014, and require by executive order that federal agencies not discriminate against the unemployed

The Obama administration is stepping up its effort to promote the hiring of jobless workers by convening human resource professionals from the nation's largest businesses to encourage them to adopt best practices to recruit and hire long-term unemployed jobseekers; it also is instructing managers at federal agencies that they should not make unfavorable hiring decisions because a job applicant is unemployed or dealing with financial hardship from circumstances such as job loss.¹⁹ While these practices help to inform the public of the hardships unemployed workers face in the job market, the strongest response would be for Congress to pass the Fair Employment Opportunity Act of 2014, which would ensure that unemployed jobseekers are judged on their qualifications and not on their jobless status. In the absence of such legislation, President Obama should embrace the federal government's obligation to lead by example and issue an executive order that would require federal agencies and contractors to adhere to the non-discrimination provisions in the federal proposal.

2 Expanding Unemployment Insurance Access for Lower-Wage Workers

The federal-state unemployment insurance program has failed to keep up with changes in the workforce. Though the rise in women's labor force participation and the increase in the number of workers in contingent employment relationships are decades-old phenomena, the program continues to operate on the paradigm of a workforce made up of full-time male factory workers. Today, many women support their families financially, either as single parents or as part of dual-earner households. A loss of income from work, especially in poorer households, is often devastating. In addition, women often bear the brunt of family caregiving duties; this can impact their availability for work.

Part-time workers are excluded from UI coverage because of outdated rules that fail to acknowledge today's labor market realities.

Furthermore, a combination of lingering labor market slack and longer-term changes in how businesses structure their work has resulted in elevated numbers of part-time and temporary workers. While certain practices represent more efficient ways of production and permit greater staffing flexibility during periods of economic uncertainty, others are part of explicit employer strategies to evade labor laws and workplace benefits. For many workers, contingent work arrangements, including part-time or temporary positions, may be all that is available, and can produce negative consequences for their future work prospects and economic well-being.²⁰ Because of rules that fail to acknowledge these labor market realities, many lower-wage workers are excluded from coverage, even though they are more likely than higher earners to be unemployed and to experience hardship during periods of wage loss.²¹

By depriving this growing segment of the workforce of the fundamental promise of unemployment insurance for involuntary job loss, states will push these workers deeper into the economy's margins during future recessions while compromising the program's counter-cyclical objective.

Extend eligibility to part-time workers and anyone who wants to reduce their schedules for compelling reasons

Part-time workers make up a significant share of employed people (about 17 percent outside recessions) and exhibit significant labor force attachment, often working more than 20 hours per week and during a significant share of the year. Given the predominance of part-time employment in several large service-providing industries, like retail trade, there is little policy justification for disqualifying people who lose jobs and then look for similar employment in these industries. Furthermore, the UI program operates counter-cyclically, meaning benefit claims rise when the economy contracts. In 2009, the share of workers employed part time reached 20 percent, mostly due to a rise in the number of people who preferred full-time work but could only find part-time work. State UI programs seeking to maximize coverage must better recognize the nature of the post-recession economy, in which jobs with shorter schedules return first, and that certain industries in general rely disproportionately on part-time work.

The Recovery Act provided UI Modernization Act (UIMA) grants to states to allow otherwise monetarily eligible claimants with a part-time work history to search and be available for part-time work. States were also able to use UIMA funding to extend eligibility to workers who want to work part time because of compelling family circumstances, like the need to care for an ill family member. Nonetheless, an estimated 21 states still require these claimants to search for a full-time job, regardless of compelling circumstances limiting their availability.

Workers who need to transition to a reduced schedule in order to accommodate major life events, like caring for young children or an ill family member, should be ensured basic income support while they do so, as long as they are making a good-faith effort to find a suitable part-time job. A workable state standard could provide that any otherwise eligible individual who is seeking

only part-time work is not disqualified as long as the work is for at least 20 hours per week.

Strengthen state partial unemployment insurance rules to supplement earnings for underemployed workers

An earlier section in this paper explains how strengthened partial UI rules can encourage quicker returns to work. In addition, stronger partial unemployment requirements can help to maintain the financial security of workers who experience a reduction in their usual hours and earnings because of a business slowdown. Evidence shows that workers in lower-wage industries are especially vulnerable to underemployment. From 2011 to 2013, 9 percent of workers employed in retail trade, and almost 14 percent of food services workers, were working part time involuntarily, compared to almost 6 percent of all workers (these proportions were similarly elevated before the recession).²² One study of a national sample of early-career workers noted significant fluctuations in work hours and an especially low average number of minimum weekly hours among part-time employees.²³

Better partial unemployment rules can help underemployed workers satisfy basic needs until they resume their normal schedule.

Raising weekly part-time earnings thresholds to at least the value of the claimant's full benefit and minimizing the value of earnings deducted from a claimant's final benefit would allow underemployed workers to maintain their basic needs (and boost community spending levels) until their normal schedule resumes.

Eliminate arbitrary temporary worker disqualifications

There were 3.2 million temporary help and leased workers in the year ending September 2014, representing 2.3 percent of all workers, including a greater share of lower-skilled, industrial employment.²⁴ In addition to enduring lower wages, fewer benefits, and less stable

conditions, these workers face penalties when they are not working because of arbitrary restrictions in state UI programs that effectively exclude them from coverage. One study estimates that temporary workers are 28 percent less likely than all other workers to receive jobless benefits.²⁵

Currently, 31 states (plus Puerto Rico) require temporary workers to repeatedly report back to the agency for additional assignments upon completion of the current assignment, or else they are deemed to have voluntarily quit without good cause and are disqualified.²⁶ Under this provision, the temporary agency can avoid benefit charges if the claimant does not seek additional work based on the legal premise that the worker is technically employed.²⁷ Likewise, certain states may determine that workers who refuse another placement—because the conditions are unsatisfactory, or because they want to focus on securing permanent work—have refused suitable work and deny them benefits. In other cases, a worker who has finished an assignment with a predetermined expiration date may be denied benefits on the grounds that she agreed to be unemployed.

State UI laws should treat each assignment of temporary work as a separate contract of employment, and only claimants who refuse an offer of subsequent temporary work that is suitable in terms of wages, hours, and conditions should be subject to disqualification. While the stated purpose of unemployment insurance is to help workers endure spells of involuntary job loss with minimal harm to their economic well-being, states that grant the temporary help industry favored status under their UI laws relegate employees to a harmful cycle of short-term jobs and impede their search for new, steady employment. Lawmakers should oppose attempts to introduce similar provisions and should repeal existing laws.

Resources:

[Temped Out: How the Domestic Outsourcing of Blue-Collar Jobs Harms America's Workers](#), September 2014
[Temp Work and Unemployment Insurance—Helping Employees at Temporary Staffing and Employee Leasing Agencies](#), August 2001

Broaden good cause rules for workers who voluntarily quit their jobs

State unemployment insurance programs often fail to extend eligibility to workers who must leave work for compelling personal reasons—for example, a destabilizing change in child care or sudden illness or injury of a family member. Such rules disadvantage lower-wage workers, who are more likely than other workers to experience instability but less likely to have the resources to manage these pressures.

In general, a worker must be separated from a job involuntarily to qualify for coverage. If she voluntarily quits her job, the separation must be for good cause. However, all but 12 states require that good cause be explicitly linked to the worker's job—for example, if the claimant experienced harassment or if the conditions of the work changed adversely over the course of the contract. Otherwise, many states make individual exceptions to the work-related good cause definition for personal reasons—for example, to leave for a better-paying job or because of the individual's illness. The result is that workers in many states are not protected when circumstances beyond their control make it difficult for them to continue working.

Workers in many states are not covered by UI when circumstances beyond their control make it difficult to continue working.

The Recovery Act addressed some of these issues by providing grants to states to extend eligibility to workers who have to quit a job to escape domestic violence, care for an ill family member, or follow a spouse who relocates for work. More than half of all state UI laws recognize at least one of these reasons, and most do not charge the employer directly for the benefits. While states should continue to adopt such exceptions—including not disqualifying workers who quit because of transportation difficulties or who must leave a part-time job because the loss of a full-time position makes it difficult to continue—the broadest approach would be to define good cause as any compelling reason for leaving work, whether or not it is related to the person's job, as in California and a small minority of other states.²⁸

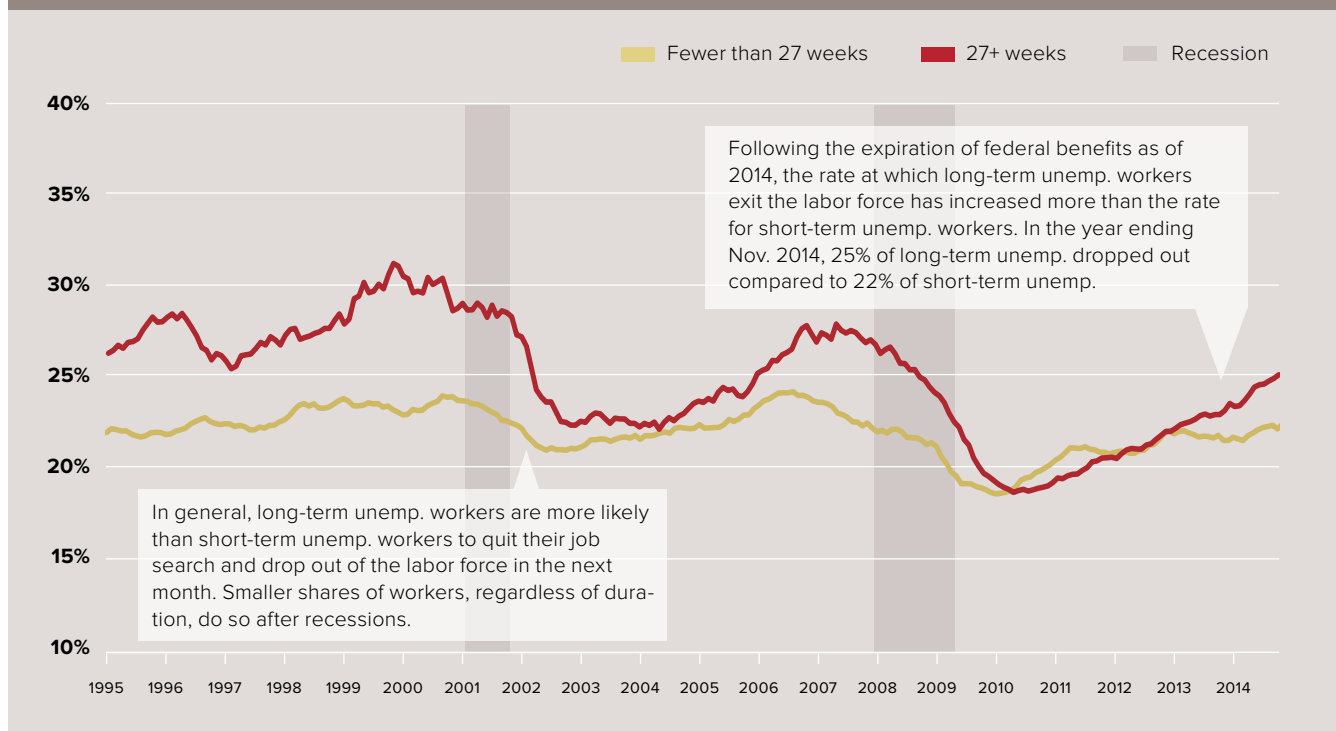
3 Providing Greater Help for Long-Term Unemployed Jobseekers

The purpose of the unemployment insurance program is to financially sustain involuntarily unemployed workers and their families while they search for a new job. Despite being supported for record numbers of weeks during this recession as a result of federal extensions programs, millions of jobless workers, regardless of how long they were unemployed, were unable to find work and eventually stopped looking. As federal extended benefits phased down and states enacted regular program reductions, the rate at which long-term unemployed workers exit the labor force has increased more than that of workers unemployed for shorter durations, suggesting that long-term unemployed workers are being left behind (Figure 2).

With households experiencing extended durations of unemployment at serious financial risk, states should prioritize actions that keep long-term unemployed workers engaged in job-search activities for as long as

possible, and prevent them from becoming discouraged and receding to the far margins of the labor force. Fortunately, a recent federal Ready to Work initiative aims to provide training and supportive services to long-term unemployed workers through grant-funded partnerships between local employers and state economic development agencies.²⁹ Furthermore, a small number of state governors has pledged greater support for the long-term unemployed, including Connecticut Governor Dan Malloy, who in 2013 expanded state-subsidized employment opportunities. Washington State was among the first recipients of federal emergency job-driven training funds to provide comprehensive reemployment services and training to long-term jobless workers. Colorado is using Workforce Investment Act Rapid Response reserves to provide increased levels of service to long-term unemployed workers. These positive steps should compel wider action.

Figure 2: Percentage of workers, by duration of unemployment, who quit looking for work and left the labor force in the subsequent month, 12-month moving averages, January 1995 to November 2014



Source: NELP analysis of unpublished monthly labor force flows data of the U.S. Department of Labor.

Key steps include committing resources to establishing subsidized employment programs targeting the long-term unemployed; providing additional unemployment insurance benefits for workers in approved training programs; linking up long-term recipients of unemployment insurance with other government assistance programs; and maintaining 26-week maximum unemployment insurance durations for eligible claimants, and restoring them in states where lawmakers enacted reductions.

Establish subsidized work programs for long-term jobless workers, including unemployment insurance exhaustees

A comprehensive response by lawmakers to the crisis of long-term unemployment must include a substantial investment in job creation strategies. One promising strategy involves using government funds to temporarily reimburse employers for wages paid to newly hired workers from a targeted group of people who cannot find jobs under current labor market conditions. Properly structured wage subsidy programs can provide jobs that pay a fair wage and serve as a bridge back to permanent, unsubsidized work.

Wage subsidy programs can provide jobs that pay fair wages and serve as a bridge back to permanent, unsubsidized employment.

The Recovery Act authorized a temporary funding stream known as the TANF Emergency Fund, which states could use to provide subsidized employment as well as basic assistance for low-income families with children. Thirty-nine states and the District of Columbia invested \$1.3 billion of TANF EF funds to create new or expand existing wage subsidy programs. In total, 260,000 low-income adults and youth were placed in subsidized positions before the program ended in late 2010.³⁰ A 2013 evaluation of programs in California, Florida, Mississippi, and Wisconsin found that long-term unemployed participants experienced the most significant increases in unsubsidized

employment and earnings after the subsidy ended; and that most employers created jobs that would not have existed without the subsidy, and said they would participate in similar programs in the future.³¹

Currently, states and local governments operate a variety of effective wage subsidy programs. Connecticut's Subsidized Training and Employment Program (known as Step Up), operated by the state's Department of Labor and five Workforce Investment Boards using state bond funds, reimburses businesses with no more than 100 full-time employees that hire low-income unemployed workers. The subsidy covers wages paid up to \$20 per hour, or \$12,000, for up to 180 days. The program reimburses a declining share of wages over the course of the contract, starting with 100 percent in month one, dropping to one-quarter in month six. Between February 2012 and June 2014, roughly 2,350 participants were hired at an average hourly rate of \$14.65.³² Other smaller programs rely on private sources of funding to supplement public dollars. The Platform to Employment (P2E) program places long-term unemployed workers who complete a short preparatory program in privately subsidized, eight-week positions at businesses with permanent openings. To date, 90 percent of participants have been hired after completing the work experience. P2E, which started as an initiative of the Workforce Investment Board for southwestern Connecticut, is being replicated in 10 cities throughout the country and has been expanded to a statewide program in Connecticut.³³

These and other examples show that wage subsidy programs can be used to improve the employment and earnings prospects of workers on the edges of the labor market, especially the long-term unemployed. State and local lawmakers contemplating solutions to the current and future crises of long-term unemployment should make subsidized employment a centerpiece of their response. These programs should target long-term unemployed workers, including workers who exhausted unemployment insurance benefits and disadvantaged workers. As state budgets gradually recover from the recession, lawmakers should appropriate the necessary

funding to launch wage subsidy programs that are open to the private sector, non-profit organizations, and public agencies, and should develop alternative funding mechanisms to fully or partially match investments from foundations and business.

The amount and length of the subsidy should depend on the level of available resources, but a wage standard of at least the local prevailing wage for the occupation in which the participant is placed, with a weekly minimum of 30 hours, would limit subsidies for lower-wage, part-time jobs. Program administrators should bar subsidies for businesses with recent layoffs to ensure participants are not displacing permanent employees.

Resources:

[Getting Our Priorities Straight: Three Actions Congress Can Take to Create Jobs and Build Future Prosperity](#), November 2013

Provide up to 26 weeks of additional unemployment benefits for jobless workers receiving training

Hundreds of thousands of workers displaced from long tenures in industries that are either declining domestically or have reduced payrolls through technological advances lack the requisite skills to secure another job with wages and benefits comparable to the jobs they lost. For these workers, some type of retraining or upgrading of job skills is a necessary step toward reestablishing economic security.

However, most unemployed workers cannot afford to participate in training without some form of income support. Federal unemployment insurance law prohibits states from denying UI benefits to claimants while they are participating in state-approved training programs. But because most states provide a maximum of 26 weeks of UI benefits (and several states far less), unemployed workers have a very short timetable within which to determine their training needs, identify an appropriate training provider, secure necessary funding, enroll and complete a course of study, and still retain some level of income. Given the time and

resources needed to determine an appropriate training path and common wait times for training courses, many claimants have only a few months of benefits left before they can begin training. Frequently, the decision to pursue a course of education is effectively preempted because the length of training needed far exceeds the claimant's maximum duration of UI benefits.

States should prioritize policies that keep long-term unemployed workers engaged in job-search activities.

Under the Recovery Act, states were able to qualify for federal incentive funds by enacting a range of benefit expansions. One of those expansions was providing up to 26 weeks of additional unemployment benefits to workers while they participated in state-approved training. Today, 15 states and the District of Columbia provide up to 26 weeks of additional benefits to help workers complete approved training courses.³⁴ Benefits of this duration are generally sufficient to enable jobless workers to take part in significant technical training in a community college setting or with other quality training providers.

State investments in reforming unemployment insurance policies to facilitate access to education and training pay multiple dividends, helping workers permanently improve their income prospects and reduce future risk of unemployment while also helping to ensure a better match between what employers need and what workers can offer. States should amend their UI laws to enable claimants to receive up to 26 weeks of additional benefits in order to complete state-approved training.

Resources:

[Implementing the Unemployment Insurance Modernization Provisions of the Recovery Act in the States](#), Updated February 2010
[State Implementation of President Obama's Initiative Removing Hurdles to Education for Jobless Workers Collecting Unemployment Benefits](#), May 2009

Better connect long-term unemployed workers and families with government support programs

Without the financial support provided by jobless benefits, most long-term unemployed workers have only their minimal savings or personal support networks to rely on until they find a new job. Most workers who exhaust their benefits do not receive financial assistance from other government programs: in 2009, 15 percent of exhaustees' households received Supplemental Nutritional Assistance Program (SNAP) benefits. Among households with children and very low income, fewer than 10 percent received Temporary Assistance to Needy Families benefits or other welfare assistance.³⁵

Policymakers should act to preserve the long-accepted 26-week maximum duration of state unemployment benefits.

State agencies that process UI claims often function in silos, without a mandate to help connect unemployed workers with other forms of financial or in-kind assistance. A 2012 Government Accountability Office survey of state agencies found significant variation in the scope and intensity of such efforts, ranging from providing program information online to sharing claimant data with other agencies.³⁶ Without a deliberate, coordinated response across state agencies, families experiencing extended unemployment durations will continue slipping through the cracks of the human services system. Fortunately some states are finding ways to better serve this population of workers.

During the recession and recovery period, several states targeted outreach to workers exhausting their benefits. For example, Connecticut's state workforce agency developed an action plan to connect exhaustees to appropriate reemployment and social services.³⁷ Pennsylvania contracted with a non-profit agency to contact workers approaching the end of their benefits to help them file for SNAP benefits. Washington State mailed a resource guide to long-term recipients and required that One-Stop staff develop customized

reemployment services plans. In addition, a few states committed the resources to track the demographic characteristics and reemployment outcomes of exhaustees. Connecticut and Washington State each released valuable reports describing the population of exhaustees during this recession.³⁸ Such efforts will help to measure the success of outreach efforts and shape services for these workers in future recessions.

Resources:

[When Unemployment Insurance Runs Out: An Action Plan to Help America's Long-Term Unemployed](#), September 2012

Provide 26 weeks of unemployment insurance benefits to jobless workers

State policy proposals to address trust fund solvency after the Great Recession have focused less on generating greater revenue from employer contributions and more on weakening long-accepted features of state programs. One feature that lawmakers are willing to target more than ever before is the 26-week maximum duration of benefits. Such proposals are unnecessarily harsh and are not supported by recent empirical evidence.³⁹ Furthermore, they threaten to diminish the program's automatic stabilizing effect in the future.

Today, eight states have maximum durations below 26 weeks. Florida and North Carolina are authorized to pay as few as 12 weeks, and Georgia as few as 14 weeks, based on the state's unemployment rate. Kansas, Michigan, Missouri, and South Carolina all currently pay a maximum of 20 weeks of benefits.⁴⁰ Typically, workers in these states face corresponding cuts to federal extended benefits, which are based on a state's maximum duration.

Ironically, these reductions were enacted during a period of record-high long-term unemployment. The share of claimants who reach the end of their state UI benefits before they find a job reached 56 percent in 2010. Today, more than 4 in 10 claimants exhaust their benefits. The average duration of unemployment has been higher than 30 weeks since early 2010.

Faced with longer spells of unemployment in the future, policymakers should act to prevent further erosion of this and other long-standing features of the unemployment insurance program. Once state economies are more firmly in recovery from the Great Recession, lawmakers in states with durational cuts should reverse them. Lawmakers in states expecting to pass trust fund solvency legislation should firmly oppose proposals anchored by deep durational cuts and should be prepared to counter them with balanced financing measures.

Resources:

Protecting Our UI Lifeline: A Toolkit for Advocates, Second Edition, "[Questions and Answers about Why Every State Should Pay 26 Weeks of Unemployment Insurance Benefits](#)," (Page 4) 2014

What Federal Lawmakers Can Do:

Establish a national wage subsidy program for the long-term unemployed

State and local governments have shown they can operate modest but effective wage subsidy programs that move significant shares of participants into permanent, well-paying jobs. However, to ensure sufficient employment opportunities for the millions of currently long-term unemployed and sidelined workers, and to mitigate job losses in future recessions, a large-scale national wage subsidy program is required. In 2013, Representative George Miller (D-CA) introduced the Pathways Back to Work Act (originally introduced in the American Jobs Act in 2011), which proposed to spend \$8 billion of \$12.5 billion total for subsidized employment opportunities for low-income and long-term unemployed adults. States would submit competitive grant applications to the U.S. Secretary of Labor detailing eligibility requirements, partnerships with other entities, and timelines for implementation. Preference would be given to subsidies likely to lead to permanent, unsubsidized employment, with the level and duration of the subsidy determined by the state or locality operating the program. Funds could also be used for support services, like transportation and child care.

Focusing on long-term unemployed individuals and building on existing wage subsidy models, a federal wage subsidy program could be implemented relatively quickly. Even a smaller appropriation of \$10 billion over two years could result in roughly 300,000 subsidized jobs for long-term jobless workers, depending upon program parameters.⁴¹ A federal wage subsidy program of any scale should expand when the

economy is weak and phase down when demand for hiring returns to normal,⁴² and should be coupled with greater funding for reemployment services, as recommended here earlier.

Establish a national program of extended benefits for workers receiving training

The national interest in encouraging states to make retraining more accessible for dislocated workers is so compelling that Congress should enact a national program of extended UI training benefits that mirrors the Unemployment Insurance Modernization Act training benefit provision (up to 26 weeks to complete state-approved training), but provides 100 percent federal funding for such benefits.

Require that state unemployment insurance programs provide 26 weeks of benefits

Currently, there is no federal standard for the duration of regular state benefits (nor are there standards for qualifying earnings requirements or benefit adequacy). The result is that state lawmakers in some states were operating within the confines of the law when they began implementing reckless cuts to the maximum duration of state benefits in 2011, despite years of debate and consensus by program stakeholders to the contrary.⁴³ The strongest response would be for Congress to implement a federal program standard mandating that states provide eligible claimants a maximum of 26 weeks of regular benefits, regardless of state economic conditions. This would not preclude states from maintaining existing variable duration provisions (currently, only eight states offer uniform duration),

as long as the maximum is at least 26 weeks for claimants who have worked throughout their base periods. States that do not provide a potential 26-week maximum would lose federal administrative funding and the right to extended benefits during recessions. A federal standard should be accompanied by safeguards to ensure that states do not offset a new durational standard with reductions to the maximum weekly benefit amount.

Redesign the Extended Benefits program for long-term jobless workers

During periods of high unemployment, the federal government provides additional weeks of UI benefits to claimants who exhaust their regular state benefits. These payments can take two forms. The first is the permanent federal-state Extended Benefits (EB) program, established in 1970 and amended thereafter. The EB program is supposed to turn on automatically during recessions. However, it rarely activates early enough in states due to the program's strict "trigger" criteria, which is based on a state's UI reciprocity level. Currently, states need very high unemployment levels to surpass the required insured unemployment thresholds. Thus, Congress will authorize a temporary, fully federal program of emergency extensions, usually long after a recession has begun. Most recently, Congress established the Emergency Unemployment Compensation program in July 2008. It was reauthorized 11 times until it expired on December 31, 2013.

Instead, EB should activate in states by their three-month average unemployment rates, also known as total unemployment (or TUR). Unemployment levels in prior years, a feature known as the "look-back," should not be accounted for. The baseline tier could activate when a state's average unemployment rate reaches 6.5 percent, which is one of the thresholds by which states eventually triggered onto EB over the Great Recession.⁴⁴ All states should be entitled to a minimum level of benefits once the national unemployment rate reaches a similar level. This would provide assistance to sub-state regions affected by mass layoffs and much-needed stimulus to the national economy.

The historically poor financial condition of state UI trust funds during and after the Great Recession proves that it would be an impossible burden on states to continue partially funding the EB program. Therefore, the provision permitting 100 percent federal financing, in effect until the end of 2013, should be authorized permanently.

With these improvements, the permanent EB program could finally serve as a reliable source of protection for long-term unemployed jobseekers during recessions and obviate the need for costly emergency intervention. Rather than worry about their ability to continue financially supporting their families because of an impending expiration, jobseekers could focus on getting back to work.

4 Shoring Up Unemployment Insurance Infrastructure

The federal-state unemployment insurance program was critical to stabilizing the economy during the Great Recession and the ensuing slow recovery. But for many states, the unprecedented and sustained demands on the system revealed fundamental problems resulting from years of neglect from both state and federal policymakers. Seventy percent of states borrowed more than \$45 billion from the federal government in order to keep paying benefits, but the predominant policy response has been to reduce benefits rather than improve financing. In many states, major breakdowns in call centers and automated claims systems disrupted claim-filing and delayed payment of benefits to millions of jobless workers. But efforts to implement modernized technology have been slow, under-funded, and in some instances, have made it even more difficult for unemployed workers to file for benefits.

Unemployment insurance was critical to stabilizing the U.S. economy during the Great Recession and the slow recovery that followed.

In order for the UI program to function effectively in the next economic downturn, states should begin to focus their attention on shoring up the basic program framework. Key steps include restoring trust fund solvency through forward financing to avert the costs and consequences of federal borrowing, making efficient UI program administration and timely payment of benefits a state policy priority, and committing to the principle that all workers who are involuntarily unemployed should be able to easily access benefits when they are needed.

Adopt responsible financing measures to ensure preparation for the next recession

Most state unemployment trust funds did not do enough to prepare for the Great Recession and were less prepared than for the previous recession. At the beginning of 2001, there was about \$54 billion in state trust funds to withstand the national recession that followed September 11th, compared to about \$38 billion at the

beginning of 2008—half the amount recommended by UI financing experts. As a result, 35 states borrowed more than \$45 billion from the federal government since 2008. In addition to interest costs, employers in borrowing states have paid billions of dollars in additional federal unemployment taxes to repay the debt. UI financing experts generally agree that there are three key features in maintaining a healthy unemployment trust fund: (1) adherence to forward funding principles, (2) setting taxable wage bases that are responsive to recessionary payment levels, and (3) indexing taxable wage bases as a percentage of the state's average annual wage. Cutting UI benefits or raising UI payroll taxes during a recession undermines the positive economic impact of UI. State UI programs work best when they build up trust fund reserves during periods of economic growth and then rely upon those reserves to moderate or avoid UI payroll tax increases and/or UI benefit restrictions during economic recessions.

In measuring state trust fund solvency, the U.S. Department of Labor uses a concept known as the average high cost multiple (AHCM). A high cost multiple (HCM) of 1.0 means that a state has adequate reserves in its fund to pay out benefits for one year at its historically highest level of benefit payments without relying on any new payroll tax revenues. An average high cost multiple of 1.0 means the state is able to pay a year of benefits at a level equal to the average payout in the three high-payout calendar years in the last 20 years (or a period including three recessions, if longer). Of the 19 states that met the AHCM solvency standard in 2007, only six required a federal loan, and three of these states were able to repay their loans quickly. In comparison, 30 of the 34 states with inadequate reserves borrowed. Had the 34 states that started the recession with inadequate reserves met the AHCM solvency benchmark, the number of borrowing states would have fallen to 13, with the total amount borrowed dropping to \$9 billion by the end of 2010.

Only wages below an annual threshold known as the “taxable wage base” are subject to state UI payroll taxes. Annual, automatic adjustment of UI wage bases

(known as “indexing”) is a key UI financing policy. Of the 16 states with indexed taxable wages in 2007, 10 were considered adequately prepared for the recession, while only 8 of 35 non-indexed states met the solvency standard. States with indexed taxable wage bases also outperformed non-indexed states, with only six requiring a loan during the downturn, compared to 29 non-indexed states.

States should legislatively enact (1) a solvency goal of 1.0 AHCM, and (2) a taxable wage base that is calibrated to achieve that goal and is indexed to annual wage growth. For the federal-state UI program to function as a meaningful automatic stabilizer of economic activity, states need to make a clear commitment to the principles of forward financing.

For unemployment insurance to function effectively during the next downturn, states should begin shoring up the program now.

A note about employee contributions: In Alaska, New Jersey, and Pennsylvania, employees are subject to a payroll tax that helps finance the state’s UI trust fund. These taxes are a minimal burden on the larger universe of employed workers. For example, in Pennsylvania, a worker earning \$45,000 pays \$31.50 in annual UI taxes. Besides helping state funds maintain solvency, employee contributions give workers a voice in the political process around defining the costs and benefits of the UI program. In addition, employee contributions are theoretically more flexible than employer taxes and can be structured to help subsidize reemployment services (as in New Jersey) or hire additional program staff (as in Pennsylvania). Finally, workers who can see their tangible financial contributions to the UI program are more likely to pursue their rights to benefits when unemployed. While employee contributions are not common in the United States, they may represent an opportunity for states to prevent future insolvency and the damaging benefit cuts that so often follow.

Resources:

[Lessons Left Unlearned: Unemployment Insurance Financing After the Great Recession](#), July 2012

Dedicate greater resources to state unemployment insurance program administration

Most state UI agencies process jobless claims with mainframes and other technologies that are, on average, more than 25 years old. The infrastructure problems plaguing many state UI systems are largely a result of chronic federal underfunding. Since the recession, hundreds of thousands of unemployed workers have borne the brunt of this neglect in the form of unnecessary payment delays and other application headaches.

Federal underinvestment in state unemployment information technology systems not only threatens the immediate economic security of unemployed workers and their families, but government misses out on productivity gains and cost savings. Because a majority of these systems still run outdated programming languages, there is a significant cost to their ongoing maintenance. Worse still, these legacy systems increase the likelihood of problems such as benefit overpayments.

For decades, Congress has neglected to adjust state UI administrative funding for inflation, employment growth, or the need for continuing capital investments such as information technology infrastructure upgrades. Without a reliable source of funding to replace their outdated systems, states have made do by cobbling together networks of computer programs and hardware that complicate reprogramming, and by scaling up during claims surges. Inadequate federal funding also makes it difficult for states to hire enough staff to pay benefits in a timely fashion, prompting layoffs of critical UI staff even though caseloads at one point were more than two-and-a-half times the level from when the recession began in 2007. In addition, fewer states are making timely UI payments since the recession: in 2007, before jobless claims increased, 84 percent of states met federal standards for timely UI payments; in 2012, only 41 percent met the standard.

Even as the demand for unemployment benefits has declined from record levels, thousands of workers have faced significant challenges accessing their UI benefits. Many major state UI programs have experienced major service disruptions since 2011. In California during fiscal year 2011-12, for example, call volumes were such that 17 million out of 72 million calls (24 percent) were not even able to reach the automated phone system. Of the nearly 30 million callers who requested to speak with an agent, only 4.8 million callers were successful.

Many states establish special taxes for a variety of purposes including UI administration, job training, employment service administration or special improvements in technology.⁴⁵ (Most recently, Pennsylvania addressed major UI service breakdowns by allotting a portion of employee UI taxes to improving services to claimants, as referenced in the prior section.) In fiscal year 2013, states contributed an additional \$205 million for UI administration, the majority of which came from penalty and interest charges and other sources of funding.⁴⁶ States should maintain some form of dedicated tax that ensures states have the resources to maintain efficient UI systems through the ebbs and flows of federal appropriations.

Resources:

[Federal Neglect Leaves State Unemployment Systems in a State of Disrepair](#), November 2013

Reduce access barriers for low-income workers and workers with language and literacy limitations

Most state UI programs are undergoing some form of “modernization” of their automated systems, as states increasingly rely on online initial and continuing claim-filing processes. Many states launching new

online systems have experienced breakdowns that have disrupted services to large numbers of claimants. In addition, most of these states have not adequately planned to ensure that low-wage claimants with a variety of access barriers are not further disadvantaged by limited filing process options. Workers with disabilities or limited English proficiency, literacy, or computer fluency have faced major challenges applying for benefits when new system designs failed to provide an accessible alternative means of claim-filing (typically a staff-assisted telephone transaction). In addition, new online systems have generally been more complex and difficult for all claimants to navigate, and as a result, a number of major states with new systems are among the worst-performing states in terms of timely payment of benefits.

Unemployment insurance must be accessible to all who qualify for benefits, including workers with disabilities and those with limited English proficiency.

Unemployment insurance must be accessible to all workers who lose jobs involuntarily and have earned sufficient wages to qualify for benefits. It is essential that states not erect access barriers for workers applying for UI. States legislatures should take steps to require that state UI agencies (1) ensure that all UI claim-filing systems include alternative filing mechanisms that are understandable and easy to access for claimants who cannot successfully utilize online systems, (2) maintain and monitor the accessibility of their systems to workers with access barriers, and conduct outreach to such groups, and (3) establish their own customer service standards for UI claim-filing that are subject to regular independent review by state auditors.

What Federal Lawmakers Can Do:

Require states to meet the federal solvency standard (average high cost multiple of 1.0)

Congress should enact legislation that immediately increases the federal taxable wage base from \$7,000 to \$15,000 and requires states to enact legislation that will ensure that within four years, all states adopt (1) a solvency goal of 1.0 AHCM, and (2) a taxable wage base that is calibrated to achieve that goal and is indexed to annual wage growth.

Provide additional funding for state agency staffing and technology upgrades

Congress should provide additional funding for staffing and information technology upgrades in the form of (1) a \$600 million multi-year appropriation for UI program administration, and (2) a one-time \$300 million appropriation to upgrade state UI technology. To address access issues such as jammed phone lines, there should be more aggressive federal oversight through updated customer service standards and targeted enforcement.

Conclusion

More than five years after the official end of the most significant and sustained recession in seven decades, nine million Americans are counted as unemployed and another six million want to work but have quit looking. Millions more workers are underemployed or working in temporary positions, even though they would prefer to be employed in more stable arrangements. By adopting the policy recommendations featured in this report, states can take important steps toward helping these workers make the transition to good employment and financial security. Equally important, these measures will better prepare state unemployment insurance and workforce agencies for recessions in the future, while mitigating the effects on workers.

Endnotes

1. Economic Policy Institute estimate of “missing workers,” who they define as people not currently in the labor force who would be working or looking for work if job opportunities were stronger, <http://www.epi.org/publication/missing-workers/>.
2. National Employment Law Project (NELP), “An Unbalanced Recovery: Real Wage and Job Growth Trends,” Data Brief, August 2014, <http://www.nelp.org/page/-/Reports/Unbalanced-Recovery-Real-Wage-Job-Growth-Trends-August-2014.pdf>; and NELP, “The Low-Wage Recovery: Industry Employment and Wages Four Year into the Recovery,” Data Brief, April 2014, <http://www.nelp.org/page/-/reports/low-wage-recovery-industry-employment-wages-2014-report.pdf>.
3. This reflects the year ending December 2014. A closer look at the three months ending December shows that regular UI reciprocity is down to 26%.
4. This equals the number of people who immediately lost Emergency Unemployment Compensation benefits upon the program’s expiration on December 28, 2013, plus the number of monthly exhaustions of regular State unemployment insurance in 2014, as reported by the U.S. Department of Labor, Office of Unemployment Insurance. Monthly regular State program exhaustions data are available at <http://workforcesecurity.doleta.gov/unemploy/claimssum.asp>.
5. Carl Van Horn, Cliff Zukin, and Allison Kopicki, “Left Behind: The Long-term Unemployed Struggle in an Improving Economy,” John J. Heldrich Center for Workforce Development, September 2014, http://www.heldrich.rutgers.edu/sites/default/files/products/uploads/Work_Trends_September_2014_0.pdf; and Austin Nichols, Josh Mitchell, and Stephan Lindner, “Consequences of Long-term Unemployment,” Urban Institute, July 2013, <http://www.urban.org/uploadedpdf/412887-consequences-of-long-term-unemployment.pdf>.
6. Ann Huff Stevens and Jessamyn Schaller, “Short-run Effects of Parental Job Loss on Children’s Academic Achievement,” NBER Working paper No. 15480, 2009; Philip Oreopoulos, Marianne Page, and Ann Huff Stevens, “The Intergenerational Effects of Worker Displacement,” *Journal of Labor Economics*, Vol. 26, No. 3 (2008), 455-483.
7. Nichols, Mitchell, and Lindner, “Consequences of Long-term Unemployment.”
8. Studies of Nevada’s 2009 REA program find especially significant impacts, in the form of reduced UI durations and positive employment outcomes, due to a combination of the mandatory eligibility interviews and the reemployment services themselves. Whereas as REA programs in other states referred REA participants to RES, Nevada’s program provided them simultaneously. More information is available in Marios Michaelides, et al., “Impact of the Reemployment and Eligibility Assessment (REA) Initiative in Nevada,” Impaq International, LLC, January 2012, http://wdr.doleta.gov/research/fulltext_documents/etaop_2012_08_rea_nevada_follow_up_report.pdf; and Marios Michaelides, “Are Reemployment Services Effective in Periods of High Unemployment? Experimental Evidence from the UI System,” April 2013, <http://www.sole-jole.org/13417.pdf>. Earlier research is summarized in NELP’s 2012 “Getting Real” report.
9. More information on historical federal funding for reemployment services is available in Stephen Wandner, “The Response of the U.S. Public Workforce System to High Unemployment during the Great Recession,” Urban Institute, September 2012, <http://www.urban.org/UploadedPDF/412679-The-Response-of-the-US-Public-Workforce-System-to-High-Unemployment.pdf>.
10. National Association of State Workforce Agencies (NASWA), “NASWA State Supplemental Funding Survey,” February 25, 2014, http://www.naswa.org/assets/utilities/serve.cfm?gid=17600916-091E-4223-8CDC-759EB2AF1E5B&dsp_meta=0. More information about state supplemental taxes for reemployment services is available in U.S. Department of Labor, Comparison of State UI Laws, 2014, “Chapter 2: Financing,” Table 2-17: States with Taxes for UI Administration or Non-UI Purposes, <http://workforcesecurity.doleta.gov/unemploy/pdf/uilawcompar/2014/financing.pdf>.
11. NASWA, “NASWA State Supplemental Funding Survey.”
12. Anna Godoy and Knut Roed, “Unemployment Insurance and Underemployment,” Institute for Study of Labor, Discussion Paper No. 7913, January 2014, <http://ftp.iza.org/dp7913.pdf>. The study authors use unusually rich administrative data from Norway to show that providing jobless benefits to underemployed jobseekers “unambiguously” shortens durations of unemployment and reduces overall UI expenditures. The authors focus on the impact of partial benefits on workers who were separated from full-time employment and drawing benefits. They find that part-time work supported by partial UI serves as a “stepping stone” towards regular, full-time employment.
13. For the latest maximum weekly benefit levels, effective July 2014, see the Significant Provisions of State Unemployment Insurance Laws, <http://workforcesecurity.doleta.gov/unemploy/content/sigpros/2010-2019/July2014.pdf>. Eligible claimants in Arkansas and Maine may receive more than \$400 per week once accounting for dependents’ allowances.
14. Two additional states, New York and North Carolina, base eligibility on days of work instead of weekly part-time earnings. New York’s current policy is especially prohibitive, as it reduces a claimant’s weekly benefit by 25 percent for any work performed on a single day, regardless of earnings; claimants who perform any work over four days in a week are disqualified. More information is available in Table 3-8, Partial Unemployment and Earnings Disregarded When Determining Weekly Benefit, in the Comparison of State UI Laws, 2014, “Chapter 3, Monetary Entitlement,” <http://workforcesecurity.doleta.gov/unemploy/pdf/uilawcompar/2014/monetary.pdf>.
15. Rand Ghayad, “The Jobless Trap,” *Job Market Paper*, http://media.wix.com/ugd/576e9a_f6cf3b6661e44621ad26547112f66691.pdf.
16. The Fair Employment Opportunity Act was first introduced in 2011 by Representatives Rosa DeLauro (D-CT) and Henry Johnson, Jr. (D-GA) and Senator Richard Blumenthal (D-CT). Similar provisions were incorporated into the President’s American Jobs Act. The legislation was re-introduced in 2014.
17. Pew Charitable Trusts, “Despite Decline, Tax Revenue Still Tops Recession Milestone,” Analysis, November 10, 2014, <http://www.pewtrusts.org/en/research-and-analysis/analysis/2014/11/despite-decline-tax-revenue-still-tops-recession-milestone>.
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20. For example, a study of welfare-to-work participants in Detroit found that temporary workers experienced lower earnings over the long run than direct hires in comparable jobs because the assignments were short-lived by their very nature. See David Autor and Susan Houseman, "Do Temporary-Help Jobs Improve Labor Market Outcomes for Low-Skilled Workers? Evidence from 'Work First,'" *American Economic Journal: Applied Economics*, Vol. 2, No. 3 (2010), 96-128. Additional research is summarized in NELP, "Temped Out: How the Domestic Outsourcing of Blue-Collar Jobs Harms America's Workers," referenced later in the section.
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25. Table 5 in Wayne Vroman, "Labor Market Changes and Unemployment Insurance Availability," revised January 1998, http://wdr.doleta.gov/research/FullText_Documents/op_03-98.pdf.
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28. More information about California's voluntary quit policy and the state's definition of "good cause" for leaving work is available at http://www.edd.ca.gov/ui/bdg/Voluntary_Quit_VQ_5.htm.
29. A total of \$170 million is being awarded to 23 partnerships in 20 states. More information is available at <http://www.dol.gov/opa/media/press/eta/ETA20141956.htm>.
30. LaDonna Pavetti, Liz Schott, and Elizabeth Lower-Basch, "Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund," Center on Budget and Policy Priorities and Center for Law and Social Policy, February 2011, <http://www.cbpp.org/files/2-16-11tanf.pdf>. Table 1 in this paper shows the estimated number of adult and youth placements by state.
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32. More information on Connecticut's Step Up program is available at <http://www.stepct.com/>.
33. More information on Platform to Employment is available at <http://platformtoemployment.com/>.
34. CA, DC, ID, IA, KS, ME, MD, MA, MT, NE, NJ, NY, OR, VT, WA, WI (Note: New York's program does not conform to the UIMA because training benefits are subject to annual funding allocations.)
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39. Unemployment insurance encourages claimants to continue looking for work rather than drop out of the labor force, since continued eligibility for benefits requires an active job search. A February 2012 U.S. Congressional Budget Office report, available at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/02-16-Unemployment.pdf>, provides a useful summary of the recent research on the impact of extended availability of benefits during the Great Recession on unemployment duration. For example, a study by Raj Chetty notes that more than half of any measured increase in duration is due to a more intensive job search effort by claimants and not a reduced incentive to accept a job (a similar argument is made in David Howell and Bert Azizoglu, "Unemployment Benefits and Work Incentives: The U.S. Labor Market in the Great Recession," PERI University of Massachusetts Amherst, Working Paper Series No. 257, March 2011, http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_251-300/WP257.pdf). This is supported by research by the John J. Heldrich Center for Workforce Development, which found that among a national sample of workers who lost a job during the Great Recession, UI recipients were more likely than non-UI recipients to be "proactive in seeking work." See "The Long-Term Unemployed and Unemployment Insurance: Evidence from a Panel Study of Workers Who Lost a Job During the Great Recession," November 2011, http://www.heldrich.rutgers.edu/sites/default/files/products/uploads/UI_Unemployed_Brief_0.pdf.
40. Center on Budget and Policy Priorities, "Policy Basics: How Many Weeks of Unemployment Compensation are Available?" updated January 5, 2015, <http://www.cbpp.org/cms/?fa=view&id=3164>.

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41. In 2010, Tim Bartik estimated that a wage subsidy program modeled on the Minnesota Employment and Economic Development (MEED) Program, which operated from 1983 to 1989 and is considered the largest state-funded program, would cost \$34,000 per job created, before the subsidy. At this rate, a \$5 billion program would create 146,000 jobs per year. More information on Bartik's job creation estimate is available in "Estimating the Costs per Job Created of Employer Subsidy Programs," Upjohn Institute, 2010, <http://research.upjohn.org/cgi/viewcontent.cgi?article=1021&context=confpapers>.
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 44. A baseline threshold of 6.5 percent is also consistent with earlier recommendations by the U.S. Advisory Council on Unemployment Compensation.
 45. U.S. Department of Labor, Comparison of State UI Laws, 2014, "Chapter 2: Financing," Table 2-17: States with Taxes for UI Administration or Non-UI Purposes, available at <http://ows.doleta.gov/unemploy/pdf/uilawcompar/2014/financing.pdf>.
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