

The Aspen Institute Future of Work Initiative is a nonpartisan effort to identify concrete ways to strengthen the social contract in the midst of sweeping changes in the workplace and workforce. The Initiative is driven by the leadership of Honorary Co-Chairs Senator Mark Warner and Purdue University President Mitch Daniels, Co-Chairs John Bridgeland and Bruce Reed, Executive Director Alastair Fitzpayne, and an expert team at the Aspen Institute.

MODERNIZING UNEMPLOYMENT INSURANCE FOR THE CHANGING NATURE OF WORK

CHALLENGE: Unemployment Insurance (UI) was designed for traditional, full-time work and does not reflect the growth of non-traditional work

- **Non-traditional work is growing.** From 2005 to 2015 the percentage of the workforce engaged in independent contracting, temporary work, on-call, and contract company work as their primary source of income increased by nearly 50 percent, from 10.7 to 15.8 percent. These non-traditional arrangements accounted for 94 percent of all net job growth over that decade.
- **Non-traditional workers experience heightened financial instability.** The Century Foundation found that non-traditional workers experience nearly twice as much earnings volatility as traditional workers. The Aspen Institute's Financial Security Program found that among low- and middle-income workers, the self-employed were 58 percent more likely to experience income volatility than full-time traditional workers.
- **The UI system does not adequately cover workers in non-traditional jobs.** Workers must have a legal W-2 employment relationship with their employer to have UI coverage – excluding independent contractors and freelancers entirely. For other non-traditional workers who do have coverage (i.e. if they are W-2 workers), UI provides less coverage compared to traditional workers.
- **UI does not help unemployed workers move into non-traditional jobs.** Non-traditional work can provide a path back to stable earnings, by helping workers maintain existing skills, acquire new skills, and earn vital income as they search for traditional employment; or by helping them transition into a permanent career in self-employment. But UI eligibility rules often discourage unemployed Americans from seeking and engaging in non-traditional work, and the workforce system rarely trains workers for – or helps them find – this type of work.

SOLUTION: Expand Protections and Harness New Opportunities

Protecting Independent Contractors from Job and Income Loss: Policymakers should create new protections for workers who are excluded from UI.

- 1.a. Experiment with expanding UI to cover independent contractors.** Independent contractors with a long history of consistent, stable earnings may be insurable, either through a portable benefits system or by allowing them to enroll in the UI system.
- 1.b. Create new individual savings accounts.** For independent contractors with less stable earnings, new short-term savings accounts can help workers weather earnings shocks.
- 1.c. Create a jobseeker's allowance.** For independent contractors, new labor market entrants, and other workers ineligible for UI, a jobseekers allowance would provide a financial support to low- and middle-income workers looking for work.

Improving UI Coverage for Workers in Non-Traditional W-2 Arrangements: UI should be reformed so that it does not disadvantage covered non-traditional workers, such as those who hold multiple jobs, cycle through many jobs, or work part-time.

- 2.a. Standardize how states determine UI eligibility.** Standard base periods for determining eligibility, which require work for the first four of the last five quarters, tend to penalize non-traditional work. States should allow workers to use Alternative Base Periods, which are more favorable to non-traditional workers.

2.b. Remove waiting weeks. Waiting weeks disadvantage non-traditional workers and should be eliminated.

2.c. Examine tax treatment of multiple jobholders. Workers with multiple jobs effectively pay higher UI taxes (in the form of lower wages). Policymakers should explore possible reforms to alleviate this disadvantage.

Supporting Entrepreneurship and Voluntary Transitions from Unemployment into Non-Traditional Work: While UI must protect an unemployed worker's right to seek suitable employment similar to the type they lost, we should do more to support UI recipients who want to take advantage of non-traditional work opportunities.

3.a. Allow UI recipients to seek part-time work. Though part-time work opportunities can provide an important pathway back to stable employment, as many as 21 states generally require UI beneficiaries to seek traditional full-time work to remain eligible for benefits.

3.b. Ensure partial UI formulas don't discourage part-time and non-traditional work. Part-time work during unemployment can be a vital supplement to a worker's UI benefits, but state partial UI rules can discourage certain types of work, particularly self-employment.

3.c. Incent states to create, expand, and promote Self-Employment Assistance programs. Self-Employment Assistance (SEA) allows UI recipients to work full-time on starting a small business in lieu of searching for a traditional job - but only nine states offer the program.

3.d. Encourage workforce boards and job centers to connect UI recipients to non-traditional work. Many state workforce boards and job centers do not offer supports to help connect unemployed workers to gig work because they mistakenly believe it to be against federal rules, or because states have chosen to prohibit or actively discourage such efforts.

NEXT STEPS FOR POLICYMAKERS: Support Research and Experimentation

Federal Policymakers: Improve research and data collection.

- Commission DOL and GAO to research variations across state UI programs and recommend reforms that better account for the changing nature of work.
- Support continued funding for DOL's Contingent Worker Supplement to the Current Population Survey, which BLS administered in 2017 for the first time since 2005.
- Create a National Secure Data Service as proposed by the Ryan-Murray Commission on Evidence-Based Policymaking to improve program evaluators' access to self-employment data.

State Policymakers: Adopt UI modernization reforms and experiment with new models.

- Improve UI coverage for non-traditional workers by pursuing modernization efforts that seek to level the playing field and remove disadvantages for non-traditional workers.
- Explore portable benefits legislation that could provide UI (among other benefits) to independent workers, such as those proposed in Washington (HR 2812) and New Jersey (AB 4705).
- Experiment with allowing self-employed workers with steady earnings to opt-in to UI.
- Ensure that state laws and regulations allow workforce boards and job centers to connect unemployed workers to non-traditional work.

To view the full report, visit:

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