# Vermont Legislative Joint Fiscal Office


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*ISSUE BRIEF*


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**Unemployment in Vermont and the Covid-19 Pandemic:
Conflicting Statistics Result in Loss of Federal Benefits**


## Summary

Vermont is losing federal unemployment benefit dollars in part because official unemployment statistics no longer include many workers who lost a job and are receiving unemployment benefits. The reason is that the official unemployment count looks only at people who have lost a job and are actively looking for work. Yet in response to the Covid-19 pandemic, the U.S. Department of Labor offered states the ability to pay unemployment benefits without imposing the job search requirement. Many states including Vermont no longer require active job search. As a result, many Vermont recipients of unemployment benefits are not counted as unemployed in official unemployment statistics. Vermont's Congressional Delegation has requested that the U.S. Department of Labor consider changing the eligibility criteria for Extended Benefits, but no change is expected in the near term.

For September 2020, the official unemployment rate in Vermont was 4.2 percent; JFO estimates that if all recipients of unemployment benefits were included, the adjusted unemployment rate after adding those who are no longer looking for work would have been closer to 10.6 percent. In part because the official unemployment rate is so low, unemployed Vermonters who have received unemployment benefits for long periods of time are no longer eligible for an additional 20 weeks of benefits under the federal High Extended Benefits program, but they can receive an additional 13 weeks of Extended Benefits, at least for now. The federal government fully funds those Extended Benefits through the end of 2020.

When several CARES Act unemployment programs wind down at the end of December, JFO estimates that Vermonters will lose up to $5 million per week in federally funded unemployment benefits. That rough estimate is based on numbers of recipients in November and could increase as Vermont moves into the winter season when layoffs tend to rise.


## The Official Unemployment Rate and Federal Unemployment Policies

The Covid-19 recession has hit Vermont's labor force and economy with unprecedented impact, and the effects are likely to have long-lasting implications for the state and its budget. The labor force today differs greatly from the labor force of one year ago, as does the landscape of Vermont's business community. Common statistics such as the official unemployment rate, however, do not reflect the number of Vermonters who have lost jobs and will want to work once the pandemic is under control. Comparing the number of Vermonters receiving unemployment benefits to the official count of unemployed people suggests that job losses are much more widespread than the official statistics show.

To understand why federal unemployment statistics undercount the number of Vermonters who have lost jobs and want to work again and why that undercount has affected the unemployment benefits available to Vermonters, three concepts are critical: how unemployment is measured, how traditional unemployment benefits work, and how changes in federal unemployment policies have affected Vermont's eligibility for federal funding.

*How Is Unemployment Measured?*
The Bureau of Labor Statistics, a division of the U.S. Department of Labor, measures the unemployment rate based on a monthly survey of households known as the Current Population Survey. The survey first asks how many people in the household are actually in the labor force, meaning how many people have jobs or are actively looking for jobs. Only people who are in the labor force are counted in the unemployment rate. Someone who does not have a job but says she has not looked for one in the last four weeks is considered out of the labor force and is not counted in the unemployment rate.

To summarize:

- People with jobs are *employed*.
- People who are jobless, looking for a job, and available for work are *unemployed*.
- The *labor force* is made up of the employed and the unemployed.
- People who are neither employed nor unemployed—including people who lost a job but are not looking for work—are *not in the labor force*.

The key point is that a person who is not actively looking for a job does not count as unemployed in the official government statistics, even though he or she might have been laid off or cannot look for a job because of Covid-19.

*How Does Traditional Unemployment Insurance Work?*
In general, the federal-state Unemployment Insurance Program "provides unemployment benefits to eligible workers who are unemployed through no fault of their own (as determined under state law) and meet other eligibility requirements of state law."[1] Each state administers a separate unemployment insurance program within guidelines established by federal law. In Vermont in 2020, employers fund the state's unemployment program through a payroll tax on earnings up to $16,100 per employee per year. The tax rate varies with the employer's experience with unemployment in the past and with the funding position of Vermont's Unemployment Insurance Trust Fund.

Under the traditional Unemployment Insurance program, Vermont provides up to 26 weeks of unemployment benefits to qualified people who become unemployed and have worked in Vermont anytime in the past 18 months (see Table 1).[2] During periods of high unemployment, the federal government looks at monthly unemployment rates in each state to determine their

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[1] U.S. Department of Labor, Employment and Training Administration; https://oui.doleta.gov/unemploy/uifactsheet.asp.
[2] See information about eligibility for Vermont's Unemployment Insurance program at https://labor.vermont.gov/unemployment-insurance/ui-claimants/establishing-unemployment-claim.

eligibility for the Extended Benefits program. That program offers an additional 13 weeks or 20 weeks of benefits after a person has exhausted the first 26 weeks of benefits. The federal government determines whether Extended Benefits (13 weeks) or High Extended Benefits (20 weeks) applies to each state based on the state's average unemployment rate over the last three months. Usually, the federal government provides 50 percent of the funds needed for Extended Benefits or High Extended Benefits.

**Table 1.**
**Prior to the CARES Act:**
**Traditional Unemployment Insurance Only**

| *Program* | *Duration of Benefits* |
|---|---|
| Unemployment Insurance ↔ | 26 weeks |
| During times of high unemployment: Extended Benefits or High Extended Benefits ↔ | 13 or 20 weeks depending on state's economy |

*How Has Federal Policy on Unemployment Benefits Changed?*
In response to the sudden reduction in economic activity in March in the face of Covid-19, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. It was signed into law on March 27, 2020.

The CARES Act established several temporary federal unemployment benefit programs that expand the duration of unemployment benefits and the eligible set of workers who can qualify.

- Pandemic Emergency Unemployment Compensation (PEUC) is a temporary federal program that provides an additional 13 weeks of unemployment benefits to qualified individuals who have exhausted their traditional unemployment benefits (see Table 2). PEUC is funded by the federal government and will no longer be available for weeks ending after December 26, 2020.
- Pandemic Unemployment Assistance (PUA) provides up to 39 weeks of unemployment benefits to self-employed workers, independent contractors, individuals with limited work history, and other types of workers who previously had been ineligible for unemployment benefits and are unable to work as a direct result of the coronavirus public health emergency. PUA is funded by the federal government and will no longer be available for weeks ending after December 26, 2020.
- Extended Benefits or High Extended Benefits are fully funded by the federal government for states such as Vermont that receive emergency administrative grants; full funding applies through the end of 2020 and will then fall back to the usual 50 percent.
- Through the end of 2020, the federal government is fully funding the first week of traditional unemployment benefits as well as 50 percent of unemployment benefits for employees at some nonprofits. It also provides funding for fraud prevention and some administrative costs of unemployment programs.

Importantly, the U.S. Department of Labor offered states the flexibility to waive the job search requirement during the pandemic. All states had eased their work-search requirements by late

April and early May, according to the National Conference of State Legislatures.[3] As a result, thousands of Vermonters who lost a job but cannot work as a result of Covid-19 are receiving unemployment benefits but are not counted as unemployed in the official unemployment rate.

| **Table 2.<br>Following the CARES Act:<br>Traditional Unemployment Insurance Plus New Unemployment Benefits<br>Established by the CARES Act on March 27, 2020** | |
|---|---|
| **a) Traditional Unemployment Insurance** | |
| *Program* | *Duration of Benefits* |
| Unemployment Insurance ↔ | 26 weeks |
| Pandemic Emergency Unemployment Compensation (PEUC) ↔ | 13 weeks payable after exhausting 26 weeks of traditional UI; payable for weeks from March 29, 2020 through December 26, 2020 |
| During times of high unemployment: Extended Benefits or High Extended Benefits ↔ | 13 or 20 weeks depending on state's economy after exhausting 13 weeks of PEUC |
| **b) Pandemic Unemployment Assistance for the Self-Employed, Sole Proprietors, and Others Not Previously Eligible** | |
| *Program* | *Duration of Benefits* |
| Pandemic Unemployment Assistance ↔ | 39 weeks starting with weeks of unemployment beginning on or after January 27, 2020 through the week ending December 26 |

## The Estimated Unemployment Rate and the Loss of Unemployment Benefits in Vermont

Vermont and other states are losing substantial amounts of federal unemployment assistance partly as a result of the disconnect between the official statistics and the actual number of individuals who have lost a job. A closer look at the labor force and unemployment numbers reveals why this has happened.

In September 2020, the official number of unemployed Vermonters was about 13,500. That number corresponds to the official unemployment rate of 4.2 percent (see Table 3). At the same time, about 36,500 Vermonters claimed unemployment benefits per week, roughly corresponding to a "Covid-19 adjusted unemployment rate" of 10.6 percent.[4] The Covid-19 adjusted unemployment rate could be even higher after accounting for those who lost a job but did not file a claim for unemployment benefits.[5] On the other hand, the Covid-19 adjusted

[3] See NCSL, https://www.ncsl.org/research/labor-and-employment/covid-19-unemployment-benefits.aspx.
[4] JFO divided the number of Vermonters receiving unemployment benefits by the official labor force plus the difference between total unemployment claims and the number officially unemployed. JFO's estimate is not far from the rate suggested by the Vermont Commissioner of Labor Michael Harrington in a letter to the legislature on September 28, 2020: "Based on the number of individuals currently filing weekly claims for unemployment benefits, Vermont's actual unemployment rate is likely somewhere closer to 8%-10%."
[5] In September 2019, only about 25% of the unemployed as counted by the government filed claims for unemployment benefits (see Table 3).

unemployment rate could be a bit lower if some of the unemployment benefit recipients continue to work in second or third jobs.

| Table 3. Vermont's Labor Force, Official Unemployment Statistics, and Claims for Unemployment Benefits; September 2019, April 2020, and September 2020 | | | | | |
|---|---|---|---|---|---|
| | Labor Force | Official Unemployment Rate | Number Officially Unemployed | Total Unemployment Claims | Claims/ # Unemployed |
| September 2019 | 335,727 | 2.40% | 8,238 | 2,069 | 0.25 |
| | | | | | |
| April 2020 | 350,944 | 16.50% | 57,905 | 85,948 | 1.48 |
| | | | | | |
| September 2020 | 321,693 | 4.20% | 13,553 | 36,500 | 2.69 |
| | | | | | |
| Sources: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics. VT Department of Labor, Unemployment Insurance Weekly Update, October 6, 2020. | | | | | |

To determine eligibility for Extended Benefits or High Extended Benefits, the U.S. Department of Labor looks at a state's official unemployment rate over the three most recent months.[6] Vermont's relatively low official unemployment rates in July, August, and September led to the loss of High Extended Benefits following the week of October 10, 2020. Those unemployment rates were 8.3 percent in July, 4.8 percent in August, and 4.2 percent in September. The unemployment rate dropped to 3.2 percent in October. The loss of High Extended Benefits means that qualified Vermonters miss out on up to seven weeks of Extended Benefits, funded entirely by the federal government through the end of 2020. The regular weekly benefit amount equals wages in the two highest paid quarters of the base period divided by 45.[7] The current maximum benefit in Vermont is $531 per week, and the average benefit is about $325 per week.

Vermont likely would have retained High Extended Benefits had the unemployment rate reflected those who lost a job and are not looking for work or have turned down returning to work because of Covid-19. As of the week ending October 10, 2020 when High Extended Benefits ended, more than 650 Vermonters were receiving High Extended Benefits for up to 20 weeks.[8] Some of those 650 Vermonters lost some weeks of unemployment benefits when the High Extended Benefits program was suspended. In early November 2020, about 700 Vermonters received benefits through the Extended Benefits program. If all the Extended Benefits recipients lost a week of unemployment benefits, the loss to Vermonters would be about $230,000 per week. If the Extended Benefits recipients lost seven weeks of unemployment

[6] Extended Benefits began in Vermont on May 3, 2020, and then moved to High Extended Benefits on July 5, 2020; however, with recent declines in the reported unemployment rate, Vermont and many other states, no longer qualify for High Extended Benefits, shortening Vermont's unemployment benefits period by seven weeks. A recent paper from the Center on Budget and Policy Priorities shows the 3-month average unemployment rate and the availability of High Extended Benefits or Extended Benefits for the 50 states as of October 2020. https://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available

[7] The base period is four successive calendar quarters that fall within the 18-month period prior to establishing a new benefit year. https://labor.vermont.gov/unemployment-insurance/ui-claimants/calculating-your-ui-benefits

[8] Commissioner Harrington's letter to the legislature, October 20, 2020. https://labor.vermont.gov/document/weekly-ui-report-legislature-october-20-2020

benefits, the loss to each of those Vermonters would be about $2,275 on average over seven weeks.

The number of Vermonters who qualify for Extended Benefits is expected to climb as more people exhaust the 26 weeks of traditional unemployment benefits and the 13 weeks of federal PEUC benefits. If most recipients of unemployment benefits began receiving those benefits in late March, they exhausted their 26 weeks of regular benefits towards the end of September. As of the week ending November 14, 2020, about 9,160 Vermonters were receiving PEUC benefits. Once those 13 weeks are exhausted in late December, many of that large block of workers without jobs will become eligible for Extended Benefits. However, Vermont will not qualify for Extended Benefits much beyond November given that the state's official unemployment rate was just 3.2 percent in October.

**Looking Forward**

The expiration of the PEUC and PUA programs together with an expected end to the Extended Benefits program at the end of December could have strong negative effects on many Vermont households and its economy. Based on numbers seen at the end of October and early November, without a strong upturn in economic activity by the first of the year and in the absence of further federal stimulus programs, the shutdown of PEUC benefits and Extended Benefits together with the simultaneous expiration of the PUA program could mean that roughly 15,000 Vermonters would lose unemployment benefits just as the winter was settling in. To make matters worse, those numbers are likely to grow given seasonal layoffs. In dollar terms, JFO estimates that Vermonters would see a drop in federal funds coming into the state through unemployment benefits of up to $5 million per week, based on current numbers, as all three programs are currently funded entirely by federal dollars. In addition, federal funding for 50 percent of unemployment benefits for employees of some nonprofits will expire at the end of December, meaning that those reimbursable employers will have to pick up the full cost.

Vermont's Unemployment Insurance Trust Fund will be negatively impacted as well when federal funding ceases at the end of the year in two areas: funding the first week of traditional unemployment benefits and, if Vermont remains eligible, funding the full cost of Extended Benefits rather than 50 percent. The Department of Labor itself will also lose federal funds when the federal government stops paying some costs of administering the unemployment programs and fraud prevention.

At the prompting of Vermont's Department of Labor, the Vermont Congressional delegation wrote a letter to the U.S. Department of Labor requesting an alternative methodology for determining eligibility for the High Extended Benefits program (see Attachment). The U.S. Department of Labor responded on November 20 that they consider the current methodology to be appropriate.

Congress of the United States

Washington, DC 20510

October 5, 2020

The Honorable Eugene Scalia, Secretary
United States Department of Labor
200 Constitution Avenue NW
Washington, DC 20210-0001

Dear Secretary Scalia:

We are writing in support of the State of Vermont's request to adopt an alternative methodology for determining eligibility for the High Extended Benefits program. The Department's official unemployment rates fail to track actual unemployment rates, and accepting the State's request will ensure Vermonters receive benefits to which they are entitled.

On September 18, 2020 the Department notified the State of Vermont that the state's seasonally-adjusted total unemployment rate fell below the 8.0% threshold necessary to qualify for High Extended Benefits. This notification was based on the jobs report you released on September 18, 2020, which showed that Vermont's official unemployment rate fell to 4.8%. As a result, beginning October 11, 2020, the maximum potential entitlement for Extended Benefits claimants in Vermont would decrease from 20 weeks to 13 weeks.

While this supposed drop in Vermont's unemployment rate may appear to be good news, the official unemployment rate does not, in fact, accurately reflect the State's actual unemployment rate. Under the guidelines set by the Bureau of Labor Statistics, a person must (1) be currently looking for work or have looked for work in the past four weeks and (2) be willing to accept work if offered in order to be considered part of Vermont's unemployed labor force.

This calculation of the unemployment rate fails to reflect actions taken by Vermont's governor and legislature to suspend work search requirements and to allow individuals to remain at home to protect themselves or their families from COVID-19. As a result, many unemployed Vermonters receiving unemployment benefits are not counted in the rate as calculated by your department. Based on the number of individuals currently filing weekly claims, Vermont's actual unemployment rate is likely somewhere between 8% and 10%.

As so many Vermonters continue to struggle economically as a result of the COVID-19 pandemic, they desperately need the additional weeks of support from the High Extended Benefits program. We ask that you give careful consideration to the state's request, so Vermonters unable to work are not denied the ability to put food on the table to feed their families, heat their homes, purchase needed medications, and pay monthly expenses.

Sincerely,

Patrick Leahy | Bernard Sanders | Peter Welch

PATRICK LEAHY
United States Senator

BERNARD SANDERS
United States Senator

PETER WELCH
United States Congressman

Enclosure

**State of Vermont**
**Department of Labor**
**Office of the Commissioner**
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P.O. Box 488
Montpelier, VT 05601
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September 21, 2020

U.S. Representative Peter Welch
2187 Rayburn House Office Building
Washington, DC 20515

Re: Sunsetting of Vermont's High Extended Benefits period

Dear Congressman Welch,

This letter is to make you aware of an impending and urgent issue facing Vermont's unemployed population. Specifically, the loss of unemployment benefits for Vermonters due to a calculation method by the U.S. Department of Labor.

You may have read the recent jobs report released by the Department on September 18, 2020 that indicated Vermont's unemployment rate fell to 4.8%. On the surface this number looks really good considering all that has happened this year; however, what is not shown is how drastically misrepresentative this number is of Vermont's current economic state. Based on the number of individuals currently filing weekly claims for unemployment benefits, Vermont's actual unemployment rate is likely somewhere between 8%-10%.

A state's unemployment rate is what drives its extended benefits program, and depending on how extreme the unemployment rate becomes, states can trigger onto what is called "Extended Benefits" (E.B.), which offers an additional 13 weeks of benefits, or "High Extended Benefits" (High E.B.), where the original 13 weeks are expanded to 20 weeks. Likewise, a decrease in the unemployment rate can trigger states off of these two scenarios.

Vermont triggered onto extended benefits on May 3, 2020, and then moved to high extended benefits on July 5, 2020; however, with the most recent decrease in the unemployment rate, Vermont, like many other states, has triggered off of "High E.B.," shortening Vermont's unemployment benefits period by seven weeks.

The disconnect between the unemployment rate and the actual number of people receiving benefits occurs in part because of the way the U.S. Bureau of Labor Statistics (BLS) defines the unemployed population in each state. By definition, per the BLS, in order to be considered part of Vermont's unemployed labor force, an individual must 1) be currently looking for work or have looked for work in the past four weeks, AND 2) be willing to accept work if offered. The BLS' "household survey" does not take into consideration the expansion of unemployment insurance eligibility during COVID-19, such as actions taken by Governors and Legislatures across the country to suspend work search requirements or allow individuals to remain at home either to protect themselves or care for a loved one. It is because of COVID-19 that many unemployed individuals cannot meet the BLS criterion, and thus, are not counted as part of a state's official labor force.

Because there has not been any flexibility in the calculation method to account for the current economic conditions as a result of this public health emergency, many Vermonters who are unable to return to work will be deprived of their benefits simply because the federal government wants to remain consistent in its data gathering methodology.

A possible solution to this problem might be for the U.S. Department of Labor to amend its qualifications for extended benefits so that the trigger is dependent on the number of individuals eligible for benefits instead of the BLS defined unemployment rate. This would ensure that the BLS could maintain data integrity for historical purposes, while providing states with the extended benefits they need.

Thank you in advance for your consideration of this time-sensitive situation.

Sincerely,

Michael A. Harrington
Commissioner
Vermont Department of Labor

Enclosed: Vermont's "Trigger Off" High Extended Benefits Notice (email)

Cc. Senator Patrick Leahy, U.S. Senate (Vermont)
Senator Bernie Sanders, U.S. Senate (Vermont)

**U.S. Department of Labor**

Office of the Assistant Secretary for
Congressional and Intergovernmental Affairs
Washington, D.C. 20210

NOV 2 0 2020

The Honorable Peter Welch
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Welch:

The U.S. Department of Labor (Department) received your letter of support for the State of Vermont's request to adopt an alternative methodology for determining eligibility for the High Unemployment Period in the Extended Benefits (EB) program.

The method for determining a state's status for a High Unemployment Period in EB is defined in law, see sections 202(b)(3)(B), 203(f)(1)(A)(i), and 203(f)(1)(A)(ii) of the Federal-State Extended Unemployment Compensation Act of 1970 (EUCA). Section 203(f)(2) of EUCA requires the Secretary of Labor to determine the rate of total unemployment. Eligibility for a High Unemployment Period in the EB program is based on the three-month average, seasonally adjusted total unemployment rate in the state. Under Federal regulations at 20 CFR.615.2, the total unemployment rate is defined as "the number of unemployed individuals in a state (seasonally adjusted) divided by the civilian labor force (seasonally adjusted) in the state for the same period." The trigger value used for determining EB program status is the average of the state's most recent three months total unemployment rates published by the Department's Bureau of Labor Statistics.

While the Department is sensitive to the challenging labor market conditions in many states, the Department has determined that the Bureau of Labor Statistics' unemployment rate is appropriate for determining when a state is in a High Unemployment Period.

If you have additional questions, please contact the Office of Congressional and Intergovernmental Affairs at (202) 693-4600.

Sincerely,

Joe Wheeler

Joe Wheeler
Deputy Assistant Secretary