Challenge #1: Declining Labor Force Participation

![Graph showing Labor Force Participation Rate, 1948-2016]

Note: Shading denotes recession.
Challenge #2: Less Space to Address Future Recessions

Real 10-Year Benchmark Rate in Selected Countries

Source: National sources via Haver Analytics.
Alternative Work Arrangements, 1995-2015

Percent of Employed Who Worked During Survey Week

- CPS, Feb-1995: 9.3%
- CPS, Feb-2005: 10.1%
- RAND, Oct/Nov-2015: 15.8%

Note: Alternative work arrangements include independent contractors, on-call workers, temporary help agency workers, and workers provided by contract firms. Source: Katz and Krueger (2016).
Why UI is Economically Important

• Provides households with income when it is needed most

• Acts an “automatic stabilizer,” reducing the depth of economic downturns

• Helps improve the functioning of labor markets by keeping workers attached to the labor force who would otherwise drop out

• Provides liquidity and, in turn, helps workers form better job matches (Nekoei and Weber 2015)
The Downsides of UI Have Been Overstated

Job Finding vs. Unemployment Exit Probabilities: 20-Week UI, Austria

Weekly Hazard Rate

Shortcoming #1: Declining UI Coverage

Share of Unemployed Workers Receiving UI Benefits, 1972-2015

Source: West et al. (2016).
Shortcomings of the Current UI System—and Reforms to Address Them

1. **Declining Coverage**
   - Require State programs to cover part-time workers, newer labor market entrants, certain low-income and intermittent earners, and workers who leave work for compelling family reasons
   - Require that all State programs provide at least 26 weeks of coverage

2. **Insolvency of State Programs**
   - Broaden FUTA taxable wage base from $7,000 to $40,000 while cutting rate from 0.8 percent to 0.167 percent and require States to broaden taxable wage base

3. **Ineffective Countercyclical Triggers**
   - Establish new, permanent, 100-percent Federally funded Extended Benefits Program to provide 52 additional weeks of benefits to States experiencing high or rapidly increasing unemployment

4. **Incentives to Reduce Employment, Not Hours**
   - Provide incentives for States to create work-sharing programs

5. **Insufficient Support for Job Search**
   - Provide incentives for States to create temporary work-based training programs and to allow workers to continue receiving UI benefits while participating in an apprenticeship or on-the-job training

6. **Insufficient Insurance Against More Adverse Job Prospects**
   - Establish new wage insurance system to replace up to 50 percent of lost wages for qualifying workers who take new, lower-paying jobs earning less than $50,000