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COVID-19's Impact on the Unemployment System

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As we all know, the Pandemic dramatically changed the way people live their lives. COVID-19 impacted everything: the health of those we know and those we don't, the day-to-day activities we all enjoy, our local, state, and federal policies, and, of course, our workplace. The pandemic caused the most significant disruption to workplaces in generations, and not just in terms of homeschooling children, interrupting pets, unwelcomed guests during virtual meetings, and, of course, sweatpants, but also in terms of operational and systematic changes.

One of COVID's most severe impacts was on the unemployment system. The system became incredibly complex to navigate due to significant changes at the federal and state levels. Even today, with the federal benefits having expired, the system still seems unfamiliar and tangled.

As it emanated throughout the economy, COVID-19 affected some Americans more than others. According to Pew Research, the key difference between the COVID-19 Pandemic and other recessions is that job losses in the Pandemic have been concentrated in service sectors such as leisure, hospitality, education, and health services. This is opposed to prior recessions, including the Great Recession, which centered on goods-producing sectors, such as manufacturing and construction.

In response to the catastrophic job market crisis, both the federal and state governments enacted legislation in hopes of easing the emerging employment decline. Primarily, the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan (ARP) provided federal funding for the expansion of unemployment benefits across the country until either the state decided to end the federal benefits, or until the end of the first week in September of 2021, whichever arrived first. Pennsylvania also provided for Extended Benefits (EB) for those on unemployment. All of these programs have now expired.

The question arises, "what will be the impact of the job market now that the benefits have expired?" While we will not know for quite some time, early indications shown by the states who decided to end these benefits early demonstrated a limited payoff so far. One research paper, which analyzed data through the first week of August 2021, showed that those states who had "cutoff" the unemployment benefits increased employment by 4.4 percentage points compared to those states that continued the benefits. However, that meant that just 1 in 8 unemployed individuals in the "cutoff states" found a job in that time period. The majority, 7 out of 8, did not. Furthermore, states that withdrew early from federal unemployment programs fueled a nearly $2 billion cut in household spending, which could potentially hurt their local economies, according to the same research.

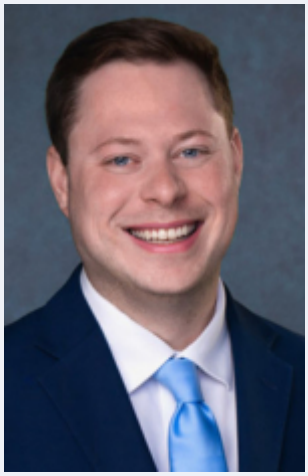
As such, the data suggests that there may be other factors at play for why more individuals have not yet returned to work. Commonly suggested reasons include the fact that there are still health concerns lingering for Americans, at-home care is still needed for children and the elderly, and some workers are holding out for higher wages to justify a return to work.

Another impact that Coronavirus had on the unemployment system was with the implementation of the new online unemployment system, which was supposed to premier in 2020. However, because the Pandemic flooded the unemployment system with new claims, officials decided to push back the overhaul to focus on

meeting that need. The system became operational on June 8th, 2021, and the hope is that the new system will provide a more stream-lined and user friendly experience than what was previously in place.

Finally, there will be many questions concerning whether an individual who is terminated for not abiding by a company policy requiring vaccination for COVID-19 may be eligible for unemployment benefits. Remember, unemployment benefits are available to employees who lose their jobs through no fault of their own. Violating a company policy mandating vaccination may be considered "willful misconduct," which may disqualify an individual from receiving unemployment benefits. Of course, there are many factors that need consideration here, including the obligation to engage in the interactive process to provide for a reasonable accommodation for disabilities and to not discriminate based off a sincerely held religious belief; however, even the thought of eliminating benefits due to the refusal to be vaccinated has prompted some state leaders to introduce legislation providing protection for employees faced with that situation.

We will be keeping a close eye on any developments in the law impacting one's ability to receive unemployment compensation in this COVID and, hopefully soon, Post-COVID era. To subscribe to our news alerts, please click here.



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