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THE CURRENT: What does the coronavirus crisis mean for unemployment in America?

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(Music)

PITA: You're listening to The Current, part of the Brookings Podcast Network. I'm your host, Adrianna Pita.

3.3 million Americans filed for unemployment in the past week, shattering previous records for unemployment claims as the COVID-19 pandemic begins shutting down large parts of the U.S. economy. With us to discuss these record numbers and what it means for American workers is Martha Ross, a fellow the Metropolitan Policy Program here at Brookings. Martha, thanks for being here today.

ROSS: Thanks for having me.

PITA: As everything that isn't a grocery store or pharmacy closes, this is affecting a wide swathe of industries and workers across the whole of the economy. What can you tell us about who is represented in these numbers?

ROSS: A lot of the most affected industries have public-facing or interactive elements. So that's hotels, more generally, accommodations; food service; arts, recreation, and entertainment: movie theaters, plays; and then retail. Unless you're a grocery store, as you noted, you're probably closed. In terms of the workers, this is potentially catastrophic. This is millions of workers. It's cooks and food preparers, food servers and bartenders, dishwashers, cashiers, housekeepers and janitors, workers at gyms, workers at after-school programs, ticket-takers at movies and sporting events; people who sell food and beverages at those sporting events. It's a lot of workers. A lot of these workers were low wage to begin with, meaning they probably don't have deep financial reserves to draw upon at this point in time.

PITA: Are we seeing any variations in the geographic range of these workers?

ROSS: There are regions that are heavily tourism-focused that are really hurting. Think about places like Las Vegas and Orlando, and places who have economies that depend upon affected industries.

PITA: The Senate just passed an economic recovery bill this week that amongst the many issues it tackles includes provisions to cushion workers for some of period. Of course, they're hoping this economic shutdown won't be lasting for too long of a time. What can you tell us about what's in that bill to help workers through this?

ROSS: Well, there's \$250 billion in there for expanded unemployment insurance, which is welcome. And it includes a new pandemic employment assistance program to provide benefits to more workers who might otherwise not qualify for unemployment insurance, and it also increases the benefit rate temporarily, and it also allows furloughed workers to receive benefits if their places of business close. So, they haven't been fired, but their hotel closed; they're obviously not getting any wages, so they can also receive unemployment insurance at this point.

PITA: Is this sufficient for the magnitude of unemployment we're looking at? Or what other policies should be looked at to help workers weather this period?

ROSS: It is not sufficient. One problem is that it puts a timeline on the assistance. The assistance is available until December 31 of this year. What would be better is if it was based on triggers to keep aid flowing as long as economic conditions warrant. So, if we could have the triggers based on employment rate and hours of work instead of only unemployment rate, that would be helpful. The direct cash assistance is really not enough. A one-time payment of \$1200 for the household and an additional \$500 if there are kids is not going to be enough for people facing rent, mortgages, and food needs.

PITA: Any other policies, like rent or mortgage moratoria? How should we handle utility bills? Are there other ore creative ways policymakers can look to deal with this?

ROSS: Yeah, absolutely. They could put a moratorium on evictions. They could take over rental payments for a certain period of time, or they could make payments directly to owners and banks for mortgages. They could also do something called a shared work program to minimize layoffs: instead of laying people off, allow them to reduce the hours of workers in response to a decrease in demand but then unemployment insurance would kick in as a wage supplement to keep their wages at the same level, but they stay attached to an employer, so they reduce churn and friction in the labor market. And they keep their income going.

PITA: What can we expect potentially for the pace of re-hiring? Once the CDC says that it's safe for people to go out again and they don't have to keep social distancing anymore, how quickly can we expect businesses to come back online?

ROSS: There are a lot of unknowns there. In some ways, restaurants and bars, and some kind of retail that are quick to shut down might be quick to open back up again and we might see pretty rapid spikes in demand again, so that there would be customers who want to buy food, want to go to bars, want to buy clothes. But one problem is if some of the businesses have gone under in the intervening time period, there are not going to be establishments to re-hire workers. So, one question, and that's one key element is to help keep especially small- and medium-size businesses afloat in this time period so that workers have a place to go back to.

PITA: What are some of the policies that would help with that?

ROSS: There are some elements in the CARES Act, including loans and grants, but again, it's time-limited. It may not be enough money given the size of the problem.

PITA: What would be some of your recommendations to policymakers to try and get us ready for how long this might last?

ROSS: We have to triage. We have to do short-term fixes such as the CARES Act, but we also have to focus on the longer term and look at the weaknesses that this pandemic has exposed in the massive problems of a lack of paid leave, the very serious shortfalls in our unemployment insurance system. One of the reasons why we needed this fix in the CARES Act is that our unemployment insurance system needs modernization and overhaul. It doesn't cover enough workers. It requires that you have worked a certain amount in the past year; certain categories of workers are excluded, such as freelancers, contract workers; and the benefits are often not enough. It's a state-federal partnership, and many state unemployment insurance funds are really on shaky ground. So, if we can use this to shore up our work support system, that would be a big win.

PITA: All right. Martha, thanks for explaining this to us today.

ROSS: You're very welcome.