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Kentucky COVID-19 Response: Changes Needed to Prepare Our Unemployment Insurance Program for Spike in Jobless

Only 1 in 5 unemployed workers received unemployment insurance (UI) benefits in Kentucky last year, down from 2 in 5 in 2009. This low rate is problematic not just because fewer people and families are being helped by the system, but also because wide reciprocity helps to dampen the broader effects of economic downturns. During the last recession, [UI generated \\$2 in economic activity for every \\$1](#) that was spent from unemployment checks, ultimately preserving as many as 1.8 million jobs nationwide. As we face expected layoffs and increased unemployment, UI benefits should be more widely available and more robust for those who receive them. The state can do this by adopting several measures:

- **Eliminate the “waiting week.”** Currently, Kentuckians who qualify for UI benefits are not given the benefits for the first week of their eligibility. [KRS 341.350](#)
- **Adopt an “Alternative Base Period” (ABP)** as [41 other states have done](#). [Currently](#), to determine if an unemployed worker has earned enough to qualify for UI benefits, their earnings from the first four of the previous five quarters of work (prior to filing for benefits) are considered. This leaves out many part time, low wage and seasonal workers who may have had higher earnings in the previous quarter (the “lag quarter”), or the quarter in which they applied (the “filing quarter”) than earlier in the year. By [one estimate](#), not having an ABP leaves out 1 in 5 workers, but adopting it only increases the overall UI payouts by 4-6%. As restaurants and bars close, and as a slowing economy reduces seasonal work like the building and construction trades, adopting an ABP is a critical improvement needed for our UI program, but requires a change to the law. [KRS 341.090](#)
- **Waive the charge to employers who experience high rates of layoffs.** Currently, UI benefits are paid for by a tax on employers which varies depending on how often and by how much they lay off workers. Waiving the related “experience rating” for employers during this time, in recognition of the broader economic conditions, would help ease the economic burden on businesses and reduce further economic harm. [KRS 341.270](#)
- **Broaden our “good cause” definition of leaving employment.** [Kentucky’s definition](#) extends only to being laid off because the employer didn’t have work for the individual, but the state could broaden this definition to include an individual voluntarily leaving a job due to harassment, domestic violence, excessive commuting requirements or unfair/erratic scheduling practices. More specifically, the state should also include leaving because of caretaking responsibilities for a sick or quarantined loved one or leaving because it is unsafe at their place of work – which could be especially pertinent as COVID-19 becomes more widespread. [787 KAR 1:060](#)
- **Suspend the work searching requirements.** Kentuckians who receive UI must provide proof that they are searching for a job, in order to maintain eligibility. [787 KAR 1:090](#)
- **Implement a work sharing program** as [27 other states have done](#). Work sharing reduces layoffs by allowing full time employees to have their hours reduced to part time rather than being laid off, and have the lost wages partially replaced through UI benefits. This would require statutory authority.
- **Raise its average weekly benefit amount in order to maximize the economic benefits of wage replacement.** As of the third quarter of 2019, the average weekly benefit amount for a UI beneficiary in Kentucky was \$366, compared to the average weekly wage prior to being laid off of \$818. By raising the wage replacement rate, there is evidence to suggest that Kentucky could slow layoffs that

result from decreased local demand. The weekly benefit amount was cut in 2010 after a change to the calculation. [KRS 341.380](#)

- **Maintain a “no wrong door” approach for applying for UI benefits.** According to 2018 census data, 21% of non-elderly Kentucky adults lack high-speed internet access and 8% have no internet access at all. And under social distancing guidelines, public access at libraries, for instance, may be limited. Kentucky should ensure applicants can file UI claims by phone, mail and online.

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