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Congressional Research Service

## Memorandum

April 9, 2008

**TO:** House Committee on Ways and Means
Attention: Matt Weidinger and Brian Newell

**FROM:** Julie M. Whittaker (x72587)
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Domestic Social Policy Division

**SUBJECT:** Current Law and Selected Comparisons on Proposals Temporarily Extending Unemployment Benefits: the Senate Finance Committee Report of the Economic Stimulus Act of 2008, H.R. 4934, S. 2544, H.R. 5688, the "Emergency Extended Unemployment Compensation Act of 2008."

This memorandum responds to your request for a comparison of five proposals to temporarily extend the duration of Unemployment Compensation (UC): H.R. 4934, H.R. 5688, S. 2544, the proposal in the Senate Committee on Finance Report of the Economic Stimulus Act of 2008 dated January 30, 2008,[1] and the proposed "Emergency Extended Unemployment Compensation Act (bill number not available).[2] You requested that only sections related to the extension of unemployment benefits be detailed. Thus, only portions of H.R. 4934 (Title I- Emergency Unemployment Compensation and Title II-Increased Unemployment Benefits) and the Senate Committee on Finance proposal (Title I-Temporary Extended Unemployment Compensation) that directly relate to extending the duration of unemployment benefits are included. You also requested that any increase in the regular or temporary benefit be noted (both H.R. 4934 and S. 2544 temporarily increase both benefits). Matters concerning fraud and overpayments are not discussed in this memorandum. Others may ask for similar or identical information, which the Congressional Research Service will provide to them.

[1] This proposal was downloaded on April 8, 2008 from:
[ http://www.senate.gov/~finance/sitepages/leg/LEG%202008/FINAL%20Original%20Bill.pdf]

[2] The discussion on the proposed "Emergency Unemployment Compensation Act of 2008," attributed to Representatives McDermott and English, is based upon the file you sent me on April 9, 2008 at 3:30 p.m. (file f:\V10\040808\040808.116.xml). For a detailed summary on how Congress has acted to extend unemployment benefits during economic recessions, see CRS Report RL34340, *Extending Unemployment Compensation Benefits During Recessions*, by Julie M. Whittaker.

## Current Law

The Unemployment Compensation (UC) program, funded by both federal and state payroll taxes, pays benefits to covered workers who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. Federal administration of UC is under the purview of the U.S. Department of Labor (DOL). Federal law sets broad rules that the 53 state programs must follow.

**The Extended Benefit (EB) Program.** The EB program, established by P.L. 91-373 (26 U.S.C. 3304), may extend UC benefits at the state level if certain economic situations exist within the state. Although the EB program is not currently active in any state, it - like the UC program - is permanently authorized. The EB program is triggered when a state's insured unemployment rate (IUR) or total unemployment rate (TUR) reaches certain levels. All states must pay up to 13 weeks of EB if the IUR for the previous 13 weeks is at least 5% and is 120% of the average rate for the same 13-week period in each of the previous 2 years. There are two other thresholds that states may choose. (States may choose one, both, or neither option). Under these options, the state would provide the following:

Option 1: an additional 13 weeks of benefits if the state's IUR is at least 6%, regardless of previous years' averages.

Option 2: an additional 13 weeks of benefits if the state's TUR is at least 6.5% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous two years; or an additional 20 weeks of benefits if the state's TUR is at least 8%.

Beyond the regular UC benefit eligibility requirements, eligibility for EB benefits requires that individuals must have 20 weeks of full-time insured employment or its equivalent.

**Financing Unemployment Benefits.** UC benefits are financed through employer taxes. The federal taxes on employers are under the authority of the Federal Unemployment Tax Act (FUTA), and the state taxes are under the authority given by the State Unemployment Tax Acts (SUTA). These taxes are deposited in the appropriate accounts within the U.S. Treasury's Unemployment Trust Fund (UTF).

The federal tax pays for both federal and state administrative costs, the federal share of the extended benefit (EB) program (50%), loans to insolvent state UC accounts, and state employment services. The state tax pays for the regular UC benefit and the state share of the EB program (50%).

## Table 1: Current Law and Selected Comparisons on Proposals Temporarily Extending Unemployment Benefits

| Program Feature | Current Law: P.L. 91-373 (26 U.S.C. 3304, note) Extended Benefit (EB) Program | Senate Finance Committee Report, January 30, 2008, Title II Temporary Extended Unemployment Compensation | H.R. 4934, Emergency Unemployment Compensation Act of 2008, Title I | S. 2544, Emergency Unemployment Compensation Act of 2008, Title II | H.R. 5688, Targeted Assistance to Restore Growth in Employment Throughout 2008 Act | Emergency Extended Unemployment Compensation Act of 2008 (Bill Number Not Available) |
|---|---|---|---|---|---|---|
| How proposal extends unemployment benefits | The EB program may extend UC benefits at the state level if certain economic situations exist within the state. The EB program is permanently authorized. | Creates a new temporary extended benefit.<br>Begins with enactment.<br>Ends the week ending on or before December 31, 2008.<br>No benefits after the week of March 31, 2009.<br>No additional high unemployment benefits to those not already receiving the benefits on December 31, 2008. | Creates a new temporary extended unemployment benefit if federal economic trigger is met.<br>Begins with enactment.<br>Ends the week ending on or before December 31, 2008. | Creates a new temporary extended unemployment benefit.<br>Begins with enactment.<br>Ends 1 year later.<br>No benefits past 18 months of enactment. | Creates a new temporary extended unemployment benefit if state economic trigger is met.<br>Begins the week on or after April 1, 2008.<br>Ends the week beginning before March 31, 2009. | Creates a new temporary extended benefit.<br>Begins with enactment.<br>Ends the week ending on or before February 1, 2009.<br>No benefits beginning after the week of April 30, 2009. |
| Eligibility | Exhausted regular UC benefits.<br><br>Beyond requirements for regular UC benefits, the beneficiary must have 20 weeks of full-time insured employment or its equivalent. | Exhausted regular UC benefits.<br><br>Benefit year ended on or after February 1, 2007. (Unemployed workers who had exhausted benefits on or after February 1, 2007 would be eligible for temporary extended UC.)<br><br>Beyond requirements for regular UC benefits, the beneficiary must have 20 weeks of full-time insured employment or its equivalent. | Exhausted regular UC benefits.<br><br>Benefit year ended on or after March 1, 2007. | Exhausted regular UC benefits.<br><br>The bill would reach back to those workers who had filed an initial regular UC claim on or after the 12-month period before enactment. | Exhausted regular UC benefits.<br><br>Benefit year ended on or after July 1, 2007. | Exhausted regular UC benefits.<br><br>Benefit year ended on or after May 1, 2007.<br><br>***Table** continued on following pages.* |

| Program Feature | Current Law: P.L. 91-373 (26 U.S.C. 3304, note) Extended Benefit (EB) Program | Senate Finance Committee Report, January 30, 2008, Title II Temporary Extended Unemployment Compensation | H.R. 4934, Emergency Unemployment Compensation Act of 2008, Title I | S. 2544, Emergency Unemployment Compensation Act of 2008, Title II | H.R. 5688, Targeted Assistance to Restore Growth in Employment Throughout 2008 Act | Emergency Extended Unemployment Compensation Act of 2008 (Bill Number Not Available) |
|---|---|---|---|---|---|---|
| Potential duration | *Up to 20 weeks* for certain high unemployment states, or *Up to 13 weeks* for other states meeting other definitions of high unemployment, or *0 weeks* otherwise. | *Up to 26 weeks* in certain high unemployment states, or *Up to 13 weeks* otherwise. | *Up to 26 weeks* if national trigger has been met. | *Up to 33 weeks* for certain high unemployment states, or *Up to 20 weeks* otherwise. | *Up to 26 weeks* for certain high unemployment states, or *Up to 13 weeks* for other states meeting other definitions of high unemployment, or *Up to 5 weeks* for other states meeting different definitions of high unemployment, or *0 weeks* otherwise. | *Up to 26 weeks* in certain high unemployment states, or *Up to 13 weeks* otherwise.<br><br>***Table** continued on following pages.* |

| Program Feature | Current Law: P.L. 91-373 (26 U.S.C. 3304, note) Extended Benefit (EB) Program | Senate Finance Committee Report, January 30, 2008, Title II Temporary Extended Unemployment Compensation | H.R. 4934, Emergency Unemployment Compensation Act of 2008, Title I | S. 2544, Emergency Unemployment Compensation Act of 2008, Title II | H.R. 5688, Targeted Assistance to Restore Growth in Employment Throughout 2008 Act | Emergency Extended Unemployment Compensation Act of 2008 (Bill Number Not Available) |
|---|---|---|---|---|---|---|
| Federal and state triggers to begin program. | The EB program is triggered when a state's insured unemployment rate (IUR) or total unemployment rate (TUR) reaches certain levels.<br><br>All states must pay up to 13 weeks of EB if the state's IUR for the previous 13 weeks is at least 5% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years. There are two other thresholds that states may choose. (States may choose one, both, or neither). Under these options, the state would provide the following:<br>Option 1: an additional 13 weeks of benefits if the state's IUR is at least 6%, regardless of previous years' averages.<br>Option 2: an additional 13 weeks of benefits if the state's TUR is at least 6.5% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or an additional 20 weeks of benefits if the TUR is at least 8%. | All states have at least 13 weeks.<br><br>If the state is in an EB period or if the state's TUR >=6.5% or the state's IUR>=4% then the duration is increased by 13 weeks. | The first day of the first month following any month in which the number of unemployed persons age 16 or older as compared to the same month of the previous year exceeds one million. | All states have at least 20 weeks.<br><br>If the state is in an EB period or if the state's TUR >=6.5% the duration is increased by 13 weeks. | *In order to be eligible for additional benefits states must change state law to elect one or more of these additional benefits. States are not required to participate in this program.*<br><br>*Up to 5 weeks*, if state TUR >=6.0% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or, the IUR >=4% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years; or<br><br>*Up to 13 weeks*, if state TUR >=6.3% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or, the IUR >=5% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years; or<br><br>*Up to 26 weeks*, if state's TUR >=6.5% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous 2 years; or, the IUR is 5% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years; or<br><br>*0 weeks* otherwise. | All states have at least 13 weeks.<br><br>If the state is in an EB period or if the state's TUR >=6% or the state's IUR>=4% then the duration is increased by 13 weeks.<br><br>***Table** continued on following pages.* |

| Program Feature | Current Law: P.L. 91-373 (26 U.S.C. 3304, note) Extended Benefit (EB) Program | Senate Finance Committee Report, January 30, 2008, Title II Temporary Extended Unemployment Compensation | H.R. 4934, Emergency Unemployment Compensation Act of 2008, Title I | S. 2544, Emergency Unemployment Compensation Act of 2008, Title II | H.R. 5688, Targeted Assistance to Restore Growth in Employment Throughout 2008 Act | Emergency Extended Unemployment Compensation Act of 2008 (Bill Number Not Available) |
|---|---|---|---|---|---|---|
| Other additions to basic benefit or extended benefit | Not Applicable. EB payments are identical to regular UC benefit levels. | None. | *Section 201. Federal-State Agreements for Increased Unemployment Benefits* would supplement regular and emergency UC with an additional $50/week.<br><br>Other sections of the bill would have incentives for states to expand UC benefit eligibility. Incentive payments would be up to $7 billion. | *The bill* would supplement regular and emergency UC with an additional $50/week. | None. | None. |
| Financing structure | The federal unemployment tax on employers, among other things, pays the federal share (50%) of the extended benefit (EB) program. State unemployment taxes on employers pay for 100% of the regular UC benefit and 50% of the EB benefit.<br><br>UC benefits are financed through employer taxes. The federal taxes on employers are under the authority of the Federal Unemployment Tax Act (FUTA), and the state taxes are under the authority given by the State Unemployment Tax Acts (SUTA). These taxes are deposited in the appropriate accounts within the U.S. Treasury's Unemployment Trust Fund (UTF). | 100% federally financed.<br><br>Appropriates federal UTF funds as may be necessary for states in the administration of benefit. | 100% federally financed (both the emergency UC and the additional $50/week from Section 201).<br><br>Appropriates federal UTF funds as may be necessary for states in the administration of benefit. | 100% federally financed.<br><br>Appropriates federal UTF funds as may be necessary for states in the administration of benefit. | *First 5 weeks*: 50% federally financed.<br>*Following 8 weeks*: 75% federally financed (if applicable).<br>*Final 13 weeks*: 100% federally financed (if applicable).<br><br>Appropriates federal UTF funds as may be necessary for states in the administration of benefit. | 100% federally financed.<br><br>Appropriates federal UTF funds as may be necessary for states in the administration of benefit.<br><br>***Table** continued on following page.* |

| Program Feature | Current Law: P.L. 91-373 (26 U.S.C. 3304, note) Extended Benefit (EB) Program | Senate Finance Committee Report, January 30, 2008, Title II Temporary Extended Unemployment Compensation | H.R. 4934, Emergency Unemployment Compensation Act of 2008, Title I | S. 2544, Emergency Unemployment Compensation Act of 2008, Title II | H.R. 5688, Targeted Assistance to Restore Growth in Employment Throughout 2008 Act | Emergency Extended Unemployment Compensation Act of 2008 (Bill Number Not Available) |
|---|---|---|---|---|---|---|
| Cost estimates | DOL actuarial estimates for the federal share of EB payments in FY2008 are less than $5 million.<br><br>Source: *UI Outlook FY2009 President's Budget*. Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services, February 2008. | The Congressional Budget Office (CBO) estimated that the UC provisions in the Senate Finance bill would have a net cost of $13.9 billion from 2008 through 2013.<br><br>Source: *Congressional Budget Office Cost Estimate, Economic Stimulus Act of 2008*, February 6, 2008. | No published CBO estimate | No published CBO estimate. | No published CBO estimate | No published CBO estimate.<br><br>*End Table.* |

**Source**: Congressional Research Service.

# EXTENSIONS AND SPECIAL PROGRAMS

## IN GENERAL

The previous chapter dealt with duration of benefits in terms of the regular UI program. However, extensions of UI benefits are available under certain circumstances. In addition, some programs provide benefits under conditions when UI is not normally payable. This chapter covers these special programs. In particular, it discusses extensions of benefits such as:

- State additional benefits (AB) programs;
- The federal-state Extended Benefits (EB) program; and
- Trade Readjustment Allowances (TRA).

This chapter also includes information on the Disaster Unemployment Assistance (DUA) program which provides assistance to individuals who are unemployed due to a disaster and who are ineligible for the regular UI program. Finally, it addresses programs commonly described as “alternative use” programs in that they allow payment of UI benefits under circumstances in which a worker would normally be ineligible. These include:

- Short-time Compensation (Worksharing); and
- Self-Employment Assistance (SEA).

## PROGRAMS FOR EXTENDED DURATION

**ADDITIONAL BENEFITS—**A few states have solely state-financed programs for extending the potential duration of benefits during periods of high unemployment, for claimants in approved training who exhaust benefits, or for a variety of other reasons. Although some state laws call these programs “extended benefits,” this document uses the term “additional benefits” to avoid confusion with the federal-state EB program.

The following table includes information about states that have permanent AB programs. Caution should be taken in using the following table because (1) some AB programs may be subject to annual legislative appropriations, meaning they may not be in effect; and (2) short-term AB programs will not be included if their legislative authorization expired prior to publication.

| TABLE 4-1: STATES WITH ADDITIONAL BENEFITS PROGRAMS | | | | |
|---|---|---|---|---|
| **State** | **Name of Extension** | **Duration** | **To Whom/When Payable** | **Miscellaneous** |
| AK | Supplemental Benefits | 13 weeks | If claimant exhausts regular UI and does not qualify monetarily. | Permanent. |
| CA | Extended Duration Benefits | 13 weeks | Payable to exhaustees who are not entitled to normal benefits if they meet applicable eligibility requirements for normal benefits, are not subject to disqualification, and are not under a disqualification for normal benefits. | Triggers if insured unemployment rate equals or exceeds 6%. |
| CT | Additional Benefits During Periods of Substantial Unemployment | 13 weeks | Individuals who are not entitled to extended benefits for the federal state EB program that week. | Triggers if an EB period is in effect. |
| DC | Additional Benefits | Two 5-week phases | Paid to qualified claimants. Claimants must apply for phase two additional benefits by providing specific information about work search efforts made during phase one. | If insured rate of unemployment is 3.75% or higher and no federal program in effect. |
| HI | Additional Unemployment Compensation | 13 weeks | Unemployed as a result of natural or man made disaster, as declared by the Governor. Must exhaust regular UI, not qualify for UI monetarily, or be self employed. | Must be approved by Governor. |
| IL | Additional Benefits | 13 weeks | High unemployment or other specified factors. | State must choose to finance these benefits. |
| IA | Extended Benefits | 13 weeks | If unemployed due to last employer going out of business, wage credits are recomputed up from 1/3 of wages for insured work to ½. | Permanent. |
| MA | Additional Benefits | 18 weeks | For attending approved training course which, in opinion of Commissioner, will aid in finding appropriate employment. Only paid while attending such course, and only if exhausted all rights to regular and extended benefits and has no rights to benefits any other state or federal law. | Determined by the Commissioner. |
| MI | Extended Training or Retraining Benefits | 18 weeks | Must be approved training and is separate from TRA. | Permanent. |
| MN | Additional Benefits | 13 weeks | If claimant was laid off from main base period employer; that employer had 100 or more workers; employer laid off at least 50% of workforce; employer has no intentions of rehiring claimant; claimant exhausted regular UI; and facility is located in county with unemployment rate at least 10% from 3 months before to 3 months after lay off. | Determined by the Commissioner. |
| NJ | Additional Benefits During Training | 26 weeks | Dislocated workers unlikely to return to previous employment because opportunities in the job classification are impaired due to substantial reduction in employment at worksite. Training must be for a labor demand occupation and must be approved. | Permanent. Prohibition triggers if amount of AB paid exceeds prescribed amount. |
| NY | Additional Training Benefits | 104 effective days | Claimant must be in approved training, separate from TRA. | Permanent. |
| OR | Supplemental Benefits | 26 weeks | Dislocated workers in approved training and workers whose unemployment resulted from the return to service in the Oregon National Guard or the military reserve forces of the U.S. following active duty service in Iraq and Afghanistan. (Unemployment substantially due to lack of job opportunities in local labor market due to:1) high energy costs; 2) extended drought conditions and attendant economic conditions; 3) secondary effects of foreign trade; and 4) shift of production to another state or US territory.) | Permanent. Additional eligibility requirements apply. |
| | Additional Benefits | Up to 25% of most recent regular UI claim. | High unemployment. | Must not be eligible for other unemployment benefits. |

# EXTENSIONS AND SPECIAL PROGRAMS

| TABLE 4-1: STATES WITH ADDITIONAL BENEFITS PROGRAMS | | | | |
|---|---|---|---|---|
| **State** | **Name of Extension** | **Duration** | **To Whom/When Payable** | **Miscellaneous** |
| PR | Additional Benefits | (20 x WBA plus 32 x additional WBA) less maximum potential benefits payable in last benefit year. | For workers in special unemployment situation (displaced due to technological progress and/or the permanent disappearance of an industry, establishment, or occupation. Not for seasonal unemployment). Secretary determines if special unemployment situation exists. | Permanent. |
| WA | Training Benefits Program | 52 x WBA less regular & EB benefits paid. | Dislocated workers needing full-time training in demand occupation. | Permanent. |
| WI | Temporary Supplemental Benefits | 18 weeks | Must be certified as attending vocational retraining program. | Governor can elect to run this program or allow payment through federal state EB program. |

## FEDERAL-STATE EXTENDED BENEFITS (EB)

Since 1970, federal law has provided for payment of EB during periods of high and rising unemployment in a state.

**TRIGGERS FOR EB—**The following "triggers" are used to determined whether EB is payable in a particular state:

- Mandatory -- A state must pay up to 13 weeks of EB if the insured unemployment rate (IUR) for the previous 13 weeks is at least 5% and is 120% of the average of the rates for the corresponding 13-week period in each of the 2 previous years. (The IUR is the ratio of the number of individuals collecting UI to the number of workers who could potentially collect UI if they lost their jobs.)

- Optional -- A state may pay up to 13 weeks of EB if the IUR for the previous 13 weeks is at least 6%, regardless of the experience in the previous years.

- Optional -- A state may pay up to 13 weeks of EB if the average total unemployment rate (TUR), seasonally adjusted, for the most recent 3 months is at least 6.5% and is 110% of the rate for the corresponding 3-month period in either of the 2 previous years. If such rate is at least 8.0% and is 110% of the rate for the corresponding 3-month period in either of the 2 previous years, the duration increases from 13 to 20 weeks.

| TABLE 4-2: STATES WITH OPTIONAL TRIGGERS FOR EB | | | | | |
|---|---|---|---|---|---|
| **State** | **DOES NOT Use 6% IUR Option** | **Uses 6.5% TUR Option** | **State** | **DOES NOT Use 6% IUR Option** | **Uses 6.5% TUR Option** |
| AK | | X | NM | | X |
| CT | | X | NC | | X |
| DE | X | | ND | X | |
| FL | X | | OR | | X |
| GA | X | | RI | | X |
| IA | X | | SD | X | |
| KS | | X | UT | X | |
| KY | X | | VT | | X |

| TABLE 4-2: STATES WITH OPTIONAL TRIGGERS FOR EB | | | | | |
|---|---|---|---|---|---|
| State | DOES NOT Use 6% IUR Option | Uses 6.5% TUR Option | State | DOES NOT Use 6% IUR Option | Uses 6.5% TUR Option |
| MA | X | | WA | X | X |
| NH | X | X | WY | X | |
| NJ | | X | | | |

**FINANCING OF EB—**Half of the cost of EB is financed by the federal government from FUTA revenues. (If the state already provides for duration of over 26 weeks for regular UI, the federal government will also share in the cost of any weeks beyond 26.) The federal share of EB will be reduced if a state (a) has no waiting week or permits payment of the waiting week at any time; or (b) does not round benefits down to the lower dollar. No federal sharing is available for EB costs attributable to employment with state and local governmental entities or federally recognized Indian tribes. (These entities do not pay the FUTA tax which finances the federal share of EB.)

**SPECIAL QUALIFYING REQUIREMENTS—**Generally, state law applies to the payment of EB. However, some special qualifying requirements exist:

- A worker must have 20 weeks of work or the equivalent (1-1/2 times high-quarter wages or 40 times weekly benefit amount) in the base period.

- A worker claiming EB who fails to make "a systematic and sustained" work search or to apply for or accept "suitable work" work is not entitled to EB until the worker has been employed during at least 4 weeks and has earned a total of 4 times the worker's EB amount. Suitable work is defined as "any work within such individual's capabilities."

- Any disqualification for voluntarily quitting work, committing misconduct, or refusing suitable work must be purged through subsequent employment.

**REDUCTIONS IN AMOUNT OF EB—**EB paid on interstate claims is limited to 2 weeks unless both agent and liable states are in an EB period. Also, workers who received TRA before EB triggered on in a state will have their EB entitlement reduced by the number of weeks of TRA received. In addition, some states reduce the EB amount payable to a worker during a period in which federal sharing of the cost of EB is reduced pursuant to a sequester order.

| TABLE 4-3: STATES REDUCING EB PAYABLE PURUSANT TO A SEQUESTER ORDER | | | | |
|---|---|---|---|---|
| Colorado | Kentucky | Missouri | North Carolina | South Dakota |
| Delaware | Louisiana | Nebraska | North Dakota | West Virginia |
| Kansas | Mississippi | New Mexico | Oklahoma | Wyoming |

## TRADE READJUSTMENT ALLOWANCES (TRA)

The Trade Act of 1974, as amended, provides for adjustment assistance to workers who are unemployed or underemployed because of the adverse effect of increased imports as a result of trade arrangements permitted under the Act or because of shifts in production outside the U.S. Trade adjustment assistance (TAA) provided by the Act consists of trade readjustment allowances (TRA), relocation and job search allowances, and subsistence and transportation allowances during periods of referred training.

The Secretary of Labor has entered into agreements with state agencies whereby the agencies will act as agents for the federal government in paying TRA and other allowances to eligible workers. Payments and administrative costs are paid for with federal funds.

**CERTIFICATION PROCESS—**Workers are certified as eligible to apply for TAA if a group of three or more workers, or a certified or recognized union or duly authorized representative petitions the Secretary of Labor for a determination of eligibility to apply for TAA and the Secretary determines that the importation of competitive foreign products or shifts in production outside the U.S. contributed importantly to the loss of employment at the firm mentioned in the worker's petition.

**QUALIFYING REQUIREMENTS—**To qualify for TRA the worker must have had at least 26 weeks of employment with wages of at least $30 a week within the 52-week period ending with the week of the individual's total or partial separation from adversely affected employment. Along with other requirements to receive TRA payments, the worker must be participating in an approved training program unless it is determined that training is not feasible or appropriate.

**DURATION—** Basic TRA is payable at the state UI rate over a 104-week eligibility period beginning with the first week after the worker's most recent TRA qualifying separation from employment. Basic TRA provides 52 weeks of income support less the UI entitlement in the trade-qualifying UI benefit period (generally 26 weeks of UI). Additional TRA is available up to 52 weeks for a total of 104 weeks of income support. In order to receive additional TRA a worker must be in TAA approved training. Workers whose training includes remedial education can get 26 additional weeks of TRA for a total of 130 weeks.

**SUBSISTENCE AND TRANSPORTATION ALLOWANCES—**An adversely affected worker may receive TRA while participating in approved training. Workers may also receive subsistence and transportation allowances while attending training at a facility which is not within commuting distance of their residence.

**RELOCATION ALLOWANCES**—Relocation allowances are payable to totally separated workers who have no reasonable expectation of securing suitable work in the area in which they live, and who have a bona fide offer of suitable work in the area in which they wish to relocate. Relocation allowances consist of (1) a lump sum payment of up to $1250; and (2) 90 percent of the expenses incurred in moving the workers, their families, and their household effects to the location of their new jobs.

**JOB SEARCH ALLOWANCES—**Job search allowances are payable to totally separated workers who have no reasonable expectation of securing suitable work in the area in which they live, and who have a reasonable expectation of securing suitable employment in the area of the proposed job search. Job search allowances consist of 90 percent of the cost of the necessary expenses incurred in the job search up to a maximum of $1250 under a single certification.

## ALTERNATIVE USE AND DISASTER PROGRAMS

**SHORT-TIME COMPENSATION (WORKSHARING)—**Like the partial benefit provisions of state UI laws, short-time compensation, or worksharing, programs allow a worker who is employed for a portion of the week to collect UI benefits. Whereas partial benefit formulas look at the worker’s earnings, worksharing looks at the hours of work.

Under worksharing, an employer elects to avoid layoffs by reducing the number of regularly scheduled hours of work for all workers. A worksharing plan must be agreed to by both the employer and, if unionized, the union and approved by the state UI agency. UI benefits are then payable for the hours of work reduced as a proportion of the benefit amount for a full week of unemployment. Workers are not required to meet a state’s regular availability for work, actively seeking work, or refusal of work requirements, but are required to be available for their normal workweek.

| TABLE 4-4: STATES WITH WORKSHARING PROGRAMS | | | | |
|---|---|---|---|---|
| **State** | **Period of Approved Plan** | **Required Reduction of Work** | **Maximum Number of Weeks Payable** | **Other** |
| AZ | 1 year | At least 10% but not more than 40%. | 26 weeks (Limitation does not apply if state insured unemployment rate for preceding 12 weeks is equal to or greater than 4%.) | Tax rate increases 1% if the negative reserve ratio is less than 15%; 2% if the negative reserve ratio is 15% or more. |
| AR | 12 months or date in plan, which-ever is earlier. | Not less than 10%, but not more than 40%. | 26 weeks | |
| CA | 6 months | At least 10%. | No limit on weeks, but total paid cannot exceed 26 x WBA. | Plans not required to address fringe benefits. |
| CT | 6 months | Not less than 20%, but not more than 40%. | 26 weeks (with 26 week extension possible) | |
| FL | 12 months | Not less than 10%, but not more than 40%. | 26 weeks | 1% higher maximum tax rate. Other part-time employment affects payment. |
| IA | 24 months | Not less than 20%, but not more than 50%. | 26 weeks | |
| KS | 12 months | Not less than 20%, but not more than 40%. | 26 weeks | Automatic exclusion of negative balance employers. |
| LA | 12 months or date in plan, which-ever is earlier. | At least 10%. | 26 weeks | Plans not required to address fringe benefits. |
| MD | 6 months | At least 10% not to exceed to 50%. | 26 weeks | All STC benefits charged to STC employer regardless of base period charging rule. |
| MA | 26 weeks | Not less than 10%, but not more than 60%. | 26 weeks | Employers with negative balances charged as though they were reimbursers. |
| MN | 1 year | At least 20%, but not more than 40%. | 52 weeks | |
| MO | 12 months | Not less than 20%, but not more than 40%. | 26 weeks | Worksharing benefits may not be denied in any week containing a holiday for which holiday earnings are committed to be paid by the employer, unless the working benefits to be paid are for the same hours as the holiday earnings. |
| NY | | Not less than 20%, but not more than 60%. | 20 weeks | |
| OR | No more than 1 year. | At least 20%, but not more than 40%. | 26 weeks | If employer's benefit ratio is greater than its tax rate, the employer must reimburse the excess at the end of each calendar quarter. |
| RI | 12 months | Not less than 10%, but not more than 50%. | 52 weeks | All worksharing benefits charged to worksharing employer regardless of base period charging rule. |
| TX | 12 months | At least 10%, but not more than 40%. | 52 weeks | |
| VT | 6 months or date in plan, which-ever is earlier. | Not less than 20%, but not more than 50%. | 26 weeks | |
| WA | 12 months or date in plan, which-ever is earlier. | Not less than 10%, but not more than 50%. | 26 weeks | |

## SELF-EMPLOYMENT ASSISTANCE (SEA) PROGRAM

SEA programs help unemployed workers to create their own jobs by starting small businesses. To be eligible for SEA payments, workers must be:

- Eligible for UI;
- Permanently laid off from their previous jobs;
- Identified as likely to exhaust their benefits; and
- Participating in self-employment activities including entrepreneurial training, business counseling, and technical assistance.

The authorizing federal law requires that no more than 5% of workers receiving regular UI benefits may be part of an SEA program. Workers enrolled in an SEA program will receive weekly self-employment payments. These payments will be the same weekly amount as the worker's regular UI benefit, while working full-time on starting a business.

| TABLE 4-5: STATES WITH SEA PROGRAMS | | |
|---|---|---|
| Delaware | Maine | Maryland |
| New Jersey | New York | Oregon |
| Pennsylvania | California<br>(Has authority in law but no program) | Louisiana |

## DISASTER UNEMPLOYMENT ASSISTANCE (DUA)

The Robert T. Stafford Disaster Relief and Emergency Assistance Act authorizes the President to provide to any individual unemployed as a result of a major disaster such assistance as the President deems appropriate while the individual is unemployed. These DUA payments are made by state UI agencies under agreements with the Secretary of Labor. Funds for both benefits and administrative costs are provided by the Federal Emergency Management Administration to the Secretary of Labor who, in turn, makes them available to the states.

**ELIGIBILITY—**In general, federal regulations provide that certain individuals living or working in areas affected by a major disaster who are unemployed because of the disaster are eligible for DUA even if they are not eligible for UI benefits or other wage replacement payments. Applications for DUA must be filed within thirty days of the Governor's announcement of a disaster in the state; the unemployment must be directly caused by the disaster; and individuals must be able and available for suitable work.

**DISASTER ASSISTANCE PERIOD—**The disaster assistance period – the period during which DUA is payable – begins with the first week following the date the major disaster began. DUA is available to an individual during this period as long as unemployment caused by the disaster continues or until he or she is reemployed in a suitable position, but no longer than 26 weeks after the major disaster is declared.

**WEEKLY ASSISTANCE AMOUNT—**Except in Guam, American Samoa, Northern Mariana Islands, Marshall Islands, Micronesia, and the Trust Territory of the Pacific Islands (Palau), the weekly DUA amount is the greater of the following: (1) the amount of the average weekly regular UI payment (including allowances for dependents) in the state in which the major disaster occurred; or (2) the weekly amount to which the individual would have been entitled under the state law for a week of total unemployment had all of his or her work and wages been included as employment and wages under such state law.

**DEDUCTIONS—**The DUA payable to an individual for a week is reduced by the amount of any of the following that an applicant has received for the week or would receive for the week if he or she filed a claim: (1) any compensation or insurance from any source for loss of wages due to illness or disability; (2) supplemental unemployment benefits pursuant to a collective bargaining agreement; (3) worker's compensation by virtue of death of head of household; and (4) the amount of retirement pension or annuity under a public or private retirement plan or system if such amount is deductible under the state UI law. In addition, the weekly DUA amount is reduced by the amount of wages that the individual earns in a week as determined by applying to the wages the earnings allowance for partial or part-total unemployment prescribed by the applicable state UI law.

3

# Who Says Extending Unemployment Benefits Can Lead to More and Longer Unemployment?

*April 10, 2008*

Democrat Leaders have argued Republicans are wrong to suggest extending unemployment benefits can lead to less work and longer unemployment spells, especially in States where jobless rates are low. For example, Senate Majority Leader Harry Reid (D-NV) has said **Republicans "believe that if you extend unemployment benefits it only keeps people from looking for a job, which is a little hard to comprehend**."[1]

Perhaps Senator Reid can comprehend the following statements by fellow Democrats and others who assert that extending unemployment benefits can lead to more and longer unemployment – especially in areas where jobless rates are relatively low, as in most States today.

1. Lawrence Summers, Secretary of Treasury, Clinton Administration (1999-2001)[2]

"To fully understand unemployment, we must consider the causes of recorded long-term unemployment. Empirical evidence shows that two causes are welfare payments and unemployment insurance.

First, **government assistance increases the measure of unemployment by prompting people who are not working to claim that they are looking for work even when they are not**....

**The second way government assistance programs contribute to long-term unemployment is by providing an incentive, and the means, not to work**. Each unemployed person has a "reservation wage"—the minimum wage he or she insists on getting before accepting a job. Unemployment insurance and other social assistance programs increase that reservation wage, causing an unemployed person to remain unemployed longer....

**Unemployment insurance also extends the time a person stays off the job**. Clark and I estimated that the existence of unemployment insurance almost doubles the number of unemployment spells lasting more than three months."

2. Lawrence Katz, Chief Economist, U.S. Department of Labor, Clinton Administration (1993-94)[3]

**"Changes in the level of benefits and changes in the potential length of benefits have substantial effects on the mean duration of unemployment of UI recipients**....An increase in the potential duration of benefits from 26 to 39 weeks is predicted to raise the mean unemployment spell duration by 2.1 weeks in both simulations. **This is a surprisingly large effect** given that most spells are completed well before the 26 weeks of regular benefits run out." (p. 29)

"There are large spikes in the escape rate from unemployment at 26 weeks and at 39 weeks for UI recipients. Spikes of similar magnitude at 26 and 39 weeks are not apparent for UI non-recipients." (p. 14)

"An increase in potential benefit duration from six months to one year is predicted to increase mean duration of unemployment by 4 to 5 weeks." (p. 35)

**"(E)xtending benefits may reduce the total money income of UI recipients.** If one assumes that reemployment earnings are 90 percent of previous earnings, then both specifications yield the prediction that **the income of the typical UI recipient actually falls in response to an increase in potential benefit duration from 26 to 39 weeks."** (p. 34)

3. The New York Times[4]

**"The expiration of (unemployment) benefits typically helps the economy, forcing people to find work eventually** and preventing unemployment stretches from reaching the length they do in Europe, where benefits are more generous, economists say."

4. The Congressional Budget Office[5]

**"Extending the duration of benefits or increasing their size means that at least some recipients may remain unemployed longer** than they would have without that aid. **The effect is probably most pronounced when jobless rates are relatively low."**

1 February 1, 2008, http://www.theledger.com/article/20080201/ZNYT01/802010307/1001/BUSINESS

2 The Concise Encyclopedia of Economics, http://www.econlib.org/library/Enc/Unemployment.html

3 From "*The Impact of the Potential Duration of Unemployment Benefits on the Duration of Unemployment*" by Lawrence F. Katz of Harvard University, and Bruce D. Meyer of Northwestern University, Revised September 1988

4 "*Long-Term Jobless Rose by 50 Percent Over the Last Year,*" September 9, 2002.

5 "*Options for Responding to Short-Term Economic Weakness*, January 2008, p. 17 http://www.cbo.gov/ftpdocs/89xx/doc8916/01-15-Econ_Stimulus.pdf

# Comparison of Labor Market Data in 1996 and 2008

Democrats on the Economy in 1996:
*"Our economy is the healthiest it has been in three decades."* (President Bill Clinton, State of the Union Address, January 23, 1996)

Democrats on the Economy in 2008:
*"The bottom line is that this administration is the owner of the worst jobs record since Herbert Hoover."* (Senator Charles Schumer, Press Release, March 7, 2008)

| Key Labor Market Data in 1996 and 2008 | | |
|---|---|---|
| | **March 1996** | **March 2008** |
| 1. U.S. Unemployment Rate | 5.5% | 5.1% |
| 2. Number of Long-Term Unemployed | 1.33 million | 1.28 million |
| 3. Average Weeks Unemployed | 17.3 weeks | 16.2 weeks |
| 4. Median Weeks Unemployed | 8.3 weeks | 8.1 weeks |
| 5. Not in Labor Force because discouraged over job prospects | 451,000 | 401,000 |