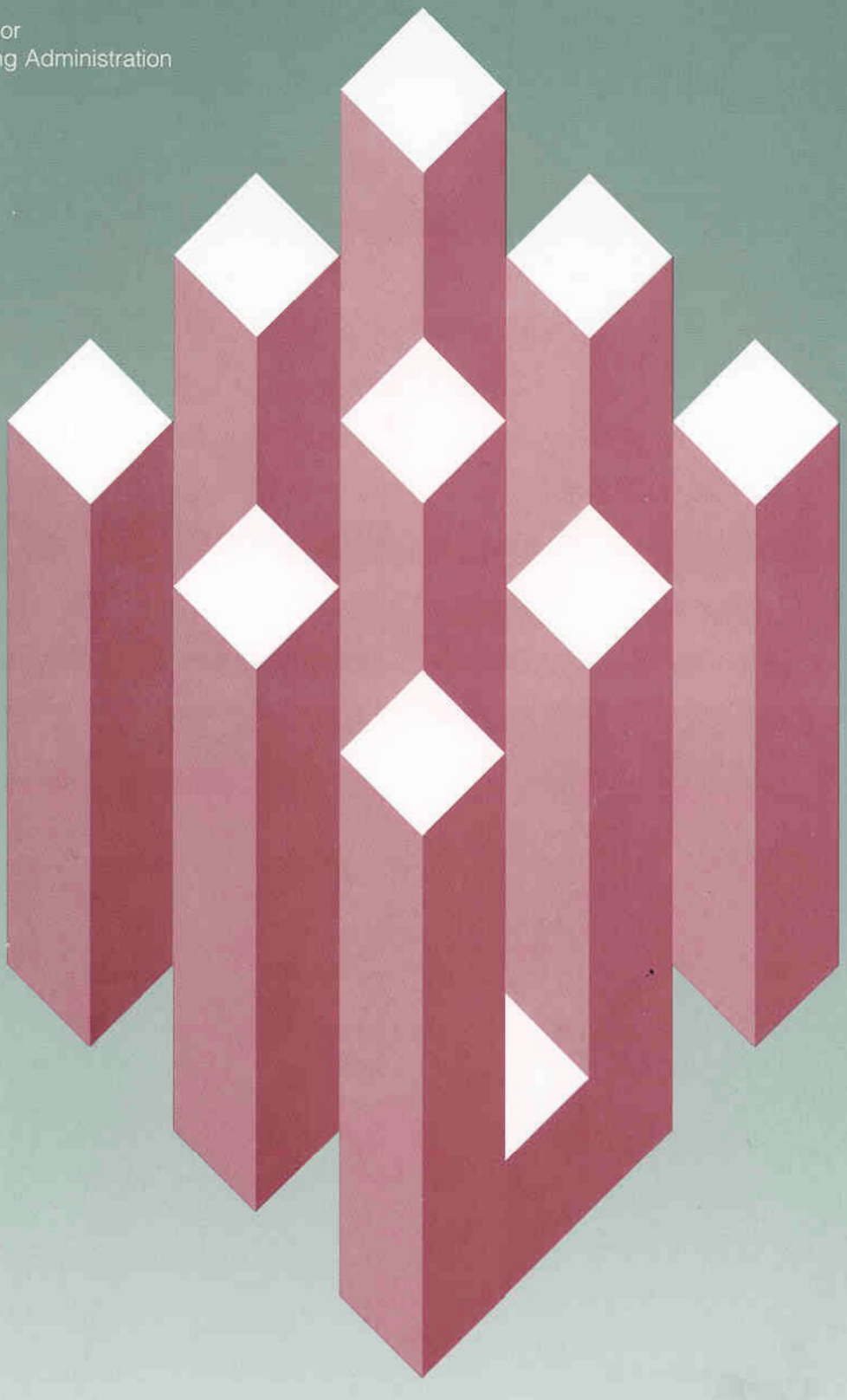
Emergency Unemployment Compensation: The 1990's Experience

Unemployment Insurance
Occasional Paper 98-1

U.S. Department of Labor
Employment and Training Administration



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U.S. Department of Labor
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EMERGENCY UNEMPLOYMENT COMPENSATION: THE 1990S EXPERIENCE

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Project Director

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EXECUTIVE SUMMARY

The federal-state Unemployment Insurance (UI) program offers assistance to workers who have lost their jobs through no fault of their own. In all states, the level of cash benefits paid is based on previous wages earned, and the duration of benefits is limited, typically to a maximum of 26 weeks. However, the federal government has extended the duration of benefits during every recession since the 1950s. Most recently, the Emergency Unemployment Compensation Act of 1991 created the Emergency Unemployment Compensation (EUC) program. The program, which subsequent amendments to the act extended, paid federally financed extended benefits from November 1991 through April 1994. More than $28 billion in benefits was paid under the program.

The EUC program, as implemented, contained two different components. The largest consisted of a program that extended individual workers' potential durations of unemployment compensation. This component, targeted at workers suffering long-term unemployment, was similar to earlier emergency extended benefits programs: Federal Supplemental Benefits (FSB), in the 1970s, and Federal Supplemental Compensation (FSC), in the 1980s. Its most important difference from these "third-tier" programs lay in the precise way in which EUC interacted with the regular, permanent Extended Benefits (EB) program. Specifically, EUC legislation permitted states to substitute EUC for EB in situations where EB otherwise might have been available. Most states availed themselves of this option throughout the period in which EUC was available. This had the practical effect of turning EUC into a "second-tier" program as well. That is, for most workers suffering long-term unemployment, EUC was the only source of extended benefits during the recession of the early 1990s.

The second component of EUC was unique to that program. During Phases 3 and 4 of its five phases, some workers who normally would have collected benefits under the regular Unemployment Insurance (UI) program had the option of collecting EUC benefits instead. Because the only claimants eligible for this option were those beginning a new benefit year, such claims acted as a substitute for regular UI and served a different category of worker (specifically, workers who expected recall and who had much shorter periods of unemployment than those who usually collect benefits under extended benefits programs). Although benefits paid under this component probably totaled less than 15 percent of all benefits paid under EUC, the novelty of its structure suggests that considerable attention be devoted to it in our overall evaluation.

CONCLUSIONS

Our review of the EUC program suggests 11 conclusions about its overall impact and effectiveness:

1. ***The extended benefits component of the EUC program performed an important countercyclical role during the recession of the early 1990s.*** The relatively long duration of the program and its widespread implementation by the states were appropriate, given the extended weakness of the labor market exhibited in that

recession. EUC appears to have avoided both the overly generous and the poorly targeted benefits that characterized the FSB program in the 1970s and the overly long duration of the FSC program of the early 1980s. Although no one measure of the performance of the EUC program captures all its countercyclical features, the exhaustion rate is perhaps the best single measure. We estimated that availability of its extended benefits component permitted the overall system of unemployment compensation to provide a slightly lower exhaustion rate (our estimates ranged from 17 to 24 percent) than the rate that characterizes the system during nonrecessionary periods. These benefits replaced about 2.4 percent of the shortfall in real disposable income attributable to high unemployment throughout the recessionary period.

2. ***The size and scope of the EUC program significantly exceeded what would have been provided under the regular EB program.*** Our simulations suggested that, in the absence of EUC, only about 3 million exhaustees would have been covered under the regular EB program during the period 1991.4 to 1994.2, even if all states had adopted the total unemployment rate as a trigger for EB. On the other hand, EUC (which effectively replaced EB during this period) paid benefits to about 7.7 million regular UI exhaustees under its extended benefits component. Even with modestly relaxed trigger thresholds, EB would have been a substantially smaller program than EUC. In actuality, of course, EB itself played virtually no role in the recession of the early 1990s. In addition, the federal financing of EUC resulted in $3 to $4 billion in trust fund savings for the states. These savings were concentrated in a small number of states, resulting in an average Unemployment Compensation (UC) tax rate saving of approximately 0.25 percentage point in those states where EB would have been payable.

3. ***Implementation of the extended benefits component of EUC presented a number of administrative complexities arising from its multiple-phase structure and its integration with the regular UI program.*** Most of these difficulties arose from the time pressure state officials were under to incorporate EUC into their operations. Because some of EUC's provisions (for example, maximum durations) were changed frequently, and because the program incorporated some provisions that differed from those of the regular UI program (for example, more stringent work search requirements), it was often impossible to devote the necessary care to establishing systems and procedures for paying benefits. Hence, although the phase structure of EUC did permit a flexible response to recessionary conditions as they became apparent, more attention might have been paid to easing the states' implementation of the programs and to streamlining transitions among its phases.

4. ***The characteristics of individuals receiving EUC under its extended benefits component resembled those of recipients of previous programs, although a few significant differences reflecting the changing composition of the labor market were apparent.*** Recipients who received both UI and EUC were more likely to be older, female, and part of a minority group than were shorter-term recipients who received only UI. Compared to previous emergency programs, they were less likely to be from manufacturing industries than were recipients of FSB and FSC (for example, 30 percent

under EUC, as opposed to 44 percent under FSB). Females also constituted a larger fraction of recipients under the extended benefits component of EUC, than had been the case under the previous emergency programs (44 percent in EUC, versus 37 percent in FSC). Still, it seems clear that the extended benefits portion of the EUC program served workers suffering long-term unemployment who shared many similarities with workers who collected under earlier emergency programs.

5. ***Workers receiving benefits under the extended benefits component of EUC experienced considerable difficulty in finding reemployment.*** Despite extensive job search, it took many recipients a long time to find a job. Moreover, approximately 23 percent of workers who received benefits under the extended benefits component of EUC never (during an average follow-up period of three and one-half years) found a new job. Many of those extended benefits recipients who found new jobs reported subsequent job separations, suggesting that much of the reemployment was in relatively unstable jobs. Two-thirds of those who became reemployed found jobs in industries different from those of their prior jobs. About 4 out of 10 workers experienced wage losses of at least 25 percent.

6. ***Substantial numbers of individuals receiving benefits under the extended benefit component of EUC received reemployment services from the Job Service or education or training. However, not all recipients received reemployment services, and those receiving education or training were not always the individuals who appeared to be most in need of further education or training.*** Approximately 75 percent of long-term recipients received services from the Job Service; however, 25 percent did not. Seventeen percent began education or training programs while collecting benefits or before the start of a job. This seems like a substantial number, since not all recipients need or could benefit from education or training. However, those who did enter education or training tended to be better educated and to have greater earnings possibilities than those who did not. Relatively few individuals who were high school dropouts or who had low wages on their pre-benefits jobs participated in education or training.

7. ***The extended benefits portion of the EUC program kept a considerable number of families from falling below the poverty line.*** Nevertheless, EUC benefits alone often were insufficient to keep families out of poverty when there was no working spouse or partner. Another factor exacerbating the low incomes of EUC recipients' families was that they had very low rates of receipt of benefits from retirement and transfer programs.

8. ***Approximately 5 percent of all EUC first payments (and 30 percent of first payments during Phase 1 of the program) were made to "reachback" eligibles.*** Mean weeks of EUC collected, average total benefits received, and exhaustion rates for this group were very similar to those of other EUC recipients during Phase 1.

9. ***The optional claims component of EUC permitted states to achieve savings to their UI trust funds when workers chose to substitute EUC benefits for regular UI benefits***

that would otherwise have been payable to them. Inaccuracies and shortcomings in the reporting of optional claims made it difficult to obtain precise figures for the dollar value of benefits payable under them. Overall, however, we estimate that these benefits may have amounted to between $3.4 and $4.6 billion. This represented 12 to 16 percent of all EUC benefit dollars and 5 to 7 percent of regular UI benefits during the period. Our data also suggested that the actual trust fund savings from the optional claims component of EUC were unevenly distributed among the states, with some states receiving the equivalent of a full percentage point in UI tax rate relief, while others received less than a tenth that amount.

10. ***This optional claims component of EUC added major complexities to the administration of EUC during Phases 3 and 4.*** Presenting information to claimants about the EUC optional claims provision was time-consuming and difficult, since both staff claimants found the options hard to understand. Integrating the payment of optional claims into state UI systems also required overriding many existing computer safeguards. The rapid implementation of Phase 3 of EUC meant that there was little time to validate new computer code. This meant that officials often were forced to override their systems manually. Further complicating the situation were issues in the proper interpretation of some optional claims procedures.

11. ***The overwhelming majority of workers who collected benefits under the EUC optional claims component were not long-term unemployed.*** These workers were much more likely to expect recall to their prior employers, to do less job search, and to have significantly higher reemployment rates than workers who collected under the extended benefits component. Indeed, average total unemployment compensation benefits collected by workers choosing the optional claims portion of EUC amounted to only about 25 percent of the average total amount of UC benefits collected by workers collecting under the extended benefits component of EUC.

POLICY IMPLICATIONS

These conclusions suggest four broad implications for future unemployment compensation policy toward extended benefits:

1. ***In the absence of major changes to the EB trigger mechanism, it seems likely that future emergency programs will have to function as both "second-tier" and "third-tier" extended benefits programs.*** Trigger rates under EB are simply too high and too constrained by the trigger rates' threshold requirements to permit EB to provide the level of benefits that EUC did during the recession of the 1990s. Because the goals of future programs are likely to be similar to those of EUC (although the specifics will be tailored to particular recessionary circumstances), these too will likely be used as substitutes for EB if the UI system is to continue to provide adequate support to long-term unemployed workers.

2. ***Operations of future EUC-type programs would be significantly improved if implementation could be streamlined.*** In particular, although the phase structure incorporated in EUC provided flexibility in meeting recessionary needs as they arose, these phases were often too short and contained administrative procedures that were changed too frequently for states to adapt to them. Operation of the program would be much smoother if state administrators had more time to adapt their systems to the program's requirements and if basic provisions (such as job search requirements) were more carefully integrated with existing UI procedures.

3. ***Experiences of recipients of extended benefits under EUC suggest the need for enhanced labor market services.*** Clearly, many of these recipients experienced significant difficulties in finding reemployment as a result of the 1990s recession. While many recipients received some reemployment services, there appears to have been a need for additional services directed toward workers who are likely to collect extended benefits and who probably will have difficulty finding jobs comparable to their pre-benefits jobs. However, the Worker Profiling and Reemployment Services systems that have been introduced since the end of the EUC program now provide a mechanism to direct reemployment services toward workers who are likely to collect extended benefits.

4. ***The optional claims component of EUC should not be a component of future extended benefits programs.*** The optional claims component may have helped some claimants avoid reductions in weekly benefit amounts as the result of entering a new benefit year, as was intended, but the vast majority of benefits paid under this option went to the short-term, rather than long-term, unemployed. It was also extremely difficult to administer. Overall, such a component plays no useful role in a policy intended for the long-term unemployed.

I. INTRODUCTION

The federal-state Unemployment Insurance (UI) program offers assistance to workers who have lost their jobs through no fault of their own. In all states, the level of cash benefits paid is based on previous wages earned, and the duration of benefits is limited, typically up to a maximum of 26 weeks. However, the federal government has extended the duration of benefits during every recession since the 1950s. Most recently, the Emergency Unemployment Compensation Act of 1991 created the Emergency Unemployment Compensation (EUC) program. The program, extended by subsequent amendments to the act, paid federally financed extended benefits from November 1991 through April 1994. More than $28 billion in benefits was paid under the program.

This evaluation of the EUC program examines a series of questions about extended benefits policy that were raised by implementation of the program. Included are broad questions about the cyclical adequacy of the program and its employment stabilization effects, as well as more specific questions about the program's effects on claimant behavior, mechanisms that could be used to initiate extended benefit policies, and how emergency extended benefit programs could be integrated with the regular UI and the permanent Extended Benefits (EB) program.

In this chapter, we review the history of extended benefits policy in the United States, highlighting some major ongoing issues. We then focus on the EUC program, explaining the most important aspects of the five phases of EUC. Next, we list the primary questions about the EUC program that we address in this report. The chapter concludes with a discussion of our approach to the evaluation and an outline of this report.

A. A BRIEF HISTORY OF EXTENDED BENEFITS POLICY IN THE UNITED STATES

Since the inception of the federal-state UI program in 1935, all states have limited the number of weeks claimants may collect benefits. States established these limits initially because they were concerned about their ability to finance lengthy benefit durations, given available financial resources. Limited durations were also viewed as an important mechanism for stressing the distinction between UI and "welfare": unemployment benefits were only a temporary "first line of defense" for workers who lost their jobs. There was also concern that providing benefits for a longer period might slow workers' return to work by reducing costs associated with continued unemployment. Hence, states were cautious in establishing UI durations policy, eventually settling on a standard 26-week maximum.[1]

1. Rationale for Extended UI Benefit Durations

Because the likelihood of facing a long unemployment spell varies substantially over a business cycle, the 26-week maximum may not be appropriate for all economic circumstances. Providing longer durations during economic downturns would be consistent with an insurance-based rationale for UI, under which the degree of worker protection should rise to compensate for the increased risks that workers face. For example, Corson and Nicholson (1982) found that the goal of keeping the exhaustion rate for all UI benefits roughly constant over the business cycle can be achieved by increasing UI durations by 3.5 to 5 weeks for every one-point rise in the insured unemployment rate (IUR) above full employment levels. Other writers (see, for example, Moffitt 1985) have obtained

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[1]Two states, Massachusetts and Washington, currently have a 30-week maximum. Eight "uniform duration" states (Connecticut, Hawaii, Illinois, Maryland, New Hampshire, New York, Vermont, and West Virginia) provide 26 weeks of benefits to all workers regardless of previous work experience. Other states base potential durations on a claimant's prior work experience. At times, some states have implemented their own extended benefits programs, but here we discuss only federal initiatives.

similar figures, using a variety of approaches. Such cyclical increases in UI durations became a standard feature of UI policy after the late 1950s.

The argument in favor of increasing UI protection for longer expected spells of unemployment need not be limited to cyclical situations. For example, the Advisory Council on Unemployment Compensation (1994) suggests that extended benefits might be made payable to workers who exhaust their regular UI entitlements and can be identified as dislocated. The Trade Adjustment Assistance (TAA) program uses this approach for workers who can show that increased imports "contributed importantly" to their job loss and who are participating in an approved training program (or have received a waiver of the training requirement).[2] Unemployment compensation programs in western European countries also tend to offer extended benefits options to older, more experienced workers and to workers from regions with high unemployment rates (Congressional Research Service 1992). For the most part, however, extended benefits programs in the United States have not singled out such special groups, although there has been policy interest in how the needs of such workers have been met under the general extended benefits programs.

Accepting the principle that some extension of UI benefit duration during a recession is appropriate raises several implementation issues:

- How should extended benefits be targeted to labor markets and time periods in which they seem most needed?
- Should the program contain provisions that "reach back" to cover workers who exhausted regular UI in earlier periods?
- Should all exhaustees of regular UI be eligible for extended benefits, or should additional eligibility screens (perhaps based on prior work experience or current job search activities) be applied?

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[2]For a detailed discussion, see Corson et al. 1993.

- What durations of extended benefits should be offered? Should durations be tailored to labor market conditions?
- Should job search or other reemployment services be offered in conjunction with extended benefits?
- When and how should extended benefits programs be terminated?

The discussion that follows illustrates how these issues have been treated during the past 25 years.

2. The Permanent EB Program

Temporary programs to extend UI durations were adopted at the federal level during the recessions of the late 1950s and early 1960s. Experiences under these programs suggested the desirability of developing a more systematic approach to extended benefits policy, which was accomplished by passing the Employment Security Amendments of 1970. These amendments established a permanent program under which as many as 13 additional weeks of extended benefits could be made available to workers who had exhausted their regular UI entitlements.[3] These benefits were to be financed on a 50-50 basis by federal and state UI taxes and were to be activated ("triggered on") whenever the IUR in a state reached a certain threshold.

Much of the controversy over the EB program has focused on its triggering mechanisms and whether the program can target extended benefits to labor markets and time periods in which they are most needed. In the 1970s, EB was payable in a state if the state's IUR averaged 4 percent or

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[3]Technically, EB provides up to one-half of an individual worker's UI entitlement, up to a maximum of 13 additional weeks. In addition, to be eligible, the worker's "benefit year"--the one-year period starting with the date of the initial UI claim--must not have ended. The EB program does not explicitly cover individuals who exhausted their regular UI entitlements in prior periods if their benefit year has ended. For a defined period, however, emergency extended benefits programs have generally provided this coverage.

more for 13 consecutive weeks and was at least 120 percent of the average IUR for the corresponding 13-week period in the prior two years. EB also contained a national trigger, under which benefits became available in all states whenever the seasonally adjusted national IUR exceeded 4.5 percent for 13 consecutive weeks. Amendments to the program in 1981 eliminated the national trigger and raised the state trigger requirement to 5 percent, with a 120 percent threshold, or 6 percent if the 120 percent threshold is waived.[4]

These changes had a substantial effect on EB caseloads. One simulation suggests that they reduced EB first payments by as much as 25 to 30 percent during the early 1980s and by a much greater magnitude during periods of strong labor market activity (Corson and Nicholson 1985). An even more significant impact on the EB trigger mechanism may have resulted from the secular decline in the IUR that continued throughout the 1980s (Burtless 1983; and Corson and Nicholson 1988).[5] By the early 1990s, despite generally worsening labor market conditions at that time, no state met the trigger requirements for the EB program.

In response to this situation, the Unemployment Compensation Amendments of 1992 permitted states to choose an alternative trigger mechanism based on the total unemployment rate (TUR). Under this alternative, 13 weeks of EB would become available whenever a state's seasonally adjusted TUR for a three-month period exceeded 6.5 percent and was at least 110 percent of that rate

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[4]The 1981 amendments also modified the formula for the IUR trigger by dropping EB claimants from the numerator. This was intended to mitigate several anomalies, such as the tendency of the EB program to prolong its own duration in a state and the tendency of past EB payments to raise trigger thresholds inordinately because of the 120 percent rule.

[5]This secular decline has been attributed to a variety of causes, including (1) changes in the composition of unemployment--especially the reduced importance of unemployment from manufacturing industries; (2) federal policy changes, including taxation of UI benefits and changes in pension offset provisions; and (3) changes in policy at the state level, many in response to the tightening of UI trust fund and loan provisions.

in either of the previous two years. If the TUR exceeded 8 percent (again, with a 110 percent threshold), 20 weeks of EB would become available.

Because EUC effectively supplanted EB, there has been very little operational experience with these new triggers, but simulations using historical data suggest that the alternative triggers may have a major impact on making EB more widely available in the future (Corson and Rangarajan 1994). For example, one simulation of experiences during the 1980s showed that more than one-third of all exhaustees would have been eligible for EB with the alternative trigger, as opposed to fewer than 10 percent under the IUR trigger existing at the time (Corson and Rangarajan 1994).

Issues surrounding eligibility for EB have also recently come under public scrutiny. Initially, all regular UI exhaustees whose benefit years had not ended were eligible for the EB program. In 1980 and 1981, however, several eligibility provisions were added. Specifically, eligible workers were required to have the equivalent of 20 weeks of full-time work in their base periods, a figure that exceeded some states' requirements for initial UI eligibility.[6,7] In addition, requirements for continuing eligibility were tightened by adoption of more stringent "suitable work" definitions and by requirements of active job search than had existed in some states. By one estimate, these changes reduced the overall EB caseload by about 10 percent (Corson and Nicholson 1985).

3. Emergency Extended Benefits Programs

During every major recession since inception of the EB program, the federal government has provided emergency ("third-tier") benefit extensions that offer UI claimants benefits in addition to

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[6]Earnings in the base period, a one-year period prior to the UI initial claim, are used to determine UI eligibility and benefit amounts. In most states, the base period is the first four of the last five completed calendar quarters at the time of the initial claim.

[7]Several European countries mandate additional base period employment requirements for extended benefits eligibility.

(and, sometimes, in place of) those provided by the permanent EB program. The first of these major emergency programs was the Federal Supplemental Benefits (FSB) program, enacted in late 1974. This program initially provided up to 13 additional weeks of benefits but was soon expanded to 26 weeks. During the 1974-1975 recession, many claimants were eligible to receive up to 65 weeks of benefits--26 from regular UI, 13 from EB, and 26 from FSB.[8]

Much of the analysis of the FSB program has focused on the potentially long durations provided by the program. Several studies have reported that these durations reduced the overall benefit exhaustion rate below that which occurs during normal, nonrecessionary periods (Katz and Ochs 1980; and Corson and Nicholson 1982). Other studies have suggested that the durations may have encouraged workers to prolong their unemployment spells (Moffitt and Nicholson 1982; and Moffitt 1985). There is general consensus that the program went too far in providing increased UI coverage during the mid-1970s recession.

Surveys of FSB recipients revealed that they were, on average, somewhat older and more likely to be women than the general UI population. Recipients had considerable work experience on their prior jobs, and many ultimately suffered significant wage losses as a result of their layoffs. Although evidence existed that some workers with relatively weak labor market attachments may have received FSB, there was also substantial receipt of benefits by workers who had suffered major economic dislocations (Corson and Nicholson 1982).

The next emergency program, the Federal Supplemental Compensation (FSC) program, addressed worsening labor market conditions brought on by the 1981-1982 recession. Initially, the program provided a maximum of either 6 or 10 weeks of additional benefits, depending on a state's

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[8]During most of its history, the FSB program was financed through the Extended Unemployment Compensation Account (EUCA). However, under the final extension of the program benefits were financed from general revenues.

program provided a maximum of either 6 or 10 weeks of additional benefits, depending on a state's EB trigger status. To make benefit durations more sensitive to state-level labor market conditions these maximum durations were changed several times over the course of the FSC program. Because of the way in which maximum durations were tied to the IUR, potential durations in a state could change rapidly. In general, however, FSC provided considerably shorter durations than the FSB program of the mid-1970s.

Experiences under the FSC program highlighted some of the problems associated with emergency extended benefits programs. Because the FSC program was implemented fairly late in the business cycle (the program continued until March 1985), a substantial fraction of its benefits were paid during the post-recessionary period. The countercyclical impact of the program was considerably less than that under FSB (Corson et al. 1986). Similarly, because the FSC trigger formula ensured that workers in all states would receive a minimum level of benefits, benefits were not tightly targeted toward labor markets and periods of the most severe unemployment.[9] The complex and frequently changing trigger requirements for FSC also led to administrative difficulties. Particularly problematic were issues relating to the sequencing of EB and FSC, because many claimants were switched back and forth between the programs. Similar difficulties arose because FSC was implemented in four distinct phases, each with somewhat different rules regarding claimants' entitlements and reachback provisions.

FSC used the qualifying-wage and work-test requirements incorporated in the EB program in the early 1980s. These requirements reduced the FSC caseload somewhat. The impact was greatest

[9]The permanent EB program seemed to do a better job of targeting during this period (see, for example, Corson et al. 1986).

in states with the least stringent requirements for regular UI.[10] States also reported that the FSC work-test provisions were costly to administer.

Survey data showed few demographic differences between FSC and regular UI recipients during the same period. This finding contrasted with that for FSB and may have resulted because unemployment from durable-goods manufacturing played a larger role in the 1981-1982 recession than in the 1974-1975 one. Workers laid off from jobs in durables manufacturing also experienced longer unemployment spells than did other workers under FSC, and many suffered severe earnings losses once they became reemployed. FSC provided substantial benefits to workers who might be categorized as dislocated, although the program did not explicitly target them.

B. THE FIVE PHASES OF THE EUC PROGRAM

The EUC program was the most recent temporary extension of UI benefits. The program was implemented in five successive phases (labeled EUC-1 to EUC-5), starting in November 1991 and ending in April 1994. Table I.1 summarizes the key elements of each phase, while Table I.2 presents aggregated data on claims activities on each of the five phases. Greater detail on the provisions of each phase and durations by state is provided in Appendix A. Initially, EUC-1 provided 6, 13, or 20 weeks of benefits, depending on states' unemployment levels; however, legislation in early December changed the minimum duration in all states to 13 weeks. To be eligible for 20 weeks of benefits, states were required to have an adjusted IUR (AIUR) of at least five percent or a six-month

[10]Corson et al. (1986) estimate the reduction in caseload at the national level to be about 4 percent, with specific state reductions ranging from zero to more than 20 percent.

TABLE I.1

MAIN PROVISIONS OF EUC, BY PHASE

EUC Phase	EUC-1			EUC-2					EUC-3								EUC-4								EUC-5					
Maximum Potential Duration	13 and 20 weeks[a] (35 states 13 weeks, 9 states 20 weeks, 7 states both durations)			26 and 33 weeks (31 states 26 weeks, 15 states 33 weeks, 5 states both durations)					20 and 26 weeks (36 states 20 weeks, 4 states 26 weeks, 11 states both durations)								10 and 15 weeks[b] (39 states 10 weeks, 4 states 15 weeks, 8 states both durations)								7 and 13 weeks (47 states 7 weeks, 3 states 13 weeks, 1 state both durations)					
State Option to Deactivate EB	Yes			Yes					Yes								Yes								Yes, except for EB periods beginning after 2/5/94 (5 states triggered in EB)					
Reachback Provisions	Yes			No					Yes for EUC option								No								No					
Claimant Option to File for EUC Instead of UI	No			No					Yes								Yes								No					
Month/Year	11/91	12/91	1/92	2/92	3/92	4/92	5/92	6/92	7/92	8/92	9/92	10/92	11/92	12/92	1/93	2/93	3/93	4/93	5/93	6/93	7/93	8/93	9/93	10/93	11/93	12/93	1/94	2/94	3/94	4/94

[a]Individuals who began collecting EUC during EUC Phase 1 did not exhaust their entitlements during that phase, and their potential durations were increased to 20 and 26 weeks when Phase 2 went into effect.

[b]The legislation specifying potential durations was identical during EUC-3 and EUC-4, but durations were lower during EUC-4 than EUC-3 because the national unemployment rate dropped so that the national trigger lowering durations was in effect.

TABLE I.2

CLAIMS AND BENEFIT AMOUNTS, BY EUC PHASE

EUC Phase	New Initial Claims[a]	Optional Initial Claims[b]	First Payments[a]	Benefits[c] (Billions of Dollars)
1	1,951,871	0	1,640,344	6.70
2	1,671,239	0	1,452,064	4.60
3	3,627,242	698,312	2,752,967	8.57
4	2,935,796	1,037,646	2,559,129	7.02
5	839,799	100,767	811,493	1.63
All Phases	**10,747,515**	**1,836,725**	**9,215,995**	**28.52**

SOURCE: Calculations from the Unemployment Insurance Service's UI Data Base (UIDB).

[a]The disaggregations of new initial claims and first payments into EUC phases are approximations. Data in the UIDB on these measures are provided on a monthly basis. The estimates of these measures in each EUC phase were calculated by multiplying the measure in a month by the fraction of business days in that month in each EUC phase, for months during which phase changes occur. Entries in the EUC phases may not sum to the entry for all phases because of rounding.

[b]Data on the number of optional claims are provided on a weekly basis in the UIDB. Since all phase changes occurred at the beginning of a week, the calculations provided are derived directly from the data.

[c]The disaggregation of benefits into EUC phase was computed by the Unemployment Insurance Service, U.S. Department of Labor using data on drawdowns from the Treasury by fiscal year.

average TUR of nine percent.[11] Regardless of a state's overall economic health, the legislation specified that long-term unemployed claimants were eligible for at least some additional compensation (13 weeks during EUC-1).[12] EUC-1 had more than 1.6 million first payments, while benefits paid out equaled $6.7 billion.

The EUC trigger was the first use of the TUR as a major trigger device, raising issues about the accuracy of this measure, especially in smaller states. Because the trigger rates specified in the EUC legislation were relatively high, however, only nine states initially qualified for the longer benefit period allowed. Claimants in states that did not meet these trigger requirements were eligible for 13 weeks of benefits.

On several occasions, subsequent phases of EUC altered the durations allowed. Under EUC-2, which began in February 1992 and provided $4.6 billion in benefits, durations were increased from either 13 or 20 weeks to 26 or 33 weeks, respectively.[13] This phase provided the longest benefit durations of the five phases. Benefit durations for EUC-3, which lasted from July 1992 to March 1993, were either 20 or 26 weeks. EUC-3 also contained provisions to reduce potential durations, depending on the national TUR. EUC-4 had the same provisions as EUC-3, but the national trigger led to a reduction in duration to either 10 or 15 weeks. EUC-5 reduced durations further to either 7 or 13 weeks. Each change in duration required complex regulations for how former and current claimants would be treated.

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[11]The adjustment consisted of including exhaustees during the most recent three-month period in the numerator.

[12]This policy was similar to that of previous emergency benefits programs.

[13]The increase in potential durations affected individuals who began collecting benefits during EUC-1 as well as individuals beginning during EUC-2.

An important feature of EUC was that, during most of the program, states were allowed to choose not to activate the regular EB program during periods in which they qualified for that program. States chose not to use EB; as a result, EUC supplanted EB except for the last two months of the program when this option was not in effect. Because EUC was financed solely from federal sources, the sharing formula for funding in the EB program was superseded during the 1990-1992 recession.

The EUC program included two other provisions that made the program both complex and difficult to administer. First, like previous temporary extensions, FSB and FSC, EUC included reachback provisions that allowed benefits to be paid to claimants who had exhausted UI within a defined period before EUC enactment. Specifically, individuals who had exhausted benefits under claims with benefit years ending after February 28, 1991, could collect emergency benefits if they remained unemployed, even though the program was not enacted until November 1991. Subsequent modifications to the EUC program required states to notify claimants who had exhausted their benefits of increases in benefit durations for which they might be eligible. These increases included those resulting from new legislation (phase changes) or the surpassing of trigger levels.

Second, during EUC-3 and EUC-4 (July 1992 to November 1993), claimants were, under certain circumstances, permitted to choose between filing a claim for regular UI or a claim for EUC. Specifically, claimants who reached the end of a benefit year for regular UI while collecting EUC could choose to continue collecting EUC if they had some remaining eligibility, rather than being required to establish a new benefit year for regular UI, if they qualified.[14] Similarly, newly laid off claimants who had exhausted a regular UI claim during the period in which EUC was in effect could

[14]Individuals who file an initial claim for UI and who are determined to be eligible for benefits can collect benefits up to a maximum amount when they are involuntarily unemployed. Eligibility for these benefits lasts a year--the benefit year.

choose between filing a new claim for regular UI or a claim for EUC based on their earlier benefit year. Claimants who reached the end of a regular UI benefit year without collecting all their potential benefits were considered to have exhausted their benefits, as well as claimants who collected all potential benefits.

This provision was intended to let claimants choose the more advantageous program and not be forced to establish a new regular UI benefit year at a reduced weekly benefit amount. In doing so, however, the provision had several unexpected consequences. First, by allowing claimants to suspend eligibility for regular UI to collect EUC, it created a situation in which EUC benefits (which were financed from general revenues during this period) substituted for regular UI benefits (which are financed through experience-rated UI taxes). Second, it artificially reduced the number of new UI claims, a series closely monitored as a leading indicator of economic activity. Third, it created several administrative problems for states, including the need to explain this complex choice and its implications to claimants and the need to reconfigure computer systems to allow claimants to exercise this option. The provision further complicated administration by having its own reachback element: states had to contact eligible claimants who filed for a new benefit year prior to July 1992 and offer them the choice of programs.

States reported that more than a million and a half initial EUC claims (about 17 percent of new initial claims) were processed using this option.[15] This provision coincided with the EUC phases containing the highest level of benefits paid: EUC-3 and EUC-4 provided claimants $8.6 and $7.0 billion, respectively.

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[15]Table I.2 indicates that more than 100,000 initial EUC claims were reported as processed under the option to defer regular UI in EUC-5, when the option had been repealed. Some states indicated that they had difficulty distinguishing EUC claims based on the deferral of regular UI from other EUC claims, and this difficulty may account for these reports.

Changes in funding for the EUC program mirrored funding changes for previous emergency programs, with funding provided by the extended benefit UC Trust Fund when a sufficient balance was available and by general revenues when it was not. For EUC, the trust fund was used to pay for benefits during EUC-1, EUC-2, and EUC-5. General revenues were used for phases 3 and 4.

Finally, the EUC amendments of 1992 affected both the permanent EB program and the EUC. In addition to the option of declining to provide EB benefits, states were permitted (subsequent to the passage of EUC-3) to adopt an alternative trigger based on the TUR for the permanent EB program. Durations available under the EB program were augmented to provide up to 20 weeks of benefits if certain trigger levels were reached, rather than exclusively the 13 weeks available previously. We determine the extent to which these changes permit the EB program to resume its role as the first line of antirecession policy in an overall UI program.

C. ISSUES RAISED BY THE EUC PROGRAM

This review of the historical experience with emergency extended benefits programs and of experiences with the EUC program raises the following six questions, which we address in the evaluation, about the program in general and the extended benefits initiatives specifically:

1. To what extent did EUC contribute to economic stabilization during the 1990-1992 recession?
2. What are the characteristics of individuals who collected EUC benefits? Who collected EUC under the option to opt for EUC instead of regular UI?
3. What were claimants' labor market experiences? What effects did EUC itself have on claimants' labor market activities?
4. What were the fiscal impacts of EUC on state trust funds?
5. What difficulties were encountered in administering EUC? To what extent were these difficulties endemic to temporary programs, and to what extent did they arise from the complex design of the program?

6. Was EUC the relevant policy response, given the nature of the EUC caseload? How might future temporary extended benefits programs be designed to better serve claimants during recessionary programs?

D. EVALUATION APPROACH

Our approach includes three basic components for addressing the issues raised in Section C. First, we address macroeconomic issues by examining the number of claims and amount of benefit payments under the EUC and regular UI programs over time and among states. We also compare the pattern and amount of regular UI and extended benefits payments during the EUC program with the patterns during previous recessionary periods. For this analysis, we use national and state-level data collected for all states from the Unemployment Insurance Data Base (UIDB). We supplement these data with data on unemployment rates and other macroeconomic measures.

Second, we tabulate EUC recipients' characteristics and compare them with those of regular UI recipients who did not collect EUC, to address issues about EUC recipients' characteristics and behavior. We compare these characteristics with those of recipients under the two previous temporary extended benefits programs (FSB and FSC). These analyses are based on individual-level data from samples of regular UI and EUC recipients. Specifically, we collected administrative records data on 28,420 individuals who collected regular UI and/or EUC during the period in which EUC was available. These data were collected from 18 states and weighted to represent the nation (see Appendix A). We also collected more detailed data through a telephone survey on two subsamples of recipients--1,341 EUC recipients and 963 UI-only recipients. Because the telephone survey was conducted in 1996 and early 1997, and to help minimize recall problems, these subsamples were restricted to individuals who collected EUC or could potentially have collected EUC during the latter three phases of the program. The survey samples were drawn from 16 states (2 states were unable to provide sample frame data in time to be included in the survey) and

weighted to represent the nation (see Appendix B for a discussion of the sample design and weighting, and Appendix C for a discussion of the survey).

We also examine some EUC impacts on program administration, using information collected through informal discussions with DOL and regional DOL staff and through semistructured interviews with program administrators. It is extremely useful for the EUC evaluation to examine administrative issues, because temporary extended benefits programs inevitably create problems for administrators. These problems are caused in part by the need to implement the programs rapidly and in part by special provisions in the authorizing legislation, often designed to ensure that particular groups of claimants are eligible. A thorough understanding of the challenges administrators face operationally helps to highlight the potential strengths and weaknesses of future employment security options.

E. OUTLINE OF THE REPORT

The rest of this report is divided into six chapters describing our findings from the EUC evaluation. In Chapter II, we examine the aggregate impact of EUC. This analysis includes examinations of the timing of the EUC program relative to the recession, the role EUC played in stabilizing the economy, and the appropriateness of the triggers to determine EUC benefit durations.

Chapter III analyzes the characteristics of EUC recipients and their experiences while collecting benefits. We compare the characteristics of EUC recipients with UI claimants who did not receive EUC and with recipients of previous emergency benefits programs while also examining the effects of EUC on family outcomes (by looking at the antipoverty effects of EUC).

Chapter IV analyzes the labor market outcomes of EUC recipients. In particular, we examine unemployment durations and post-unemployment labor market status and earnings. We also examine the effects of EUC on those outcomes.

Chapter V examines the fiscal impacts of EUC. Specifically, we look at the impact of EUC on UI trust funds through two mechanisms: (1) the provision in EUC-3 and EUC-4 that allowed claimants to choose to collect EUC instead of regular UI benefits, and (2) the provision allowing states to elect EUC instead of EB.

Chapter VI documents the most important administrative problems associated with EUC. We document state administrators' perspectives on their experiences with the initial implementation of EUC, the option to choose EUC instead of UI, the reachback component, and other EUC provisions.

Finally, Chapter VII suggests lessons learned through the EUC program for federal extended benefits policy. These suggestions pertain both to the second-tier EB program and future third-tier emergency extensions.

II. THE AGGREGATE IMPACT OF EUC

The primary purpose of extended benefits programs is to provide additional Unemployment Insurance (UI) coverage to workers during periods of slack labor demand. Because such programs are often implemented quickly, on an emergency basis, their benefits may sometimes not be well targeted toward those labor markets in greatest need. In this chapter, we examine several aspects of the overall performance of the Extended Unemployment Compensation (EUC) program that seek to illuminate this targeting question. The chapter uses mainly aggregate data, usually taking the perspective of the nation as a whole. Our primary focus is on comparing EUC to earlier extended benefits programs as a way of drawing some lessons from the more recent experiences. We are also concerned with assessing the timing of the EUC program and evaluating its relationship to state labor market conditions. In general, we find that the size of the EUC program was appropriate for the state of the labor market that prevailed in the early 1990s, but that its timing relative to the business cycle could have been improved.

The chapter is divided into four sections. In Section A, we provide an overall summary of program activities and compare them to aggregate measures drawn from other extended benefits programs. Section B assesses the cyclical adequacy of the EUC program by looking at the relationship between program payment activities and the strength of labor markets as measured by the total unemployment rate (TUR). Using this summary of the EUC program's cyclical pattern, Section C examines the likely stabilizing effects of EUC on the macroeconomy. Finally, Section D examines the performance of the trigger mechanism used to implement the EUC program, with particular attention to the relationship between that mechanism and the one used to implement the permanent extended benefits (EB) program.

A. SUMMARY OF THE AGGREGATE DATA

The EUC program provided $28.6 billion in benefits, a figure which, in nominal terms, was similar to the amount provided by the Federal Supplemental Benefits (FSB) program in the 1970s and considerably larger than the amount provided by the Federal Supplemental Compensation (FSC) program in the 1980s (see Figure II.1). This pattern does not hold up once benefits are stated in real terms; by that measure, EUC falls somewhere between FSB and FSC in total program size (Figure II.2).[1]

Another conclusion that can be drawn from the figures is that benefit payments under EUC were somewhat less concentrated than were those under the earlier emergency program. This may be explained in part by the differing shapes of the recessions during these historical periods. The recession of the early 1990s is widely viewed as somewhat less steep, but perhaps more long-lasting, than the recessions earlier emergency programs addressed. However, some part of the large benefit payments under EUC that occurred well after the recessionary trough may also be explainable by the complex structure of the program--especially its optional claims feature, a topic we take up in the next section.

Finally, the figures highlight the fate of the EB program during the most recent recession. Whereas, in earlier recessions, real EB benefits were substantial and peaked somewhat earlier than did the emergency benefits, benefits under this program were very small during the 1990s. For all

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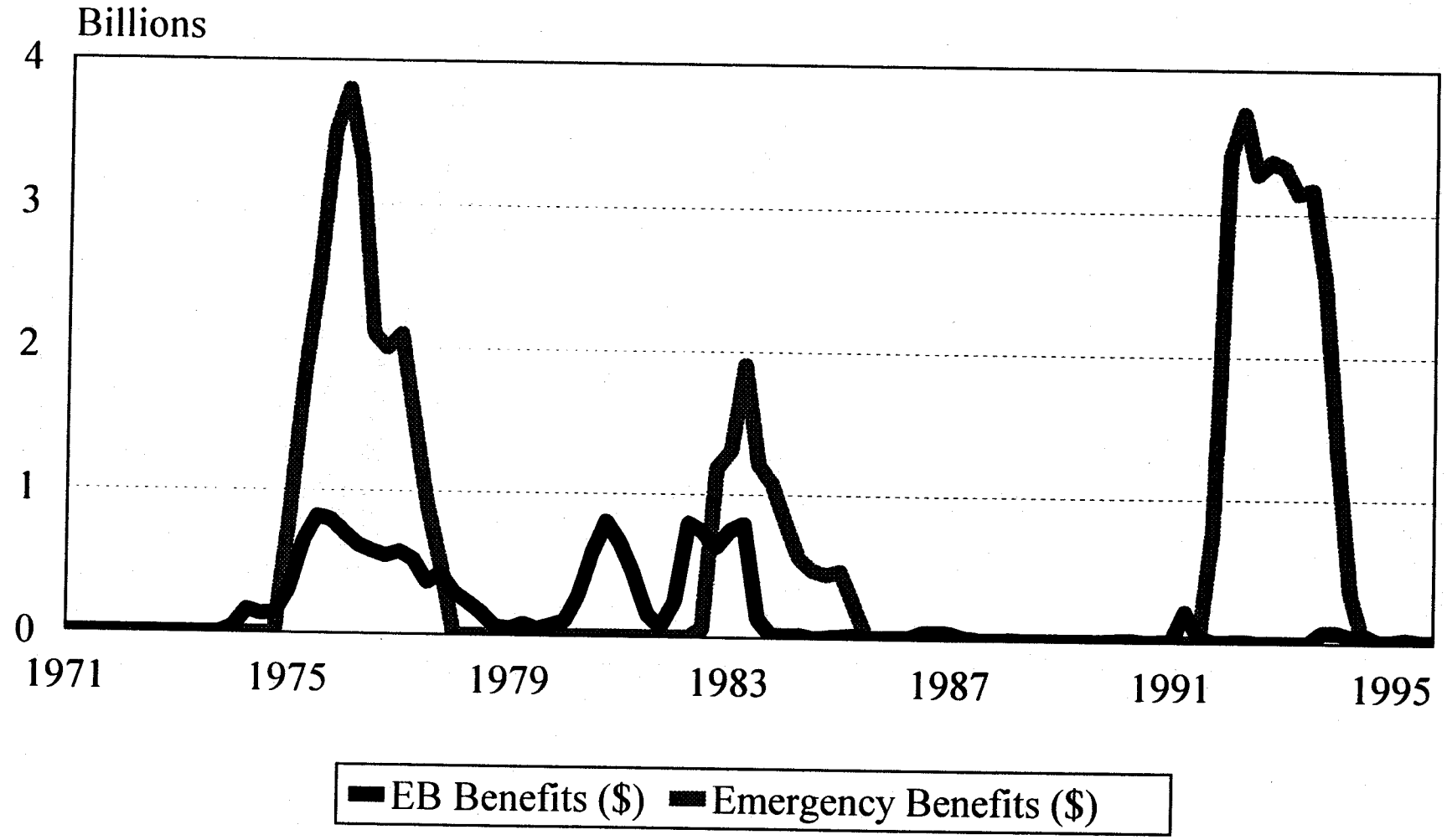
[1]National totals for benefits paid under extended benefits programs are shown in Figures II.1 and II.2 for the period 1971.1 to 1995.4. For ease of presentation, benefit payments under the regular EB program are shown separately, but benefits under the three "emergency" programs (FSB in the 1970s, FSC in the 1980s, and EUC in the 1990s) are shown as a single series. Nominal benefit payments are shown in Figure II.1, whereas the data in Figure II.2 have been adjusted to real terms, using the Consumer Price Index (CPI) (1982-83 = 100). Nominal total benefits were : $24.8 billion (FSB), $9.8 billion (FSC), and $28.3 billion (EUC). Real total benefits (in 1982-83 dollars) were: $43.9 billion (FSB), $9.7 billion (FSC), and $19.9 billion (EUC).

FIGURE II.1

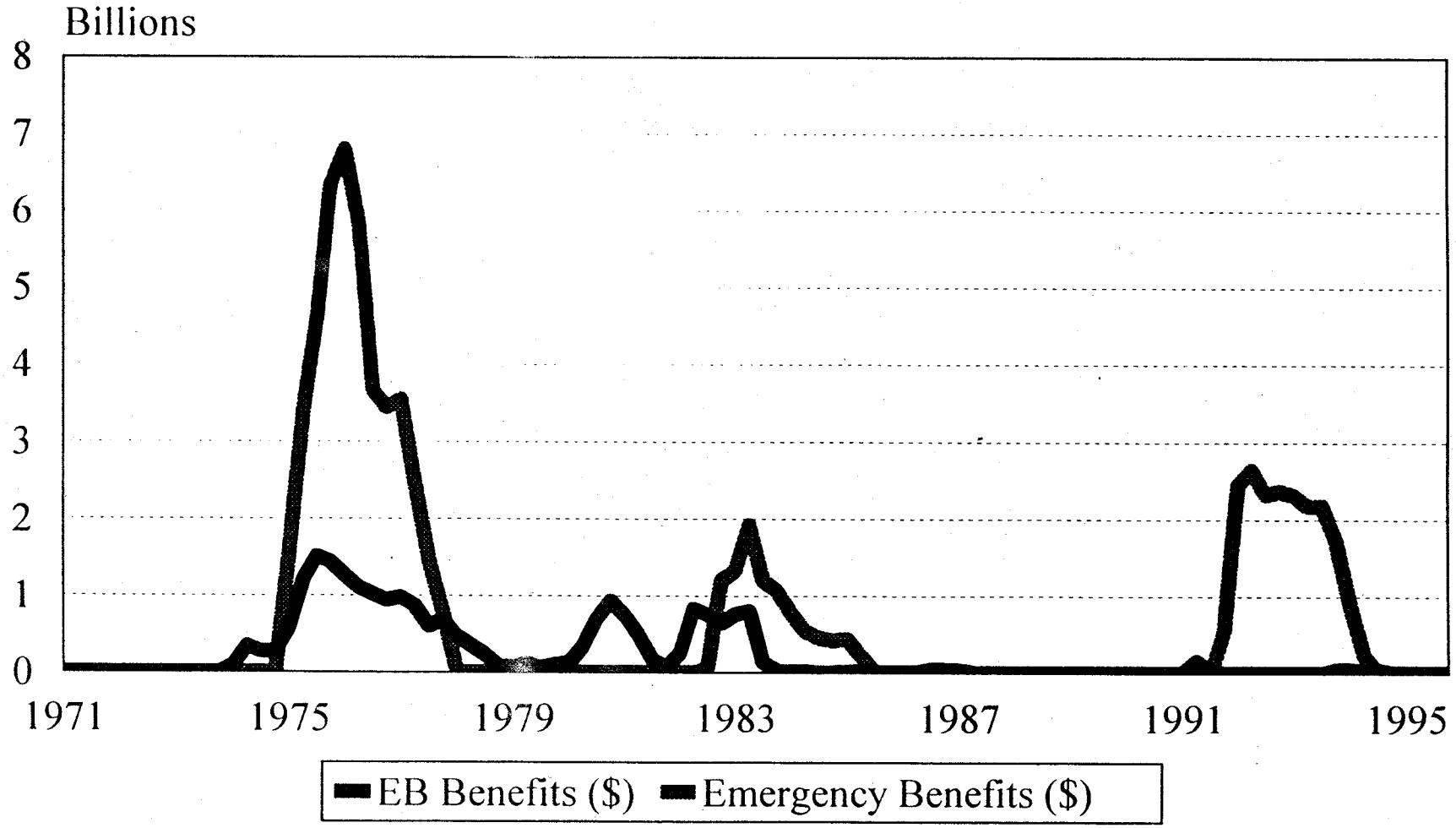
EXTENDED BENEFIT PAYMENTS
(Dollars)



Note: Emergency programs include benefits from the Federal Supplemental Benefits, Federal Supplemental Compensation, and Emergency Unemployment Compensation programs.

FIGURE II.2

REAL EXTENDED BENEFIT PAYMENTS
(1982-83 Dollars)



Note: Emergency programs include benefits from the Federal Supplemental Benefits, Federal Supplemental Compensation, and Emergency Unemployment Compensation programs.

practical purposes, EUC replaced EB. That result had major consequences for the financing of extended benefits during the recession of the early 1990s. It also poses a challenge for the design of extended benefits policy in the future.

The conclusions about real benefits payments are mirrored in data on first payments paid, presented in Figure II.3.[2] First payments under EUC were, in fact, significantly greater than under the other emergency programs--totaling about 9.2 million, compared to 6.1 million under FSB and 7.7 million under FSC. Again, this difference is largely explained by the fact that EUC replaced EB, which provided a very small number of EB first payments during the 1990s recession. If EB first payments are included in the totals, the 1970s programs again emerge as the largest (although, adding EB and FSB first payments double-counts a large number of recipients who collected under both programs).

Individual states experienced widely differing levels of EUC activity (Table II.1). The table reports data on first payments, weeks paid, and dollars of benefits per unemployed worker.[3] For example, whereas, on average, about 9 percent of unemployed workers received a first payment under EUC, seven states (Alaska, Connecticut, District of Columbia, Maine, New Jersey, North Carolina, and Rhode Island) had EUC first payments that averaged more than 14 percent of their total number of unemployed workers. Similarly, total weeks of benefits of EUC averaged about 1.4

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[2]In examining the data on first payments, it is important to recognize that many workers who collect a first payment under the emergency programs also had received a first payment under EB. The extent of this double counting is greatest during the recession of the 1970s and least during the most recent (EUC) period.

[3]Table II.1 reports three measures of EUC experience at the state level : (1) first payments, (2) total weeks paid, and (3) total dollars of benefits. Because the states differ greatly in the size of their labor forces, we normalized all the EUC data by the average number of unemployed workers during a quarter and then averaged these figures over the 11-quarter period that EUC benefits were paid (1991.4-1994.2). Although this normalization is not ideal, it is sufficient to permit the illustration of general trends.

FIGURE II.3

NUMBER OF FIRST PAYMENTS PER QUARTER

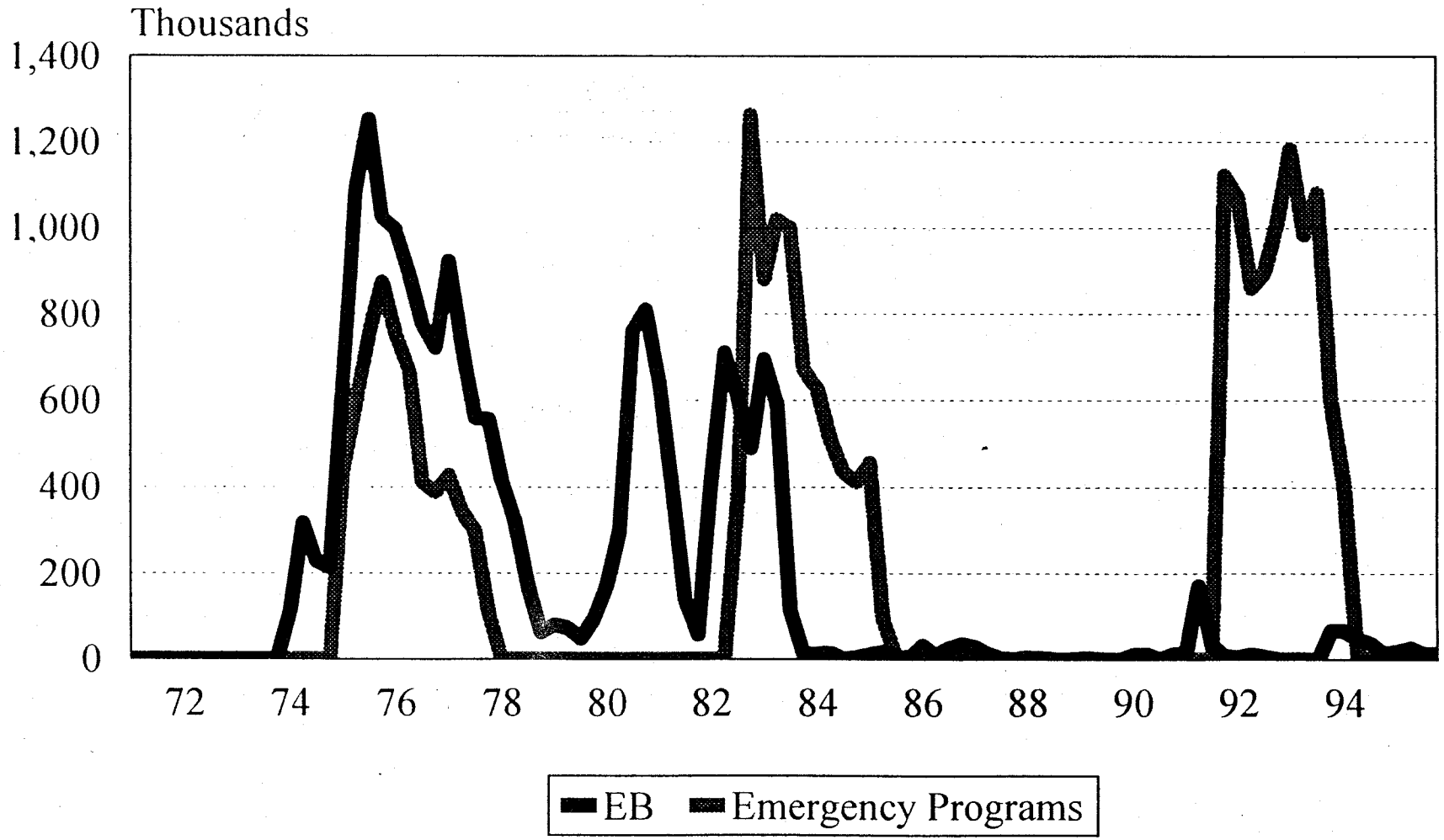

TABLE II.1

EUC PAYMENTS AND BENEFITS PER UNEMPLOYED WORKER, BY STATE

State	EUC First Payments per Unemployed Worker	Total EUC Benefit Dollars per Unemployed Worker	Total EUC Weeks Compensated per Unemployed Worker	Total Unemployment Rate
Alabama	0.06	107	0.9	7.2
Alaska	0.16	462	2.8	8.5
Arizona	0.07	132	0.9	6.9
Arkansas	0.08	195	1.3	6.6
California	0.07	292	1.9	9.1
Colorado	0.06	163	0.9	5.4
Connecticut	0.15	574	2.8	6.7
Delaware	0.07	207	1.2	5.4
DC	0.15	495	2.4	8.5
Florida	0.08	196	1.3	7.5
Georgia	0.07	156	1.1	6.0
Hawaii	0.11	394	1.6	4.6
Idaho	0.10	200	1.4	6.2
Illinois	0.09	243	1.3	7.3
Indiana	0.06	93	0.8	5.8
Iowa	0.08	194	1.2	4.3
Kansas	0.09	241	1.4	4.8
Kentucky	0.07	173	1.2	6.4
Louisiana	0.07	108	0.9	7.8
Maine	0.15	378	2.4	7.6
Maryland	0.07	246	1.4	6.2
Massachusetts	0.09	579	2.0	7.6
Michigan	0.10	338	1.7	7.8
Minnesota	0.08	218	1.1	5.0
Mississippi	0.09	143	1.2	7.3
Missouri	0.11	225	1.6	5.9
Montana	0.07	145	1.1	6.3
Nebraska	0.06	104	0.8	2.9
Nevada	0.10	243	1.5	6.8
New Hampshire	0.08	152	0.8	6.7
New Jersey	0.14	610	2.8	7.7

TABLE II.1 *(continued)*

State	EUC First Payments per Unemployed Worker	Total EUC Benefit Dollars per Unemployed Worker	Total EUC Weeks Compensated per Unemployed Worker	Total Unemployment Rate
New Mexico	0.03	101	0.7	7.2
New York	0.14	473	2.5	8.0
North Carolina	0.15	197	1.3	5.3
North Dakota	0.09	154	1.1	4.6
Ohio	0.07	219	1.3	6.7
Oklahoma	0.06	149	0.9	6.0
Oregon	0.10	292	1.8	7.1
Pennsylvania	0.13	466	2.4	7.2
Rhode Island	0.17	611	3.0	8.3
South Carolina	0.07	147	1.1	6.9
South Dakota	0.03	33	0.3	3.4
Tennessee	0.11	185	1.5	5.9
Texas	0.07	179	1.1	7.3
Utah	0.07	150	0.9	4.4
Vermont	0.10	265	1.7	5.9
Virginia	0.12	147	1.0	5.7
Washington	0.08	238	1.5	7.4
West Virginia	0.06	189	1.1	10.9
Wisconsin	0.09	190	1.2	5.0
Wyoming	0.07	146	0.9	5.6
Mean	0.09	246	1.4	6.5
Standard Deviation	0.03	144	0.6	1.5

SOURCE: Computed from data on EUC activity obtained from the UI state reports database and data from the Current Population Survey.

per unemployed person in the nation as a whole, but four states (Alaska, Connecticut, New Jersey, and Rhode Island) had average total weeks of EUC of more than twice this level. As we show later, high levels of unemployment in these states explain a significant portion of these differences. Similarly, variation in states' UI benefit levels combined with these differing EUC experiences to yield a very high variance in the dollar value of EUC benefits per unemployed worker among the states. For many states, this figure averaged less than $150, but it exceeded $600 in New Jersey and Rhode Island. In general, these results suggest that EUC payments were larger in some states than in others. In subsequent sections, we seek to evaluate the efficacy of this targeting in achieving the goals of the program.

B. THE CYCLICAL ADEQUACY OF THE EUC PROGRAM

An important question concerning the EUC program is the degree to which the EUC program met the needs of workers during the recession of the early 1990s. Assessing adequacy, however, is necessarily arbitrary--there are no unambiguous criteria by which such an emergency program can be said to have performed adequately. Nevertheless, we believe that a careful examination of the temporal and geographic concentration of EUC activities, together with comparisons to earlier programs, provides an overall picture of the program's strengths and weaknesses.

1. National-Level Analysis

Table II.2 provides four summary measures of EUC activities during the entire period of its operation, compared to the earlier emergency programs, FSB and FSC. To focus these comparisons strictly on the "extended benefits" aspect of the EUC program, we have adjusted the national figures to eliminate the portion of EUC claims that arose from the UI-optional feature of

TABLE II.2

NATIONAL MEASURES OF CYCLICAL ADEQUACY

Program	Emergency Exhaustion Rate (Percent)	Total Exhaustion Rate (Percent)	Real Benefits per Unemployed Worker (Dollars)	Real Benefits per Long-Term Unemployed Worker[a] (Dollars)
FSB	63.7	14.8	923	2,616
FSC	83.2	25.0	172	433
EUC	61.1	24.1	267	789

SOURCE: Computed from data on EUC activity obtained from the UI state reports database and data from the Current Population Survey.

NOTE: EUC benefit totals have been adjusted by eliminating optional claims. The exhaustion rates were computed over the entire emergency UI periods. The benefits figures refer to the highest quarters--FSB (1976.1), FSC (1983.2), and EUC (1992.1).

[a]The number of workers unemployed 15 weeks or more is used for long-term unemployed workers.

the program.[4] Although this adjustment is crude, we believe the resulting data are more directly comparable to data from the earlier emergency programs, than would be the unadjusted data.

The first measure, "emergency exhaustion rate," which was computed by dividing total emergency exhaustions by total emergency first payments under the various programs, indicates that the EUC program was similar to the FSB program, in that approximately 61 to 64 percent of all recipients went on to exhaust benefits. FSC exhaustion rates were much higher than those under either FSB or EUC, primarily because emergency durations were much shorter under the 1980s program.

As an alternative to these emergency exhaustion rates, we also computed an estimated "total" exhaustion rate that attempted to measure the fraction of all workers who received a regular UI first payment during the various recessions and who went on to exhaust emergency benefits. By this measure, EUC was more similar to FSC. Under both FSC and EUC, approximately one-fourth of all claimants receiving a regular UI first payment went on to exhaust the benefits available from an emergency program. This contrasts to the relatively low total exhaustion rate that occurred under the FSB program (here, estimated as 15 percent.)[5]

These comparisons help illustrate the role of the permanent EB program during various recessions. During the recession of the 1970s, EB benefits were substantial and occurred before any FSB benefits were collected. Therefore, assuming that practically all exhaustees from one stage of

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[4]We used estimates computed from individual-level data of the number of recipients who were "EUC only" during Phase III and IV of the program as representing the number of UI-optional recipients. In all, such an adjustment served to reduce EUC first payments and exhaustions by about 29 percent during these phases. Dollar-denominated EUC measures were reduced by about 23 percent.

[5]In their study of the FSB program, Corson and Nicholson (1982) use a somewhat different methodology to calculate a total exhaustion rate of 16-17 percent--a figure that, they point out, is well below exhaustion rates for regular UI during periods of high employment.

UI benefits went on to the next, the total exhaustion rate for FSB represented the product of three numbers: the exhaustion rate for regular UI (about 40 percent), the exhaustion rate for EB (about 60 percent), and the exhaustion rate for FSB (about 60 percent). For FSC, the regular EB program played a greatly reduced role. If only half of all recipients used that program, its "effective" exhaustion rate was about 80 percent. In combination with the observed FSC exhaustion rate of about 80 percent, this would yield a total exhaustion rate of 26 percent. Finally, the EB program was almost completely replaced by EUC in the 1990s; hence, a prediction of the total exhaustion rate of that program is about 24 percent. By this measure, EUC did a fairly good job of replacing EB during the recession, in that the total exhaustion rate actually was somewhat lower than it was for FSC. EUC, however, did not come close to providing the protection for unemployed workers that the combined EB/FSB program did in the 1970s.

This broad conclusion is supported by the other entries in Table II.2, which show total real benefits paid under the emergency programs on a per-unemployed-worker basis. Regardless of whether these figures are computed on the basis of all unemployed workers, or only on the basis of all workers unemployed 15 weeks and longer, the level of benefits provided by EUC fell somewhere between that provided by FSB and that provided by FSC.[6] To put these figures in perspective, real regular UI benefits per unemployed worker averaged $522 over the entire period 1971.1 to 1994.4. Hence, all emergency programs paid benefits that constituted a significant proportion of unemployment compensation during periods when the programs were in effect. Further computations showed that, during the peak quarter (1976.2), FSB benefits constituted more than 52 percent of all real, unemployment compensation benefits. For FSC (peak quarter, 1983.2), the figure

[6]Real benefits per worker unemployed 27 weeks and longer were, of course, much larger than these figures--amounting to $4.458 for FSB, $692 for FSC, and $1,450 for EUC.

was 24.6 percent. Once again, EUC fell between these extremes by totaling approximately 34 percent of all UC benefits in 1992.2.[7]

To gain further understanding of the cyclical performance of EUC at the national level, we estimated a series of descriptive regression equations using real total unemployment compensation benefits per unemployed worker as the dependent variable (results are reported in Table II.3). The first regression used as independent variables only the TUR and three seasonal dummies. Subsequent regressions added other cyclical measures on unemployment durations. All the regressions were adjusted for significant first-order autocorrelation in their residuals.[8]

The equations reported in Table II.3 explain the data reasonably well, and all show strong cyclical and seasonal influences on the real UC benefits series. There does appear to be some colinearity between the TUR itself and the various durations measures used, although all the results seem to accord well with prior expectations. Focusing on equation 3, for example, we see that real UC benefits per unemployed worker are estimated to increase by about $72 for each percentage point increase in the TUR and by about $27 for each percentage point increase in the fraction of workers unemployed 27 weeks or longer. If, during a "typical" recession, the TUR increases by two percentage points and the fraction of workers unemployed 27 weeks or longer increases by five percentage points, total real UC benefits would be predicted to increase by $279 (= 2 × $72 + 5 × $27).

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[7]Including EB in the calculation raises the percentages to 62 for EB/FSB, 35 for EB/FSC, and 34 for EB/EUC. As for the exhaustion rate calculations, the figures for FSC and EUC are very similar, once EB is taken into account.

[8]In preliminary analyses a time trend was included in these regressions, but its coefficient was never significantly different from zero, and that variable was not included in the models reported here.

TABLE II.3

REGRESSIONS ON REAL TOTAL BENEFITS PER UNEMPLOYED WORKER
(1971.1 to 1994.4)

	Equation				
Independent Variable	1	2	3	4	5
Total Unemployment Rate (TUR)	101.97*** (22.38)	57.73** (23.90)	71.50** (21.60)	69.68** (23.00)	66.36** (24.06)
Percent Unemployed More than 15 Weeks		1,922.27*** (475.12)			604.05 (855.04)
Percent Unemployed More than 27 Weeks			2,687.82*** (599.02)		2,011.15* (1,089.41)
Average Duration of Unemployment				45.20*** (12.36)	
Q1	208.47*** (14.97)	216.13*** (13.91)	209.32*** (13.49)	207.44*** (13.92)	215.84*** (13.69)
Q2	70.77*** (17.10)	80.13*** (15.91)	70.69*** (15.41)	68.97*** (15.91)	77.14*** (15.74)
Q3	-7.09 (14.75)	-5.04 (13.70)	-6.05 (13.30)	-9.56 (13.74)	-4.18 (13.50)
Constant	-144.09 (223.65)	-409.89 (257.92)	-427.01 (282.38)	-703.34 (340.31)	-419.50 (276.62)
AR (1)	.94*** (.03)	.96*** (.03)	.97*** (.03)	.97*** (.03)	.96*** (.03)
R^2	.92	.94	.94	.93	.94
Standard Error of Regression	81.22	74.26	73.79	76.23	73.22

NOTE: Standard errors are in parentheses.

*Significantly different from zero at the .10 level, two-tailed test.
**Significantly different from zero at the .05 level, two-tailed test.
***Significantly different from zero at the .01 level, two-tailed test.

We used this general calculation to appraise the cyclical adequacy of all extended benefits programs. To do that, least squares regressions identical to the form used as equation 3 in Table II.3 were fit to four data series over the 1971.1 to 1994.4 period: (1) total real benefits per unemployed worker, and its three constituent parts: (2) regular benefits per unemployed worker, (3) EB benefits per unemployed worker, and (4) emergency benefits per unemployed worker.[9] An examination of the residuals from these regressions leads to several observations.

First, residuals estimated from the total benefits equation had very different patterns during the three emergency periods studied. For the FSB period, large positive residuals were the prevalent pattern, averaging more than $800 per unemployed worker during the four quarters, 1975.3 to 1976.2. Approximately three-fourths of this "unexplained" positive residual arose from the FSB program itself, with smaller (although still positive) residuals being attributable to regular UI and to the EB program.

Second, for the FSC program, this pattern was reversed. The total benefits regression exhibited negative residuals throughout most of the period, averaging nearly -$250 during both 1982 and 1983. Again, perhaps as much as three-quarters of this shortfall was explained by the negative residuals in the FSC regression, although negative residuals were also recorded for the regular UI and EB programs.[10]

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[9]To preserve the property that the residuals sum properly to totals across the regressions, these equations were not adjusted for autocorrelation.

[10]This pattern of residuals for FSC is similar, although not identical, to that reported in Corson, Grossman, and Nicholson (1986). The primary difference here is that the total and FSC residuals are more uniformly negative than in the earlier report. Apparently, the additional data available for the regressions (especially those related to EUC) provide stronger confirmation of the modest size of the FSC response.

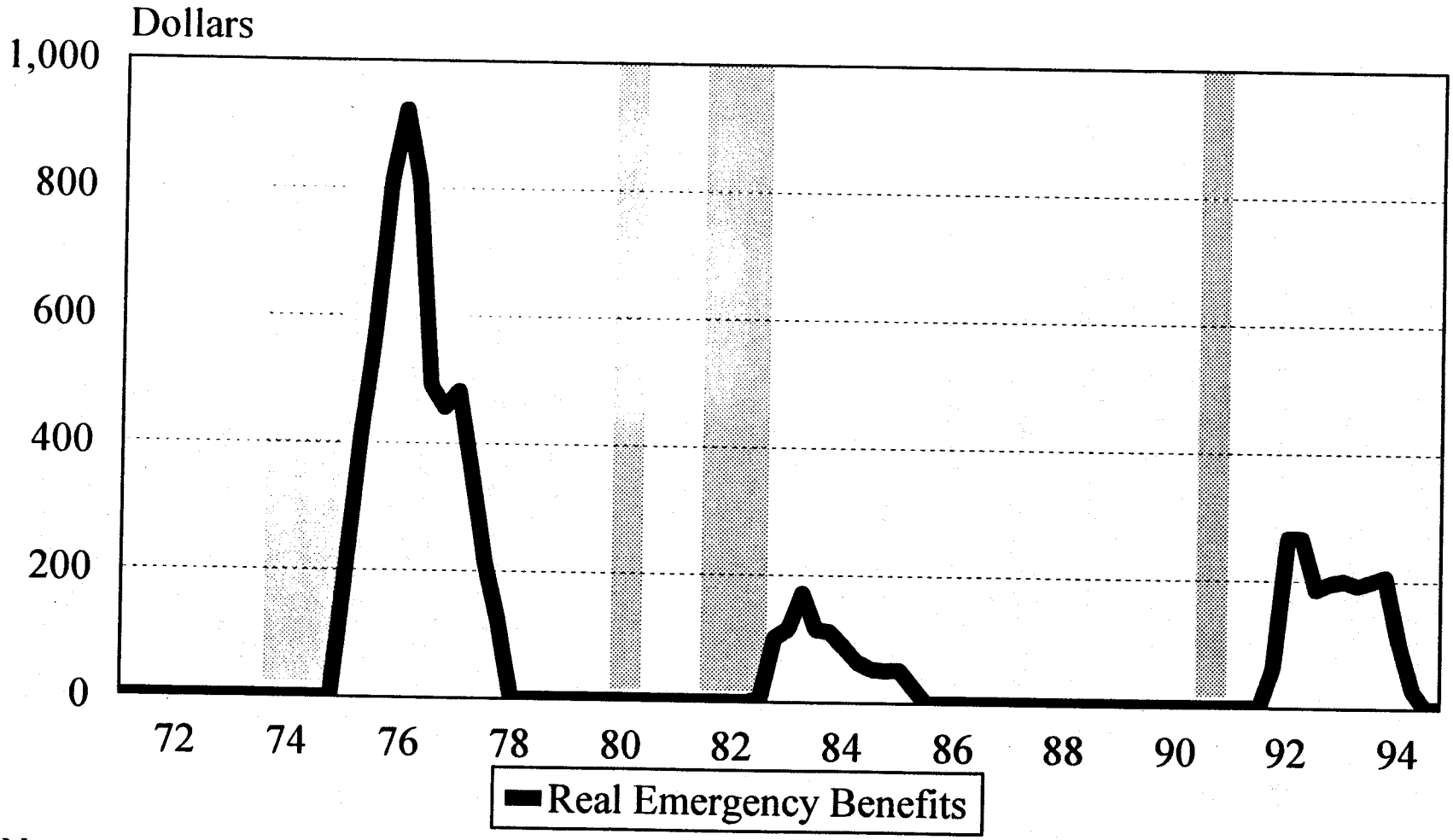
Third, the residuals exhibited no strong patterns for the EUC period. For total benefits, the residuals had both positive and negative signs and were never larger than half the regression's standard error. Some of the quarterly residuals (for example, those for early 1992) supported the notion that EUC succeeded in offsetting the EB shortfall during these quarters, but this pattern was not uniform throughout the EUC period. Therefore, from the perspective of these regressions, EUC again appeared to be a midsized response to the recession of the early 1990s, falling between the FSB and FSC experiences.

For many years, analysts have been concerned that delays in the implementation of emergency programs may result in their benefits being received well after labor markets have recovered from recessions, thereby both reducing these programs' anti-recessionary effectiveness and targeting benefits to large numbers of workers who are not "recession victims." Figures II.4 to II.6 address these issues. All the figures contain shaded bars that represent National Bureau of Economic Research (NBER) reference cycles recorded on a peak-to-trough basis. Although the use of NBER dating may not be ideal from the perspective of UI policy (since labor markets usually lag behind the business cycle as measured by the NBER), this method of dating is widely used and has been employed in prior research on extended benefits policy. Hence, we use this shorthand method for categorizing business cycles here.

Benefits paid under the three major emergency programs of the past 20 years all peaked well after the cyclical troughs (Figure II.4). For EUC, the gap was especially large. Real EUC benefits per unemployed worker peaked in 1992.2, nearly five quarters after the cyclical trough in 1991.1. On the other hand, for FSB and FSC, real benefits per unemployed worker tended to peak between

FIGURE II.4

REAL TOTAL BENEFITS UNDER EMERGENCY PROGRAMS
PER UNEMPLOYED PERSON



Note: Emergency benefits are adjusted to exclude benefits paid as EUC optional claims. The shaded bars represent economic recessions as defined by the National Bureau of Economic Research.

two and four quarters after their respective cyclical troughs.[11] Part of this disparity can be explained by the relatively slow recovery from the 1991 recession, but the difference is still surprising, given the important role EB played in the previous recessions. That role is highlighted in Figure II.5, which clearly shows the cyclical sensitivity of the EB program prior to the 1990s. In the recessions of the 1970s and 1980s, real EB benefits per unemployed worker grew very rapidly even before the cyclical troughs. This would have resulted in a delay of emergency benefits for a large number of claimants until they reached their "third tier." Although there was a minor increase in EB benefits shortly after the cyclical trough in 1991.1, implementation of EUC in combination with long-standing difficulties with the EB trigger mechanism severely constrained the responsiveness of the permanent program.

Finally, Figure II.6 uses the regression methodology underlying Table II.3 to gain further insights into the timing question. That figure reports the residuals from equation 3 in Table II.3 as an indicator of the adequacy of the programmatic response to the various recessions.[12] The figure shows that total real unemployment compensation per unemployed worker typically experiences an unexpected small decline early in a recession. After that, policy responses have varied widely, ranging from the unexpectedly large increase associated with FSB to the lengthy period of negative residuals associated with FSC. For EUC, the policy response seems to have restored total benefits to their predicted levels, although the delay in this response is also apparent. Again, the overall lesson to be drawn from Figure II.6 is that, given its effective replacement of the permanent EB

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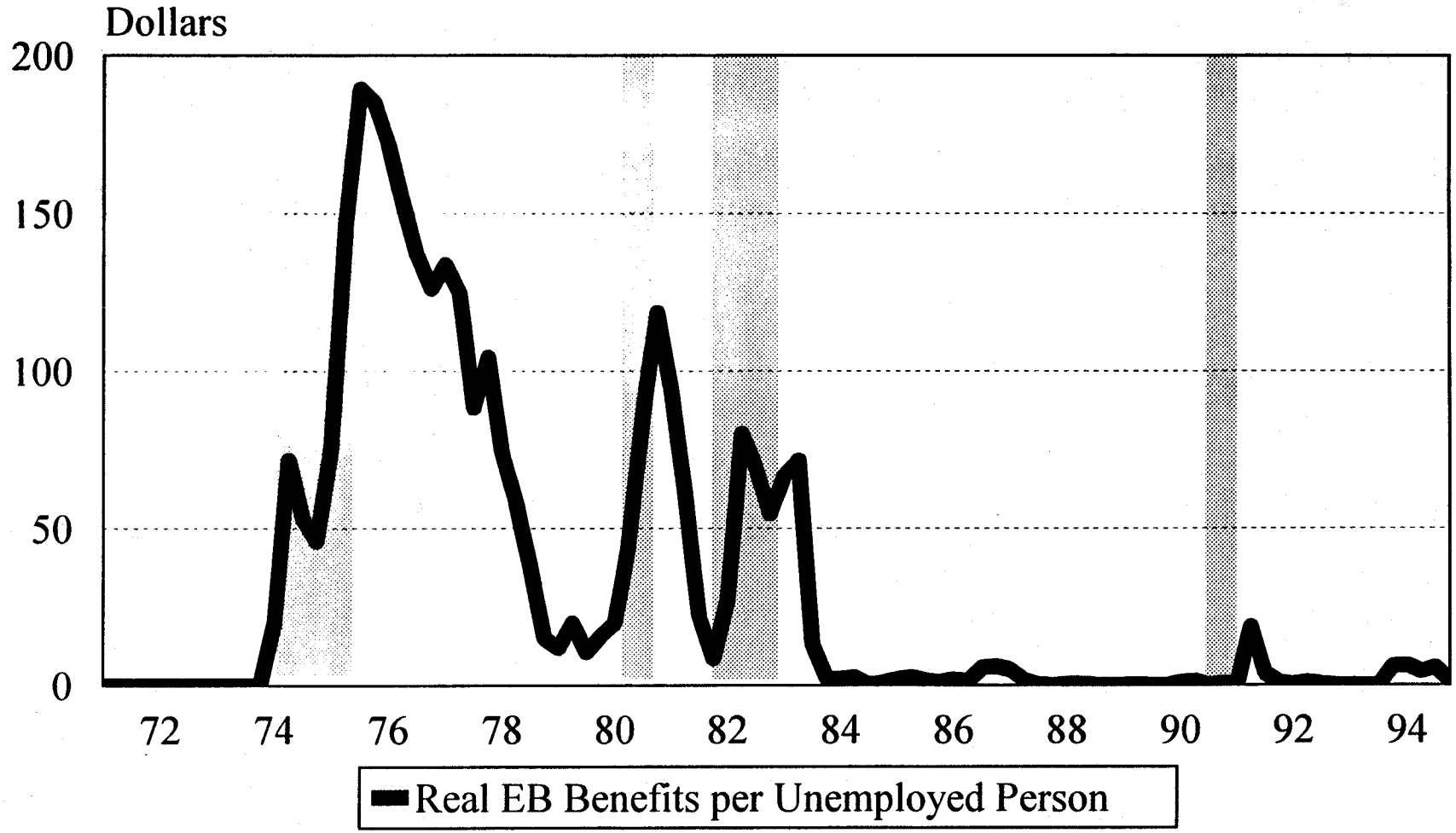
[11]FSB benefits peaked in 1976.1 (trough 1975.1), FSC in 1983.1 (trough 1982.4).

[12]Although equation 3 was estimated by maximum likelihood to control for autocorrelation, the residuals were computed such that the predicted value of the dependent variable was not adjusted for autocorrelation.

FIGURE II.5

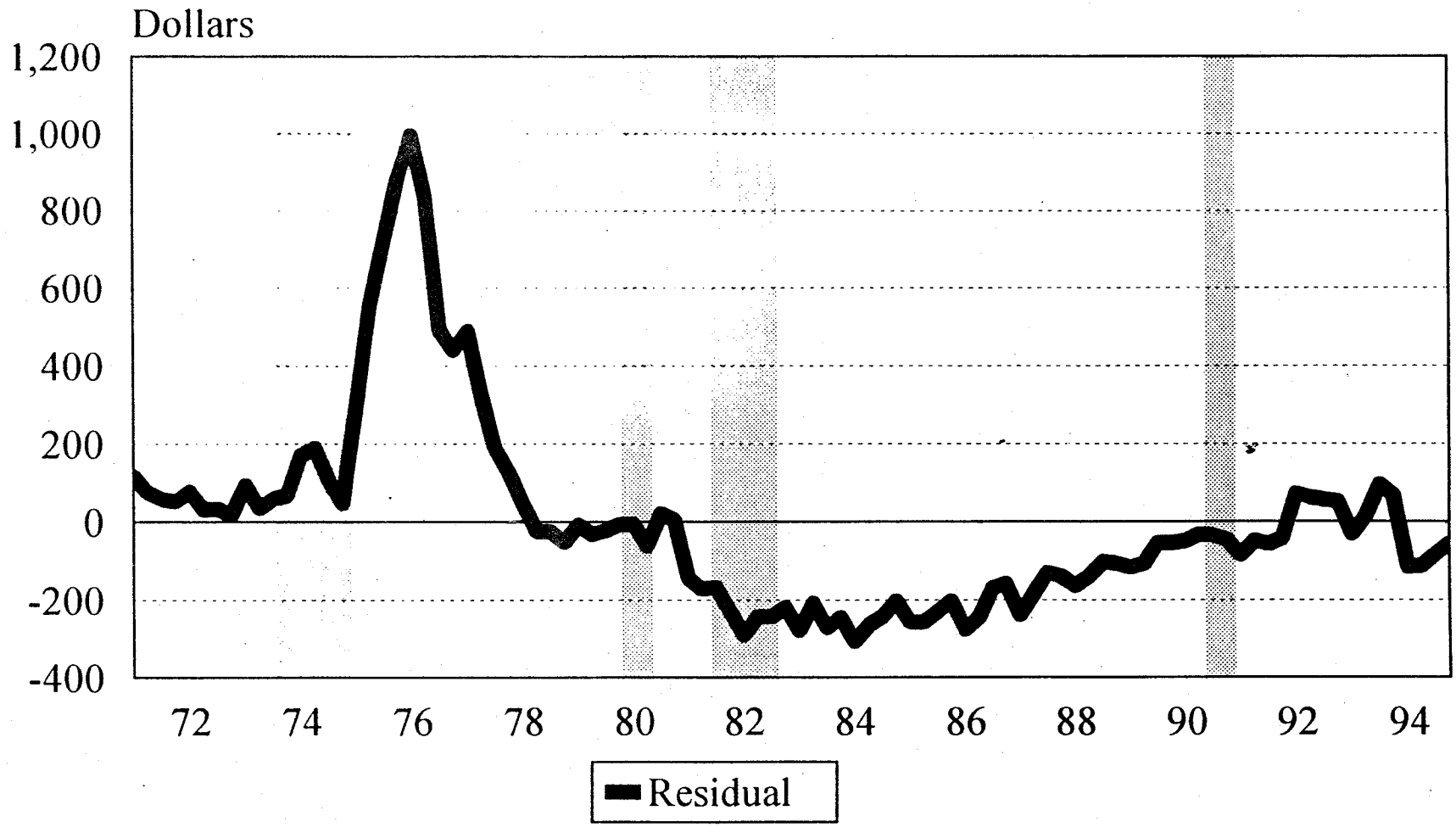
REAL EB BENEFITS PER UNEMPLOYED PERSON



Note: The shaded bars represent economic recessions as defined by the National Bureau of Economic Research.

FIGURE II.6

UNEXPLAINED RESIDUAL IN TOTAL REAL
UNEMPLOYMENT COMPENSATION BENEFITS



Note: The shaded bars represent economic recessions as defined by the National Bureau of Economic Research.

program, the extended benefits component of EUC was consistent with earlier such extended benefits programs in terms of the severity of the recession in the early 1990s.

2. State-Level Analysis

State-level data on EUC can also be used to evaluate the program's cyclical performance. Basic measures of such performance are illustrated in Table II.4. To achieve comparability among the states, all data are presented on a per unemployed worker or per insured unemployed worker basis. The entries in the table have been adjusted for the optional claims feature of the EUC program--that is, they refer only to the extended benefits aspect of the EUC program, not to its regular UI replacement component. Overall, the figures in Table II.4 exhibit considerable variability in the impact of EUC on states. For example, whereas adjusted EUC first payments per insured unemployed worker averaged approximately 0.25, five states had figures over 0.35.[13] Similarly, dollars paid in EUC benefits vary widely across the states. Adjusted dollars per insured unemployed worker averaged $638 across all the states, but six of them averaged more than $1,100 per insured unemployed worker.

The significant variability exhibited by the figures in Table II.4 show that EUC triggers did allocate available funds differently among the states. To examine the properties of this targeting, we ran a series of simple, ordinary least squares regressions on the state average figures. Explanatory variables included both measures of the strength of the state labor market (the TUR) and measures of the generosity of state UI programs (results for these regressions are reported in Table II.5). In general, these regressions explained at least half the variation in the state-level EUC

[13]In one state--Virginia--our estimate of adjusted EUC first payments per insured unemployed worker amounted to more that 0.51, however, inconsistencies in the initial claims and first payments data reported by the state suggest that EUC first payemnts may be overstated.

TABLE II.4

ADJUSTED EUC BENEFITS PER UNEMPLOYED AND
PER INSURED UNEMPLOYED WORKER

	First Payments			Total Dollars of Benefits Paid		
	All EUC	Adjusted EUC		All EUC	Adjusted EUC	
State	Per Unemployed Worker	Per Unemployed Worker	Per Insured Unemployed	Per Unemployed Worker	Per Unemployed Worker	Per Insured Unemployed
Alabama	0.07	0.05	0.22	107	93	378
Alaska	0.16	0.13	0.25	462	396	754
Arizona	0.07	0.05	0.22	132	112	460
Arkansas	0.08	0.06	0.17	195	168	452
California	0.07	0.06	0.16	292	256	722
Colorado	0.06	0.05	0.20	163	142	581
Connecticut	0.15	0.13	0.31	574	532	1250
Delaware	0.07	0.06	0.16	207	177	482
DC	0.15	0.15	0.37	495	477	1192
Florida	0.08	0.07	0.31	196	180	745
Georgia	0.07	0.06	0.24	156	138	580
Hawaii	0.11	0.09	0.19	394	336	701
Idaho	0.10	0.09	0.21	200	172	433
Illinois	0.09	0.09	0.26	243	221	687
Indiana	0.06	0.05	0.23	93	80	369
Iowa	0.08	0.06	0.18	194	167	487
Kansas	0.09	0.08	0.21	241	208	599
Kentucky	0.07	0.06	0.20	173	142	516
Louisiana	0.07	0.05	0.22	108	78	327
Maine	0.15	0.11	0.32	378	291	839
Maryland	0.07	0.06	0.20	246	214	683
Massachusetts	0.09	0.08	0.21	579	518	1359
Michigan	0.10	0.09	0.27	338	292	907
Minnesota	0.08	0.07	0.21	218	195	602
Mississippi	0.09	0.07	0.28	143	122	459
Missouri	0.11	0.09	0.26	225	196	562
Montana	0.07	0.06	0.19	145	126	378
Nebraska	0.06	0.05	0.15	104	89	263
Nevada	0.10	0.08	0.21	243	210	550
New Hampshire	0.08	0.06	0.34	152	138	631
New Jersey	0.14	0.13	0.33	610	570	1494
New Mexico	0.03	0.02	0.09	101	88	383
New York	0.14	0.12	0.33	473	411	1140
North Carolina	0.15	0.07	0.27	197	151	574

TABLE II.4 *(continued)*

State	First Payments			Total Dollars of Benefits Paid		
	All EUC	Adjusted EUC		All EUC	Adjusted EUC	
	Per Unemployed Worker	Per Unemployed Worker	Per Insured Unemployed	Per Unemployed Worker	Per Unemployed Worker	Per Insured Unemployed
North Dakota	0.09	0.08	0.26	154	134	462
Ohio	0.07	0.05	0.19	219	188	643
Oklahoma	0.06	0.06	0.24	149	141	612
Oregon	0.10	0.08	0.19	292	246	600
Pennsylvania	0.13	0.11	0.25	466	412	993
Rhode Island	0.17	0.14	0.35	611	529	1238
South Carolina	0.07	0.06	0.22	147	128	471
South Dakota	0.03	0.02	0.11	33	29	146
Tennessee	0.11	0.09	0.28	185	160	491
Texas	0.07	0.06	0.29	179	159	734
Utah	0.07	0.06	0.23	150	129	519
Vermont	0.10	0.08	0.18	265	229	498
Virginia	0.12	0.10	0.51	147	127	687
Washington	0.08	0.06	0.16	238	201	489
West Virginia	0.06	0.05	0.21	189	158	678
Wisconsin	0.09	0.06	0.15	190	142	338
Wyoming	0.07	0.06	0.19	146	125	443
Standard Deviation	0.03	0.03	0.07	144	132	286

SOURCE: Computed from data on EUC activity obtained from the UI state reports database and data from the Current Population Survey.

NOTE: Data on EUC first payments and benefits are adjusted to exclude payments made under the EUC optional claims provision.

TABLE II.5

REGRESSIONS ON STATE AVERAGES DURING EUC
(51 observations)

	Adjusted EUC First Payments[a]				Adjusted EUC Dollars[a]			
	Per Unemployed Worker		Per Insured Unemployed Worker		Per Unemployed Worker		Per Insured Unemployed Worker	
Independent Variables	1	2	3	4	5	6	7	8
Total Unemployment Rate (TUR)	.0058** (.0020)		.0153** (.0062)		27.39*** (6.94)		77.22*** (14.27)	
Insured Unemployment Rate (IUR)		.0135*** (.0027)		.0039 (.0100)		59.56*** (8.59)		86.68*** (24.69)
Average Weekly Benefit Amount	.0006*** (.0001)	.0005*** (.0001)	.0007** (.0003)	.0008** (.0003)	3.33*** (.34)	2.87*** (.29)	7.03*** (.70)	6.58*** (.83)
Average Potential Duration	-.0047** (.0014)	-.0043*** (.0012)	-.0150** (.0043)	-.0133*** (.0045)	1.94 (4.80)	-0.87 (3.52)	-12.17 (9.87)	-6.32 (11.07)
Constant	.0466 (.0330)	.0606** (.0285)	.3678*** (.1124)	.4533*** (.1161)	-474.54*** (114.74)	-407.79*** (91.84)	-749.17** (235.96)	-549.92* (263.92)
R^2	.51	.63	.30	.21	.73	.83	.76	.69
Standard Error of Regression	.02	.02	.06	.07	69.90	56.72	143.73	162.99

NOTE: Standard errors are in parentheses.

[a]EUC first payments and dollars are adjusted to eliminate payments made under the EUC optional claims provisions.

*Significantly different from zero at the .10 level, two-tailed test.
**Significantly different from zero at the .05 level, two-tailed test.
***Significantly different from zero at the .01 level, two-tailed test.

data. The measure of labor market strength (the TUR or the IUR) was always statistically significant, confirming the fact that EUC did achieve a significant degree of countercyclical targeting. The estimated coefficients of the cyclical variables in Table II.5 were relatively low, however. For example, each percentage point increase in the TUR was estimated to increase adjusted EUC first payments per unemployed worker by 0.6 percent and to raise dollars of EUC by $27. Regressions that used the IUR as a cyclical measure gave similar results, although these equations tended to fit the data somewhat better than those that used the TUR. Coefficients for the IUR tended to be 2 to 2.5 times the size of those for the TUR--a difference roughly in line with the magnitude of these variables.

Examination of the residuals from the equations in Table II.5 suggests that EUC activity across the states was considerably less variable than might be suggested by the raw data. Only four states (Connecticut, Delaware, Massachusetts, and Tennessee) had figures for adjusted EUC dollars per unemployed worker that were greater than one standard deviation above what might have been expected, given their characteristics. Similarly, four states (Michigan, Minnesota, Washington, and West Virginia) had averages more than one standard deviation below the figures predicted by the regressions. For most states, however, characteristics of their unemployment compensation systems, together with measures of local labor market strength, explain EUC activity fairly well. Therefore, the overall complexity of the program appears not to have distorted in any major way its operation as a traditional extended benefits program.

Finally, the state data can also be used to appraise the timing of the extended benefits portion of the EUC program. To do so, we constructed a pooled data series for all the states covering the period 1991.4 to 1994.2. These data permitted us to evaluate whether the typical state's experience suggested that EUC activity met the state's labor market needs during the period the program was

in operation. Consequently, our modeling of differences among the states over time relied on relatively simple specifications. Typically, we included a measure of cyclical sensitivity (the TUR or the IUR), together with quarterly and state dummy variables (a "fixed-effect" model), as explanatory variables in regressions on adjusted EUC first payments and total benefits per unemployed person. Table II.6 reports representative results for these estimates.

The results suggest that, for the typical state, adjusted EUC first payments expanded rapidly once the program was introduced, but that dollars of benefits paid in the first quarter of the program's operation (1991.4) were significantly lower than might have been predicted by the severity of labor market conditions at that time. Hence, the mid-quarter introduction of the program and the lag in implementation that has characterized all emergency programs were readily apparent in the state data. Overall, it appears that in 1994.4 EUC benefits per unemployed worker were about $170 short of what the program provided in its later periods of operations, given labor market conditions.

A somewhat surprising result of the pooled estimates involves the termination of EUC. Prior studies of emergency benefits programs have suggested that a large fraction of benefits are paid well after the economy has recovered, thereby suggesting that more careful targeting would be appropriate. However, because of the "long and shallow" shape of the recession of the early 1990s, we did not find that pattern repeated. Instead, the pooled estimates reported in Table II.6 suggested that both EUC first payments and total benefits were significantly lower in the final two quarters of the program's operation (1994.1 to 1994.2) than might have been predicted by the relative strength of the states' labor markets. Indeed, the shortfall of total benefits per unemployed worker in 1994.2 closely approximated the shortfall at the start of the program in 1991.4. Therefore, it appears that

TABLE II.6

POOLED REGRESSIONS ON EUC ACTIVITY
(1991.4-1994.2)

	Adjusted EUC First Payments per Unemployed Worker		Adjusted EUC Dollars per Unemployed Worker	
Independent Variables	OLS	Fixed Effects	OLS	Fixed Effects
Total Unemployment Rate (TUR)	.0047*** (.0011)	.0032*** (.0011)	33.34*** (4.16)	32.10*** (4.18)
1991.4	.0314*** (.0063)	.0315*** (.0057)	-170.95*** (24.40)	-170.88*** (21.87)
1992.1	.0237*** (.0063)	.0243*** (.0057)	54.73** (24.40)	54.70** (21.87)
1992.2	-.0039 (.0063)	-.0034 (.0057)	44.93* (24.40)	45.40** (21.87)
1992.3	-.0217*** (.0063)	-.0213*** (.0057)	-40.84* (24.40)	-40.43* (21.87)
1993.3	.0069 (.0063)	.0066 (.0057)	18.66 (24.40)	18.32 (21.87)
1993.4	-.0153** (.0063)	-.0159** (.0057)	19.04 (24.40)	18.51 (21.87)
1994.1	-.0336*** (.0063)	-.0345*** (.0057)	-93.78*** (24.40)	-94.84*** (21.87)
1994.2	-.0792*** (.0063)	-.0809*** (.0057)	-185.03*** (24.40)	-188.50*** (21.87)
Constant	.0534*** (.0077)		29.71 (29.96)	
R^2	0.39	0.50	0.31	0.46
Standard Error of Regression	0.04	0.04	150.87	135.28
X^2 for Fixed Effects		113.29***		136.83***

NOTE: Standard errors are in parentheses. There are 561 state-quarter periods.

*Significantly different from zero at the .10 level, two-tailed test.
**Significantly different from zero at the .05 level, two-tailed test.
***Significantly different from zero at the .01 level, two-tailed test.

the peculiarities of the 1990s recession may have altered somewhat the standard view of the timing of emergency programs.

C. STABILIZING EFFECTS OF THE EUC PROGRAM

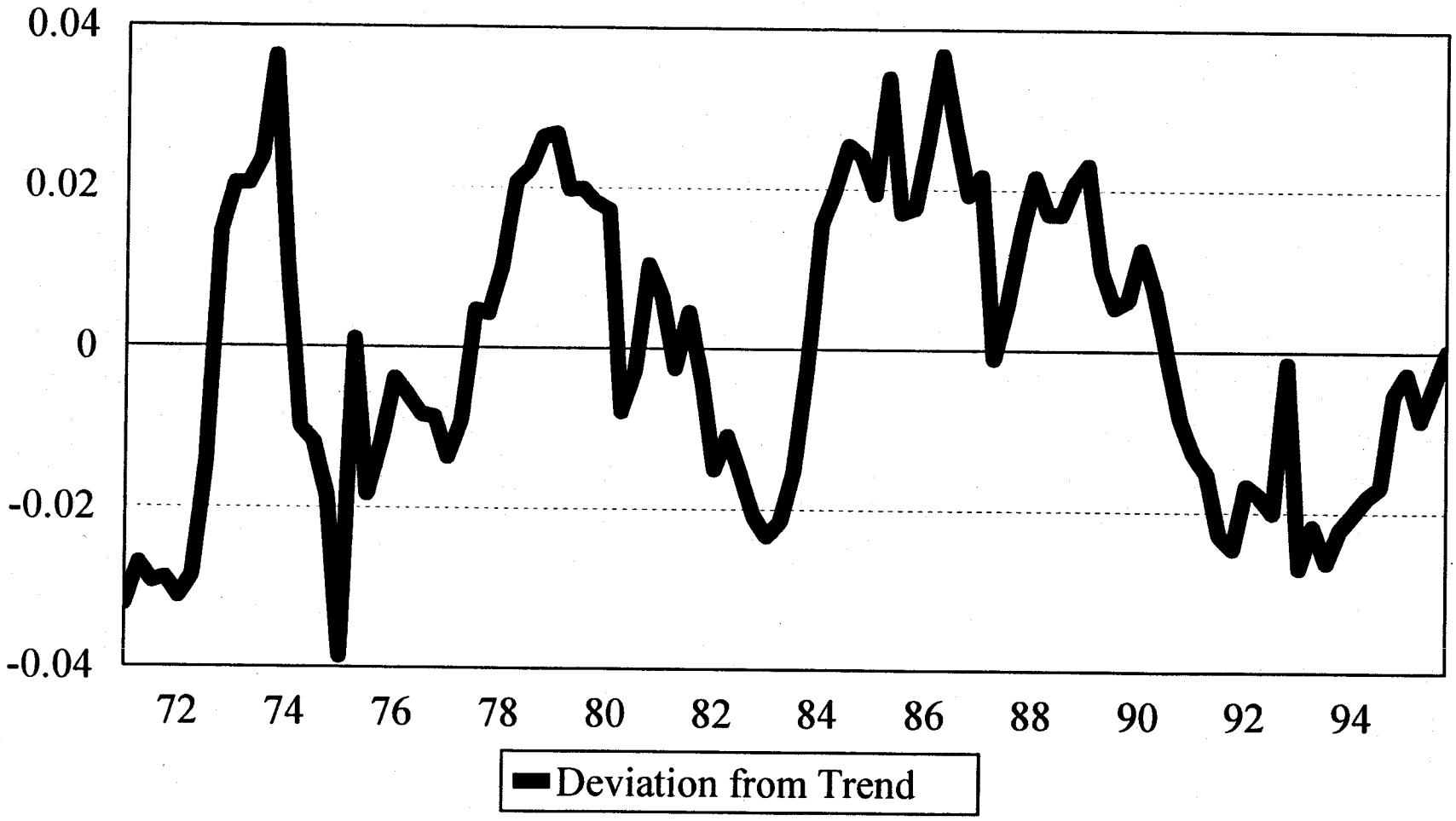
A major goal of all unemployment compensation programs is to stabilize purchasing power during recessions, thereby fostering the future recovery of the economy. Regular UI benefits meet this goal automatically: benefits expand as laid-off workers file their initial claims. In prior recessions, the EB program also tended to play the role of automatic stabilizer, although in these cases, legislative changes in trigger criteria were sometimes used to ensure that the program performed its role in a timely manner. Because emergency extended benefits programs are discretionary, they cannot properly be categorized as "automatic" stabilizers. The benefits paid under emergency programs still perform a potentially important stabilization role, however, especially in the later stages of a recession. In this section, we examine how well EUC played this role.

To evaluate the stabilization properties of EUC, we first sought to characterize the decline in purchasing power that accompanies recessions. We fit a simple exponential time trend to real disposable income over the 1971-1995 period.[14] Negative deviations from this trend were then regarded as measuring the cyclical declines in purchasing power that UC benefits are intended to stabilize. Several conclusions can be drawn from an examination of this measure (Figure II.7). First, in terms of purchasing power, the recession of the early 1990s appears not to have been as mild

[14]We also investigated several other measures of recessionary declines in economic activity, including real Gross Domestic Product (GDP), real consumption spending, and national income. These indicators gave somewhat different appraisals of the relative severity of the three recessions we investigated. However, all showed that the decline of the 1990s was of somewhat longer duration than were the declines in prior decades. Although we believe that the focus on trends in real disposable income is an appropriate one for appraising stabilization policy, the fact that other cyclical indicators implied that the recession of the early 1990s was not as severe suggests that caution should be exercised in interpreting our results.

FIGURE II.7

DEPARTURES OF REAL DISPOSABLE INCOME FROM TREND
LOGARITHMIC SCALE 1971.1 - 1995.4



as traditionally portrayed. Deviations of real disposable income of more than two percent below trend occurred during more quarters of the 1990s than in any major recession in earlier decades. Similarly, the tendency of the 1990s recession to linger on is readily apparent in the data on purchasing power. Although the official trough of the recession occurred late in 1990, large negative residuals in real disposable income lasted into mid-1994. Finally, Figure II.7 implies that total lost purchasing power during the complete 1990s downturn exceeded by a substantial margin total losses in earlier downturns. In part, of course, these larger total losses are explained by the much larger size of the national economy in the 1990s. But, even in percentage terms, the length of the 1990s downturn resulted in the largest losses of purchasing power of all the downturns shown in Figure II.7.

The relatively unusual shape of the 1990s recession makes it difficult to compare the stabilization properties of EUC to those of earlier emergency programs. In the latter periods, such appraisals usually found that emergency benefits occurred too late in the recession to have much stabilization impact. EUC benefits followed a similar trend, in that the program did not begin to pay benefits (in 1991.4) until three quarters *after* the NBER-designated recessionary trough (in 1991.1). This official timing of the recession, however, may be misleading. Because the shortfall in purchasing power in the 1990s lasted far beyond the recessionary trough, such a calculation may not tell the full story here. Throughout the years 1992 and 1993, EUC provided an important offset to the shortfall in disposable income; hence, the program may indeed have contributed to the economy's ultimate recovery in purchasing power in late 1994. Table II.7 provides some summary measures that help make this point. In the aggregate, the gap in disposable income illustrated in Figure II.7 was much greater in the 1990s than in earlier recessions. Our simple time trend analysis suggests that disposable income fell $800 billion below trend during the period examined, versus

TABLE II.7

STABILIZATION EFFECTS OF UNEMPLOYMENT COMPENSATION PROGRAMS

	1970s	1980s	1990s
Period Covered	1975.1-1977.2	1982.3- 983.4	1991.4-1994.2
Total Quarters	10	6	11
Total Disposable Income Gap ($Billions)	280	290	800
Percent Replaced by Emergency Benefits	12.9	2.3	2.4
Percent Replaced by EB and Emergency Benefits	15.7	3.4	2.4
Percent Replaced by All UC	26.7	12.3	7.7

less that $300 billion in earlier recessions. In part, this larger shortfall is explained by the growth of the real economy over the period, but a more important explanation is the much greater number of quarters that constituted the 1990s shortfall. The figures in Table II.7 show that all unemployment compensation benefits replaced a much smaller percentage of the large income shortfall in the recession of the 1990s than they did in prior recessions. EUC's replacement was also relatively modest, averaging 2.4 percent of the income shortfall over the entire period. However, detailed examination of the timing of the emergency programs suggests that EUC's replacement proceeded at a much more steady rate over the period than was the case for the other emergency programs. For virtually all the quarters of the EUC program's existence, its benefits replaced between 2 and 4 percent of the estimated shortfall in disposable income. Figures for the earlier emergency programs were much more erratic. Both FSB and FSC provided large amounts of benefits during quarters in which the income shortfall was either very small or nonexistent. Hence, these computations suggest that, relative to other emergency programs, EUC had modest, but steady, stabilizing influence on the economy during its period of operation.

Indeed, our analysis suggests that, if anything, EUC may have been phased out a few quarters too early. Even by the third quarter of 1994, real disposable income remained nearly 2 percent below trend--a greater shortfall than experienced this late in either of the earlier recessions. Continuation of EUC benefits at roughly the same levels as in 1993.4 and 1994.1 into 1994.2 and 1994.3 would not have resulted in replacement percentages any larger than those that characterized the periods of the program's peak operations. However, the conclusion that EUC ended somewhat prematurely, from the point of view of stabilization, is not supported by other measures of economic activity (such as real GDP) which had largely returned to their trend growth paths by early 1994.

Of course, using EUC-type programs to sustain real incomes may be inferior to other types of programs (such as tax reductions), but we have not examined such programs here.

D. THE PERFORMANCE OF EUC TRIGGERS

Two aspects of the EUC program concern the extended benefits trigger mechanism and its sensitivity to the trigger indicators and threshold levels used. Of most direct relevance is the trigger used in the program itself to implement eligibility for "upper-tier" (longer potential duration) benefits. That mechanism sought to focus longer potential durations on especially weak labor markets, and there is a natural policy interest in how sensitive the results were to the triggers used. Of perhaps greater relevance to overall extended benefits policy is the relationship between EUC and the regular EB program. Specifically, administrative policy allowed EUC to supplant EB during the recession of the 1990s. A natural question, then, is: How would EB itself have performed if this substitution had not occurred? In this section, we develop a simulation methodology to address both issues.

1. Triggering Upper-Tier Benefits

Upper-tier potential durations under the EUC program were available during 79 of the 561 state-quarter periods in which EUC was in effect (Table II.8).[15] Although this represents only about 14 percent of the periods in which the EUC program was available, we estimate that a far higher fraction of EUC claimants (approximately 26 percent) were eligible for maximum durations. The primary reason for the discrepancy is that periods of EUC maximum benefits were likely to occur in weak labor markets and in somewhat larger states (especially California, where such maximums

[15]Because EUC periods did not coincide precisely with calendar quarters, all the figures in this section are necessarily estimates, even for cases in which we seek to describe the operations of the actual program rather than simulate alternative scenarios.

TABLE II.8

PREVALENCE OF EUC UPPER-TIER POTENTIAL DURATIONS

	EUC Periods[a]	EUC First Payments	Adjusted EUC First Payments[b]	Regular UI Exhaustees
Total	562	9,216,000	7,708,000	9,318,000
At Upper-Tier Duration	79	2,369,000	2,102,000	2,866,000
Percent at Upper Tier	14.1	25.7	27.3	30.8

[a]Refers to state-quarter periods--51 states over 11 quarters of EUC activity.

[b]EUC first payments are adjusted to eliminate claimants who collected benefits under the EUC optional claims provision.

were available throughout the EUC program). This tendency is more pronounced if the number of EUC claimants is adjusted so as to eliminate those who collected benefits under the optional provision of the program. After making such an adjustment--an adjustment suggested by the desire to focus only on EUC claimants for whom the program served as a true extended benefits program--the estimated fraction of claimants in upper-tier periods rises to more than 27 percent. Still, the fraction of EUC claimants estimated to be eligible for longer durations fell a bit short of the estimated fraction of individuals who exhausted UI benefits during periods in which the maximums were in effect. This suggests that a relatively higher fraction of exhaustees did not continue on to EUC in the weakest labor markets.[16] One possibility is that these exhaustees were more likely to stop actively searching for a job and withdraw from the labor market in such locations, but we have no direct evidence on this possibility.

To examine the possible consequences of using alternative triggering criteria for upper-tier benefits within the EUC program, we developed a quarterly simulation model for the program over the period. Calibrating this model posed several difficulties, primarily because of the extremely complex nature of the EUC program itself. In our attempt to simulate the program, we consistently overestimated the extent of upper-tier periods when we used the program's actual trigger levels. Experimentation with the simulations revealed that the primary difficulty lay in our estimated series for the insured unemployment rate measure used in the program's trigger. That rate--the adjusted insured unemployment rate (AIUR)--adds regular UI exhaustees during the most recent three-month period to the numerator of the IUR. Our estimates suggested that this addition raised the mean IUR from 3.3 to 4.2 percent during the overall EUC period, and that it raised the mean IUR in upper-tier

[16]A simple computation from the final two columns of Table II.8 suggests that only 77 percent of exhaustees went on to collect EUC in maximum duration periods, versus 92 percent in regular duration periods.

periods from 5.4 to more than 7 percent. Although we believe our calculations of the AIUR to be correct, it is apparent that these levels suggest far more extensive periods of EUC upper-tier benefits than actually occurred. A possible reason is that actual triggering based on weekly data on the AIUR proved to be less generous than was indicated by our quarterly approximations, but we were unable to examine this hypothesis.

Given these problems with our estimates of the AIUR, we chose to calibrate the simulation model simply by raising the EUC trigger level for the AIUR from its actual value (5 percent) to a level that simulated the approximate level of upper tier periods (6.3 percent). Under this "base case" simulation, we estimated that EUC provided enhanced potential durations during 80 periods (versus 79 in the actual program) in situations in which 2.95 million exhaustees would have been eligible (versus 2.87 million in the actual program). Overall, we found that this simulation correctly predicted the upper-tier status of 60 periods. That is, the simulation model was correct about three-quarters of the time. We viewed this agreement to be suitably close for the rough types of simulations we wished to undertake. Consequently, we employed this base case to evaluate alternative trigger levels that might have been used in the EUC program.

Our simulations (Table II.9) show that EUC upper-tier periods were sensitive to the specified levels of both the TUR and the AIUR. Each tenth of a point reduction in the TUR threshold below nine percent added about 70,000 exhaustees to the set of workers potentially eligible for the upper-tier benefits, whereas each tenth of a point decrease in the AIUR threshold added about 150,000 exhaustees. Variations in the TUR maintained greater consistency with the actual upper-tier periods than did variations in the AIUR, thereby indicating some of the sensitivities inherent in IUR-based triggers. Many periods with overall unemployment levels only slightly below nine percent would

TABLE II.9

SIMULATIONS OF EUC UPPER-TIER DURATION PERIODS
(1991.4-1994.2)

Simulation	Total Unemployment Rate (TUR)	Adjusted Insured Unemployment Rate (AIUR)	Periods at Upper Tier	Exhaustees Eligible for Upper Tier (1,000)	Periods in Agreement
Actual	9	5	79	2,866	79
Simulated Actual	9	5	160	4,938	76
Base Case	9	6.3	80	2,948	60
TUR Variations					
	7.5	6.3	162	4,872	68
	8	6.3	116	3,685	63
	8.5	6.3	95	3,283	62
	9.5	6.3	75	2,557	55
	10	6.3	75	2,557	55
AIUR Variations					
	9	5.5	123	4,052	68
	9	6	94	3,403	62
	9	6.5	73	2,655	56
	9	7	59	2,173	49
	9	7.5	51	2,040	44

not have been eligible for upper tier benefits if the AIUR trigger had been more stringent than it actually was.

2. Substitution of EUC for EB

One provision of EUC, which was in effect until the last two quarters of the program, permitted states to decline to participate in the regular EB program when the state met the trigger criteria for that program. All states took advantage of this option to substitute EUC for EB. To estimate the extent of that substitution, we developed a simulation model of the EB trigger mechanism over the 1991.4-1994.2 period. Results from those simulations are summarized in Table II.10.

As a base case, we estimated that the EB trigger mechanism would have provided EB eligibility during 101 state-quarter periods if all states had adopted the TUR as well as the IUR as a trigger.[17] This would have resulted in nearly 3 million exhaustees of regular UI potentially being eligible for EB.[18] More than half of these would have been eligible for the "upper tier" (20 weeks) of EB rather than the "lower tier" (13 weeks).

Our simulations also showed that with modest variations in that program's trigger criteria, many more exhaustees could potentially have been eligible for EB. The most important of these variations would have been to eliminate the thresholds in the current EB law that require unemployment rates

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[17]The augmented trigger required an IUR of 5 percent, which exceeded the average of the prior two years' IUR by 20 percent, or a TUR of 6.5 percent, which exceeded the prior two years' average TUR by 10 percent. If the TUR trigger was not adopted, EB payments would have been much smaller. Under that scenario, EB would have been available in 28 state-quarter periods for 714,000 exhaustees.

[18]Actual EB first payments totaled about 150,000 during the period, with the vast majority of them occurring in the final two quarters of the EUC program's existence, when the state option to use EUC instead of EB was not in effect.

TABLE II.10

SIMULATIONS OF EB PROGRAM TRIGGERS
(1991.4-1994.2)

Simulation	Insured Unemployment Rate (IUR) Trigger	Threshold	Total Unemployment Rate (TUR) Trigger	Threshold	EB Periods	Exhaustees Eligible for EB (1,000)
Base Case	5	Yes	6.5	Yes	101	2953
Threshold Variants	5	No	6.5	Yes	137	3809
	5	Yes	6.5	No	288	7216
	5	No	6.5	No	295	7257
IUR Variants	4.5	Yes	6.5	Yes	103	2957
	4.5	No	6.5	Yes	167	4809
TUR Variants	5	Yes	6	Yes	112	3039
	5	Yes	6	No	358	7969
EB Upper Tier	NA	NA	8	Yes	39	1736
	NA	NA	8	No	84	3236

NA = not applicable.

to exceed those in prior years by prespecified amounts. In the absence of such thresholds, especially those relating to the TUR trigger, the number of exhaustees potentially eligible for EB would expand significantly.[19] Indeed, eliminating the TUR threshold would have raised the number of eligible exhaustees from less than 3 million to more than 7 million--a number that begins to resemble the adjusted number of first payments under the extended benefits component of the EUC program (8.2 million). Modest variations in the trigger rates themselves would not have had such a substantial impact on EB availability. Reducing the IUR trigger by half a percentage point (to 4.5 percent) would have had an imperceptible effect on EB eligibility if the TUR and both threshold requirements remained in effect. Lowering the TUR threshold to 6 percent (from 6.5 percent) would have expanded EB eligibility somewhat (by perhaps 5 percent), but the thresholds would still have exerted a significant constraining effect.

[19]This finding is similar to that reported in Corson and Rangarajan (1994).

III. CHARACTERISTICS OF EUC RECIPIENTS AND THEIR EXPERIENCES WHILE COLLECTING EUC

The Emergency Unemployment Compensation (EUC) program was introduced in response to a perceived need to lengthen the duration of unemployment benefits for unemployed workers during the 1990-1993 recession. Because the duration of unemployment lengthens, unemployment compensation benefits are often extended during recessions. Individuals who experience long spells of unemployment may need a longer period of unemployment compensation, since other sources of income support may be unavailable or are not sufficient to cover the temporary economic needs of recipients and their families. Individuals who experience long spells of unemployment during recessionary periods might also benefit from reemployment assistance or training, but efforts to increase the level of such services typically have not been tied to extensions of unemployment compensation.

In this chapter, we examine the use of employment, education, and training service and the anti-poverty effectiveness of EUC. We begin by examining the unemployment compensation experiences of recipients who collected regular Unemployment Insurance (UI) and/or EUC during the period in which the EUC program operated. We also examine the demographic and pre-layoff job characteristics of EUC recipients and compare them to a group of recipients who collected only regular UI. We use administrative data collected from the 18 states in our sample for our analysis of unemployment compensation experiences; we also use survey data for our analysis of the characteristics of recipients and their income and reemployment service receipt. As discussed in Chapter I, the survey data were collected for subsamples of EUC and UI-only recipients in the 16 states that provided data in time for inclusion in the survey. To reduce recall error, the survey data are restricted to recipients who began collecting EUC during the later three phases of EUC. This

restriction is also applied to the UI-only sample by restricting that sample to individuals who, if they had collected EUC, would have been likely to collect EUC during its later three phases. Both data sets are weighted to represent national totals as described in Appendix A.

Our analysis of the unemployment compensation experiences and characteristics of EUC recipients indicates that it makes sense to think of the EUC program as having served two types of recipients: (1) long-term, unemployed individuals; and (2) short-term, unemployed individuals. Prior temporary extended benefits programs served long-term unemployed individuals because individuals could not receive extended benefits until they collected all their regular UI benefits and, depending on the program, extended benefits provided through the permanent Extended Benefits (EB) program. During EUC-3 and EUC-4, however, individuals who had previously collected regular UI and had used up their benefits because they had collected all their benefits or had reached the end of a benefit year were allowed the option, when they filed an initial claim, of collecting EUC instead of establishing a new UI benefit year. Our analysis indicates that the vast majority of individuals who chose to collect EUC instead of establishing a new benefit year did not continue on to regular UI. This group also had relatively low benefit exhaustion rates, and many appeared to be job-attached workers on temporary layoff.

For this reason, we divide EUC recipients into two groups for our analyses. We combine individuals who collected UI then EUC or EUC then UI into one group (labeled UI-and-EUC) and consider this group as recipients who received both first- and second-tier UC benefits. We use this group when we make comparisons to extended benefit recipients under prior temporary extended benefits programs. The other group (which we label EUC-only) are recipients who collected only EUC and who appear more like our comparison group of UI-only recipients. We also present data for the combined groups, to allow for statements about the entire population of EUC recipients.

The rest of this chapter consists of five sections. Section A provides a description of the unemployment compensation experiences of UI and EUC recipients. Sections B and C provide descriptions of their demographic and pre-layoff job characteristics. Then, in Section D, we examine recipients' use of public assistance or retirement benefits and see how use of these programs changed as recipients made the transition from employment to unemployment. We also examine household income and poverty status, as well as EUC's role in helping recipients maintain their household incomes. Finally, in Section E, we examine the use of reemployment services and training and whether long-term unemployed recipients could potentially have benefited from more services or training.

A. UNEMPLOYMENT COMPENSATION EXPERIENCES

Approximately 22.5 million individuals received one or more weekly payments from state UI, Unemployment Compensation for Federal Employees (UCFE), Unemployment Compensation for Ex-Servicemen (UCX), and/or EUC programs during the period in which EUC was available.[1] As Table III.1 shows, these individuals, on average, established 1.2 benefit years during this nearly three-year period and received 23.4 weeks of benefits (17.1 UI and 6.3 EUC), for a total of $4,030 in payments ($2,942 from UI and $1,088 from EUC). These averages mask considerable variability.

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[1]We defined the population of interest as individuals who either received an EUC payment or could potentially have received an EUC payment if they had remained unemployed long enough. We defined this later group as individuals who received a first payment from a state UI, UCFE, or UCX (hereafter referred to as UI) program during the period January 1991 through September 1993, since these individuals would have been eligible to collect EUC if they exhausted UI. This definition excludes some who were eligible for EUC through the reachback provisions, since those provisions allowed some individuals who began collecting regular UI prior to January 1992 to collect EUC. However, we believe this definition captures the vast majority of individuals potentially eligible for EUC. Finally, our analysis excludes the small number of payments made under the regular EB program during this period; we did not collect data on these payments for the individuals in our sample.

TABLE III.1

UNEMPLOYMENT COMPENSATION EXPERIENCES OF INDIVIDUALS ESTABLISHING BENEFIT YEARS DURING THE EUC PERIOD

Number of Benefit Years (Percent)	
1	79.8
2	17.3
3	2.7
4	0.3
Mean Number	1.2
Mean Weekly Benefit Amount	$169
Mean Weeks Collected	
UI	17.1
EUC	6.3
Total	23.4
Mean Benefits Received	
UI	$2,942
EUC	1,088
Total	$4,030
Distribution of UC Payments by Decile (Percent)	
1	0.4
2	1.4
3	3.0
4	5.0
5	7.3
6	9.8
7	13.1
8	16.1
9	20.6
10	23.3
Number of Individuals	22,544,844
Sample Size	**28,420**

SOURCE: UI and EUC administrative data on samples of individuals from 18 states.

NOTE: We include in the sample all individuals who received an EUC first payment and individuals who received a UI first payment in the period January 1991 through September 1994. We include those individuals receiving benefits from state UI, UCFE, and UCX in the UI category. The estimates are based on weights assigned to make the sample representative of the U.S. population of UC benefits recipients (see Appendix A).

While most individuals (80 percent) established a single benefit year, 17 percent established two benefit years and 3 percent established three or four. The decile of individuals receiving the largest payments received 23 percent of all dollars spent during this period, while the decile receiving the lowest payments received less than one-half of one percent of total payments. These numbers imply that the individuals in the highest decile received more than $9,000 on average (56 weeks of benefits) and those in the lowest decile received $173 on average, or roughly one week of benefits.

Turning to an analysis of benefit years (Table III.2), we can see that most of the benefit years (90 percent) established during the EUC period began with a spell of regular UI, which, about 30 percent of the time, was followed by a period of EUC collection.[2] The remaining 10 percent of benefit years began as EUC first claims. Two of the 10 percent (five percent of EUC claims) were claims made under EUC's reachback provisions. The remainder, which accounted for 22 percent of EUC claims, were EUC optional claims. The vast majority of these claims were EUC-only claims--that is, benefit years in which an EUC, but no UI, benefit was collected.

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[2]The administrative records did not allow us to determine precisely which individuals who began collecting EUC did so under the reachback provision and which did so under the provision allowing EUC to be collected instead of regular UI. To address this problem, we categorized claims as reachback claims if they occurred during EUC-1 or EUC-2 and the UI first payment began prior to 1991(we obtained UI data for claims beginning in January 1991). This definition will incorrectly classify individuals who began collecting UI in mid-November through December 1990 as reachback claims, but this misclassification should affect only a small number of claims. We categorized EUC claims as EUC optional claims if they occurred after the beginning of EUC-3 and the time period between a UI benefit year begin date and the EUC first payment was one year or more. Individuals who met this criterion would have been required to establish new UI claims had the options legislation not been enacted. This definition counts as EUC-optional claims a few claims established during EUC-5, when the option was not in effect; however, data on EUC optional claims reported by states also show a small number of optional claims during this period. We also distinguished between recipients who collected only EUC and those who collected EUC followed almost immediately by a new benefit year and a UI claim. We categorized recipients as "EUC-then-UI" recipients if the first payment date for the new UI claim was within 30 days of the last payment date of the EUC claim. This requirement distinguished between recipients who most likely did not have subsequent employment and recipients who may have interrupted their benefit collection by either a job spell or time out of the labor market. While these definitions may not be accurate in all cases, they do provide a consistent way of defining EUC first claims across the states in our sample.

TABLE III.2

UC EXPERIENCES BY BENEFIT YEAR DURING PERIOD
IN WHICH EUC WAS AVAILABLE

				EUC-Only		
	UI-Only	UI-EUC	EUC-UI	Reachback	EUC Option	Total
Distribution of First Pa'yments (Percent)	62.9	26.8	1.2	2.0	7.1	100.0
Mean Weeks Collected						
UI	11.7	23.3	16.8	0.0	0.0	13.8
EUC	0.0	16.5	16.8	18.2	11.9	5.8
Total	11.7	39.8	33.6	18.2	11.9	19.6
Distribution of Weeks Collected						
UI	53.3	45.3	1.5	0.0	0.0	100.0
EUC	0.0	76.0	3.5	6.1	14.4	100.0
Total	37.6	54.4	2.0	1.8	4.3	100.0
Mean Benefits Collected						
UI	1,963	4,161	2,610	0	0	2,383
EUC	0	2,946	2,835	2,858	1,869	1,012
Total	$1,963	$7,107	$5,445	$2,858	$1,869	$3,395
Distribution of Benefits Collected						
UI	51.8	46.9	1.3	0.0	0.0	100.0
EUC	0.0	78.1	3.4	5.6	13.0	100.0
Total	36.4	56.1	1.9	1.7	3.9	100.0
Exhausted UI (Percent)	18.1	96.7	42.8	0.0	0.0	37.8
Exhausted EUC (Percent)	0.0	64.2	65.0	57.3	31.0	21.3
Exhausted UI and EUC (Percent)	0.0	63.3	31.7	0.0	0.0	17.3
Sample Size	**22,480**	**9,558**	**425**	**629**	**2,235**	**35,327**

SOURCE: UI and EUC administrative data on samples of individuals from 18 states.

NOTE: We include in the sample all individuals who received an EUC first payment and those who received a UI first payment in the period January 1991 through September 1994. We include individuals receiving benefits from state UI, UCFE, and UCX in the UI category. The estimates are based on weights assigned to make the sample representative of the U.S. population of UC benefits recipients (see Appendix A).

The average recipient collected 20 weeks of benefits and about $3,400 per benefit year (Table III.2). As we discuss above, however, these averages mask considerable variability. For example, the 27 percent of recipients who collected UI and then EUC collected 54 percent of all benefits, while the 63 percent collecting only UI collected 38 percent of the benefits. Furthermore, data on the distribution of benefits by decile (not shown in the table) show that individuals in the highest decile collected 25 percent of all benefits and those in the lowest collected less than one-half percent. Interestingly, the figures on the distribution of benefits by benefit year are roughly identical to those reported in Table III.1 for individuals over multiple benefit years. This finding implies that those who collected large benefit amounts did so because they had a long spell of benefit collection associated with a single benefit year, as opposed to several spells over multiple benefit years. In other words, it implies that, at least during a recession, individuals who tend to collect UI in multiple years (often termed "repeaters") have relatively short spells and do not collect a disproportionate share of benefits over time.

Another issue worth considering is the exhaustion rate, which provides a measure of the extent to which the UI and EUC programs provided adequate unemployment compensation coverage to unemployed workers. As shown in Table III.2, we estimate that about 17 percent of all recipients exhausted both tiers of benefits during the EUC period.[3] This rate is lower than the 25 to 30 percent UI exhaustion rate typically found during nonrecessionary periods, which suggests that the degree of coverage of unemployment spells provided by the unemployment compensation system was somewhat larger during the EUC period than is typically the case.[4] However, one reason the

[3]We define "exhausted" as collecting the full entitlement.

[4]For example, the national exhaustion rate for regular UI was about 30 percent over the 1986-1990 period.

exhaustion rate was as low as it was is that some individuals who exhausted first-tier benefits did not go on to collect second-tier benefits. Some of these individuals probably became reemployed quickly, while others (some EUC-only recipients) may not have qualified for further benefits; however, some undoubtedly could have collected further benefits but chose not to. An alternative calculation of the total exhaustion rate, which assumes that everyone exhausting first-tier benefits collects second-tier benefits, involves multiplying the exhaustion rate for tier one (assumed to be UI) by the rate for tier two (EUC). Conceptually, this calculation is the same as the one reported in Chapter II, using aggregate data, and our empirical results, using individual level data, are basically identical. Namely, we estimate that during the EUC period the UI exhaustion rate was 42 percent and the EUC rate was 58 percent for a total rate of 24 percent. This rate is at the low end of the typical nonrecessionary range--which, again, suggests that the combined UI-EUC programs provided adequate coverage as judged by historical nonrecessionary standards.

Turning to an examination of the experiences of EUC recipients by phase (Table III.3), we can see how the changes made over time in the EUC program affected recipients' experiences. Mean weeks of EUC was longest during phases one and two, when potential durations were the longest (26 or 33 weeks); mean weeks on EUC was shortest during phase five, when potential durations were the shortest (7 or 13 weeks). As one would expect, the reverse occurred for the EUC exhaustion rate among recipients who received both UI and EUC: mean weeks collected and the exhaustion rate among reachback recipients were similar to the averages experienced by other EUC recipients during EUC-1 and EUC-2.

Finally, the EUC program experiences of EUC option recipients differed substantially from those of other EUC recipients. These recipients had shorter durations than other EUC recipients who collected during the same program phases, and they had substantially lower exhaustion rates (less

TABLE III.3

EUC EXPERIENCES, BY PHASE

EUC Phase	Distribution of EUC First Payments (Percent)	Mean Weeks of EUC Collected	EUC Exhaustion Rate
EUC-1			
UI-and-EUC	9.9	19.7	55.7
EUC-only (Reachback)	4.0	18.8	56.9
EUC-2			
UI-and-EUC	11.0	19.3	54.6
EUC-only (Reachback)	1.3	17.6	56.9
EUC-3			
UI-and-EUC	23.6	17.5	63.9
EUC-only (EUC option)	9.4	12.6	33.9
EUC-4			
UI-and-EUC	24.0	15.7	69.4
EUC-only (EUC option)	9.1	11.7	27.8
EUC-5			
UI-and-EUC	7.1	7.3	75.7
EUC-only (EUC option)	0.6	7.0	34.0
Total	**100.0**	**15.6**	**57.4**

SOURCE: EUC administrative data on samples of individuals from 18 states.

NOTE: The estimates are based on weights assigned to make the sample representative of the U.S. population of UC benefits recipients (see Appendix A).

than 35 percent versus more than 60 percent). Overall, these recipients accounted for 19 percent of all EUC recipients, but they collected about 13 percent of EUC benefits.

B. DEMOGRAPHIC CHARACTERISTICS

Older, female, and minority workers were disproportionately represented among long-term recipients (those collecting UI and EUC), compared to shorter-term recipients, who collected only UI (Table III.4). This pattern is consistent with prior studies of long-term unemployment insurance recipients including recipients of some emergency extended benefits programs (Corson and Dynarski 1990; Corson and Nicholson 1982; and Corson et al. 1986).

Other differences between long- and shorter-term recipients appear to be related to the nature of the 1990-1993 recession and the industries and occupations most affected by it. While one might expect that education level would be negatively correlated with duration of unemployment, the longer-term recipients (UI-and-EUC) had higher education levels than the shorter-term UI-only and EUC-only recipients. However, data presented in the next section show that the shorter-term recipients, particularly the EUC-only recipients, were more likely to come from construction or manufacturing industries and occupations than were the longer-term recipients. Jobs in these industries and occupations tend to require less schooling than in other industries or occupations.

Comparisons of the UI-and-EUC recipients to emergency extended benefits recipients in the 1981-1983 recession also show some differences, which are probably related to the nature of the recessions. The earlier recession was heavily concentrated in durable manufacturing, and, not surprisingly, the proportion of UI-and-EUC recipients who were female (44 percent) was greater than the proportion (37 percent) found for recipients of Federal Supplemental Compensation (FSC), the

TABLE III.4

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS
(Percent, Unless Stated Otherwise)

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Percent Female	43.8	44.3	42.3	40.8
Age at First Claim Date				
24 or younger	8.1	8.2	7.9	12.2
25 to 34	29.6	29.9	28.5	32.4
35 to 44	28.2	28.6	26.7	27.1
45 to 54	19.2	18.4	22.1	17.6
55 to 64	12.8	12.5	13.7	9.1
65 and older	2.1	2.4	1.1	1.5
Mean Age (Years)	40.1	40.0	40.2	37.9
Median Age (Years)	39.0	38.0	39.0	36.0
Race/Ethnicity				
African American	15.9	16.9	12.4	9.8
Asian	1.0	0.9	1.5	2.0
Caucasian	69.7	68.9	72.5	74.0
Hispanic	8.1	8.1	7.9	10.4
Other	5.3	5.2	5.7	3.9
Highest Diploma or Degree Received				
Less than high school	17.8	15.0	27.7	16.6
High school/GED	48.8	49.0	48.0	54.4
Vocational/Technical/Business/Associate's	17.8	19.0	13.8	14.2
Bachelor's	10.5	11.5	6.9	10.5
Post-Bachelor's	3.0	3.6	0.7	3.4
Other	2.0	1.8	2.7	1.0
Household Size at Job Separation (Including Respondent)	2.4	2.3	2.5	2.4

TABLE III.4 *(continued)*

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Married/Living Together at Job Separation	62.1	64.2	67.8	64.9
Widowed/Separated/Divorced	17.0	17.3	15.6	14.8
Never Married	20.9	18.5	16.5	20.3
If Married/Living Together at Job Separation, Spouse/Partner Working	69.5	71.0	64.3	67.5
Has Children Under 18 at Job Separation	49.7	47.7	56.7	48.5
If had children, mean number	1.9	1.9	1.8	1.9
Pre-Unemployment Annual Household Income				
$10,000 or less	5.2	5.0	6.1	5.1
$10,001 to $20,000	27.2	25.4	33.6	26.5
$20,001 to $30,000	20.1	19.4	22.7	23.4
$30,001 to $40,000	16.8	17.1	15.9	17.1
$40,001 to $50,000	11.7	12.3	9.8	10.9
$50,001 to $60,000	7.9	8.8	4.7	8.1
$60,001 to $70,000	4.2	5.0	1.4	2.8
$70,001 or more	6.9	7.2	5.8	6.1
Mean (Dollars)	33,973	35,166	29,748	32,537
Median (Dollars)	28,600	30,400	24,960	27,040
Unweighted Sample Size	**1,341**	**1,043**	298	**963**

SOURCE: Emergency Unemployment Compensation Survey.

program in effect during the earlier recession (Corson et al. 1986).[5] In addition, UI-only recipients during the 1990s recession were slightly more likely to have been female (41 percent) than UI-only recipients during the 1980s recession (38 percent), but the difference is smaller. These numbers stand in contrast to the slight decrease in the percentage of the civilian labor force that has been female from the 1980s to the 1990s, suggesting that females bore a greater portion of the 1990s recession than they did in the 1980s.[6]

C. PRE-LAYOFF JOBS AND JOB SEPARATIONS

Many of the differences between UI-and-EUC recipients and EUC-only and UI-only recipients can be explained by the recipients' types of jobs and job separations (Table III.5). The major difference among these groups is that EUC-only recipients appear more job-attached than UI and EUC recipients or even UI-only recipients. EUC-only recipients were more likely to report long tenure at their pre-unemployment employers. For example, 48 percent of EUC-only recipients worked with their previous employers for five or more years, whereas only 35 percent of UI-and-EUC recipients worked that long with their pre-unemployment employers. However, EUC-only recipients were also more likely to report breaks in employment than either other group. Only 70 percent of EUC-only recipients reported having worked continuously for their pre-unemployment employers, compared to 84 percent of UI-and-EUC recipients, and 76 percent of UI-only recipients. Similarly, EUC-only recipients were almost three time as likely to report being laid off on a regular

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[5]The percentage of EUC recipients who are female, however, is slightly less than the 47 percent of Federal Supplemental Benefits (FSB) recipients during the mid-1970s, who were female (Corson and Nicholson 1982).

[6]In 1980, 42 percent of the civilian labor force were female, compared to 46 percent in 1994 (U.S. Bureau of the Census 1996).

TABLE III.5

PRE-BENEFITS JOB CHARACTERISTICS
(Percentages, Unless Otherwise Stated)

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Weekly Wage				
$200 or less	15.8	14.7	19.9	14.7
$201 to $300	20.8	19.7	24.9	21.5
$301 to $400	21.1	20.4	23.6	21.6
$401 to $500	11.5	12.4	8.3	13.3
$501 to $800	20.5	21.7	16.0	18.5
$801 or more	10.3	11.1	7.3	10.5
Mean (Dollars)	459	472	410	452
Median (Dollars)	380	400	338	375
Hours per Week				
34 or less	8.7	8.0	11.4	8.9
35 to 39	4.8	4.5	5.9	4.9
40	47.3	45.9	52.4	44.3
41 to 45	10.2	10.8	7.7	10.8
46 to 50	13.6	13.5	13.8	16.0
51 or more	15.4	17.3	8.9	15.1
Mean	43.9	44.6	41.3	44.0
Median	40.0	40.0	40.0	40.0
Job Tenure				
Less than 6 months	7.7	7.4	9.2	9.7
6 to 12 months	13.8	14.6	11.0	11.9
13 to 24 months	13.7	13.9	13.1	17.7
25 to 36 months	10.8	11.7	7.3	10.0
3 to 5 years	16.3	17.4	11.9	14.9
5 to 10 years	15.8	15.5	16.8	16.5
More than 10 years	21.9	19.7	30.8	19.3
Mean (Years)	6.5	6.2	7.7	5.9

TABLE III.5 *(continued)*

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Worked Continuously During Pre-Benefits Job	80.7	83.8	69.6	75.9
Had Layoff on a Regular Basis	9.2	6.6	19.3	12.3
Union Member	20.0	18.8	24.5	21.4
Industry				
Agriculture/forestry/fishing	2.1	1.7	3.6	4.3
Mining	2.3	2.4	1.7	2.3
Construction	12.0	10.7	16.7	14.0
Durable manufacturing	18.1	16.8	22.8	16.9
Nondurable manufacturing	14.5	13.0	19.8	16.3
Transportation/public utilities	6.6	7.0	5.2	5.5
Wholesale trade	2.3	2.7	0.9	2.1
Retail trade	12.3	12.9	9.8	10.7
Finance/insurance/real estate	4.9	5.9	1.5	3.4
Services	20.4	21.8	15.6	20.7
Public Administration	4.6	5.3	2.3	3.9
Type of Industry				
Seasonal industry	18.1	16.3	24.6	23.8
Pre-benefits job in high-growth industry[a]	16.0	16.7	13.8	17.5
Pre-benefits job in low-growth industry[a]	26.9	23.7	38.3	27.4
Occupation				
Managerial/professional	12.4	13.9	6.9	10.0
Technical and related support	3.3	3.5	2.4	3.0
Sales	8.2	9.4	4.0	7.1
Administrative support	19.8	22.6	9.8	17.0
Service occupations	8.1	8.2	7.5	6.8
Mechanics and repairers	5.2	5.3	4.9	4.0
Construction and extractive	8.1	6.9	12.3	9.3
Precision production	1.6	1.3	3.0	2.3

TABLE III.5 *(continued)*

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Machine operators/assemblers	19.0	15.2	32.3	22.7
Transportation and material moving	6.7	6.7	6.7	9.5
Handlers	5.8	5.3	7.4	4.7
Farming, forestry, and fishing	2.0	1.7	2.9	3.7
Unweighted Sample Size	**1,341**	**1,043**	**298**	**963**

SOURCE: Emergency Unemployment Compensation Survey.

[a]Two-digit industries were ranked according to their employment growth rates between 1986 and 1990. Industries representing the top 20 percent of employment in the fastest-growing industries are considered high-growth industries. Industries representing the bottom 20 percent of employment in the slowest-growing (or fastest-shrinking) industries are considered low-growth industries.

basis than were UI-and-EUC recipients. UI-only recipients reported regular layoffs at a rate that fell between these two groups.

These patterns of job attachment are not surprising, in light of the differences in the industries and the occupations of the recipients. About 60 percent of EUC-only recipients were employed in the construction, durable manufacturing, and nondurable manufacturing industries, compared to 40 percent of UI-and-EUC recipients and slightly less than half of UI-only recipients. Both EUC-only and UI-only recipients were more likely to report being in a seasonal industry than were UI-and-EUC recipients, and thereby more likely to experience the short unemployment spells found among recipients of only one UC program. Reported occupations of recipients are consistent with this pattern: EUC-only recipients were more likely to have been machine operators or assemblers, or to have been in construction and extractive occupations, than were UI-and-EUC recipients, who were more likely to have been in managerial, professional, or administrative support occupations.

Long-term emergency benefits recipients during the 1990s recession were less likely to be in the manufacturing industries (30 percent) than were emergency recipients during the 1970s and 1980s recessions (44 percent and 40 percent, respectively), whereas a greater percentage of long-term EUC recipients were in services or finance, insurance, and real estate. These differences are probably related to differences in the recessions, with the earlier recessions being more manufacturing-based; however, the differences may also arise in part because the share of the labor force in manufacturing has declined over time.[7]

Given the differences among work histories of the recipient groups, we expect that UI-and-EUC recipients were more likely to be permanently separated from their employers than EUC-only and

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[7]In 1994, 16 percent of employees worked in manufacturing industries, compared to 22 percent in 1980 and 26 percent in 1970 (U.S. Bureau of the Census 1996).

UI-only recipients (the data in Table III.6 indicate that this is the case). Although approximately equal percentages (73 to 79) of UI-and-EUC and UI-only recipients reported having been laid off, the reasons differ substantially. Thirty-one percent of the long-term EUC recipients reported that their plant or facility moved, the company was sold, or the job or shift was eliminated, compared to 18 percent of UI-only recipients, who were more likely to report "lack of work" as the reason for being laid off. As before, EUC-only recipients differed even more than the UI-only recipients from UI-and-EUC recipients. EUC-only recipients were the group most likely to report "lack of work" as their reason for job separation, and least likely to report that the plant closed, the company moved, or the job or shift was eliminated. Similarly, recall expectations were highest among EUC-only recipients and lowest among UI and-EUC recipients. Forty-nine percent of EUC-only recipients expected recall, 20 percent had a definite recall date, and 44 percent reported that they had been recalled. In contrast, 23 percent of UI-and-EUC recipients expected recall, 3 percent had a definite date, and 14 percent had been recalled.

Another measure of the severity of job loss is the definition of "dislocated worker" used by the Bureau of Labor Statistics (BLS) in its Displaced Worker Survey. Under this definition, which takes into account both the reason for job separation and job tenure, 19 percent of UI-and-EUC recipients could be classified as dislocated, compared to only 6 percent of EUC-only recipients and 12 percent of UI-only recipients.[8]

These findings on pre-layoff jobs and job separations show that EUC-only recipients were, on average, more likely to be job attached than UI-and-EUC and UI-only recipients. This finding is not surprising, given the industries the recipients came from and given that EUC-only recipients must

[8]The BLS defines workers as dislocated if they worked at the job they lost for three or more years and lost their job because (1) their plant closed, (2) their employer went out of business, or (3) they were laid off and not recalled.

TABLE III.6

PRE-BENEFITS JOB SEPARATION CHARACTERISTICS
(Percent)

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Reason for Job Loss				
Laid Off[a]	74.5	73.4	78.5	75.4
Plant or facility closed/company moved/merger/company sold	16.0	16.9	12.9	10.0
Job or shift eliminated	12.2	14.5	4.8	9.7
Lack of work	37.1	32.8	51.7	46.8
Job completed/temp job/seasonal job	3.7	3.6	4.9	3.9
Other	5.4	5.5	4.2	5.2
Quit	6.3	5.9	7.5	5.7
Retired	0.9	1.1	0.0	1.6
Fired	10.6	11.2	6.0	9.1
Other	7.8	8.0	6.8	8.2
Dislocated Worker[b]	16.5	19.4	6.2	11.7
Expected Recall[c]	28.3	22.5	49.0	38.1
Had Definite Recall Date[c]	6.5	2.8	19.7	13.3
Was Recalled[c]	20.6	14.0	44.1	33.1
Unweighted Sample Size	**1,341**	**1,043**	**298**	**963**

SOURCE: Emergency Unemployment Compensation Survey.

[a]The sample size categorized as "laid off" is greater than the sum of the sample sizes for the reasons laid off because some responses to the question why the pre-benefits job ended were back-coded from "other" to "laid off." Back-coded responses include: job completed/temp job/seasonal, reorganization/downsizing, company sold/moved/closed/went out of business, and enlistment up/end of term in service. Percent responses to reason for layoff were scaled to reflect the full sample of recipients categorized as laid off.

[b]Dislocated workers were classified according to the Bureau of Labor Statistics definition (Flaim and Sehgal 1985). Individuals who were laid off because a plant or facility closed or moved, because a job or shift was eliminated, or for lack of work were counted as dislocated workers if they had at least three years of job tenure and were not recalled.

[c]Questions about expected recall status were asked only of respondents who reported being laid off. Respondents who cited other reasons for job separation besides being "laid off" were assumed not to expect a recall, have a definite date, or have been recalled.

have had a previous UI benefit year before they could choose to collect EUC first. That is, individuals who had never previously filed for UI benefits would not have been eligible to choose whether or not to collect EUC first. First-time claimants would have been required to claim UI before EUC. Those claimants who had previously collected UI benefits, such as workers laid off and recalled periodically, would have been eligible to choose EUC first. Although we cannot examine the issue directly, these workers, or their employers, might also have been better able to understand the complexities of the choice offered between collecting UI or EUC first, and therefore might have been more able to take advantage of the option available, compared to claimants less familiar with the UI system.

In summary, individuals permanently dislocated from their pre-UI jobs were more likely to end up receiving both UI and EUC than were job-attached individuals. They might also be expected to have different needs for assistance with their job search or additional education or training than would the job-attached recipients who ended up receiving either UI or EUC.

D. THE ANTI-POVERTY EFFECTIVENESS OF EUC

Emergency unemployment benefits are provided as additional, time-limited resources to individuals and their families to tide them over while they look for work. Implicit in the emergency benefits legislation is that other income sources, such as other government transfer programs and spouse/partners' incomes, do not provide sufficient support to maintain family incomes at an adequate level. Indeed, it has been argued that emergency extensions are necessary to keep individuals and their families from having poverty-level incomes. We explore these issues in this section by examining (1) receipt of transfer payments, (2) the earnings of spouses/partners, and (3)

family income relative to the poverty threshold and the role of EUC in maintaining incomes above the poverty threshold.

1. EUC Recipients' Use of Transfer Programs and Retirement Benefits

Families may increase the use of transfer programs from pre-unemployment levels to help alleviate the short-term financial needs experienced during unemployment. To assess the reliance of EUC and UI-only recipients on transfer programs and retirement benefits, we asked survey respondents about their use of these programs, both during the six months preceding their first UC payment and during UC benefit collection. Our analysis includes means-tested cash benefits, such as welfare; means-tested in-kind benefits, such as food stamps; retirement benefits, such as social security and private pensions; and other benefits, such as workers' compensation.

We found that rates of receipt for each of these benefits were low for all groups, both before and during the period of UC receipt (Table III.7). The highest rates of receipt occurred for social security, which was received by six to eight percent of UC recipients. Rates of receipt for other benefits were lower. Previous research also found relatively low rates of retirement and public assistance receipt by UC recipients during both recessionary and nonrecessionary times (Smith and Vavrichek 1990; Corson and Dynarski 1990; and Corson and Nicholson 1982).

In general, there were slight increases in the rates of receipt after unemployment, but the differences were quite small. The largest such increase occurred for the UI-and-EUC group, where five percent of recipients reported receiving food stamps prior to layoff and seven percent reported receiving food stamps after layoff.

TABLE III.7

RECEIPT OF RETIREMENT AND PUBLIC ASSISTANCE BENEFITS BEFORE, DURING, AND AFTER UI AND/OR EUC RECEIPT
(Percent)

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Received Social Security:				
Before Unemployment Benefit Receipt	6.4	6.1	7.6	6.9
During Unemployment Benefit Receipt	7.3	7.0	8.2	7.4
Received Other Pension Benefits:				
Before Unemployment Benefit Receipt	3.7	4.2	1.6	3.4
During Unemployment Benefit Receipt	4.3	4.9	2.0	3.3
Received AFDC, SSI, General Assistance, or Other Welfare Benefits:				
Before Unemployment Benefit Receipt	2.3	2.0	3.4	3.0
During Unemployment Benefit Receipt	3.7	3.0	6.3	2.7
Received Food Stamps:				
Before Unemployment Benefit Receipt	4.6	4.9	3.5	3.8
During Unemployment Benefit Receipt	7.1	7.4	5.9	4.7
Received Workers' Compensation or Other Disability Benefits:				
Before Unemployment Benefit Receipt	3.0	3.4	1.5	2.5
During Unemployment Benefit Receipt	3.2	3.7	1.7	2.0
Unweighted Sample Size	**1,341**	**1,043**	**298**	**963**

SOURCE: Emergency Unemployment Compensation Survey.

In sum, recipients rarely used transfer and retirement programs, either before or during UC benefit collection. We could not examine the reasons why UC recipients did not participate in these programs to assess whether they would have been eligible for them, but it is clear that this source of income was insufficient to replace the income lost through unemployment.

2. Earnings of Spouses/Partners

An important source of income to families experiencing an income shortfall attributable to unemployment is likely to be the earnings of the spouse or partner. Income from this source may be sufficient to support recipients and their families during the period of unemployment. Moreover, if spouses/partners are able to increase their earnings substantially, the need for benefit extensions may be lower.

Information from our survey (Table III.8) indicates that spouse/partner earnings were indeed an important source of earnings for recipients with a working spouse/partner; but there is no evidence that employment rates and/or earnings were increased after unemployment. There were no noticeable differences by recipient group. Specifically, 60 to 65 percent of each group reported being married or living together unmarried, about 43 percent reported that they had a spouse or partner who worked, and mean incomes from the spouse/partner averaged $6,500 to $8,000 per recipient. The spouse or partner's income averaged $16,000 to $19,000 for recipients with a working spouse.

3. Family Poverty Rates

EUC was introduced to provide temporary income support for unemployed workers who, because of the recession, needed additional time to look for work. The implicit assumption was that other sources of income were insufficient to provide adequate financial support to avoid depleting

TABLE III.8

SPOUSE/PARTNER EMPLOYMENT STATUS AND EARNINGS
BEFORE AND DURING UC BENEFIT RECEIPT
(Percent)

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Percent with Spouse/Partner:				
Before UC Benefit Collection	62.4	61.9	64.2	64.8
During UC Benefit Collection	60.8	59.9	64.0	63.6
Percent with Working Spouse/Partner:[a]				
Before UC Benefit Collection	43.2	43.8	41.0	43.5
During UC Benefit Collection	41.6	42.5	38.4	42.6
Mean Annual Earnings from Spouse/Partner (Dollars):[a]				
Before UC Benefit Collection	7,969	8,375	6,532	7,539
During UC Benefit Collection	7,832	8,265	6,293	7,493
Unweighted Sample Size	**1,341**	**1,043**	**298**	**963**

SOURCE: Emergency Unemployment Compensation Survey.

[a]Statistics for percentage with a working spouse/partner and mean income from spouse/partner are for the entire sample. Recipients with no spouse/partner, or with a spouse/partner who was not working, are included in the calculations to assess changes in income in response to both changed likelihood of having a spouse/partner who is working and changed work effort by working spouses/partners.

savings. We therefore examine two questions of policy interest: (1) Was the total family income of EUC recipients above the poverty line? (2) Would the recipients' families have fallen into poverty if they had not received EUC?

To examine these questions, we compare average weekly total family income to family size-adjusted poverty thresholds during the six months prior to receipt of UC and during receipt, including and excluding UI/EUC benefits. "Family income" includes recipients' earnings, earnings reported for the spouse/partner, and public assistance and retirement benefits.

Our analysis shows that, prior to the unemployment spell, distribution of family income relative to the poverty threshold was very similar for the UI-and-EUC and UI-only groups (Table III.9). About 60 to 65 percent of the families had incomes above twice the poverty line, and 11 to 12 percent had incomes below the poverty line, a rate equal to the national rate for families in 1993 (U.S. Bureau of the Census 1996). The EUC-only group was slightly less well off, with 46 percent having incomes more than twice the poverty line and 15 percent with incomes below the poverty line.

Family income dropped after the recipients became unemployed and substantially greater percentages of claimant families had poverty-level incomes, despite UC benefit receipt. During the UC benefit collection period, family income averaged about half the income during the period immediately prior to unemployment. Including UC benefits, 41 percent of UI-and-EUC, 60 percent of EUC-only, and 52 percent of UI-only recipient families appear to have had incomes at or below the poverty line.

If EUC benefits were not available and were excluded from the family income during the EUC benefit collection period, 70 percent of UI-and-EUC recipient, and 77 percent of EUC-only recipients would have been below the poverty level if recipients or their families were unable to find

TABLE III.9

FAMILY INCOME RELATIVE TO THE POVERTY LEVEL THRESHOLD

	EUC Total	UI- and EUC	EUC-Only	UI-Only
Pre-Unemployment Family Income				
Mean Weekly Amount (Dollars)	653	676	572	626
As a Percentage of the Poverty Threshold				
0.0 to 0.5	0.9	0.9	1.0	1.8
0.5 to 1.0	11.0	10.2	14.2	10.2
1.0 to 1.5	12.5	11.3	17.0	14.7
1.5 to 2.0	14.6	12.6	22.2	14.3
2.0 to 3.0	21.9	21.0	21.2	19.8
Over 3.0	39.9	43.9	24.4	39.1
Family Income During the UC Collection Period				
Mean Weekly Amount (Dollars)	331	357	246	298
As a Percentage of the Poverty Threshold				
0.0 to 0.5	20.4	15.8	36.6	31.0
0.5 to 1.0	24.7	25.0	23.7	21.4
1.0 to 1.5	19.8	21.3	14.7	16.6
1.5 to 2.0	12.2	11.6	14.3	9.5
2.0 to 3.0	11.5	13.3	5.2	12.0
Over 3.0	11.4	13.0	5.4	9.6
Family Income During the UC Collection Period, Excluding UC Benefits				
Mean Weekly Amount (Dollars)	173	183	135	171
As a Percentage of the Poverty Threshold				
0.0 to 0.5	62.5	61.0	67.7	61.9
0.5 to 1.0	9.0	8.9	9.6	9.5
1.0 to 1.5	9.2	9.1	9.2	10.3
1.5 to 2.0	6.7	6.6	7.0	4.9
2.0 to 3.0	6.6	7.7	2.5	8.0
Over 3.0	6.1	6.7	3.9	5.4
Unweighted Sample Size	**1,341**	**1,043**	**298**	**963**

TABLE III.9 *(continued)*

NOTE: Family income is the sum of the respondent's income, spouse's income (or partner's income if living with someone unmarried), retirement benefits, and transfer payments. Family income before benefits collection is the average of total income in the six months prior to filing for benefits; it assumes (1) that weekly earnings for the claimant are constant throughout the period, since a high percentage of records contained missing start and stop dates for the pre-unemployment job; and (2) that weekly earnings from the spouse/partner are constant, since we did not ask start and stop dates of spouse/partner's employment.

jobs or increase their earnings in the absence of UI benefits.[9] To examine potential behavioral responses to the loss of EUC, we also examined family income of EUC exhaustees following exhaustion. We found little evidence that exhaustees were able to increase family income rapidly.

These poverty rates are substantially higher than those found in other studies of UC recipients. For example, Corson and Nicholson (1982) estimate that 23 percent of FSB recipient families had poverty-level incomes when collecting FSB, and Smith and Vavrichek (1990) estimate that 19 percent of mid-1980s long-term UI recipients and their families had poverty-level incomes. In the absence of UC, the two studies estimate poverty rates of 33 and 46 percent, respectively. One reason for the differences is that the current study, unlike the other two cited here, may have less complete data on family income. For example, the other two studies were able to include data on the earnings of family members other than the spouse, as well as data on dividends, rent, and interest; but this study does not contain these data. Another reason for the differences is that the FSB calculation refers to the year in which FSB was collected while the other two refer solely to the period in which UI or EUC was collected.

While this comparison to earlier studies suggests that the poverty rates reported here may be biased upwards, an analysis of family structure and the components of income suggests that the numbers reported here may not be far out of line. The numbers reported in Table III.4 indicate that the average family size of EUC and UI recipients was 2.4, which translates to an average 1993 annual poverty threshold of roughly $10,500. With an average UI/EUC weekly benefit of $169, recipients who were solely or primarily dependent on their UI benefit for income would have had poverty-level incomes ($169 × 52 = $8,788). In contrast, the 40 percent of recipients with working spouses would be unlikely to have poverty-level incomes, since average earnings of the spouse were

[9]Loss of UI benefits would have had a similar effect on UI-only family incomes.

more than $16,000 in all our claimant groups. These numbers suggest that poverty status is highly correlated with the absence of a spouse's income, a finding confirmed in the Smith and Vavrichek (1990) study.

In summary, our analysis of family income relative to poverty thresholds suggests that EUC kept a substantial portion of families from experiencing poverty-level incomes during the period of EUC collection. Other transfer payments and retirement benefits, without EUC, would not have kept these families above the poverty level. On the other hand, the earnings of the spouse/partner were an important and sizable source of family income, but this source was available only to the approximately 40 percent of recipients whose spouse/partner was working prior to the pre-UI layoff. We found no evidence of increased employment rates or earnings of the spouse/partner during the unemployment spell.

E. RECEIPT OF REEMPLOYMENT SERVICES AND PARTICIPATION IN EDUCATION OR TRAINING

EUC recipients' employment and training needs may have differed from those of regular UI-only recipients. If so, the appropriate policy response may have been to provide more reemployment services or education/training to these individuals before they began to collect EUC. While the need for services is not easily measured without in-depth case studies of the skills and interests of each individual, we explore this issue in two ways. First, we examine the degree to which EUC recipients used reemployment services and education and training. Evidence that reemployment services and education/training were used by many recipients would suggest that increased emphasis on service use may be unnecessary, while evidence that reemployment services or education/training were used by few recipients would suggest the opposite. Second, we examine whether EUC recipients had

characteristics such as low skills and education levels, which may indicate a need for employment and training services.

1. Reemployment Service Use

Both UI and EUC recipients could use job search and placement services provided by their state's Job Service or Employment Service, and substantial fractions of both groups used services. As we would expect, long-term EUC recipients (UI-and-EUC) were more likely to use the Job Service than shorter-term recipients (EUC-only and UI-only). As Table III.10 shows, about two-thirds of EUC-and-UI recipients reported using the Job Service, both while collecting UI and while collecting EUC, compared to about 50 percent of EUC-only and UI-only recipients.[10] However, despite the greater likelihood of service use and the fact that Job Service registration was required during some phases of EUC, 25 percent of long-term recipients did not report using the Job Service either during UI or EUC. This finding suggests that there is probably some room for increasing the level of service use for long-term recipients.

One potential explanation for the fact that some recipients did not use the Job Service is that some recipients were job attached and probably not in need of reemployment services. Data on the use of Job Services by recall status (Table III.10) confirm that recipients with definite recall dates were much less likely than other recipients to go to the Job Service; still, a substantial number of recipients with no expectation of recall did not use the Job Service. The rate of use was highest for

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[10]The rates of Job Service use are similar to those found in a study of UI recipients in 1988. In that study, 64 percent of exhaustees and 50 percent of nonexhaustees reported using the Job Service (Corson and Dynarski 1990). As in that study, the services most commonly mentioned by recipients were (1) receiving referrals to jobs, (2) being taught how to apply for jobs, (3) receiving assistance in applying, (4) receiving information on careers or occupations, and (5) receiving information about job training or education programs.

TABLE III.10

USE OF REEMPLOYMENT SERVICES OTHER THAN TRAINING

		UI-and-EUC				EUC-Only				UI-Only			
	EUC	All	No Recall Expectations	Recall Expectations, No Date	Definite Recall Date	All	No Recall Expectations	Recall Expectations, No Date	Definite Recall Date	All	No Recall Expectations	Recall Expectations, No Date	Definite Recall Date
Received Services from Job Service													
During UI collection	71.1	71.1	71.3	72.8	54.1	--	--	--	--	47.6	50.3	52.0	27.1
During EUC collection	63.1	67.0	66.2	72.1	53.9	49.1	58.1	50.9	24.9	--	--	--	--
During Either UI or EUC Collection	71.6	75.4	75.1	78.8	61.0	49.1	58.1	50.9	24.9	47.6	50.3	52.0	27.1
Received Services from JTPA or Other Source													
During UI collection	20.1	20.1	21.8	15.5	4.2	--	--	--	--	14.2	19.1	7.5	4.3
During EUC collection	14.3	15.9	16.8	13.5	4.4	8.6	13.5	4.1	2.3	--	--	--	--
During Either UI or EUC Collection or After Exhaustion	22.3	25.2	27.1	20.5	4.4	8.6	13.5	4.1	2.3	14.2	19.1	7.5	4.3
Unweighted Sample Size	**1,258**	**981**	**763**	**189**	**29**	**277**	**138**	**85**	**54**	**943**	**551**	**251**	**141**

SOURCE: Emergency Unemployment Compensation Survey

longer-term recipients who had no recall expectations (that is, UI-and-EUC); even for this group, however, a quarter did not use the services.

Similar patterns held for use of services from the Job Training Partnership Act (JTPA) or other sources. Once again, a higher percentage of UI-and-EUC recipients (25 percent) received services from these sources than did EUC-only and UI-only recipients (9 and 14 percent, respectively). Recipients with recall expectations were less likely to receive services than recipients who were less job attached.

2. Use of Occupational Training and General Education

During recessionary periods most unemployment compensation recipients are likely to have job skills that will lead to jobs once the economy strengthens, and these recipients are not likely to need further education or training to find a job. However, some recipients lack employable skills and need (or could benefit from) further education or training, either to find a job or to increase their wages. These recipients may or may not receive education or training while unemployed. Hence, an important question is: To what degree do unemployment compensation recipients participate in education or training programs?

Information collected in our survey about this question indicates that a modest number of recipients did participate in training or education programs at some point between their first UC claim date and our interview date, a period that averaged approximately three-and-a-half years. A slightly higher percentage of UI-and-EUC recipients (24 percent), compared to UI-only or EUC-only recipients (14 to 17 percent), received education or training, with some recipients reporting participation in more than one program (Table III.11).[11] However, not all education or training

[11]These rates are higher than the rates for UI recipients reported in Corson and Dynarski 1990, for 1988 (16 percent for exhaustees and 10 percent for nonexhaustees). That study, however, covered a shorter time period (about one year), and 1988 was a nonrecessionary year.

TABLE III.11

USE AND TYPES OF EDUCATION OR TRAINING RECEIVED BY BENEFITS RECIPIENTS
(Percent)

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Number of Training or Education Programs Participated in Between First Claim Date and Interview Date				
0	77.8	75.6	85.8	82.9
1	15.8	17.3	10.3	13.2
2	4.3	4.7	3.2	2.5
3 or more	2.1	2.4	0.7	1.4
Start of Training				
Before beginning benefit receipt	9.5	10.1	5.2	14.3
During benefit receipt	55.6	57.3	43.8	37.9
After benefit receipt, before job start	14.9	13.9	21.6	19.2
After job start	20.0	18.7	29.5	28.7
If Participated in Training or Education, First Program Was				
Skilled/occupational training program	73.6	74.1	70.2	68.8
General education program	26.4	25.9	29.8	31.2
If Participated in Second Program, It Was				
Skilled/occupational training program	73.6	73.4	74.6	63.5
General education program	26.4	26.6	25.4	36.5
Unweighted Sample Size	**1,341**	**1,043**	**298**	**963**

SOURCE: Emergency Unemployment Compensation Survey.

received between the first claim date and the interview date was in response to the unemployment spell. Some recipients continued education or training they had began before collecting UC benefits, while others began participating after becoming reemployed.[12] About 30 percent of the first education or training program reported by UI-and-EUC recipients, and 35 percent or more for EUC-only and UI-only recipients, began either before or after the unemployment spell. Adjusting for the start date, we find that about 17 percent of UI-and-EUC and 10 percent of EUC-only and UI-only recipients participated in education or training programs that began while they were unemployed.

Participation in occupational training programs was two to three times as common as participation in general education programs. Moreover, UI-and-EUC recipients who received education or training were more likely to receive occupational training than general education, compared to EUC-only and UI-only recipients.

An examination of the characteristics of the first training program begun during the unemployment spell (Table III.12) indicates that common types of training were computer programming and data processing; nursing, therapy, and other medical training; and business management, including sales.[13] The category labeled "Other" represents a large percentage of claimants' training, since the training varied considerably. Common categories included in this category are police and correctional work, social work and counseling, and food management.

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[12]We cannot distinguish perfectly between training undertaken in response to unemployment and education or training begun for other reasons. For example, a worker might have started a training program in expectation of a layoff; alternatively, a worker may have accepted a job for the short term to provide income while participating in education or training for a new career.

[13]Because sample sizes for the second and third programs are too small for comparisons to be meaningful, we focus on the first program only.

TABLE III.12

CHARACTERISTICS OF OCCUPATIONAL TRAINING STARTED DURING UNEMPLOYMENT SPELL
(Percent)

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Type of Training				
Computer programming, data processing	12.7	11.1	24.7	14.9
Nursing, therapist, medical	13.4	12.5	20.3	18.2
Secretarial, word processing	3.9	3.6	6.4	2.7
Real estate sales	3.2	3.6	0.0	0.0
Cosmetology, beautician	2.4	2.7	0.0	0.0
Teaching certification	3.6	3.6	3.4	2.7
Accounting, tax preparation	6.4	4.8	18.5	5.4
Truck driving	1.3	1.5	0.0	11.1
Business/management/sales	11.0	10.5	14.5	12.9
Construction/carpentry/plumbing/mechanics	8.6	7.1	0.0	5.4
Other[a]	33.6	39.0	12.2	26.7
Program Included Some General Education	22.8	23.0	20.9	25.3
Location of Training				
Vocational training center	17.0	16.6	20.1	16.6
Community college	32.1	32.2	31.4	21.5
Other college or university	11.2	10.4	17.3	4.0
Business school	1.9	2.1	0.0	10.9
Company	7.8	7.8	8.1	3.0
Adult education	7.2	7.0	8.6	13.3
Other	22.8	23.9	14.5	30.9
Program Was Paid for by:				
Claimant	37.2	37.7	33.5	55.6
Claimant's family	2.2	2.5	0.0	2.9
Employer	7.9	6.2	20.9	10.9
Government agency	43.7	44.5	37.5	23.9
Government loan or scholarship	1.0	1.1	0.0	5.5
Private organization	8.1	8.0	8.1	1.3

TABLE III.12 *(continued)*

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Duration of Program[b]				
Less than 1 month	8.5	8.7	6.8	4.4
1 or 2 months	28.0	28.5	23.8	36.7
3 to 5 months	21.5	20.0	32.9	14.8
6 to 11 months	8.2	8.2	8.6	12.0
12 to 23 months	9.6	8.4	19.2	10.7
24 or more months	24.3	26.3	8.6	21.4
Completion Status				
Completed program	80.8	81.4	75.9	76.4
Dropped out of program	9.3	10.4	0.0	9.2
No specified completion	1.3	0.7	5.6	5.0
Still in program	8.7	7.4	18.5	9.3
Was Program Useful in Obtaining a Job?				
Useful	58.4	62.5	21.3	65.1
Somewhat useful	18.9	16.6	40.5	8.4
Not useful	22.7	20.9	38.3	26.5
How Useful Is Program on Current Job?				
Useful	50.2	51.2	41.6	46.9
Somewhat useful	17.8	16.3	29.5	19.1
Not useful	22.2	23.5	12.0	27.4
No current job	9.8	9.0	16.9	6.6
Unweighted Sample Size	**116**	**102**	**14**	**48**

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: Analysis is restricted to survey respondents whose first education or training program that started during the unemployment spell (either during benefit receipt or after benefit receipt and before a job start) was occupational training.

[a]Frequent responses grouped in the "Other" category include: police or correctional work, social work and counseling, chef or food management, basic job skills, graphic design or drafting, and water and waste management.

[b]We asked survey respondents who could not recall the duration of the program whether it was less than six months or six months or more. Of those who could respond, about half thought it was less than six months.

UI-and-EUC were twice as likely to have a government agency pay for the program, as were UI-only recipients.[14] About 75 percent of UI-and-EUC completed the first occupational training program, and more than 60 percent considered the course useful in obtaining a job. (Somewhat more thought that the program was "useful" or "somewhat useful" on the current job.)

In contrast to UI-and-EUC, UI-only recipients most commonly reported paying for their own program. Their experiences in how the training helped them either to get a job or maintain it were similar to those of the long-term unemployed. Sixty-five percent reported that the training was useful in obtaining a job; 66 percent thought it was useful or somewhat useful on the job.

The most common types of general education courses taken by EUC and UI-only were two-year college courses (Table III.13). General Equivalency Diploma (GED) classes, English as a Second Language (ESL) classes, and noncredit adult education classes were also common. As with occupational training, UI-and-EUC recipients were more likely than UI-only recipients to report that their general education courses were paid for by a government agency, although paying for one's own course was the most prevalent method. Half the courses taken by both EUC and UI-only recipients were to last less than six months.

In contrast to the occupational training, larger percentages of EUC and UI-only recipients (18 percent and 41 percent, respectively) reported that they did not complete the general education courses, and a lower percentage of recipients thought their general education courses were useful in performing their jobs. Common reasons for not completing the courses were finding employment and being unable to afford to continue. Because the number of recipients who reported taking general education courses is extremely small, caution should be used in interpreting these patterns.

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[14]We ignore the EUC-only recipients, since the sample size is quite small.

TABLE III.13

CHARACTERISTICS OF GENERAL EDUCATION COURSES STARTED DURING THE UNEMPLOYMENT SPELL
(Percent)

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Type of General Education				
High school	2.2	2.6	0.0	0.0
GED	20.2	19.0	28.1	8.2
English as a Second Language (ESL) classes	7.2	8.4	0.0	15.7
Noncredit adult education	16.4	15.8	20.2	19.7
Two-year college	23.1	26.8	0.0	32.8
Four-year college or university	15.3	15.5	13.5	4.8
Graduate or professional program	3.2	3.7	0.0	0.0
Other	12.4	8.3	38.2	18.9
Program Was Paid for by:				
Recipient	45.9	44.2	56.4	60.2
Recipient's family	2.7	3.1	0.0	0.0
Employer	0.0	0.0	0.0	6.9
Government agency	32.2	35.2	14.1	24.4
Government loan or scholarship	16.4	14.2	29.6	0.0
Private organization	2.9	3.3	0.0	8.5
Duration of Program[a]				
Less than 1 month	2.3	2.7	0.0	0.0
1 or 2 months	23.9	23.1	28.8	27.7
3 to 5 months	31.5	27.1	58.7	20.0
6 to 11 months	14.3	16.7	0.0	10.1
12 to 23 months	3.3	3.8	0.0	0.0
24 to 47 months	12.3	14.3	0.0	42.2
48 or more months	12.5	12.4	13.5	0.0
Completion Status				
Completed program	76.2	72.5	100.0	58.8
Did not complete program	15.7	18.1	0.0	41.3
Still in program	8.2	9.4	0.0	0.0

TABLE III.13 *(continued)*

	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Was Program Useful in Obtaining a Job?				
Useful	56.9	56.1	61.8	42.1
Somewhat useful	21.6	25.3	0.0	8.2
Not useful	21.5	18.6	38.2	49.7
How Useful Is Program on Current Job?				
Useful	30.6	31.0	27.6	40.5
Somewhat useful	24.7	28.5	0.0	40.8
Not useful	24.9	19.7	58.4	12.3
No current job	19.9	20.8	14.1	6.4
Unweighted Sample Size	**38**	**31**	**7**	**14**

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: Analysis is restricted to survey respondents whose first education or training program that started during the unemployment spell (either during benefit receipt or after benefit receipt and before a job start) was a general education course.

[a]We asked survey respondents who could not recall the duration of the program whether it was less than six months or more. Of those who could respond, about 60 percent (65 percent of UI-only claimants and 45 percent of EUC claimants) thought it was less than six months.

3. Indicators of Potential Need for Education or Training

In Section 2, we reported that 17 percent of the long-term recipients (that is, those receiving both UI and EUC) participated in education or training programs while unemployed, and that three-quarters of these individuals participated in occupation-oriented training programs. An obvious question to ask is whether other recipients might have benefited from participation in education or training programs. This is a difficult question to answer, since we do not know what the impact of participation would be on employment and earnings. However, we can examine this question partially by examining characteristics of recipients that are likely to reflect a need for further education or training.

We examined two indicators of potential need for education or training: (1) not having a high school diploma or a GED, and (2) earning less than $6 per hour at the pre-benefits job.[15] By these measures, substantial numbers of recipients might benefit from education or training (Table III.14). Specifically, about 35 percent of the recipients in the EUC-and-UI and UI-only samples had one or more of these characteristics, while about 7 percent had both characteristics. EUC-only recipients were more likely to be high school dropouts and/or earn less than $6 per hour than were either UI-only or UI-and-EUC recipients (44 percent, compared to 35 percent).

While these indicators suggest that substantial numbers of recipients might have benefited from further education or training, the actual participation rate was considerably lower (about 16 percent);

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[15]We also considered using two other measures as potential indicators of need for education or training: (1) having worked in an industry that had experienced significant employment decline in the several years prior to the recession (from 1986 to 1990), and (2) not expecting recall. When we used either indicator in conjunction with the other indicators of need for training, virtually all of the sample was considered to have potential need for training. We therefore rejected use of these measures as indicators of potential need for training.

TABLE III.14

INDICATORS OF POTENTIAL NEED FOR EDUCATION OR TRAINING
(Percent)

	EUC Total	UI- and-EUC	EUC-Only	UI-Only
Ex Ante Indicators of Potential Need for Training				
Less than a high school diploma or GED	17.8	15.0	27.7	16.6
Did Not Earn More than $6 per Hour at Pre-Unemployment Job	25.5	25.6	24.9	24.5
Had One or More of These Characteristics	36.4	34.1	44.4	35.4
Had Both of These Characteristics	7.3	6.8	9.0	6.2
Unweighted Sample Size	**1,341**	**1,043**	**298**	**963**

SOURCE: Emergency Unemployment Compensation Survey.

interestingly, it was lower for recipients with low educational levels or low pre-unemployment wages than for recipients with higher education levels or higher pre-unemployment wage levels (Table III.15). Rates of education or training participation were even slightly lower for individuals with both a low education level and low pre-unemployment wages. These findings are mirrored in the data on Job Service use; rates of Job Service use were higher for individuals with no indicator of education or training need than for those with such indicators. These results are consistent with results from a study of Trade Adjustment Assistance (TAA) recipients. Recipients who participated in training had more education, on average, than TAA recipients who did not participate in training (Corson et al. 1993).

These findings suggest that providing additional education and training services as part of emergency benefits legislation might be useful, but we should not base a recommendation for additional education and training solely on the findings. For example, we found that a greater percent of EUC-only recipients had low education levels or low wages than any of our other groups, but it probably would not necessarily be beneficial to provide education and training to this group, since EUC-only recipients tended to be job attached. Before providing additional education and training, we need evidence of the impacts these services have on the future earnings of workers. We also need information about which workers are most likely to benefit.

TABLE III.15

USE OF TRAINING AND JOB SERVICES, BY INDICATED POTENTIAL NEED FOR TRAINING/EDUCATION
(Percent)

	EUC	UI-and-EUC	EUC-Only	UI-Only
Had One or Both Ex Ante Indicators of Potential Need for Training or Education				
Received Training or Education	11.4	13.9	4.5	7.2
Went to Job Service	69.3	76.0	50.7	47.3
Had Both Ex Ante Indicators of Potential Need for Training or Education				
Received Training or Education	9.9	13.4	0.0	2.4
Went to Job Service	68.0	74.0	50.1	35.1
Had Neither Ex Ante Indicator of Potential Need for Training or Education				
Received Training or Education	19.6	21.6	11.2	11.9
Went to Job Service	73.2	77.8	53.5	48.1
Full Sample				
Received Training or Education	15.7	17.4	9.3	9.9
Went to Job Service	71.5	76.7	52.5	47.9
Unweighted Sample Size	**1,341**	**1,043**	**298**	**963**

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: The tables pertain to training/education that started during the unemployment spell. "Went to Job Service" pertains to going to Job Service during UI or EUC benefit collection or after benefit exhaustion.

We assume that respondents who did not report start dates of training or education were proportionately as likely to have begun these activities during benefit receipt and before starting a job as recipients who reported start dates. The figures are adjusted to include recipients without dates.

IV. LABOR MARKET EXPERIENCES OF EUC RECIPIENTS

Emergency extended benefits are intended to provide additional income support during a time when unemployment durations are expected to be longer. Because they decrease the economic urgency for employment, however, the benefits may also lead to longer unemployment spells. In this chapter, we examine four aspects of Extended Unemployment Compensation (EUC) recipients' unemployment and post-unemployment labor market experiences. First, we describe recipients' work search activities during benefit collection and, after benefit exhaustion, by exhaustees. Second, we characterize recipients' unemployment durations and examine the characteristics of recipients who did not return to work. Third, we report the characteristics of post-unemployment jobs for recipients who became reemployed. Finally, we estimate the work disincentive effects of EUC on unemployment durations.

Our findings indicate that many Unemployment Compensation (UC) recipients, particularly those who had the most difficulty finding a job (that is, the Unemployment Insurance [UI]-and-EUC recipients), had unfavorable reemployment outcomes. Despite active job search, it took many recipients a long time to find a job. Many were not successful in finding work in their pre-benefits occupations or industries, and many took jobs that paid less or provided fewer hours of work than their pre-benefits jobs. Many also ended up having more than one post-benefits job within the period of roughly three and a half years that we examined.

A. RECIPIENTS' WORK SEARCH PATTERNS

The work search patterns of EUC and UI recipients may have differed, given recipients' different expectations about recall to their former employers or their understanding of the

requirements for collecting UC benefits.[1] To explore this issue, we asked sample members about the frequency and intensity of their job search efforts at two points of time: (1) during their initial benefit collection period under either UI or EUC, whichever they collected first; and (2) during their second benefit collection period, if they collected both UI and EUC. Consistent with our analysis in Chapter III, we divided the EUC sample into two categories of recipients: (1) recipients who collected both UI and EUC, and (2) recipients who collected EUC only. This allowed us to investigate whether recipients who collected EUC only were similar to other recipients who collected EUC (but who were more likely to be long-term unemployment recipients) or to recipients who collected UI-only (recipients more likely to be short-term unemployed).

The likelihood of searching varied across recipient groups. Almost 90 percent of long-term unemployment recipients (who collected both UI and EUC) indicated that they searched for employment during both first and second benefit collection periods (Table IV.1). This number is significantly higher than the 65 percent of EUC-only recipients and 74 percent of UI-only recipients who reported searching. This finding is consistent with our findings in Chapter III: EUC-only recipients were more job attached than other recipients and, thus were less likely to need to search for work.

We asked recipients how many employers they contacted in person, by phone, and by mail during the first benefit collection period and whether they contacted "more, less, or about the same" number of employers by these means during the second benefit collection period. On average, UI-and-EUC recipients who searched for work reported contacting four to five employers in person each

[1]To be eligible for EUC benefits, EUC legislation required recipients who collected EUC to conduct a more intensive job search than was required of most recipients in UI programs.

TABLE IV.1

WORK SEARCH INTENSITY DURING EACH BENEFIT PERIOD
(Percent, Unless Otherwise Stated)

	EUC			
	EUC Total	UI-and-EUC	EUC-Only	UI-Only
First Benefit Collection Period				
Did Recipient Search for Work During First Benefit Collection Period?				
Yes	87.6	90.7	64.7	73.6
No	12.4	9.3	35.3	26.4
Number of Employers Visited in Person Each Week				
0	16.8	13.5	41.2	30.3
1 to 2	18.2	19.2	10.5	18.6
3 to 5	37.6	39.9	28.1	30.1
6 or more	27.4	28.4	20.2	21.0
Mean	4.7	4.8	3.3	3.8
Median	3.0	4.0	2.0	3.0
Number of Employers Contacted by Phone Each Week				
0	42.5	40.8	55.5	56.5
1 to 2	14.2	14.0	15.5	11.0
3 to 5	21.1	22.0	14.1	15.8
6 or more	22.2	23.2	15.0	16.7
Mean	4.5	4.8	2.4	3.2
Median	2.0	2.0	0.0	0.0
Number of Employers Contacted by Mail Each Week				
0	58.3	55.7	77.2	67.5
1 to 2	8.4	8.7	5.8	4.7
3 to 5	14.3	15.0	9.6	11.3
6 or more	19.0	20.6	7.4	16.6
Mean	3.8	4.2	1.4	3.3
Median	0.0	0.0	0.0	0.0
Unweighted Sample Size for First Collection Period	**1,168**	**1,021**	**147**	**891**
Second Benefit Collection Period				
Did Recipient Search for Work During Second Benefit Collection Period?				
Yes	87.9	87.9	--	--
No	12.2	12.2	--	--
Number of Employers Contacted in Person During Second Claim Period Compared to Number Contacted in Person During First Claim Period				
More	8.9	8.9	--	--
Less	17.5	17.5	--	--
About the same	73.6	73.6	--	--
Number of Employers Contacted by Phone During Second Claim Period Compared to Number Contacted by Phone During First Claim Period				
More	9.0	9.0	--	--
Less	14.7	14.7	--	--
About the same	76.3	76.3	--	--

TABLE IV.1 *(continued)*

	EUC			
	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Number of Employers Contacted by Mail During Second Claim Period Compared to Number Contacted by Mail During First Claim Period				
More	6.5	6.5	--	--
Less	14.7	14.7	--	--
About the same	78.9	78.9	--	--
Unweighted Sample Size for Second Collection Period	**1,021**	**1,021**	**--**	**--**

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: We asked all survey respondents the question, "During the time you were collecting benefits on the claim which started on (initial claim date), did you look for another job?" If they responded "Yes," we asked respondents, "During that time period, about how many different employers did you visit in person each week during that time period?" We asked similar questions about contacting employees by phone and by mail. If a respondent had a second claim, we asked the question, "During the time you were collecting benefits on the claim which started on (second claim date), did you look for another job?" If a respondent said she or he searched for work during the first and second claim periods, we asked respondents, "During the time you were collecting benefits on the claim filed in (second claim month and year), did you contact more, less, or about the same number of employers (in person/by mail/by telephone)?" If a respondent reported (1) not searching during the first claim period, but (2) searching during the second claim period, and (3) reported contacting employers (in person/by mail/by phone), we categorized her or him as having contacted more employers using that mode during that time. We set the numbers of employers contacted in person, by mail, and by phone to zero for claimants who did not search during the first benefit collection period. We set the number of employers contacted in person, by mail, or by phone to "less" if claimants reported not searching during the second benefit collection period and they contacted at least one employer using the method during the first benefit collection period. We set the number of employers contacted to "about the same" if they reported contacting no employers during the first period or reported not searching during the first period.

To ensure that we are comparing similar sets of respondents across collection periods and methods of searching, we excluded 250 claimants who had missing data on any of these survey questions.

week, and slightly fewer by phone and mail. UI-only recipients who searched for work contacted fewer employers, on average; EUC-only recipients who searched for work contacted the fewest. During the second period, most respondents indicated contacting about the same number of employers through each of these methods as they had in the first period; of the remainder, more recipients reported contacting fewer employers, rather than more. Although our survey questions were not designed to assess whether recipients met the legislative requirement that their work search be "systematic and sustained," most long-term recipients reported substantial search effort. Work search intensity was slightly higher during the earlier benefit collection period, compared to later, but it still remained high.

Recipients who did not search for work gave various reasons for not searching during the benefit collection periods (Table IV.2). The most common reasons for not looking for work were that recipients expected to get their old job back and that ill health or disability prevented them from working or looking for work.

Receiving UC may delay some recipients' work search efforts until they exhaust benefits, suggesting that work search intensity should increase over time, but the overall pattern that emerges from our data is not consistent with this view. Data in Tables IV.1 and IV.3 show that, during benefit collection, UI-and-EUC recipients who subsequently exhausted benefits reported searching at about the same level as nonexhaustees, which suggests that low work search effort was not a major reason for the increased length of their unemployment. However, some exhaustees reported decreasing their work search efforts following benefit exhaustion--only 74 percent of exhaustees searched after exhausting their benefits, compared to 90 percent during the first benefit period. These recipients may have decreased their search efforts either because they were discouraged about the prospect of finding work or because they had already contacted all the employers in their area.

TABLE IV.2

MAIN REASONS FOR NOT LOOKING FOR WORK
(Percent)

	EUC			
	EUC Total	UI-and-EUC	EUC-Only	UI-Only
During First Benefit Period				
New job to start	2.0	0.0	3.7	1.8
Expected to get old job back/temporary layoff	58.2	32.8	78.5	68.0
In school or other training	6.2	13.3	0.5	2.4
Did not want to work or to look for work	1.6	2.5	0.9	0.3
Retired/about to retire	3.4	4.6	2.5	1.4
Believed no work available in line of work or area	2.4	5.3	0.0	3.8
Ill health/physical disability/pregnancy	11.4	19.9	4.6	3.8
Family responsibility/child care	1.7	3.7	0.0	0.6
Expected union to provide job	6.4	10.1	3.5	11.2
Other	6.7	7.8	5.8	8.4
Unweighted Sample Size	153	71	82	265
During Second Benefit Period				
New job to start	8.8	8.8	---	---
Expected to get old job back/temporary layoff	21.8	21.8	---	---
In school or other training	24.9	24.9	---	---
Did not want to work or to look for work	0.4	0.4	---	---
Retired/about to retire	7.0	7.0	---	---
Believed no work available in line of work or area	6.3	6.3	---	---
Ill health/physical disability/pregnancy	13.0	13.0	---	---
Family responsibility/child care	3.0	3.0	---	---
Expected union to provide job	9.8	9.8	---	---
Other	5.0	5.0	---	---
Unweighted Sample Size	106	106	---	---

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: Analysis restricted to claimants who reported not searching during the first and second benefit collection periods, respectively.

TABLE IV.3

WORK SEARCH INTENSITY BY EXHAUSTEES
(Percent)

	UI-and-EUC
Did Recipient Search for Work During First Benefit Collection Period?	
Yes	90.4
No	9.6
Did Recipient Search for Work During Second Benefit Collection Period?	
Yes	87.8
No	12.2
Did Recipient Search for Work After Exhaustion?	
Yes	74.3
No	25.7
Unweighted Sample Size for Period After Exhaustion	413

SOURCE: Emergency Unemployment Compensation Survey.

In sum, three patterns emerge from recipients' reports of their work search intensity during and after benefit collection. First, searches by UI-and-EUC recipients who had lower expectations about recall by former employers than did EUC-only or UI-only recipients were more intensive. Second, the majority of recipients who reported not searching said they did not do so because they expected to be recalled. Third, long-term unemployed recipients decreased their work search efforts over time. Although we can only speculate about the reasons for this, recipients may have become discouraged after finding no job openings, or they may have run out of employers to contact.

B. UNEMPLOYMENT DURATIONS

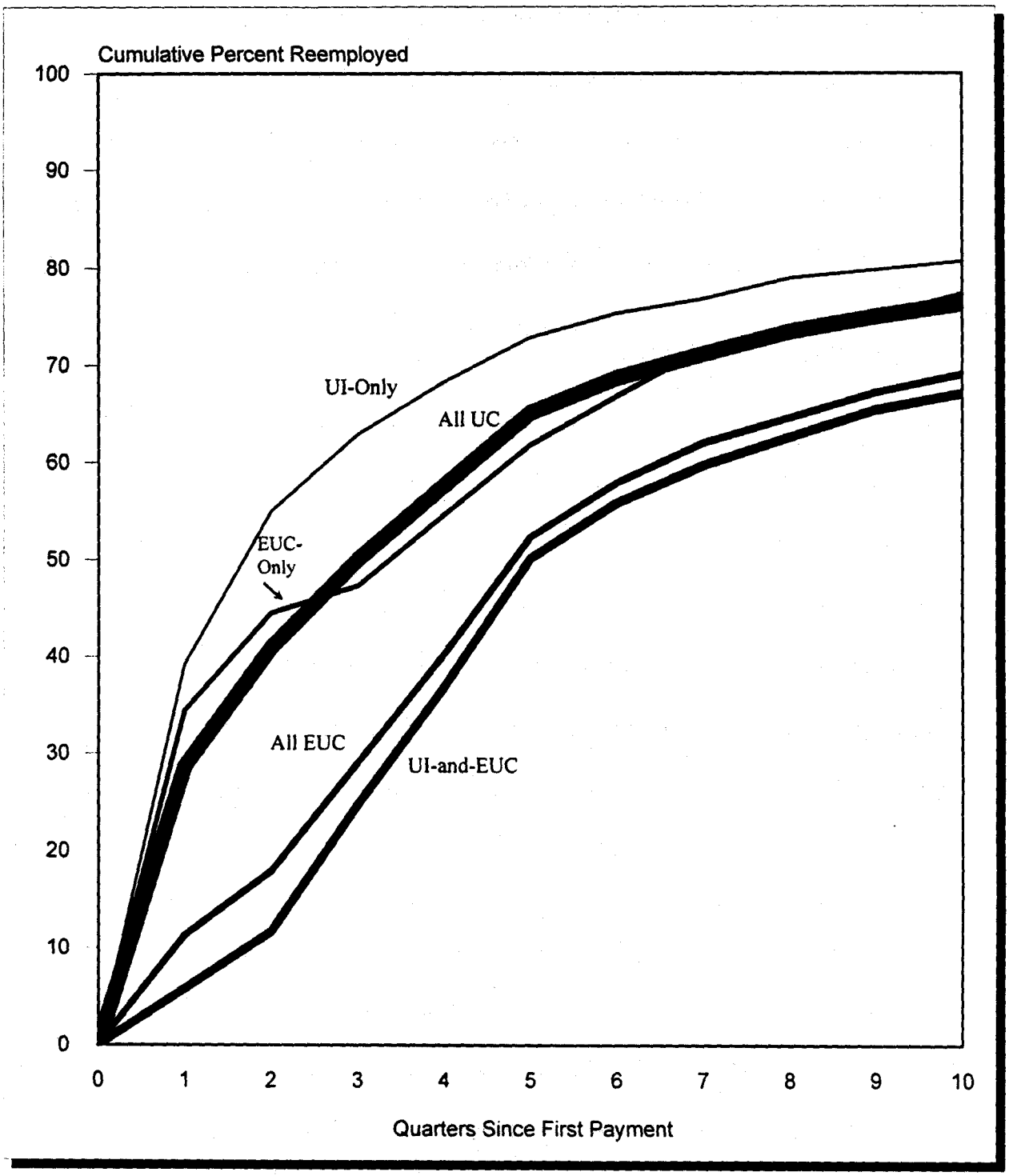
We begin our analysis of the labor market experiences of UC recipients by providing some descriptive statistics on the length of time recipients were without a job. Although the Bureau of Labor Statistics (BLS) defines "unemployment" as not working and either waiting to return to or actively seeking a job, we focus on the length of time individuals spent without jobs, since it is difficult to determine from retrospective survey data whether an individual would fit the BLS definition throughout the period he or she was without a job. We look first at all recipients, then at recipients who exhausted benefits, and finally at recipients who did not return to work during the follow-up period.

1. UC Recipient Reemployment Rates

The cumulative percentage of UC recipients who became employed at quarterly intervals after their first benefit payment (Figure IV.1) shows that a number of recipients found a job relatively quickly but that the cumulative rate of reemployment rises more slowly as unemployment spells

FIGURE IV.1

CUMULATIVE PERCENT REEMPLOYED BY QUARTER SINCE THE FIRST BENEFIT PAYMENT



SOURCE: Emergency Unemployment Compensation Survey.

NOTE: Quarters are based on when the first UI or EUC payment was received and do not correspond to calendar quarters. The sample sizes for the analysis are: 1,341 for all EUC recipients; 1,043 for UI-and-EUC recipients; 298 for EUC-only recipients; and 963 for UI-only recipients.

lengthened.[2] Slightly more than 25 percent of recipients became reemployed within one quarter of the first payment, but the rate of reemployment three quarters later (that is, at the end of one year) was only 58 percent. It took two years for 75 percent of recipients to be reemployed. Moreover, by the end of our average three and a half years of followup, almost 20 percent of recipients still had not become reemployed.[3]

We also show the cumulative reemployment rates for our EUC and UI-only subgroups, although we caution that this figure can be used only for descriptive purposes, rather than attribute the different reemployment patterns to participation in the EUC program. Not surprisingly, since recipients could collect both UI and EUC only if they were unemployed, the UI-only and EUC-only recipients exhibited higher reemployment rates throughout the follow-up period than did UI-and-EUC recipients.

2. Exhaustee Reemployment Rates

Because UC benefits provide work disincentives, and incentives to obtain work increase as exhaustion approaches, some recipients might be expected to obtain employment shortly after exhausting benefits. We explore this phenomenon in Figure IV.2, which shows the cumulative percentage of UI-and-EUC benefit exhaustees who become reemployed at different intervals. The figure shows that some exhaustees found work relatively quickly--11 percent of the sample became reemployed within one month of benefit exhaustion, and 26 percent were reemployed within three

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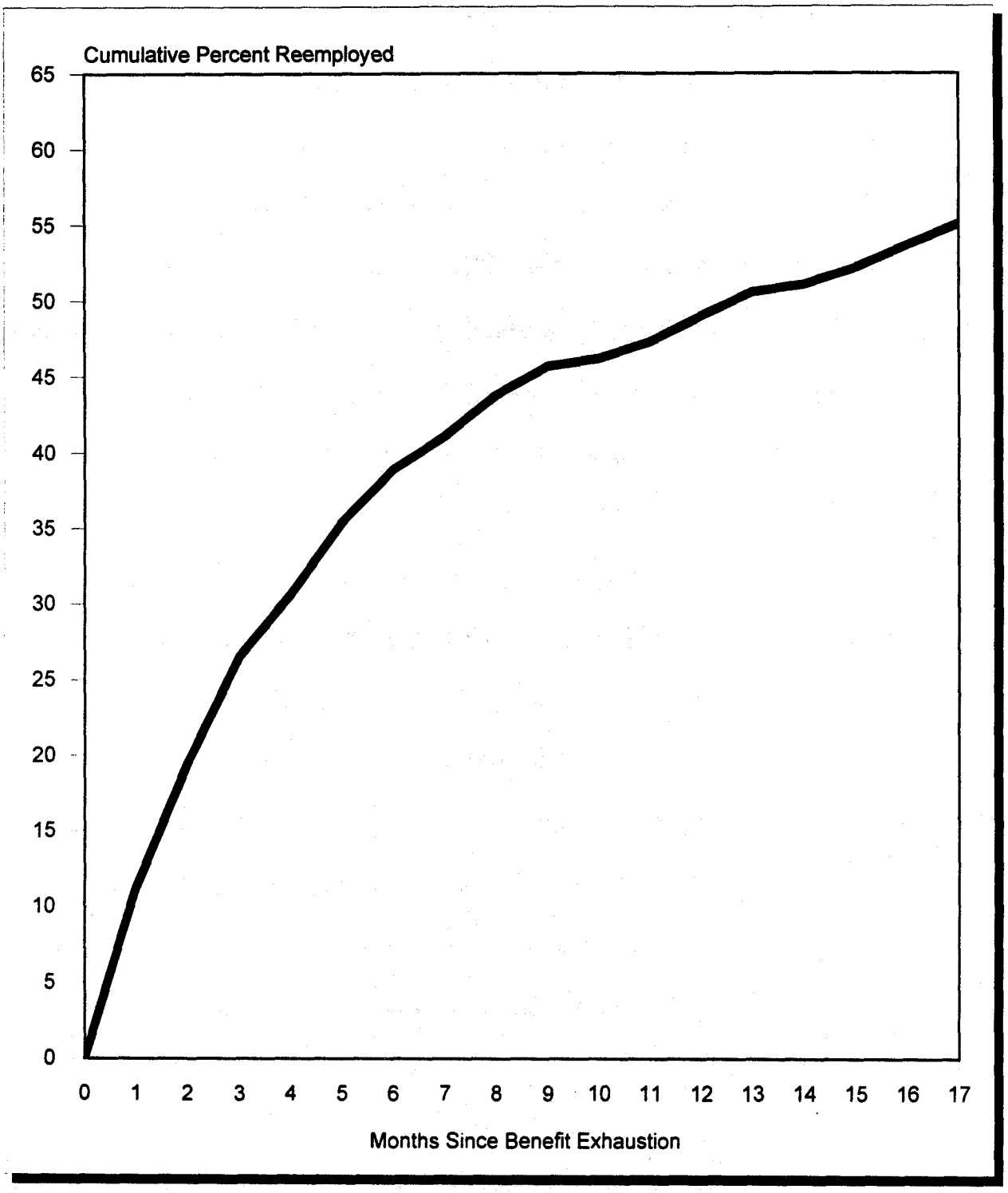
[2]When we examine reemployment rates and unemployment durations throughout this chapter, we exclude 163 recipients who responded inconsistently in our survey to questions about their reemployment. Because a greater proportion of this group than other recipients had a definite recall date, excluding them most likely increases estimates of the proportion of the sample who never became reemployed, as well as the average time to reemployment.

[3]The 20 percent figure is not shown in Figure IV.1, since that figure shows reemployment rates over the first two and a half years.

FIGURE IV.2

PERCENT UI-AND-EUC EXHAUSTEES EMPLOYED SINCE BENEFIT EXHAUSTION



SOURCE: Emergency Unemployment Compensation Survey.
NOTE: The sample is restricted to UI-and-EUC recipients who exhausted benefits from both programs. The unweighted sample size is 545.

months. However, the figure also shows that a substantial number of exhaustees did not find jobs quickly--about half the exhaustees were still without work one year after benefit exhaustion.[4]

3. Recipients Who Did Not Return to Work

Substantial numbers of long-term and even short-term recipients (22 percent of UI-and-EUC recipients and 14 percent of UI-only and EUC-only recipients) reported not having been reemployed during an approximately three-and-one-half year follow-up period between the initial UC claim and our interview. These high rates of reported nonemployment raise several questions: (1) How does this rate of nonemployment compare to that found for prior emergency benefits programs? (2) Who were the individuals who did not find jobs? and (3) Did the individuals who did not find jobs drop out of the labor force?

Regarding the first question, data on Federal Supplemental Benefits (FSB) recipients indicate that an even higher proportion of FSB than UI-and-EUC recipients found no job over a comparable period. Specifically, 29 percent of FSB recipients did not find reemployment in the three years between the UI claim date and the interview (Brewster et al. 1978). Of these, 90 percent (26 percent of the full sample) ended their unemployment spells by exiting the labor force, and the rest were continuously unemployed. This result could be expected, however, since FSB recipients were considerably older than EUC recipients and were more likely to be collecting retirement benefits. Unfortunately, data are not available for the Federal Supplemental Compensation (FSC) program to make a similar comparison.

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[4]These reemployment rates for exhaustees seem consistent with those reported by Corson and Dynarski (1990). As we would expect, that study, which examined a sample of regular UI exhaustees who exhausted benefits during a nonrecessionary period, reported reemployment rates larger than those reported here. Specifically, that study found that 25 percent found jobs within one month and just over 40 percent had found jobs within three months.

As regards the second question, recipients who never became reemployed had characteristics we would expect to be associated with difficulty in becoming reemployed. These recipients were significantly more likely to be older (particularly those over 55), high school dropouts, and nonwhite than recipients who became employed (Table IV.4). They were also significantly more likely prior to unemployment to have been low wage earners and dislocated workers, and less likely to have been laid off and expect to be recalled. Moreover, these differences tended to be substantial. For example, 26 percent of the recipients who did not find a job were over 55, while only 9 percent of recipients who found a job were over 55.

Finally, although we cannot address the third question directly (we do not have data on recipients' labor force status at the interview date), we have some indirect evidence that many of the individuals without jobs may, at some point, have dropped out of the labor force. For example, recipients who never became reemployed were three times more likely than other recipients to report having separated from their previous employers because of illness or pregnancy, retirement, or "other" reasons. Similarly, many recipients who did not become reemployed and who reported that they did not search for work gave similar reasons for not searching. In contrast, recipients who found jobs and did not search generally said that they were not searching because they expected to get their old job back or were waiting for a job to start. In addition, although these recipients were 50 percent more likely to have been dislocated from their previous job, they were less likely to participate in training or education services than were recipients who found jobs.

C. CHARACTERISTICS OF THE FIRST POST-BENEFITS JOB

The long-term effects of unemployment depend crucially on the type of job found. An appropriate benchmark for the quality of employment outcomes is the recipient's pre-unemployment

TABLE IV.4

CHARACTERISTICS OF RECIPIENTS BY REEMPLOYMENT STATUS
(Percent, Unless Otherwise Stated)

	Not Reemployed	Reemployed
Demographic Characteristics		
Mean Age (years)	44.2	38.1***
Over 55 Years Old	26.1	9.4***
Female	44.0	41.6
High School Dropout	29.5	13.5***
Nonwhite	38.0	25.1***
Had Working Spouse Before Unemployment	39.2	44.4
Pre-Unemployment Job Characteristics		
Employed in Manufacturing	29.3	32.3
Employed in Services	19.7	21.6
Earned Less than $6 Per Hour	38.2	22.4***
Annual Pre-Unemployment Earnings (Dollars)	20,902	24,251***
Tenure >= 5 Years	41.0	34.7
Claimant's Job Ended Because of:		
Layoff[a]	63.3	75.0***
Illness/pregnancy	6.9	1.3***
Quitting	5.3	6.6
Retiring	2.7	1.2*
Getting fired	10.7	10.4
Other reason	11.2	5.6***
Expected to Be Recalled	12.8	32.9***
Was a Dislocated Worker	20.4	13.5***
Activities During Unemployment Spell		
Did Not Search for Work During First Claim	19.0	17.0
Participated in Training or Education	10.7	22.5***
Went to Job Service	53.0	56.5
Used Other Employment Services	11.9	18.2**
Unweighted Sample Size	384	1,757

Source: Emergency Unemployment Compensation Survey

NOTE: Only jobs that lasted two weeks or more are counted as jobs. About four percent of claimants with jobs (that either ended or did not end) could not report job start or stop dates, so job duration could not be determined. We inflated the percentages reported to assume that jobs with missing durations were distributed among duration categories for each claimant group in proportion to known job durations.

[a]Includes backcoded responses of claimants who reported their job separation was because the job was completed, the term of service ended, or the company downsized, was sold, or moved

*Significantly different from zero at the .10 level, two-tailed test.
**Significantly different from zero at the .05 level, two-tailed test.
***Significantly different from zero at the .01 level, two-tailed test.

job. We compare the jobs obtained by UI-and-EUC recipients, both with their pre-unemployment jobs and with the jobs obtained by UI-only and EUC-only recipients, to assess how long-term, unemployed workers fare compared to workers able to find jobs more quickly. We examine post-unemployment job stability, industry, and occupation, as well as wages and hours worked.

1. Job Stability

Evidence from our survey indicates that many individuals who lost their jobs during the 1990s recession, and who subsequently found a job, experienced further changes in jobs. In fact, recipients who became reemployed during the average three and a half years we observed following their initial UC claim were more likely to have two or more jobs than a single one. About 29 percent of UI-and-EUC recipients reported having exactly one job since collecting benefits, whereas 48 percent had two or more jobs (Table IV.5). When we adjust for individuals who never had a job, these numbers imply that over 60 percent of reemployed recipients had more than one job. The level of job changing was slightly less among UI-only and EUC-only recipients, but it was still high. Fifty-five percent of UI-only and 53 percent of EUC-only recipients who became reemployed had two or more jobs.

Although this level of job instability might be typical for these individuals, we found that this was not the case, that the post-benefits jobs appeared less stable than the pre-benefits jobs. When we compared the duration of the initial post-benefits job with the duration of the pre-benefits job, we found that 33 percent of the initial jobs obtained by UI-and-EUC recipients lasted less than six months (Table IV.6), compared to 7 percent of their pre-benefits jobs (Table III.5). Similarly, 24 percent of the post-benefits jobs found by this group lasted more than three years, compared to 53

TABLE IV.5

NUMBER OF POST-BENEFITS JOBS
(Percentages)

	EUC				
	EUC Total	UI-and-EUC	EUC-Only	UI-Only	Total
Number of Post-Benefits Jobs					
0	21.5	23.3	14.2	14.0	16.8
1	31.4	29.2	40.1	38.3	35.6
2	21.7	22.2	19.9	22.1	22.0
3	10.2	11.2	6.4	11.6	11.1
4	7.0	6.4	9.6	6.6	6.8
5 or more	8.2	7.8	9.9	7.4	7.7
Unweighted Sample Size	**1,277**	**1,013**	**264**	**864**	**2,141**

SOURCE: Emergency Unemployment Compensation Survey.

TABLE IV.6

DURATION OF FIRST POST-BENEFITS JOB
(Percent)

	EUC			
	EUC Total	UI-and-EUC	EUC-Only	UI-Only
Less than 6 Months	28.2	33.2	16.3	19.2
6 to 12 Months	18.0	16.4	30.5	25.4
1 to 3 Years	25.1	26.8	26.6	28.3
More than 3 Years	28.7	23.6	26.6	27.1
Unweighted Sample Size	**1,003**	**775**	**228**	**743**

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: The duration of first post-benefits was computed accounting for the fact that the observation period was truncated for some individuals. That is, individuals were taken out of the base when the observation period was truncated.

percent of the pre-benefits jobs.[5] The level of job instability was less for the shorter-term recipients, but it was still greater than we observed for the pre-benefits jobs. For example, over 16 percent of the jobs obtained by UI-only and EUC-only recipients lasted less than six months, compared to less than 10 percent of the pre-benefits jobs.

2. Industry and Occupation of the Post-Benefits Job

Not surprisingly, since UI-and-EUC recipients were least likely to expect or experience a recall, they were most likely to change industries and occupations between the pre-benefits job and first post-benefits job (Tables IV.7 and IV.8). For example, 30 percent of UI-and-EUC recipients were employed in manufacturing in the pre-benefits job, whereas only 18 percent had a manufacturing post-benefits job. The percent of UI-and-EUC recipients who were in a service job increased as much as those in manufacturing decreased. In all, 68 percent of UI-and-EUC recipients switched their industry, and 64 percent switched their occupation at the two-digit classification level. EUC-only recipients and UI-only recipients were less likely to experience changes in their industry or occupation--at 38 and 50 percent, for industry, and 45 and 51 percent, for occupation, respectively.

These rates of changing industry and/or occupation are slightly higher than, but consistent with, those found in previous research. Corson and Dynarski (1990) found that 58 percent of exhaustees and 32 percent of nonexhaustees changed two-digit industries, while 53 and 32 percent changed occupations, respectively. Because UI-and-EUC recipients had higher rates of benefit exhaustion and lower rates of expecting recall than recipients in the earlier study, and since these recipients were

[5]Our measure of post-benefits job duration becomes less accurate, the longer the duration, since our observation period becomes increasingly truncated and the sample sizes become increasingly smaller.

TABLE IV.7

COMPARISON OF INDUSTRY OF PRE-AND POST-BENEFITS JOBS FOR INDIVIDUALS WITH A POST-BENEFITS JOB
(Percent)

	EUC Total		UI-and-EUC		EUC-Only		UI-Only	
	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job
Industry								
Agriculture/forestry/fishing	2.0	2.2	1.8	1.8	2.8	3.7	3.0	3.4
Mining	2.2	0.9	2.3	0.9	2.0	1.0	2.5	1.3
Construction	11.7	11.5	9.9	10.6	18.4	14.7	13.2	14.4
Durable manufacturing	17.8	12.8	17.4	10.1	19.3	22.3	16.4	16.2
Nondurable manufacturing	14.9	10.3	12.9	8.1	22.1	18.0	15.6	14.0
Transportation/public utilities	6.6	7.1	6.8	7.3	5.9	6.3	5.7	6.8
Wholesale trade	2.5	2.4	3.0	2.5	0.6	2.0	2.4	1.3
Retail trade	11.7	15.7	12.5	17.3	8.6	9.8	11.0	11.8
Finance/insurance/real estate	4.6	3.5	5.6	4.3	1.1	0.5	3.8	4.6
Services	21.0	31.8	22.1	34.8	17.1	21.0	21.9	24.7
Public administration	5.0	2.0	5.8	2.3	2.0	0.8	4.6	1.6
Change in two-digit industry code	61.3		67.7		38.4		49.8	
Unweighted Sample Size	**1,003**		**775**		**228**		**754**	

SOURCE: Emergency Unemployment Compensation Survey.

TABLE IV.8

COMPARISON OF OCCUPATION OF PRE-AND POST-BENEFITS JOBS FOR INDIVIDUALS WITH A POST-BENEFITS JOB
(Percent)

	EUC Total		UI-and-EUC		EUC-Only		UI-Only	
	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job
Occupation								
Managerial/professional	13.7	11.5	15.3	12.7	8.1	7.2	12.1	12.0
Technical and related support	3.5	3.1	3.6	2.9	2.8	3.6	3.2	2.9
Sales	8.2	11.9	9.7	13.5	2.9	6.1	7.9	9.7
Administrative support	19.8	18.1	22.9	19.8	8.9	12.0	18.6	15.1
Service occupations	7.7	12.0	7.4	12.8	8.6	9.2	6.7	8.7
Mechanics and repairers	5.2	5.7	5.2	6.1	5.5	4.4	2.9	3.0
Construction and extractive	7.7	7.6	6.4	6.3	12.2	12.6	9.0	9.5
Precision production	1.5	1.1	1.4	1.2	1.8	0.6	2.3	1.6
Machine operators	18.5	14.4	14.6	10.1	32.4	29.8	21.0	19.1
Transportation and material moving	7.1	6.6	6.8	7.2	7.8	4.7	9.7	8.8
Handlers	5.5	6.0	5.1	6.2	6.7	5.2	4.3	6.7
Farming/forestry/fishing	1.8	2.1	1.7	1.3	2.2	4.7	2.3	3.2
Change in two-digit occupation code	59.4		63.5		44.7		50.7	
Unweighted Sample Size	**1,003**		**775**		**228**		**754**	

SOURCE: Emergency Unemployment Compensation Survey.

unemployed during a recession, the higher rates of switching industry and occupation are not surprising.

3. Post-Unemployment Weekly Earnings and Hours Worked

About two-thirds of UI-and-EUC recipients reported that their post-benefits job paid less than or were equal to their pre-benefits job, while one-third earned more; overall, UI-and-EUC recipients' weekly pay after unemployment averaged about 90 percent of the pay before unemployment (Table IV.9).[6] EUC-only and UI-only recipients fared comparatively better, with about 40 percent reporting that they made more on their post-unemployment job, and the mean ratio of post- to pre-benefits earnings is slightly greater than 1.[7] Although pre-benefits earnings of UI-only and UI-and-EUC recipients were similar, post-benefits earnings of UI-only recipients were much higher.

Since weekly earnings can change, due either to changes in hourly pay or to changes in weekly hours, we show a similar analysis for weekly hours worked (Table IV.10). Although the most commonly reported number of hours worked in both pre-benefits and post-benefits jobs is 40, a substantial number of recipients reduced their hours. Part-time work among the UI-and-EUC recipients tripled, increasing from 7 percent to 23 percent; EUC-only and UI-only recipients experienced less dramatic (but still substantial) increases in part-time work. Overall, 47 percent of UI-and-EUC only recipients experienced decreases in hours worked, compared to 33 percent of EUC-only recipients and 32 percent of UI-only recipients. About 20 percent of each group

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[6]The mean ratio of post-benefits to pre-benefits weekly earnings (94 percent) does not equal the ratio of mean post-benefits earnings to pre-benefits earnings, since the mean of ratios does not necessarily equal the ratio of the means.

[7]That this is greater than 1 is driven by a few recipients having large pay increases, since a majority of the UI-only recipients suffered at least some cut in pay.

TABLE IV.9

COMPARISON OF EARNINGS OF PRE- AND POST-BENEFITS JOBS
FOR INDIVIDUALS WITH A POST-BENEFITS JOB
(Percent, Unless Otherwise Stated)

	EUC Total		UI-and-EUC		EUC-Only		UI-Only	
	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job
Weekly Earnings								
$200 or less	15.2	26.9	14.0	27.8	19.4	23.7	12.0	19.2
$201 to $300	20.1	22.2	19.2	22.1	23.5	22.8	20.9	18.4
$301 to $400	20.4	16.0	18.9	15.2	25.9	19.1	22.5	19.2
$401 to $500	12.4	12.7	13.7	13.3	7.7	10.8	14.1	13.4
$501 to $600	9.2	6.9	9.2	7.1	9.2	6.4	8.2	9.1
$601 to 700	6.1	4.5	7.5	4.7	1.3	3.9	5.9	5.3
$701 to $800	5.6	2.6	5.8	2.5	4.6	3.1	5.4	5.4
$801 or more	11.0	8.1	11.7	7.5	8.6	10.2	11.0	10.0
Mean (Dollars)	471	397	485	391	421	417	465	442
Ratio of Post-Benefits to Pre-Benefits Weekly Earnings								
0.25 or less	5.7		6.7		2.4		3.3	
0.26 to 0.50	13.6		15.6		6.5		7.6	
0.51 to 0.75	18.2		19.8		12.3		14.2	
0.76 to 1.00	29.3		26.4		39.6		33.7	
1.01 to 1.25	15.8		15.1		18.6		21.7	
1.26 or more	17.5		16.6		20.6		19.5	
Mean	0.94		0.90		1.11		1.03	
Unweighted Sample Size	**863**		**668**		**195**		**662**	

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: All statistics include only recipients with nonmissing information on both pre- and post-benefits jobs.

TABLE IV.10

COMPARISON OF HOURS OF PRE- AND POST-BENEFITS JOBS
FOR INDIVIDUALS WITH A POST-BENEFITS JOB
(Percent, Unless Otherwise Stated)

	All EUC		UI-and-EUC		EUC-Only		UI-Only	
	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job	Pre-Benefits Job	First Post-Benefits Job
Weekly Hours								
34 and under	7.9	22.2	6.7	23.0	12.2	19.3	8.5	15.0
35 to 39	3.9	5.9	3.8	5.7	4.5	6.5	4.6	4.5
40	46.9	42.2	45.3	40.9	52.6	46.8	43.7	44.8
41 to 45	10.1	8.2	10.8	8.5	7.6	7.2	11.6	10.2
46 to 50	14.5	10.9	14.9	10.4	13.1	12.7	16.4	13.0
51 or more	16.7	10.7	18.5	11.6	10.1	7.6	15.3	12.6
Mean (Hours)	44.3	39.7	45.2	39.6	41.4	40.0	44.1	41.7
Ratio of Post-Benefits to Pre-Benefits Weekly Hours[a]								
0.50 or less	10.6		11.8		6.4		6.2	
0.51 to 0.75	12.8		14.7		5.9		8.9	
0.76 to 0.99	20.4		20.4		20.3		17.1	
1	36.1		33.5		45.6		46.6	
1.01 to 1.25	12.9		12.6		13.9		14.4	
1.26 or more	7.3		7.1		7.8		6.9	
Mean	0.94		0.91		1.05		0.98	
Unweighted Sample Size	**959**		**668**		**195**		**738**	

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: All statistics include only recipients with nonmissing information on both pre- and post-benefits jobs.

experienced an increase in the number of hours worked. Although we do not know recipients' preferences for full-time work compared to part-time work, it seems likely that the reduction in hours worked experienced by many recipients was involuntary.

Our findings indicate that many UC recipients--particularly those who had the most difficulty finding a job (that is, UI-and-EUC recipients)--had unfavorable reemployment outcomes. Many were not successful in finding work in their pre-benefits occupations or industries, and many took jobs that paid less or provided fewer hours of work than their pre-benefits jobs. Many also ended up having more than one post-benefits job within the roughly three-and-a-half year period we examined.

D. WORK DISINCENTIVE EFFECTS OF EUC

Theoretical models of the length of unemployment spells predict that additional UC benefits increase the length of unemployment spell by decreasing the cost of unemployment relative to work (see, for example, Mortensen 1977). While cushioning against the effects of unemployment on household income and providing additional time for job search or skills development, extended benefits programs may also lead to an increase in both the average unemployment spell and the total time on unemployment benefits.

We examine the potential disincentive effects of UC benefit extensions by specifying a model in which unemployment spell length depends on the state unemployment rate at the time of first benefit payment and on such individual factors as whether the recipient expected to be recalled or had a definite recall date, the weekly benefit amount, potential UC duration, the pre-unemployment weekly earnings level, and demographic characteristics. The crucial control variable for our analysis is the maximum potential benefit duration, which varies according to state-specific UI legislation,

an individual's work history, the phase of EUC legislation in effect at the time the recipient collected benefits, and whether the state was eligible for the higher or lower tier of EUC benefits.[8]

To estimate this model, and because we have no direct measure of the unemployment duration, we use two dependent variables: (1) time to first reemployment, and (2) the number of weeks of UC. Time to first reemployment is probably a good proxy for unemployment duration for most individuals; as noted earlier, however, because some individuals who did not find jobs probably dropped out of the labor force, our measure will overstate the duration of their unemployment spells. The number of weeks of UC is also a proxy for the unemployment spell, although it is truncated to a greater degree than time to reemployment and includes multiple spells of unemployment for some individuals. However, number of weeks of UC has, by necessity, been used in studies that relied on administrative data; its use here enhances our comparisons to the other studies. Since both measures of duration are truncated because some individuals in our sample did not become reemployed by the time we interviewed them, or because some exhausted their UC benefits, we use an estimation method that explicitly takes this censoring into account. This approach assumes that the distribution of the hazard rate for jobless duration and benefits collection is a Weibull distribution, which appears appropriate on the basis of plots of the hazard rate over time.[9] We also use the natural log of time

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[8]We have no data on UI or EUC claims for which no first payment was made. Therefore, we construct maximum potential duration for each UI-only recipient as the sum of the UI potential duration and the minimum of (1) the maximum EUC duration available in the state at the time of the recipient's last UI payment; or (2) the maximum the recipient would be allowed, given the recipient's UI duration. Using the same legislative formulas, we construct a potential UI duration for each EUC-only recipient that approximates the UI potential duration tied to the EUC claim. Although we do not know whether EUC-only recipients would have been eligible for a new benefit year, this approximation seems reasonable, given that EUC-only recipients appear to have been laid off from and recalled to their jobs at higher rates than other UC recipients.

[9]We also estimated the models using ordinary least squares. The results for time to reemployment were very similar to those that use the Weibull distribution. This was less true for

(continued...)

to first reemployment and the natural log of weeks of UC to restrict our dependent variables to nonnegative values and to reduce the effects of outliers on the estimation. Finally, we also report results that contain state-specific control variables and those that do not.

Several individual-specific characteristics in our analysis are statistically and significantly related to time to first reemployment (Table IV.11). Having a college education, having been employed in manufacturing, expecting recall, and having had a definite recall date all significantly decrease time to first reemployment. Being a high school dropout; being older; being separated, widowed, or divorced; or being African American increase time to reemployment. Our results also show that expecting recall and having a definite recall date dramatically reduce the weeks of benefits collected, while being African American increases weeks collected.

Our estimates of the effect of an increase in potential duration are mixed; they are not statistically significant for time to reemployment but are statistically significant for weeks of UC. The point estimates for the coefficient on maximum potential benefits duration are also sensitive to the model specification. Including state dummy variables in the model doubles the point estimate from 0.007 to 0.015 of the effect for weeks of UC.[10] These two estimates imply, respectively, that a one-week increase in potential duration would lead to a .20 or .42 increase in weeks collected at the sample mean of benefit weeks collected (27.4 weeks).[11] These estimates are within the range

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[9](...continued)
the weeks of UC results, where the truncation of the dependent variable is more severe and the adjustment for truncation more important.

[10]Including state-specific dummy variables helps separate out the effects of other UC program characteristics and other state differences from differences in potential duration, which vary by state.

[11]The effect of a one-week increase in potential duration is calculated by multiplying the coefficient for potential duration by the sample mean of the dependent variable.

TABLE IV.11

UNEMPLOYMENT DURATION ANALYSIS
(Standard Errors in Parentheses)

	Weeks to First Reemployment		Weeks of UC Benefits	
Independent Variables	(I)	(II)	(III)	(IV)
Intercept	4.633***	4.233***	1.997***	1.942***
	(0.563)	(0.764)	(0.451)	(0.629)
Maximum Potential UC Benefits Duration	0.005	0.005	0.007*	0.015***
	(0.005)	(0.005)	(0.004)	(0.005)
Female	-0.080	-0.035	0.077	0.053
	(0.164)	(0.163)	(0.148)	(0.146)
Age	-0.050**	-0.044*	0.025	0.026
	(0.025)	(0.025)	(0.019)	(0.018)
Age-Squared (x 10)	0.008***	0.008***	-0.001	-0.001
	(0.003)	(0.003)	(0.002)	(0.002)
Married	0.000	0.029	-0.299**	-0.288***
	(0.129)	(0.128)	(0.109)	(0.108)
Separated, Widowed, or Divorced	0.309*	0.379**	-0.006	-0.087
	(0.184)	(0.184)	(0.156)	(0.155)
Female and Separated, Widowed, or Divorced	-0.511**	-0.543**	-0.081	-0.008
	(0.250)	(0.249)	(0.223)	(0.219)
Female and Married	0.182	0.155	0.263	0.269
	(0.192)	(0.191)	(0.171)	(0.168)
High School Dropout	0.441***	0.478***	-0.071	-0.043
	(0.123)	(0.123)	(0.095)	(0.094)
Some Postsecondary Education	-0.085	-0.065	0.200**	0.178*
	(0.104)	(0.104)	(0.092)	(0.091)
College Graduate	-0.312***	-0.295***	0.140	0.123
	(0.112)	(0.112)	(0.105)	(0.104)
Other Education	-0.355	-0.290	0.026	-0.014
	(0.275)	(0.274)	(0.249)	(0.247)
African American	0.377***	0.440***	0.451***	0.490***
	(0.126)	(0.132)	(0.117)	(0.125)
Asian	0.503	0.577	-0.588**	-0.580**
	(0.356)	(0.357)	(0.253)	(0.254)
Hispanic	0.224	0.243	0.211	0.104
	(0.161)	(0.178)	(0.130)	(0.143)
Other Racial Background	0.161	0.190	0.282*	0.122
	(0.182)	(0.186)	(0.164)	(0.165)
Pre-Unemployment Job in Manufacturing	-0.184**	-0.154*	-0.082	-0.048
	(0.080)	(0.081)	(0.070)	(0.069)
State Unemployment Rate	0.063***	0.080	0.047**	0.004
	(0.023)	(0.057)	(0.020)	(0.047)

TABLE IV.11 *(continued)*

	Weeks to First Reemployment		Weeks of UC Benefits	
Independent Variables	(I)	(II)	(III)	(IV)
Pre-Unemployment Weekly Earnings ($10)	-0.002 (0.002)	-0.001 (0.002)	-0.001 (0.001)	0.000 (0.001)
Expecting Recall	-0.451*** (0.091)	-0.449*** (0.091)	-0.333*** (0.075)	-0.273*** (0.075)
Had a Definite Recall Date	-0.370** (0.159)	-0.362*** (0.160)	-0.663*** (0.124)	-0.613*** (0.123)
Weekly Benefit Amount ($10)	-0.004 (0.007)	-0.011 (0.008)	0.023*** (0.006)	0.016** (0.006)
State Dummy Variables Included?	No	Yes	No	Yes
Unweighted Sample Size	**1,450**	**1,450**	**1,562**	**1,562**

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: Dependent variables are expressed in natural logarithms. The models use a Weibull distribution to correct for right censoring.

*Significantly different from zero at the .10 level, two-tailed test.
**Significantly different from zero at the .05 level, two-tailed test.
***Significantly different from zero at the .01 level, two-tailed test.

(from about 0.1 to 0.5) found in other research (for a summary, see Decker 1995). They also imply that a 13-week increase in potential duration would increase weeks of benefits collection by 2.6 or 5.5 weeks.[12]

These estimated impacts of potential benefit duration on weeks of UC suggest that the EUC program may have had a substantial disincentive effect. We should be cautious with this assessment, however; we found no significant effect, using our other dependent variable. Moreover, our descriptive analysis suggests that many recipients continued to have difficulty finding work even after they exhausted UC benefits, and when they did find a job it was often at a reduced level of pay relative to their pre-benefits job. Our analysis also indicates that some individuals exhausted regular UI and did not go on to collect EUC. These findings do not seem consistent with a substantial disincentive effect that led individuals to remain unemployed in order to collect EUC.

[12]The point estimate of the effect of a one-week increase in potential duration on time to reemployment, while not significant, suggests that a one-week increase leads to a .43 week increase in time to reemployment, a result that is similar to the higher of the two estimates for weeks of UC.

V. IMPACT OF EUC ON STATE UI TRUST FUNDS

Although, traditionally, emergency extended benefits programs have been financed solely with federal funds, they can affect the financial operations of state Unemployment Insurance (UI) programs. Extended Unemployment Compensation (EUC) contained two important elements that acted to reduce the strains on states' UI trust funds during the recession of the early 1990s. Perhaps the most direct effect arose from the optional claims feature during Phases 3 and 4 of EUC. Because EUC benefits paid under that option substituted for regular UI benefits that would otherwise have been financed out of state trust funds, savings accrued to trust funds approximately on a dollar-for-dollar basis. EUC legislation also permitted states to substitute EUC benefits for benefits that might otherwise have been payable under the regular Extended Benefits (EB) program. In this case, since the state share of EB is 50 percent, trust fund savings amount to approximately 50 cents on the dollar. Because an assessment of these savings is important for determining the true net cost of the EUC program, there is considerable interest in obtaining estimates of them. In this chapter, we use simulation methods to develop such estimates.

Before describing our simulations, two brief caveats are warranted. First, because of the complex structure of the actual EUC program, our estimates are necessarily very rough; our simulation methods can capture only the most general features of the EUC program. Second, our estimates do not consider possible behavioral effects of EUC on the labor market activities of workers. Because these effects generally involve extra trust fund costs (from the possibly longer UI durations encouraged by EUC), our estimates of the trust fund savings from the legislated features of the program should be regarded as upper bounds.

A. NATIONAL SUMMARY

Overall, the optional claims feature of EUC and the substitution of EUC for EB each produced modest but significant savings to state UI trust funds. Table V.1 presents the simulation estimates of the impact of EUC on states' UI trust funds. It shows three alternative estimates of total dollar savings over the 11 EUC quarters and of the "tax rate relief" implied by these savings.[1] Each of the three optional claims feature estimates is based on somewhat different data and on a different estimation methodology. Specifically, the three estimation procedures are:

- ***Estimate 1.*** Uses EUC benefits paid in each state, together with individual-level data from our sample states, to estimate the fraction of those benefits paid under the optional component of EUC.

- ***Estimate 2.*** Uses state-reported EUC optional claims data. Optional claims are multiplied by the estimated average benefits paid per optional EUC first payment in each state to arrive at the total optional benefits figure.[2]

- ***Estimate 3.*** Uses the number of state-reported EUC optional claims, together with our estimate from individual-level data that the average worker filing an optional claim collected $1,869 in total benefits.[3]

Each approach potentially has shortcomings. Inaccuracies may arise in the first, either because the estimates we made with our administrative data do not reflect the complete experiences in our survey states or because of errors introduced by the necessity of using national averages of the

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[1]"Tax rate relief" is defined as average annual trust fund savings provided by EUC, divided by the state's average taxable payroll over the period. The figures therefore represent the effective increase in UI tax rates that would have been necessary during the EUC period to keep trust fund balances constant if EUC had not been in effect. If the estimated tax increases made necessary by the absence of EUC were spread over more years, these percentage changes would be smaller.

[2]We assumed that all optional claims actually resulted in a first payment under the optional claims component of EUC.

[3]No attempt is made here to adjust this $1,869 figure for possible differences in weekly benefit amounts across the states.

TABLE V.1

ESTIMATED TOTAL STATE TRUST FUND RELIEF FROM THE EUC PROGRAM

Source of Trust Fund Relief	Benefits Saved ($ Million)	Tax Rate Relief (Percentage Point)[a]
Optional Claims (Estimate 1)	3,477	0.211
Optional Claims (Estimate 2)	4,631	0.281
Optional Claims (Estimate 3)	3,433	0.209
EB Savings (Estimate 1)	4,339	0.322[b]
EB Savings (Estimate 2)	3,013	0.224[b]
EB Savings (Estimate 3)	3,266	0.243[b]

[a]Tax rate relief is defined as average annual trust fund savings, divided by a state's average taxable payroll over the period.

[b]Average only for states with estimated EB payments.

prevalence of optional claims for the states not included in our sample. Methods two and three may incorporate errors--because optional claims reported by the states may be incomplete, the claims may not actually have resulted in first payments being made, or our assumed dollars per claim figures are inaccurate. Hence, the figures we report for the total dollar amounts involved in the optional claims component of EUC should be treated with caution.

Overall, the estimates suggest that the optional claims feature of the EUC program may have resulted in a saving of $3.4 to$4.6 billion to states' UI trust funds. Tax relief estimates range from 0.21 to 0.28 percent. These figures constitute 5.5 to 7.5 percent of total regular UI benefits paid during the quarters EUC was in effect ($61.4 billion). Hence, the offset to states' UI trust funds provided by the optional feature of EUC was of modest, but still significant, proportions. In addition, the trust fund offset varied significantly among the states, as we show in the next section.

We also developed three simulation estimates of the trust fund savings provided by substitution of EUC benefits for those that might have been paid under the EB program if it had operated using both an IUR and a TUR trigger during the recession of the early 1990s. All these simulations were based on the triggering simulation procedures described in Chapter II in connection with our efforts to predict whether a state would have been "on" EB in a given quarter. All three estimates assumed that the states' shares on hypothetical EB benefits would have been 50 percent. For each quarter in which EB was estimated to have an "on" trigger status, we made three different assumptions about the benefits that would have been payable under EB had EUC not been available:

- ***Estimate 1.*** Assumed that benefits paid under EB would have been precisely equal to those paid under EUC after adjusting EUC benefits by deleting our estimate of benefits paid under the optional claims component
- ***Estimate 2.*** Used the same approach as Estimate 1, but adjusted the resulting benefits figure by the ratio of estimated maximum potential duration under EB to maximum

potential duration under EUC, on the assumption that recipients of EB would have collected the same fraction of their entitlements that EUC recipients actually did

- ***Estimate 3.*** Used our individual-level data to impute estimated benefits to hypothetical EB recipients. The number of EB first payments was assumed equal to the number of EUC first payments during periods in which EB was simulated to be "on." Dollar amounts of EB were estimated to be $1,806 in states with 13 weeks of EB eligibility and $2,438 in states with 20 weeks of eligibility.[4]

As for the optional claims simulations, these estimates may be subject to a variety of errors, both because of inaccuracies in the methodology that we developed to simulate the EB triggering mechanism and because the assumed relationship between actual EUC benefits and hypothetical EB payments may not reflect what would actually have happened had EB been available.

Overall, our three methods provided relatively similar estimates of the EB savings provided by EUC--between $3.0 and $4.3 billion over 11 quarters.[5] In all, 33 UI jurisdictions would have made some EB benefits available under this hypothetical simulation. The implied tax rate savings in those states is relatively high--between 0.22 and 0.32 percent of taxable payroll. In some states, therefore, the ability to substitute EUC for EB had a substantial impact on UI trust fund balances and on the tax rates necessary to finance their UI systems.

B. STATES' EXPERIENCES

Our estimates of the trust fund savings experienced by individual states from implementation of the EUC program are reported in Tables V.2 and V.3. These estimates used the various methodologies already described in connection with the national estimates, and the caveats about

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[4]These figures represent actual EUC collections for weeks not exceeding the 13th or 20th week of collection, respectively.

[5]The level of real EB benefits implied by these figures approximated the real value of EB benefits paid during the highest 11 quarters of the recession of the early 1980s, but was less than half the real value of EB benefits paid during a similar period in the 1970s.

their reliability apply even more strongly here. That is, although it is possible that some of the biases inherent in our estimation procedures cancel out at the national level, differences in the UI programs in individual states may result in substantial state-specific biases. Nevertheless, because the data tend to be relatively consistent across the states, they may be indicative of the general magnitude of EUC's trust fund impacts.

The overall figures on trust fund savings (Table V.2) show considerable state-to-state variation, primarily because of differences in the sizes of states' labor markets. At one extreme, our estimates suggest that the EUC optional claims and EB provisions together may have saved the California UI trust fund at least $1 billion and possibly as much at $1.7 billion. New York State also may have experienced savings of more than $1 billion. The dollar size of savings was much less in the smaller states, probably amounting to only about $1 million in Montana and South Dakota. The variation in potential EB costs was especially large, with the majority of these savings occurring in three states (California, New Jersey, and New York).

A somewhat clearer picture of the extent of trust fund savings among the states is provided by the tax relief estimates in Table V.3. Overall, as a result of EUC, the average state received the equivalent of a 0.4 percentage point reduction in potential UI tax rates. Tax rate relief from the optional claims feature of EUC alone appears to have been especially large in Alaska, Kansas, Maine, Michigan, and Rhode Island, although these rankings were not consistent across our estimation procedures. The states that experienced relatively little in the way of trust fund benefits from the optional claims component of EUC are Colorado, Delaware, Indiana, Iowa, Minnesota, Montana, Nebraska, North Carolina, Oklahoma, South Dakota, Texas, Utah, and Virginia.

TABLE V.2

UI TRUST FUND RELIEF
(Dollars)

	Optional Claims Costs			EB Costs Avoided		
State	Estimate 1	Estimate 2	Estimate 3	Estimate 1	Estimate 2	Estimate 3
Alabama	22,698,285	41,600,956	58,316,538	0	0	0
Alaska	17,383,418	50,554,454	43,818,705	43,042,841	32,101,715	31,516,457
Arizona	26,372,835	33,209,062	40,404,042	30,835,879	17,901,305	29,950,852
Arkansas	23,118,241	39,676,178	39,863,901	0	0	0
California	576,182,548	922,218,725	399,906,192	826,647,642	599,135,350	687,481,760
Colorado	24,894,277	32,825,900	27,182,736	0	0	0
Connecticut	55,591,684	43,279,955	21,687,876	122,276,669	62,778,498	73,876,861
Delaware	6,294,670	4,740,409	3,513,720	0	0	0
DC	4,980,755	9,705,096	5,440,659	16,500,127	15,435,668	16,318,753
Florida	89,448,345	195,140,384	213,531,381	230,118,261	194,333,456	237,550,252
Georgia	41,990,090	93,172,174	79,425,024	95,152,893	52,620,120	57,725,163
Hawaii	16,192,418	21,181,829	14,817,432	0	0	0
Idaho	10,806,506	21,792,320	26,134,227	5,883,492	3,824,270	5,409,662
Illinois	106,684,212	171,714,833	114,123,009	174,280,219	148,731,992	229,175,871
Indiana	24,835,572	30,382,623	46,861,437	19,075,818	10,708,251	15,458,414
Iowa	19,847,403	10,042,983	9,492,651	0	0	0
Kansas	23,260,509	137,215,304	100,754,052	0	0	0
Kentucky	40,148,119	53,562,099	43,091,664	430,625	430,625	12,060,468
Louisiana	46,951,117	31,585,609	30,733,836	23,966,502	17,225,468	31,295,753
Maine	45,601,314	72,857,806	63,222,663	45,187,207	66,489,646	43,515,067
Maryland	61,656,195	105,714,398	78,884,883	83,597,165	44,892,518	35,774,481
Massachusetts	161,654,365	142,864,593	73,259,193	125,488,434	67,544,002	47,409,235
Michigan	186,491,812	510,682,444	334,136,082	126,253,995	63,321,771	126,725,297
Minnesota	32,439,718	36,687,788	31,718,799	0	0	0
Mississippi	18,810,638	27,772,676	41,684,307	0	0	0
Missouri	53,469,911	111,295,892	126,024,801	39,706,496	51,618,444	36,321,156
Montana	5,727,837	564,483	663,495	666,498	666,498	2,345,994
Nebraska	3,851,146	6,353,258	9,464,616	0	0	0

TABLE V.2 *(continued)*

State	Optional Claims Costs			EB Costs Avoided		
	Estimate 1	Estimate 2	Estimate 3	Estimate 1	Estimate 2	Estimate 3
Nevada	18,193,290	21,058,595	19,822,614	32,429,070	27,946,308	23,235,796
New Hampshire	6,942,867	12,568,705	19,987,086	841,779	841,779	3,304,077
New Jersey	146,545,958	83,159,370	43,117,830	580,540,751	360,331,243	285,016,863
New Mexico	8,400,003	28,615,096	10,933,650	6,014,546	7,818,910	1,325,118
New York	494,696,981	368,061,100	243,538,176	823,239,485	600,283,140	517,486,783
North Carolina	97,840,034	2,995,462	10,025,316	0	0	0
North Dakota	3,314,703	6,381,198	8,270,325	0	0	0
Ohio	126,063,201	155,172,749	142,814,028	138,131,514	81,516,430	72,223,703
Oklahoma	7,228,046	3,748,888	5,205,165	0	0	0
Oregon	59,985,812	92,340,664	74,799,249	70,959,590	36,537,889	53,632,863
Pennsylvania	258,346,403	328,433,811	236,075,259	135,574,773	69,017,319	122,907,330
Rhode Island	38,241,360	77,570,377	51,363,858	61,213,947	51,941,326	44,440,844
South Carolina	26,505,221	65,134,320	77,875,623	42,922,959	54,145,136	44,914,346
South Dakota	569,118	592,927	1,067,199	0	0	0
Tennessee	40,381,169	45,623,909	67,624,158	7,466,367	7,466,367	26,847,996
Texas	150,155,826	125,379,020	100,755,921	247,514,515	139,928,165	203,561,069
Utah	8,983,021	2,966,475	3,037,125	0	0	0
Vermont	7,415,630	13,185,193	11,585,931	2,973,821	1,171,505	2,080,512
Virginia	42,357,462	38,645,681	70,010,871	38,336,177	19,168,089	28,499,148
Washington	85,219,305	80,954,732	62,875,029	129,273,774	96,699,498	100,115,335
West Virginia	29,136,536	61,032,551	39,222,834	12,017,008	8,420,109	16,603,999
Wisconsin	70,373,203	49,751,870	45,007,389	0	0	0
Wyoming	3,179,441	8,917,017	9,666,468	0	0	0

TABLE V.3

ESTIMATED TAX RATE RELIEF
(Percent)

	Optional Claims			EB Costs Avoided		
State	Estimate 1	Estimate 2	Estimate 3	Estimate 1	Estimate 2	Estimate 3
Alabama	0.1	0.2	0.2	0.0	0.0	0.0
Alaska	0.5	1.5	1.3	1.3	1.0	0.9
Arizona	0.1	0.1	0.2	0.1	0.1	0.1
Arkansas	0.2	0.3	0.3	0.0	0.0	0.0
California	0.3	0.5	0.2	0.4	0.3	0.4
Colorado	0.1	0.1	0.1	0.0	0.0	0.0
Connecticut	0.2	0.2	0.1	0.5	0.3	0.3
Delaware	0.1	0.1	0.1	0.0	0.0	0.0
DC	0.1	0.2	0.1	0.3	0.3	0.3
Florida	0.1	0.2	0.2	0.3	0.2	0.3
Georgia	0.1	0.2	0.2	0.2	0.1	0.1
Hawaii	0.2	0.3	0.2	0.0	0.0	0.0
Idaho	0.2	0.3	0.4	0.1	0.1	0.1
Illinois	0.1	0.2	0.1	0.2	0.2	0.3
Indiana	0.1	0.1	0.1	0.0	0.0	0.0
Iowa	0.1	0.1	0.1	0.0	0.0	0.0
Kansas	0.1	0.7	0.5	0.0	0.0	0.0
Kentucky	0.2	0.2	0.2	0.0	0.0	0.1
Louisiana	0.2	0.1	0.1	0.1	0.1	0.1
Maine	0.6	1.0	0.9	0.6	0.9	0.6
Maryland	0.2	0.4	0.3	0.3	0.2	0.1
Massachusetts	0.4	0.3	0.2	0.3	0.2	0.1
Michigan	0.3	0.9	0.6	0.2	0.1	0.2
Minnesota	0.1	0.1	0.1	0.0	0.0	0.0
Mississippi	0.1	0.2	0.3	0.0	0.0	0.0
Missouri	0.2	0.3	0.4	0.1	0.1	0.1
Montana	0.1	0.0	0.0	0.0	0.0	0.0
Nebraska	0.0	0.1	0.1	0.0	0.0	0.0
Nevada	0.2	0.2	0.2	0.3	0.3	0.2
New Hampshire	0.1	0.2	0.3	0.0	0.0	0.0
New Jersey	0.3	0.2	0.1	1.1	0.7	0.5

TABLE V.3 *(continued)*

	Optional Claims			EB Costs Avoided		
State	Estimate 1	Estimate 2	Estimate 3	Estimate 1	Estimate 2	Estimate 3
New Mexico	0.1	0.3	0.1	0.1	0.1	0.0
New York	0.5	0.3	0.2	0.8	0.6	0.5
North Carolina	0.2	0.0	0.0	0.0	0.0	0.0
North Dakota	0.1	0.2	0.2	0.0	0.0	0.0
Ohio	0.2	0.2	0.2	0.2	0.1	0.1
Oklahoma	0.0	0.0	0.0	0.0	0.0	0.0
Oregon	0.3	0.5	0.4	0.4	0.2	0.3
Pennsylvania	0.4	0.4	0.3	0.2	0.1	0.2
Rhode Island	0.6	1.3	0.8	1.0	0.8	0.7
South Carolina	0.1	0.3	0.3	0.2	0.2	0.2
South Dakota	0.0	0.0	0.0	0.0	0.0	0.0
Tennessee	0.1	0.1	0.2	0.0	0.0	0.1
Texas	0.1	0.1	0.1	0.2	0.1	0.2
Utah	0.1	0.0	0.0	0.0	0.0	0.0
Vermont	0.2	0.4	0.3	0.1	0.0	0.1
Virginia	0.1	0.1	0.2	0.1	0.0	0.1
Washington	0.3	0.2	0.2	0.4	0.3	0.3
West Virginia	0.3	0.7	0.4	0.1	0.1	0.2
Wisconsin	0.2	0.1	0.1	0.0	0.0	0.0
Wyoming	0.1	0.3	0.3	0.0	0.0	0.0
Mean	0.2	0.3	0.2	0.2	0.2	0.2
Standard Deviation	0.14	0.31	0.24	0.29	0.24	0.20

As expected, because of the EB trigger procedure, our estimates of the implied tax rate relief from substitution of EUC for EB were even more variable among the states than were our estimates of the relief provided by the optional claims component. Estimated relief in excess of 0.5 percentage point was obtained by Alaska, Maine, New Jersey, New York, and Rhode Island. On the other hand, more than half the states had tax rate relief of less than 0.1 percentage point.

VI. STATE EXPERIENCES IN THE ADMINISTRATION OF EUC

The Emergency Unemployment Compensation (EUC) program, like earlier emergency benefits programs, was difficult to implement and administer. Some implementation problems are inherent to emergency extended benefits programs because these programs are typically enacted in the latter part of recessionary periods after unemployment rates have been high for some time. Because these programs attempt to meet immediate needs, they are often expected to be implemented very quickly. Furthermore, concern for individuals who became unemployed before enactment of emergency benefits legislation often leads to passage of legislation that includes retroactive-eligibility provisions. Other components of emergency benefits legislation, while not inherent to these programs, often attempt to redress problems or issues that arise from the way emergency programs interact with regular state Unemployment Insurance (UI) programs. These components add to the implementation challenge. In this chapter, we assess the effects of EUC on the administration of state employment security agencies (SESAs) and discuss those aspects of EUC most difficult to implement and administer. This analysis should be useful for improving the design and implementation of future emergency benefits programs.

Our analysis is based on examination of the EUC legislation and UI program letters interpreting this legislation for the states, as well as on discussions with program administrators in nine states. Each discussion lasted about an hour and addressed such issues as the need for rapid implementation, the implications of legislative changes over the life of the program, the implications of the reachback provision (which allowed claimants from an earlier period to be treated as though they were current claimants) and the options provision (which allowed some claimants to choose to collect EUC instead of UI). Also covered are the effects of EUC on other functions such as data reporting and

on the relationships between the SESAs and UI claimants, the broader community, and the federal-state UI partnership. The administrators were from California, Florida, Illinois, Maine, North Carolina, Pennsylvania, Texas, West Virginia, and Wisconsin.[1]

In Section A, we discuss the states' experiences implementing the EUC program shortly after enactment of the initial legislation. This section focuses on the need for rapid implementation of EUC and the reachback provisions. In Section B, we discuss the implications of the different phases of the EUC program. In Section C, we discuss complications that arose from the need to offer some claimants a choice between regular UI and EUC between July 1992 and November 1993. In Section D, we discuss other administrative aspects of EUC, such as the work search requirements and the effects of EUC on other administrative functions. In Section E, we examine the implications of EUC on the relationships between the SESAs and other groups, such as the federal UI system and the community. In Section F, we conclude by making recommendations on how some of the implementation problems associated with EUC might be avoided in the future.

A. INITIAL PROGRAM IMPLEMENTATION

On November 15, 1991, Congress enacted Public Law 102-164, which allowed states to pay up to either 13 or 20 weeks of benefits to claimants who had exhausted their regular UI entitlements. EUC legislation became effective almost immediately, since payments were to be made for weeks beginning only two days after the enactment date. As a result, states were under intense pressure to make payments to claimants as soon as possible. For example, there were reports in the national

[1]This set of states offers several advantages. First, we interviewed administrators from both large (5) and small states (4). Second, the states vary geographically, representing 6 of the 10 UI regions. Third, the states chosen represent a wide range of average benefit durations and percentages of EUC claims that were optional EUC claims; these characteristics probably affect the states' experiences in implementing the EUC program.

media of congressional representatives who promised that the checks would be paid by Thanksgiving. Agency staff felt that these expectations were unrealistic, that they did not take into consideration the processes necessary to interpret the new legislation, translate it into state-specific language, train staff, modify computer programs, and create or modify forms--all within a short time.[2] A few states reported getting some portion of their checks out by Thanksgiving; but, not surprisingly, most states took longer to issue checks.

1. Staffing

One of the reasons why states had difficulty implementing EUC-1 quickly was that they were unable to adjust their staff levels rapidly to respond to the sudden increase in claims that needed to be processed. In most states, UI claim rates are high in the winter; so regular staff were extremely busy when EUC was enacted. Because states were often restricted in their ability to hire new staff due to civil service requirements, most of the states we talked to had to handle the sudden--and quite large--increase in their caseloads by requiring substantial staff overtime.[3]

2. The Reachback Provision

Because emergency benefits programs typically start after unemployment rates have been high for a long time, these programs often contain provisions that benefits be available to individuals whose benefit years for regular UI benefits ended prior to the legislation date authorizing the

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[2]The first General Administrative Letter, for example, was distributed November 27, 1991. The first Unemployment Insurance Program Letter, which provided responses to more than 50 questions from states about implementation of Public Law 102-164 (EUC-1), was distributed December 16, 1991.

[3]Even when new staff were hired, the complexity of EUC made it difficult for states to train them (as well as more tenured staff). Lack of sufficient staff to cover the increased workload plagued most of the states we talked to throughout EUC.

emergency benefits. The goal of these "reachback" provisions is to ensure that people who became unemployed early in the recession are not penalized, compared to those who became unemployed later in the recession, simply because of the timing of their unemployment.

Reachback provisions were the most complicated programming aspect of EUC-1. States had to contact, determine eligibility for, and process records for the large number of claimants whose benefit years ended during the reachback period (March 1 to the November 15, 1991, legislation date). By the time EUC became effective, many of these claimants had previously been denied benefits or had been paid under other programs, thereby complicating eligibility and payment determination. Most states were able to develop programs that identified both claimants with expired benefit years and claimants who had exhausted their UI entitlements; however, the urgency with which benefits were expected to be paid meant that no state had adequate time to thoroughly check the numerous programming changes. Once claimants were identified, states' central offices mailed forms to notify claimants of the potential additional benefits. Although states tried to handle administration by mail, several had large numbers of potentially eligible claimants who had to visit field offices. This only added to the stress on state systems.

B. IMPLICATIONS OF THE DIFFERENT PHASES

The EUC program consisted of the initial legislation and six legislative amendments over the two and a half years the program was in effect. Most of these amendments significantly changed parts of the program and had little lead time, thereby forcing states to modify their procedures quickly. For discussion purposes, we have categorized the EUC program into five different phases (EUC-1 through EUC-5), each significantly different from the other phases (see the discussion in Chapter I).

All states reported having problems coordinating the five different phases of EUC. Much of the information provided to claimants became obsolete or incorrect as soon as amendments became effective. The legislative changes, which typically were effective immediately after passage, necessitated three to six central office staff (with intermittent support from other staff), who became the "EUC experts" and liaison with the U.S. Department of Labor (DOL).[4] These staff often worked full time on interpreting the legislation, training managers, revising forms, and directing implementation within their states.[5]

Several respondents expressed frustration that SESA staff were exhausted because of the intense demand on resources caused by the revisions and by what was perceived as lack of legislative foresight. A common theme reported by survey respondents was that just when agency staff thought they had gotten things straightened out, the program would change again (the phases lasted only two and a half to nine months). State administrators also reported that the frequent changes in program rules and procedures, and the confusion that resulted, increased the time spent helping each claimant.

Even changes in benefit duration, which were relatively easy to implement from a programming standpoint, added considerably to the administrative burden because these changes were frequent and required mass mailings to claimants. At a minimum, 35 states had 5 EUC benefit duration levels (one for each of five phases) during the two and a half years of the program (Table VI.1). For other states, duration levels changed more frequently because their state-specific unemployment rate

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[4]The DOL distributed 12 General Administrative Letters (or changes to them) and 7 UI Program Letters, which provided answers to more than 260 questions asked by SESAs. In some instances, the answers provided as guidance to the states were modified in subsequent UI Program Letters.

[5]Several states reported issuing between 60 and 100 notices, memos, and procedural instructions to their field offices while the EUC program was in effect.

TABLE VI.1

NUMBER OF DIFFERENT MAXIMUM BENEFIT DURATIONS
DURING THE EUC PROGRAM

Number of Durations	Number of States
5	35
6	6
7	2
8	3
9	5
Total	**51**

NOTE: Four states also had EB in effect for some portion of the EUC program. One of these states had five EUC benefit durations; one had eight durations; two had nine durations.

crossed the threshold for different durations. Eight states, for example, had at least eight different durations in effect. In addition, three of these eight states switched from EUC to regular extended benefits during this time. These changes made necessary the sending of additional notices to claimants. When benefit durations increased, both old and new claimants had to be notified of the change in their potential benefit duration. When durations decreased, old claimants retained their eligibility for the higher benefit level, but new claimants were eligible for only the lower benefit duration. One state explained that continual revisions required a complex "audit trail" of burdensome documentation of changes.

The multiple program changes affected claimants as well. Some claimants perceived disparities (generated by the EUC phases) in how they were treated because of apparently arbitrary distinctions between them. In some situations, claimants who filed one week later than other claimants were eligible for substantially fewer benefits; in other situations, claimants could lose a large portion of potential benefits if they experienced an interruption in benefit collection that spanned a period in which durations changed.

One state administrator recommended that future emergency benefits programs be established initially for two to three years, to avoid the start-and-stop nature of the program and to recognize that emergency programs historically have lasted that long even when initial legislation specified shorter program duration.

C. ADMINISTRATION OF THE OPTION TO CLAIM EUC INSTEAD OF REGULAR UI

The concept of a benefit year is central to the regular UI program; claimants have one year from filing for unemployment benefits to collection of their total benefit allotment, which is based on

earnings in the year prior to application for unemployment benefits (known as the "base period").[6] Claimants may not carry unused benefits into a new benefit year; to collect benefits, they must instead reestablish eligibility for a new benefit year. If they have been unemployed for any length of time, however, they may not be eligible at all for new benefits or they may be eligible for reduced benefit levels. In earlier emergency benefits programs, and in EUC-1 and EUC-2, claimants who had not collected all their emergency benefits were also required to file for a new benefit year after their existing benefit year ended. If eligible for regular UI, they could not continue collecting extended benefits. Therefore, some claimants had to forfeit some of their emergency benefits when they were forced to establish a new benefit year, potentially at a lower weekly benefit amount. These requirements were to ensure that state-financed benefits were exhausted before federally financed benefits were collected. If claimants were ineligible to establish a new benefit year (which meant they could not collect regular UI), they were allowed to continue collecting emergency benefits after expiration of their benefit year.

EUC-3 legislation passed in 1992 allowed some claimants to choose between filing for regular UI, when they were able to establish a new benefit year, and beginning or continuing to collect EUC under a previously established benefit year. The intent of the EUC-3 legislation was to help claimants whose weekly benefit amounts would decrease if they were forced to establish a new benefit year. However, determining which option--collect UI or EUC--was better became an extremely complicated decision for claimants. Whether a claimant would be better off choosing EUC or UI depended not only on known factors--the weekly benefit amount and duration of EUC

[6]In most states, the base year is defined as the first four of the last five calender quarters completed.

and UI benefits they were eligible for at the time of filing--but on unknown factors, for instance, the expected duration of unemployment and the likelihood that EUC would be available in the future.

From a SESA perspective, the change in the way emergency benefits programs were structured relative to regular UI was the most problematic aspect of EUC. These problems were both philosophical and operational. On the philosophical level, our state respondents felt that this provision was contrary to "everything UI stood for." The respondents felt that the time limit for eligibility should be maintained, that benefits from an old benefit year should not be retrievable if a new benefit year was established, and that emergency benefits collection should follow regular UI collection. On these issues, the administrators thought that the EUC legislation's logic undermined the regular UI system's safeguards. Allowing claimants to collect emergency benefits instead of regular benefits reduced employers' responsibility for layoffs, since employer contributions finance regular UI but not EUC.

On the operational level, the options legislation dramatically increased the resources necessary to process claims, particularly in the programming departments, field offices, and departments that handled funding adjustments. All states had to make changes in their claims-processing computer programs because the EUC option overrode checks that were designed to force claimants to establish a new benefit year when they reached the end of their initial one. States also modified computer programs to do the calculations necessary to provide the option to claimants, but in some cases they could not automate all the steps of the process. Because of the short time frame in which states had to make changes, state staff reported that they had to test their computer changes on the public, thereby creating additional errors that had to be corrected. In the end, staff reported that they were unsure of all the implications of the programming changes that had to be made.

Not only was the options legislation difficult to program into state computer systems, it was also complicated to explain to claimants. Staff typically explained the options to claimants in one-on-one sessions, which were extremely time-intensive (a few states reported spending 20 minutes on average to do this, plus potentially more time to calculate potential benefit award levels).[7] State administrators typically thought that most claimants were unable to understand the trade-offs involved in making their decision, even after field staff provided detailed explanations. One administrator felt that this situation was especially frustrating to field staff, who were frequently asked, "What do you think I should do?" after giving a complex explanation of the options to claimants. Another state reported that some claimants found the process so confusing that they stopped filing for benefits to which they were entitled. While EUC regulations allowed only claimants who had not received complete information about the option to change their choice after they began filing, some states indicated that, because of the complexity of the options legislation, they interpreted this restriction more loosely and allowed more than just a few claimants to change their choice after they began filing. These changes merely added to the administrative complexity of the program.

All states reported that a number of under- and overpayments were generated by delays in implementing the option fully and correctly, and that these under- and overpayments were extremely complicated and time-consuming to correct. For example, one state reported that up to nine transactions were required to change funding from one program and benefit year to another program and benefit year. A few states reported taking up to two years *after* the program ended to sort out

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[7]Several states felt that technological and administration changes such as remote claims processing made in recent years would make handling the options legislation in EUC even harder now. They thought that implementing the options component of EUC while using remote claims processing would be virtually impossible because staff would not be in place in the field offices to explain the option face to face.

all the funding problems created by the options legislation. Enacting the options legislation retroactively was responsible for much of this extra work, since claimants could retroactively choose the program from which their payments came.[8] Some states were unclear about which overpayments were forgiven and which were not; thus, they did not know how to handle different payment offset rates for EUC and regular UI. States may also have experienced higher rates of noncharging because of this confusion. Changing funding sources affected employers as well, since they were often confused by receiving several notices about charge adjustments.

Although each state may have encountered different problems interpreting and implementing the options legislation, all of them felt that the problems were due to the unnecessary complexity of EUC and could not easily be integrated into the regular UI system. Several states gave specific examples of the confusion and complications resulting from the options legislation and the incomplete instructions on how to implement it. Some states did not initially understand that claimants with new benefit years already established could retroactively choose to collect EUC instead of UI for weeks prior to the date the claimant chose the option. At least one state reported having to expand its computer hardware because the hardware in place could not fully automate the options legislation. Interstate claims were even more difficult to administer than regular UI claims, because states often interpreted the options legislation differently. Overall, state administrators thought the options legislation should not be repeated in future emergency benefits programs,

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[8]Keeping track of the different federal funding sources for EUC was an additional complexity, because different funding sources were used for different EUC phases and because claim dates (rather than the dates payments were made) were used to determine from which funding source the benefits were paid. Under the regular UI program, states typically need not tie claim payments to different funding sources. Under the EUC program, however, payments made to two claimants in a week may have had to be charged to different funding sources if the claimants began collecting benefits during different EUC phases. The phase in which the payment was made did not determine the funding source.

primarily because implementing this legislation would be too costly and confusing to administer, even if some claimants benefited.

D. OTHER ADMINISTRATIVE ISSUES

Although the most prominent components of EUC were the reachback and options provisions, EUC had other components that affected program administration--and EUC affected other routine SESA tasks besides the administration of intrastate regular UI claims. In this section, we examine three special topics: (1) the EUC requirements for stringent work search efforts, (2) the effects of EUC on the handling of interstate claims, and (3) the effects of EUC on the ability to conduct other routine administrative tasks.

1. Work Search Requirements

Eligibility for benefits during EUC-1, -2, and -3 required "systematic and sustained" work search efforts, a standard that is more stringent than most states' regular UI work search requirements. Some states, for example, require that regular UI program claimants be "able and available" for work. In contrast, systematic and sustained work search was interpreted to be work search "maintained throughout the week" and in a "regular manner with thoroughness and with a plan" (*Unemployment Insurance Program Letter No. 9-92 Change 2*, February 20, 1992). SESAs also had to verify that claimants whose job prospects were identified as "poor" registered with the Job Service.

Most state respondents thought that these stringent work search requirements did not make sense, since few jobs are available during recessionary periods. In their view, requiring increased job search activity and more trips to field offices, with little chance of finding a job, was frustrating to claimants and did little to improve claimants' chances for reemployment. It also made no sense

for job-attached workers who are typically exempt from state work search requirements, but no exemption was allowed for EUC. As we discuss in Chapter III, the option to receive EUC before establishing a new UI benefit year meant that a greater proportion of EUC claimants were job attached than would typically be the case with an extended benefits program. It was frustrating to employers who complained about receiving many contacts from recipients when no jobs were available. Finally, employers complained about receiving contacts from agency staff attempting to verify that recipients had contacted them. These problems were exacerbated in areas where there were few employers.

States also reported that the requirements led to some administrative complications and problems. Agency staff had to be trained to administer two sets of work search requirements, and claimants had to have explanations of both sets of requirements. Additional complications arose with disqualifications because of failure to meet the work search requirements or to register with the Job Service. The UI and EUC programs had different criteria for renewed eligibility, and previously disqualified claimants might become eligible for one program but not the other. This additional complexity meant that, because of the work search requirements, some claimants switched back and forth between UI and EUC programs.

States reported that they found ways to classify claimants' job prospects as "not good" and to monitor that these claimants registered with the Job Service, but that this requirement did not adequately differentiate among claimants in many states. Half the states we contacted reported that they automatically classified *all* EUC claimants' job prospects as "not good." Two of the states indicated that Job Service staff found it difficult to register claimants, since there were no additional funds for handling the increased workload.

Overall, agency staff felt that emergency benefits programs would be easier to administer if they were more easily integrated into states' regular UI programs, so the states did not have to maintain two sets of instructions to claimants, two sets of criteria for determining eligibility, and two sets of procedures in which to train field staff.

2. Interstate Claims

Most of the states we surveyed reported that the processing of interstate claims became more difficult during EUC. Handling interstate claims is more complicated than handling intrastate claims because of differences in state UI programs, but, they felt, EUC exacerbated the level of difficulty in dealing with interstate claims. State staff indicated that this was particularly true for options legislation, since agent and liable states often treated options legislation differently. States found it difficult to inform claimants of all their choices when information from one state was not readily available to another, such as when a claimant was eligible for UI in one state and eligible for EUC in another.[9] The retroactivity of the legislation further complicated administration of interstate claims because states sometimes had to coordinate collecting payments from one program--say, EUC--in one state to offset overpayments in another program--say, UI--in another state, when claimants retroactively exercised the option to choose which program they wanted to receive benefits from.

[9]EUC legislation also allowed states to calculate base period earnings in more than one way, which meant that the number of potential calculations increased significantly.

3. Effects on Administrative Resources

Because some central office management and data programming staff had to be assigned to work full time on EUC, states reported that routine tasks suffered and that most forward-looking administrative activities were put on hold during EUC.

Some states found that EUC greatly complicated their data reporting, while other states did not. States that experienced particular difficulty with EUC had to develop parallel sets of forms for EUC. Some states felt that, in particular, the accuracy of their reports suffered because of the number of reclassifications of claimants between UI and EUC.

A few states reported small advantages from EUC. One state was able to test a program (originally designed for extended benefits) for mailing information to claimants. Another state indicated that state agency staff understand their computer system better because EUC "tested the limits" of the system. Overall, however, the states felt that the complexity of EUC, and the continued revisions, made it impossible to complete planned activities to improve administration of the regular UI program.

E. RELATIONSHIP WITH CLAIMANTS, THE PUBLIC, EMPLOYERS, AND THE FEDERAL GOVERNMENT

Most state respondents said that, overall, they were able to maintain good relationships with claimants at a time when the UI system was strained and public expectations for unemployment compensation assistance were high. Despite the many changes in EUC and the behind-the-scenes administrative problems, state respondents thought that collecting EUC was straightforward for most claimants and that most claimants made a relatively smooth transition from UI to EUC. Claimants also appreciated the additional benefits. Nevertheless, the complexity of the program, especially the

options legislation, confused some claimants; because of the confusion, some claimants may not have applied for (or collected) all benefits they were entitled to.

Most states also thought that, in general, they could maintain good public relations, but that the frequent policy changes, in conjunction with unrealistic expectations to get benefits out quickly, affected their agencies' ability to serve claimants and led to more than the usual number of inquiries and complaints, both from the public and from elected officials. A respondent in one state felt that the frequent policy changes and the seemingly inconsistent ways claimants were treated--a claimant who filed in one week might be eligible for substantially more or less money than a claimant who filed one week later--were important hindrances to good community relations. Several respondents thought that EUC stripped the UI system of some integrity because it was a "giveaway" program. These respondents believe that EUC was provided for too long and that it discouraged claimants from seeking and obtaining work.

Employers in most states had mixed experiences. As discussed above, employers were frustrated by continued contacts by job seekers arising from the stringent work search requirements and by agency staff to verify job contacts. Many employers were confused by the flip-flopping of charges as under- and overpayments to the regular system were corrected. However, agency staff also reported that employers appreciated the provision of noncharged benefits to claimants.

Most state administrators thought they had good overall working relationships with the UI regional offices but that administering EUC caused some strains in the federal-state relationship. Most administrators reported frustration that the regions (often perceived to be caught in the same spot as the states) had difficulty interpreting the EUC legislation and disseminating information quickly. Some states thought they wasted a great deal of resources because they were unable to get guidance from their regional offices in a timely manner and because the advice received was often

incorrect or conflicting. When written instructions from the national and regional offices were eventually received, they were unduly complex because they frequently cross-referenced other memoranda. Because states were under intense pressure to get their systems modified and get benefits out to claimants, they often had to proceed without guidance or confirmation that their interpretations were correct. After implementation, states sometimes found that they had to change their systems and correct the errors generated from incorrect interpretation of the legislation. One state respondent felt that these experiences would adversely affect future contacts with the regional office.

F. CONCLUSION

Emergency extended benefits programs are inherently difficult to implement initially, but the EUC program had implementation and administrative problems throughout its duration. Emergency programs are commonly enacted after a recessionary period has begun, and implementation is expected to be rapid. In addition, emergency programs often contain reachback provisions to provide benefits to former claimants, making initial implementation difficult. The EUC program experienced these implementation difficulties, but it also had several components that made continued implementation and administration of the program difficult.

The options legislation effective during EUC-3 and -4 is the prime example. Undoubtedly, some claimants benefited from the option to collect EUC instead of UI, but the SESAs expended substantial time and resources trying to understand the options legislation, train staff, program the options legislation into their computer systems (including overriding several important computer checks that ensure accurate processing of payments), and explain the legislation to claimants. SESAs also had to correct for under- and overpayments because of the retroactivity of the options legislation, as well as allow some claimants, who could argue that they lacked sufficient information

to make an informed decision, to switch their choices. From society's perspective, it is unlikely that the gain to the claimants who chose to collect EUC instead of UI outweighed the extensive cost of implementing the options legislation.

Another example of unnecessary complexity--one that added to administrative complexity without offsetting benefits--is the five phases of EUC. Although emergency benefits programs are intended to provide benefits when needed, and it is difficult to predict the length of a recession, it would make more sense to have fewer phases, with each phase lasting slightly longer than did the EUC phases. Attempts at fine-tuning over several phases lasting only a few months are not worth the effort, particularly when claimants with periods of unemployment early in the emergency program qualify for the longer benefit durations enacted during later phases.

A final operational problem with EUC was the work search requirements. Although increased work search requirements make conceptual sense when providing emergency benefits to ensure that the disincentives of extra benefits are counterbalanced, state respondents thought it impractical to implement the more stringent work search requirements. Having work search requirements that differed from the requirements for regular UI caused the program and its administration to become more complex. At the same time, since few jobs were available, more stringent requirements may not have led to more rapid reemployment of claimants.

Eliminating some of the complexity often associated with emergency programs, such as EUC and lengthening the duration of each phase, would help minimize problems inherent in these types of programs. Although the programs may still need to be implemented quickly and address the legitimate needs of some claimants through reachback provisions, having a minimal number of components different from the regular UI program would reduce the need to modify computer programs and train staff. This would result in fewer errors in claims processing, and administrative costs might be substantially lower.

VII. CONCLUSIONS AND LESSONS FOR POLICY

The Emergency Unemployment Compensation (EUC) program, as implemented, contained two different components. The largest consisted of a program that extended individual workers' potential durations of unemployment compensation. This component, targeted at workers suffering long-term unemployment, was similar to earlier emergency extended benefits programs: Federal Supplemental Benefits (FSB), in the 1970s, and Federal Supplemental Compensation (FSC), in the 1980s. Its most important difference from these "third-tier" programs lay in the precise way in which EUC interacted with the regular, permanent Extended Benefits (EB) program. Specifically, EUC legislation permitted states to substitute EUC for EB in situations where EB otherwise might have been available. Most states availed themselves of this option throughout the period in which EUC was available. This had the practical effect of turning EUC into a "second-tier" program as well. That is, for most workers suffering long-term unemployment, EUC was the only source of extended benefits during the recession of the early 1990s.

The second component of EUC was unique to that program. During Phases 3 and 4 of its five phases, some workers who normally would have collected benefits under the regular Unemployment Insurance (UI) program had the option of collecting EUC benefits instead. Because the only claimants eligible for this option were those beginning a new benefit year, such claims acted as a substitute for regular UI and served a different category of worker (specifically, workers who expected recall and who had much shorter periods of unemployment than those who usually collect benefits under extended benefits programs). Although benefits paid under this component probably totaled less than 15 percent of all benefits paid under EUC, the novelty of its structure suggests that considerable attention be devoted to it in our overall evaluation.

A. CONCLUSIONS

Our review of the EUC program suggests 11 conclusions about its overall impact and effectiveness:

1. ***The extended benefits component of the EUC program performed an important countercyclical role during the recession of the early 1990s.*** The relatively long duration of the program and its widespread implementation by the states were appropriate, given the extended weakness of the labor market exhibited in that recession. EUC appears to have avoided both the overly generous and the poorly targeted benefits that characterized the FSB program in the 1970s and the overly long duration of the FSC program of the early 1980s. Although no one measure of the performance of the EUC program captures all its countercyclical features, the exhaustion rate is perhaps the best single measure. We estimated that availability of its extended benefits component permitted the overall system of unemployment compensation to provide a slightly lower exhaustion rate (our estimates ranged from 17 to 24 percent) than the rate that characterizes the system during nonrecessionary periods. These benefits replaced about 2.4 percent of the shortfall in real disposable income attributable to high unemployment throughout the recessionary period.

2. ***The size and scope of the EUC program significantly exceeded what would have been provided under the regular EB program.*** Our simulations suggested that, in the absence of EUC, only about 3 million exhaustees would have been covered under the regular EB program during the period 1991.4 to 1994.2, even if all states had adopted the total unemployment rate as a trigger for EB. On the other hand, EUC (which effectively replaced EB during this period) paid benefits to about 7.7 million regular UI exhaustees under its extended benefits component. Even with modestly relaxed trigger thresholds, EB would have been a substantially smaller program than EUC. In actuality, of course, EB itself played virtually no role in the recession of the early 1990s. In addition, the federal financing of EUC resulted in $3 to $4 billion in trust fund savings for the states. These savings were concentrated in a small number of states, resulting in an average Unemployment Compensation (UC) tax rate saving of approximately 0.25 percentage point in those states where EB would have been payable.

3. ***Implementation of the extended benefits component of EUC presented a number of administrative complexities arising from its multiple-phase structure and its integration with the regular UI program.*** Most of these difficulties arose from the time pressure state officials were under to incorporate EUC into their operations. Because some of EUC's provisions (for example, maximum durations) were changed frequently, and because the program incorporated some provisions that differed from those of the regular UI program (for example, more stringent work search requirements), it was often impossible to devote the necessary care to establishing systems and procedures for paying benefits. Hence, although the phase structure of

EUC did permit a flexible response to recessionary conditions as they became apparent, more attention might have been paid to easing the states' implementation of the programs and to streamlining transitions among its phases.

4. ***The characteristics of individuals receiving EUC under its extended benefits component resembled those of recipients of previous programs, although a few significant differences reflecting the changing composition of the labor market were apparent.*** Recipients who received both UI and EUC were more likely to be older, female, and part of a minority group than were shorter-term recipients who received only UI. Compared to previous emergency programs, they were less likely to be from manufacturing industries than were recipients of FSB and FSC (for example, 30 percent under EUC, as opposed to 44 percent under FSB). Females also constituted a larger fraction of recipients under the extended benefits component of EUC, than had been the case under the previous emergency programs (44 percent in EUC, versus 37 percent in FSC). Still, it seems clear that the extended benefits portion of the EUC program served workers suffering long-term unemployment who shared many similarities with workers who collected under earlier emergency programs.

5. ***Workers receiving benefits under the extended benefits component of EUC experienced considerable difficulty in finding reemployment.*** Despite extensive job search, it took many recipients a long time to find a job. Moreover, approximately 23 percent of workers who received benefits under the extended benefits component of EUC never (during an average follow-up period of three and one-half years) found a new job. Many of those extended benefits recipients who found new jobs reported subsequent job separations, suggesting that much of the reemployment was in relatively unstable jobs. Two-thirds of those who became reemployed found jobs in industries different from those of their prior jobs. About 4 out of 10 workers experienced wage losses of at least 25 percent.

6. ***Substantial numbers of individuals receiving benefits under the extended benefit component of EUC received reemployment services from the Job Service or education or training. However, not all recipients received reemployment services, and those receiving education or training were not always the individuals who appeared to be most in need of further education or training.*** Approximately 75 percent of long-term recipients received services from the Job Service; however, 25 percent did not. Seventeen percent began education or training programs while collecting benefits or before the start of a job. This seems like a substantial number, since not all recipients need or could benefit from education or training. However, those who did enter education or training tended to be better educated and to have greater earnings possibilities than those who did not. Relatively few individuals who were high school dropouts or who had low wages on their pre-benefits jobs participated in education or training.

7. ***The extended benefits portion of the EUC program kept a considerable number of families from falling below the poverty line.*** Nevertheless, EUC benefits alone often were insufficient to keep families out of poverty when there was no working spouse or

partner. Another factor exacerbating the low incomes of EUC recipients' families was that they had very low rates of receipt of benefits from retirement and transfer programs.

8. ***Approximately 5 percent of all EUC first payments (and 30 percent of first payments during Phase 1 of the program) were made to "reachback" eligibles.*** Mean weeks of EUC collected, average total benefits received, and exhaustion rates for this group were very similar to those of other EUC recipients during Phase 1.

9. ***The optional claims component of EUC permitted states to achieve savings to their UI trust funds when workers chose to substitute EUC benefits for regular UI benefits that would otherwise have been payable to them.*** Inaccuracies and shortcomings in the reporting of optional claims made it difficult to obtain precise figures for the dollar value of benefits payable under them. Overall, however, we estimate that these benefits may have amounted to between $3.4 and $4.6 billion. This represented 12 to 16 percent of all EUC benefit dollars and 5 to 7 percent of regular UI benefits during the period. Our data also suggested that the actual trust fund savings from the optional claims component of EUC were unevenly distributed among the states, with some states receiving the equivalent of a full percentage point in UI tax rate relief, while others received less than a tenth that amount.

10. ***This optional claims component of EUC added major complexities to the administration of EUC during Phases 3 and 4.*** Presenting information to claimants about the EUC optional claims provision was time-consuming and difficult, since both staff claimants found the options hard to understand. Integrating the payment of optional claims into state UI systems also required overriding many existing computer safeguards. The rapid implementation of Phase 3 of EUC meant that there was little time to validate new computer code. This meant that officials often were forced to override their systems manually. Further complicating the situation were issues in the proper interpretation of some optional claims procedures.

11. ***The overwhelming majority of workers who collected benefits under the EUC optional claims component were not long-term unemployed.*** These workers were much more likely to expect recall to their prior employers, to do less job search, and to have significantly higher reemployment rates than workers who collected under the extended benefits component. Indeed, average total unemployment compensation benefits collected by workers choosing the optional claims portion of EUC amounted to only about 25 percent of the average total amount of UC benefits collected by workers collecting under the extended benefits component of EUC.

B. POLICY IMPLICATIONS

These conclusions suggest four broad implications for future unemployment compensation policy toward extended benefits:

1. ***In the absence of major changes to the EB trigger mechanism, it seems likely that future emergency programs will have to function as both "second-tier" and "third-tier" extended benefits programs.*** Trigger rates under EB are simply too high and too constrained by the trigger rates' threshold requirements to permit EB to provide the level of benefits that EUC did during the recession of the 1990s. Because the goals of future programs are likely to be similar to those of EUC (although the specifics will be tailored to particular recessionary circumstances), these too will likely be used as substitutes for EB if the UI system is to continue to provide adequate support to long-term unemployed workers.

2. ***Operations of future EUC-type programs would be significantly improved if implementation could be streamlined.*** In particular, although the phase structure incorporated in EUC provided flexibility in meeting recessionary needs as they arose, these phases were often too short and contained administrative procedures that were changed too frequently for states to adapt to them. Operation of the program would be much smoother if state administrators had more time to adapt their systems to the program's requirements and if basic provisions (such as job search requirements) were more carefully integrated with existing UI procedures.

3. ***Experiences of recipients of extended benefits under EUC suggest the need for enhanced labor market services.*** Clearly, many of these recipients experienced significant difficulties in finding reemployment as a result of the 1990s recession. While many recipients received some reemployment services, there appears to have been a need for additional services directed toward workers who are likely to collect extended benefits and who probably will have difficulty finding jobs comparable to their pre-benefits jobs. However, the Worker Profiling and Reemployment Services systems that have been introduced since the end of the EUC program now provide a mechanism to direct reemployment services toward workers who are likely to collect extended benefits.

4. ***The optional claims component of EUC should not be a component of future extended benefits programs.*** The optional claims component may have helped some claimants avoid reductions in weekly benefit amounts as the result of entering a new benefit year, as was intended, but the vast majority of benefits paid under this option went to the short-term, rather than long-term, unemployed. It was also extremely difficult to administer. Overall, such a component plays no useful role in a policy intended for the long-term unemployed.

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APPENDIX A

EUC PROVISIONS, BY PHASE

TABLE A.1

SUMMARY OF THE FIVE PHASES OF EUC

EUC Phase	Public Law	Date Enacted	Dates of Eligibility		Duration and Trigger Levels	EB	Funding	Options to Claim	Other
			Effective	Termination					
1	102-164 (the Emergency Unemployment Compensation Act of 1991)	November 15, 1991	November 17, 1991 Reachback provisions for those whose benefit year ended after February 28, 1991	July 4, 1992	Created three tiers of EUC benefit durations, at 6, 13, or 20 weeks. States had 13 weeks if the AIUR was at least 4 percent in the preceding 12 weeks and the current week or if the AIUR was 2.5 percent and the exhaustion rate 29 percent. States had 20 weeks if the AIUR was at least 5 percent in the preceding 12 weeks and the current week or if the average TUR was at least 9 percent in the previous 6 months.	Allowed governors to deactivate EB to pay EUC. In states in which EB was in use, claimants received EUC benefits only after EB benefits were exhausted and only the amount in excess of the amount paid through EB.	Funds in the Extended Unemployment Compensation Account (EUCA) were used. A one-year extension of the 0.2 percent Federal Unemployment Tax Act surtax and a variety of offsets and tax extensions were used to meet Budget Enforcement Act (BEA) requirements.		
	102-182	December 4, 1991	Retroactive to November 17, 1991	June 13, 1992	Eliminated the 6-week tier; for those states, individuals were eligible for 13 weeks.				
2	102-244	February 7, 1992	February 8, 1992	July 4, 1992	Weeks of maximum benefits were increased to either 26 or 33 weeks, subject to a maximum of 130 percent of a claimant's regular benefit payments, for claimants filing initial claims from February 9, 1992, to June 13, 1992. For claimants filing after June 13, 1992, or for claimants with nonconsecutive weeks claimed, the maximum benefits were decreased to either 13 or 20 weeks.		BEA funding requirements were met via a temporary acceleration in payments of corporate income taxes and carryover pay-as-you-go financing from earlier entitlement legislation.		

TABLE A.1 *(continued)*

EUC Phase	Public Law	Date Enacted	Dates of Eligibility		Duration and Trigger Levels	EB	Funding	Options to Claim	Other
			Effective	Termination					
3	102-318	July 3, 1992	Retroactive to June 13, 1992	No new claims after March 6, 1993. No payments after June 19, 1993.	Set EUC durations to either 20 or 26 weeks, subject to a maximum of 100 percent of a claimant's regular benefit payments for the most recent benefit year. Benefit durations dropped to either 10 or 15 weeks, subject to a maximum of 60 percent of a claimant's regular benefits, depending on the state unemployment rate when the seasonally adjusted national TUR was 6.8-7 percent for 2 consecutive months. Benefit durations dropped to either 7 or 13 weeks, subject to a maximum of 60 percent of a claimant's regular benefits, depending on the state unemployment rate when the seasonally adjusted national TUR was less than 6.8 percent for 2 consecutive months.	Governors' option to deactivate EB to pay EUC was not applicable for any EB period beginning after March 6, 1993. New claimants in states that used EB and had an EUC balance after March 6, 1993, could receive payments from the program (EB or EUC) with the greater balance. Allowance for usage of 3-month average TUR as trigger for EB. Changed EB durations from exactly 13 to either 13 or 20 weeks.	All EUC benefits funded by general revenue funds deposited in the EUCA, satisfying BEA requirements through several non-UI income and tax adjustments and carryover pay-as-you-go financing from earlier legislation.	An individual could defer rights to regular UI benefits for weeks of unemployment beginning on or after July 3, 1992, to collect EUC associated with the most recent prior benefit year.	States could use more than one method to measure employment and earnings (had at least 20 weeks of employment in the base period, earned 150 percent of the base period high quarter wages during the base period, or earned wages during the base period of at least 40 times the claimant's weekly benefit amount for regular benefits) for qualifying purposes, rather than using one method exclusively, as was required prior to July 3, 1992.

TABLE A.1 *(continued)*

EUC Phase	Public Law	Date Enacted	Dates of Eligibility		Duration and Trigger Levels	EB	Funding	Options to Claim	Other
			Effective	Termination					
4	103-6	March 4, 1993	March 6, 1993	No new claims after October 2, 1993. No payments after January 15, 1994.		Governors' option to deactivate EB to pay EUC was not applicable for any EB period beginning after October 2, 1993. New claimants in states that used EB and had an EUC balance after October 2, 1993, received payments in the program (EB or EUC) with the greater balance.	All EUC benefits for initial claims attributable to weeks of unemployment beginning after October 2, 1992, funded by general revenue funds included in the DOL Appropriations Acts and then transferred to the EUCA.		Changed the work search requirements from those in the EB provisions to those in state law provisions for regular UI.
	103-6	July 26, 1993			Revised interpretation of the 7 percent and 6.8 percent thresholds of the national TUR before EUC durations changed (per P.L. 102-318). The 7 percent period would be in effect when the national TUR for *each of the 2 most recent months* was less than 7 percent, rather than when the average of the 2 months was less than 7 percent. Similar interpretation for the 6.8 percent threshold.				

TABLE A.1 *(continued)*

EUC Phase	Public Law	Date Enacted	Dates of Eligibility		Duration and Trigger Levels	EB	Funding	Options to Claim	Other
			Effective	Termination					
5	103-152	November 24, 1993	Retroactive to October 2, 1993	No new claims after February 5, 1994. No payments after April 30, 1994.	Amended maximum number of benefit weeks to either 7 or 13, subject to a maximum of 50 percent of the claimant's regular benefits.	Governors' option to deactivate EB to pay EUC was not applicable for any EB period beginning after February 5, 1994. New claimants in states that used EB and had an EUC balance after February 5, 1994, received payments in the program (EB or EUC) with the greater balance.	Benefits for initial claims-attributable to unemployment beginning after October 2, 1993, were paid from the EUCA, financed through savings from profiling requirements, elimination of choice in filing, and increases in the sponsor-to-alien deeming period under Supplemental Security Income.	Repealed the option established in P.L. 102-318, whereby a claimant could choose either to file a new claim or receive EUC on the basis of a prior benefit year.	

TABLE A.2

DURATIONS OF EUC BENEFITS OVER TIME, BY STATE, IN WEEKS

	EUC-1 P.L. 102-162 and 102-182 11/17/91	State-Specific Duration Changes While EUC-1 in Effect	EUC-2 P.L. 102-244 2/8/92	State-Specific Duration Changes While EUC-2 in Effect	EUC-3 P.L. 102-318 6/14/92	State-Specific Duration Changes While EUC-3 in Effect	Trigger Changes from EUC-3 and EUC-4 P.L. 103-6 3/6/93	State-Specific Duration Changes While EUC-4 in Effect	EUC-5 P.L. 103-152 10/2/93	State-Specific Duration Changes While EUC-5 in Effect
AL	13		26		20		10		7	
AK	20		33		26		15		13	1/23/94--onto EB
AZ	13		26		20		10		7	
AR	13	2/2/92--20	33		20		10		7	
CA	13	1/5/92--20	33		26		15		13	
CO	13		26		20		10		7	
CT	20		33		26	11/1/92--20	10		7	
DE	13		26		20		10		7	
DC	13		26		20		10		7	
FL	13		26		20		10		7	
GA	13		26		20		10		7	
HI	13		26		20		10		7	
ID	13	2/9/92--20	33		26	7/19/92--20 2/21/93--26	15	7/4/93--10	7	
IL	13		26		20		10		7	
IN	13		26		20		10		7	
IA	13		26		20		10		7	

TABLE A.2 *(continued)*

	EUC-1 P.L. 102-162 and 102-182 11/17/91	State-Specific Duration Changes While EUC-1 in Effect	EUC-2 P.L. 102-244 2/8/92	State-Specific Duration Changes While EUC-2 in Effect	EUC-3 P.L. 102-318 6/14/92	State-Specific Duration Changes While EUC-3 in Effect	Trigger Changes from EUC-3 and EUC-4 P.L. 103-6 3/6/93	State-Specific Duration Changes While EUC-4 in Effect	EUC-5 P.L. 103-152 10/2/93	State-Specific Duration Changes While EUC-5 in Effect
KS	13		26		20		10		7	
KY	13		26		20		10		7	
LA	13		26		20		10		7	
ME	20		33		26	8/30/92--20	10	3/28/93--15 6/27/93--10	7	3/27/94--onto 20 weeks EB
MD	13		26		20		10		7	
MA	20		33		26	8/2/92--20	10		7	
MI	20		33		26	10/25/92--20	10		7	
MN	13		26		20		10		7	
MS	20		33	2/16/92--26	20		10		7	
MO	13		26		20		10		7	
MT	13		26	3/8/92--33	20		10	3/7/93--15 6/12/93--10	7	
NE	13		26		20		10		7	
NV	13		26	3/8/92--33 6/6/92--26	20		10		7	
NH	13		26		20		10		7	
NJ	20		33		26	11/22/92--20	10	3/7/9--15 6/13/93--10	7	
NM	13		26		20		10		7	
NY	13		26	2/16/92--33	26	7/12/92--20	10		7	

TABLE A.2 *(continued)*

	EUC-1 P.L. 102-162 and 102-182 11/17/91	State-Specific Duration Changes While EUC-1 in Effect	EUC-2 P.L. 102-244 2/8/92	State-Specific Duration Changes While EUC-2 in Effect	EUC-3 P.L. 102-318 6/14/92	State-Specific Duration Changes While EUC-3 in Effect	Trigger Changes from EUC-3 and EUC-4 P.L. 103-6 3/6/93	State-Specific Duration Changes While EUC-4 in Effect	EUC-5 P.L. 103-152 10/2/93	State-Specific Duration Changes While EUC-5 in Effect
NC	13		26		20		10		7	
ND	13		26		20		10		7	
OH	13		26		20		10		7	
OK	13		26		20		10		7	
OR	13	1/12/92--20	33		26	9/27/92--20 1/31/93--26	15	7/11/93--10	7	10/3/93--onto EB 2/26/94--off EB
PA	13	1/26/92--20	33		26	8/16/92--20	10	3/21/93--15 6/20/93--10	7	
RI	20		33		26		15		7	1/16/94--13
SC	13		26		20		10		7	
SD	13		26		20		10		7	
TN	13		26		20		10		7	
TX	13		26		20		10		7	
UT	13		26		20		10		7	
VT	13	1/19/92--20	33		26	8/16/92--20	10	5/09/93--15 8/8/93--10	7	
VA	13		26		20		10		7	
WA	13	2/2/92--20	33		26	7/4/92--20 1/31/93--26	15	6/27/93--10	7	10/3/93--onto EB 2/26/94--off EB

TABLE A.2 *(continued)*

	EUC-1 P.L. 102-162 and 102-182 11/17/91	State-Specific Duration Changes While EUC-1 in Effect	EUC-2 P.L. 102-244 2/8/92	State-Specific Duration Changes While EUC-2 in Effect	EUC-3 P.L. 102-318 6/14/92	State-Specific Duration Changes While EUC-3 in Effect	Trigger Changes from EUC-3 and EUC-4 P.L. 103-6 3/6/93	State-Specific Duration Changes While EUC-4 in Effect	EUC-5 P.L. 103-152 10/2/93	State-Specific Duration Changes While EUC-5 in Effect
WV	20		33		26		15		13	
WI	13		26		20		10		7	
WY	13		26		20		10		7	

SOURCE: Unpublished table "Emergency Unemployment Compensation Periods," by U.S. Department of Labor and Federal Register, Washington, DC, U.S. Government Printing Office, various days.

APPENDIX B

SAMPLE DESIGN AND SAMPLE WEIGHTS

The sample for the Emergency Unemployment Compensation (EUC) evaluation was designed to represent the national population of EUC recipients and to provide sufficient statistical precision to meet the descriptive and analytic objectives of the study. It was also designed to provide a comparison group of Unemployment Insurance (UI) recipients who did not receive EUC; this group was representative of the national population of UI-only recipients when EUC was available. More specifically, the sample design called for a two-stage sampling process: initially, 23 states were selected; then, recipients in those states were selected. Administrative records were to be collected and analyzed for the recipient samples and survey data were to be collected for subsamples.

In practice, a number of states selected for the sample were unable to participate. Additional states were selected and asked to participate, but, in the end, only 18 of the 35 states that were asked provided samples of recipients. In addition, response rates for the survey were low (just under 50 percent), primarily due to difficulty in locating respondents (see Appendix C).

Both state and respondent nonresponse raise the possibility that estimates from the samples may be biased. However, our analysis of this issue suggests that the administrative records samples from the 18 states can be weighted to represent the national population on key dimensions of UI receipt. Therefore, we believe that the results we obtain with these samples can be characterized as representing the nation. We use an analogous procedure to weight the 16 state survey samples to be nationally representative.[1] Furthermore, our analysis of survey nonresponse (Appendix C) suggests that the respondents are similar to nonrespondents on key demographic and UI receipt characteristics.

We now turn to a discussion of the sample design and our procedure for computing weights.

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[1]Administrative samples from two states were received too late to be included in the survey.

A. INITIAL SAMPLE DESIGN

The sample design for the EUC evaluation was intended to fulfill three main objectives. First, it was designed to produce a sample that was representative of the national population of EUC recipients. Second, it was intended to provide a comparison group of UI recipients who did not receive EUC that was representative of the national population of UI-only recipients when EUC was available. Third, it was meant to provide sufficient statistical precision for the descriptive and analytic objectives of the study.

To address the first objective, we defined the EUC sample frame as all individuals in the 51 states who received an EUC payment.[2] We planned to select a sample from this sample frame and to collect administrative records data for this sample. We also planned to collect survey data for a subsample but to limit the survey subsample to individuals who began collecting EUC in July 1992 or later. We restricted the survey subsample because we wanted to limit the period for which recipients were asked to recall labor market events. We chose July 1992, which was the start date of EUC Phase 3, so that the survey sample would be representative of EUC recipients in Phases 3 through 5.

To address the second objective, we defined the UI-only sample frame as all individuals in the 51 states who began collecting UI between January 1991 and September 1993 and who did not collect EUC. We chose these start and end dates for this sample to capture the majority of UI recipients who could have collected EUC. Although some individuals who began collecting UI as early as March 1990 collected EUC through its reachback provisions, the number of such individuals was small relative to the entire UI population. For this reason, we restricted the comparison group

[2]We included in our universe the 50 states plus the District of Columbia. For convenience, we refer to this group as the "51 states."

to individuals who were more likely to transition to EUC if they exhausted UI. Individuals who began collecting UI in early 1991 would have exhausted UI in the second half of 1991 and could have collected EUC beginning in November 1991. We chose September 1993 as the end date for this comparison sample for similar reasons. Some individuals who started collecting UI after September could have exhausted UI and begun collecting EUC prior to February 5, when the last EUC initial claims were taken, but most individuals who ended up on EUC would have begun collecting UI earlier. Finally, we decided that the UI-only interview subsample would include UI-only recipients who began collecting UI between January 1992 and September 1993. We chose January 1992 as the start date to include individuals who would have been likely to collect EUC beginning in July 1992 or later if they had collected EUC.

To address the third objective, we decided that a reasonable precision standard for the survey subsamples would involve describing attributes of the EUC population with a ± 2.5 percent, 95 percent confidence interval and differences between the EUC and UI-only samples of ± 6.0 percent at 95 percent confidence, for attributes with an incidence of 50 percent in the population. We calculated that these objectives could be achieved with roughly 1,500 EUC and 900 UI-only sample members, if the samples were simple random samples of the national population.[3]

Because the UC program operates separately in each state, however, it was, not feasible to select simple random samples from the national population of EUC and UI-only recipients. Instead, we chose a two-stage sampling procedure that involved the random selection of states in the first stage and recipients in the second stage. Specifically, we decided to choose states in the first stage with probability proportional to the size of their EUC population and then to choose equal-sized samples

[3]We used a two-tail test at the 80 percent power level for this computation.

of EUC recipients in the second stage.[4] This procedure maintained equal probabilities of selection for all EUC recipients and was intended to yield a self-weighting sample of EUC recipients. A comparable UI-only sample was allocated to each state in a way that was designed to provide a self-weighting sample of such individuals.[5]

Because of the two-stage sample design, we also had to increase the EUC and UI-only sample sizes to take into account the loss of statistical precision (termed the "design effect") resulting from clustering the sample in a limited number of states. To account for the importance of design effects, we considered the degree to which average UI benefit duration varies across states.[6] In 1991,

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[4]Since the EUC caseload was heavily concentrated in a few states, this procedure was modified slightly to allow for the fact that the sample would definitely contain the largest states. Once these states were identified, sample sizes were allocated to them in proportion to their representation in the national caseload. The remaining states were then selected with probabilities proportional to size, with equal size samples being allocated to each state.

[5]To draw a nationally representative sample of regular UI-only recipients, we needed to account for the fact that the selection probabilities of states were relative to the EUC population, rather than to regular UI-only recipients or to recipients in general. Following the approach used in an earlier study, regular UI-only recipients were sampled with equal probabilities of selection by allocating larger numbers of regular UI-only recipients to states with smaller numbers of EUC recipients, according to the following formula (Corson and Dynarski 1990):

$$(1) \quad Q_j = X_j \left[(1 - E_j) / E_j \right] R.$$

where, for state j, Q_j is the regular UI-only sample, X_j is the expected size of the subsample of our sample of EUC claimants who collected regular UI earlier in their unemployment spells, E_j is the ratio of the total number of EUC recipients who previously collected UI in the state to the total number of UI recipients in the state, and R is the uniform sampling rate required to adjust the size of the UI-only sample to the desired total number.

[6]We used average benefit duration for regular UI to assess the importance of design effects. Although other variables would yield different results, we expected that the variation among states on this variable would indicate variation in important outcome variables, such as duration of EUC receipt.

average UI duration nationwide was 15.8 weeks; however, an examination of average duration by state revealed important systematic variation. Average duration was more than 17 weeks in five states and less than 12 weeks in nine states. Because earlier studies of the UI population (see, for example, Corson and Dynarski 1990) suggested that the total variance in average UI duration is about 144 weeks, we used the variation in state-level averages to estimate the state component of variance and allocated total variance between individuals and states as follows:[7]

Variance Component	Variance	Percentage
Individual Recipient	137.6	95.6
State	6.4	4.4
Total	**144.0**	**100.0**

These data suggested that 4.4 percent of the variability in average benefit duration is attributable to state-specific factors and the remaining 95.6 percent to recipient-specific factors. Although 4.4 percent at first seems like a small amount, it is a major component of variability for a sample of EUC recipients drawn from a small subset of states.

We explored the implications of this situation for various recipient and state sample sizes. We found, for example, that the standard deviation of the estimate of average benefit duration made from a simple random sample of 2,500 recipients drawn from all 51 states would be .24 (the "one-stage" simple random sample estimate). If the sample was restricted to 15 states, the standard deviation would be .42, a difference of 75 percent. In this example, the sample of 2,500 recipients drawn from

[7]The weighted state-level variance in average duration is equal to $\Sigma w_s(d_s - d_n)^2$, where w_s is the state share of the population, and d_s and d_n are state average duration and national average duration, respectively.

15 states would provide the same statistical precision as a one-stage simple random sample of only 821 recipients (the "effective" sample size) drawn from all 51 states. Increasing the recipient sample size would do little to improve precision, because the source of the high variance is state specific, not recipient-specific. For example, doubling the sample to 5,000 recipients drawn from the same 15 states would only increase the effective sample size from 821 to 974 (an increase of 19 percent). Instead, substantially greater gains in precision could be achieved by increasing the number of states. For example, with 23 states instead of 15, a sample of 2,500 recipients has an effective size of 1,547, compared with 821 for 15 states.

On the basis of this analysis, we decided to draw our sample from 23 states and to interview 2,500 EUC recipients and 1,500 UI-only recipients. Eleven states (New York, California, Pennsylvania, Texas, New Jersey, Illinois, Florida, Michigan, North Carolina, Ohio, and Massachusetts), representing 64 percent of the EUC population, were selected with certainty and allocated 64 percent of our sample (see Table B.1).

The remaining noncertainty states could have been selected by a simple random drawing from the remaining states with probabilities of selection proportional to size; however, we believed additional stratification was warranted. Specifically, we chose the 12 noncertainty states on the basis of a stratified sample according to average UI benefit duration.[8] This stratification was intended to ensure adequate variability in the sample along dimensions, such as labor market strength and generosity of state UI, programs that are approximated by the average duration figures. To accomplish the stratification, the 42 noncertainty states were grouped into three equal-sized strata--high, medium and low duration--with four states being selected from each stratum as shown in Table B.1.

[8]To ensure regional representativeness, we ordered states within stratum by region.

TABLE B.1

STATE SELECTION PROBABILITIES

Selection Criteria	State	DOL Region	Number of EUC First Claims	Average Benefit Duration	Selection Probability	Supplementary Sample	
					23 States	States in Initial Sample	States in Supplementary Sample
Certainty States	NY	2	1,099,894	20.03	1	X	
	CA	9	1,030,755	16.54	1	X	
	PA	3	594,664	16.70	1	X	
	TX	6	528,744	15.17	1	X	
	NJ	2	479,865	18.05	1	X	
	IL	5	466,784	17.23	1	X	
	FL	4	464,163	15.02	1	X	
	MI	5	422,678	14.51	1	X	
	NC	4	322,288	10.50	1	X	
	OH	5	272,271	14.71	1	X	
	MA	1	252,241	18.95	1	X	
High-Duration States	ME	1	81,584	15.84	0.30	X	
	VT	1	20,676	16.14	0.08		
	CT	1	198,648	16.19	0.73		X
	RI	1	83,076	16.73	0.30	X	
	WV	3	55,519	15.12	0.20		X
	MD	3	140,084	16.69	0.51		
	DC	3	44,254	20.51	0.16	X	
	MN	5	110,940	15.65	0.41		X
	NM	6	14,854	15.89	0.05		
	OR	10	129,269	14.93	0.47	X	
	AK	10	43,790	15.33	0.16		
	WA	10	177,344	16.10	0.65		X
Medium-Duration States	DE	3	15,694	14.22	0.06		
	MS	4	85,884	13.23	0.31	X	
	KY	4	90,465	13.71	0.33		X
	WI	5	126,852	13.19	0.46	X	
	AR	6	67,191	12.94	0.25		
	OK	6	60,759	14.36	0.22		X
	LA	6	110,283	14.51	0.40	X	
	MO	7	193,860	14.52	0.71		X
	KS	7	60,004	14.53	0.22	X	
	MT	8	22,474	13.80	0.08		
	WY	8	10,047	14.13	0.04		
	HI	9	30,882	13.00	0.11		
	NV	9	53,816	14.60	0.20		X
	AZ	9	91,442	14.71	0.33		
Low-Duration States	NH	1	35,918	12.38	0.13		
	VA	3	237,954	12.33	0.87	X	
	AL	4	104,671	11.01	0.38		X
	SC	4	102,012	11.72	0.37		X
	GA	4	154,815	11.73	0.57	X	
	TN	4	184,164	12.93	0.67	X	
	IN	5	114,853	11.58	0.42		X
	NE	7	16,849	11.27	0.06		
	IA	7	57,078	12.67	0.21		

TABLE B.1 *(continued)*

Selection Criteria	State	DOL Region	Number of EUC First Claims	Average Benefit Duration	Selection Probability	Supplementary Sample	
					23 States	States in Initial Sample	States in Supplementary Sample
	SD	8	3,560	10.66	0.01		
	UT	8	29,446	11.75	0.11		
	ND	8	14,681	12.17	0.05		X
	CO	8	66,902	12.47	0.24	X	
	ID	10	39,054	11.74	0.14		
Total			**9,215,995**	**15.80**	**23**	**23**	**12**

NOTE: EUC claims are for first payments based on regular UI, Unemployment Compensation for Ex-Servicemen (UCX), and Unemployment Compensation for Federal Employees (UCFE). The average benefit duration is for regular UI in 1991. It is computed from data in the U.S. Department of Labor, UI Database.

[a] The weight is the state share of EUC claims times 51.

Finally, we decided to select, at a minimum, 10,000 EUC recipients and 10,000 UI-only recipients as the first stage of the sampling process. We intended to obtain administrative records for these samples and then select the smaller samples (2,500 EUC recipients and 1,500 UI-only recipients) for the interview. We chose 10,000 as the sample size for each of these administrative records samples to ensure that we had enough sample members to (1) complete 4,000 interviews on subsamples drawn from the latter three phases of EUC, and (2) examine the characteristics and experiences of EUC recipients by program phase.

B. IMPLEMENTATION OF THE SAMPLE DESIGN

We implemented our sample design by contacting the 23 states we selected and asking them to select random samples of recipients who either collected EUC or who began collecting UI between January 1991 and September 1993. To reduce the burden on states, we did not ask them to give us separate EUC and UI-only samples. Instead, we asked for a single sample of recipients who met either criterion (collected EUC or collected UI during the relevant period). In addition, we used data on the number of EUC and UI first payments reported by states to the Unemployment Insurance Service to set sampling rates designed to meet our target of having a minimum of 10,000 EUC and 10,000 UI only sample members. Since the EUC population was smaller than the UI-only population, and since we were conservative in setting the sampling rates, this approach meant that we ended up with administrative records samples that were larger than our minimums.

Since our sample frame covered several years, we also asked states to provide administrative data on all benefit years established during this time frame by members of this sample. When we used administrative data for our analysis, we sometimes used the individual as the unit of analysis and we sometimes used the benefit year. However, we had to decide how to handle individuals with multiple benefit years in the interviewing subsample, since the interview used the benefit year begin

date to establish a time frame for the interview which began with the pre-benefits job. One option would have been to start with the earliest benefit year. We rejected that approach, however, because we felt that our main objective of representing the EUC population was better served by sampling benefit years for the interview. Hence, we assigned individuals to the EUC subsample if they ever collected EUC, and we began the interview with the benefit year that led directly to EUC. A few individuals had more than one EUC claim during Phases 3 through 5. In these cases, we randomly selected one of these claims as the start date for the interview. We also randomly selected a benefit year to start the interview for UI-only sample members with more than one benefit year.

A relatively large number of the states we selected were not able to participate in the study because of constraints on their programming resources or for other reasons. Specifically, 10 of the 23 states we initially contacted did not participate in the study. We addressed this situation by selecting a further random sample of 12 noncertainty states; of these, 7 did not participate. We ended up with samples from 18 states.

We encountered two further difficulties in implementing our design. First, two of the states that provided samples provided them too late for inclusion in the survey. Therefore, our survey sample is drawn from 16 states. Second, because we had difficulty locating sample members (as discussed more fully in Appendix C) our survey sample is smaller than planned and not distributed by state in the same proportions as planned.

Table B.2 reports final sample sizes, by state and by sample type. Our final sample included 28,420 individuals (34,484 benefit years) for whom we collected administrative data. It also included 1,341 EUC and 963 UI-only individuals for whom we collected survey data.

TABLE B.2

EUC STUDY SAMPLE SIZES

States	Administrative Records Sample		Survey Samples	
	Individuals	Benefit Years	EUC	UI-only
High-Duration				
California	4,945	5,773	141	146
Connecticut	2,313	2,612	n.a.	n.a.
District of Columbia	521	581	38	19
Florida	1,566	1,840	87	42
Illinois	1,546	1,917	68	34
Maine	443	580	67	37
Minnesota	1,683	2,203	121	92
New Jersey	3,393	4,423	76	27
Pennsylvania	2,098	2,733	144	84
Texas	1,406	1,619	137	37
West Virginia	1,201	1,514	77	70
Medium-Duration States				
Kentucky	1,534	1,691	93	71
Louisiana	664	902	n.a.	n.a.
Oklahoma	893	1,013	63	40
Wisconsin	1,781	2,111	86	123
Low-Duration States				
Georgia	944	1,130	38	73
North Carolina	984	1,227	59	26
Tennessee	505	615	46	42
Total	**28,420**	**34,484**	**1,341**	**963**

n.a. = not applicable--sample received too late for inclusion in survey.

C. WEIGHTS

We constructed weights for the administrative records and survey samples to produce nationally representative estimates. For the administrative records sample, the weights were designed to produce national estimates of the population of individuals receiving UI and/or EUC during the EUC period and national estimates of the benefit years established during that period. For the survey samples, the weights were designed to produce national estimates of the EUC Phase 3 through 5 population and national estimates of the UI-only population receiving UI during that period.

The major problem we faced in constructing these weights was that we had fewer (and, sometimes, different) states in the final sample than planned.[9] We addressed this problem by using external data on state-level UI and EUC activities reported by states to the Unemployment Insurance Service to compute national estimates of key EUC and UI program outcomes. In making these estimates, we treated each program separately; however, since most individuals who collected EUC also collected UI, we also computed estimates of key outcomes for the combined population (that is, individuals who collected under either program). We used data from our records samples to estimate the proportion of EUC recipients who did not begin collecting UI between January 1991 and September 1993.[10] We used the proportion for each state in our sample and the average for other states to compute the number of EUC first payments to individuals who did not collect UI. We then added this number to the number of UI first payments to compute the number of EUC and/or UI first payments made during our observation period. This unduplicated count of first payments was

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[9]The distribution of sample members by state was also different than planned but this did not present a major problem. We had random samples of recipients in each state in our records samples, and, although there was some nonresponse to the survey, we treated the survey samples in each state as simple random samples when constructing weights. We examine the appropriateness of this assumption in Appendix C.

[10]These are the reachback and EUC option claims.

divided into the number of weeks compensated and total payments under the two programs to produce our national EUC/UI estimates.

Using these estimates of national figures, we examined two alternative ways of weighting the state samples. Under the first alternative, we weighted the 18 states in the records sample to represent themselves. That is, we assigned weights such that the California sample represented California, the Connecticut sample represented Connecticut, and so on. This is a conservative approach that says that the sample only represents the 55 percent of the population found in the sampled states.

Under the second alternative, we weighted the 18 states in the records sample to represent the national population. We did this by grouping certainty and noncertainty states by stratum and adjusting the initial weight (the share of the total population represented by a state) assigned to each state to account for any nonresponse in the stratum. For example, we initially selected eight certainty and four noncertainty states in the high duration stratum but we ended up with six certainty and five noncertainty states whose weights, when summed, implied that this stratum equaled 54 percent of the EUC population. Since the high-duration states actually contained 65 percent of the EUC population, we increased each state weight to sum to 65 percent.

Our comparison of these weighting schemes (see Table B.3) indicated that either approach would produce estimates that appear close to our national estimates for the EUC population, the UI population, or the combined EUC/UI population. However, since the weights designed to represent the national population produced estimates closer to our national estimates, and since we would like to characterize our estimates as representing the nation, we chose to use the national weights in our analysis.

TABLE B.3

COMPARISON OF ALTERNATIVE
WEIGHTING SCHEMES

	National Estimate	Weighting Alternative	
		Weight States to Represent States in Sample	Weight States to Represent All States
EUC			
Average Weeks Compensated	17.6	18.5	17.5
Average Payments	$3,080	$3,152	$2,916
Exhaustion Rate	54.5	57.9	55.3
UI			
Average Weeks Compensated	16.0	16.3	15.8
Average Payments	$2,704	$2,693	$2,556
Exhaustion Rate	38.2	40.2	38.2
EUC/UI			
Average Weeks Compensated	21.0	21.6	20.6
Average Payments	$3,620	$3,599	$3,373
Exhaustion Rate	N.A.	18.6	18.7

N.A. = not available.

We then computed weights for our records and survey samples designed to make these samples representative of the national populations of EUC and UI recipients. We created one weight for the records sample and two weights for the survey samples (see Table B.4). More specifically for the records sample, we created weights that when multiplied by the individuals or benefit years in the sample sum respectively to the total number of individuals who collected UI and /or EUC during the EUC period and that sum to the total number of benefit years established during this period. As noted previously, we defined the EUC period as including all individuals who received an EUC first payment and all individuals who received a UI first payment between January 1991 and September 1993 and did not collect EUC. As described above, we used data from our records samples to estimate the proportion of EUC first payments to recipients who did not also begin collecting UI between January 1991 and September 1993. We then used these figures to compute unduplicated counts of benefit years established during the EUC period. Finally, we used these numbers to adjust our initial sample weights by stratum, as described earlier. The resulting weights are applicable to individuals or benefit years included in our sample.

We used an analogous procedure for the survey samples to create weights for the EUC and UI-only samples that sum to national totals of EUC recipients who began collecting EUC during Phases 3 through 5 and UI-only recipients who began receiving UI between January 1992 and September 1993.

C. DESIGN EFFECTS

The standard errors produced by most statistical programs are computed under the assumption that the samples used to compute estimates are simple random samples of the population. However, as we discussed previously, these standard errors underestimate the true standard errors for estimates

TABLE B.4

EUC STUDY SAMPLE WEIGHTS

States	Records Sample	Survey Samples	
		EUC	UI-only
High-Duration			
California	801	5,997	14,559
Connecticut	363	n.a.	n.a.
District of Columbia	1,630	6,281	19,443
Florida	647	4,359	8,841
Illinois	705	5,277	14,862
Maine	1,633	3,562	9,984
Minnesota	430	1,973	4,015
New Jersey	256	4,916	13,175
Pennsylvania	628	3,690	7,058
Texas	900	3,225	14,972
West Virginia	626	3,100	5,277
Medium-Duration States			
Kentucky	898	4,298	11,821
Louisiana	1,683	n.a.	n.a.
Oklahoma	1,498	6,344	20,982
Wisconsin	719	4,647	6,823
Low-Duration States			
Georgia	1,549	8,422	10,076
North Carolina	1,147	7,404	15,141
Tennessee	2,846	6,957	17,512

n.a. = not applicable--sample received too late for inclusion in survey.

made with our samples, since they are not simple random samples of the national population. Instead, our samples are clustered by state, and this clustering increases standard errors.

We examined the degree to which simple random sample standard errors should be increased to account for the sample design. We computed these design effects using the SUDAAN computer program, which was developed at the Research Triangle Institute.[11] This program uses Taylor Series approximations to compute estimated variances using standard formulas that relate the size of the design effect to the relative size of two variables: (1) the component of the variance due to variation within individual clusters in the survey design, and (2) the component of variance due to differences between clusters in the relevant underlying population characteristics.

Since we examine a number of characteristics of sample members, and since the size of the design effect varies by characteristic, we computed design effects for a number of variables. Table B.5 shows the results of this exercise. These estimates range from a low, negligible effect of 1.02 for the percent female in the EUC sample to a high of 2.32 for the percent white. This range is not surprising, since the proportion of the UI population that is female is unlikely to vary among states (clusters in our sample) as much as the proportion that is white. Other important variables, such as the mean weekly benefit amounts and mean weeks on UI and EUC, which are likely to vary by state given differences in state laws and economic conditions, have design effects in the mid to high end of this range.

[11]We report design effects computed as the proportional change in the standard error due to the survey design as compared to the standard error that could be achieved by a simple random sample of the same size, although design effects are often reported as the proportional change in the variance due to the survey design.

TABLE B.5

DESIGN EFFECTS: SURVEY SAMPLES

Characteristic	EUC Sample			UI-only Sample		
	Mean	Standard Error	Design Effect	Mean	Standard Error	Design Effect
Demographic Characteristics						
Percent Female	43.8	1.4	1.02	40.8	2.5	1.59
Percent White	69.7	2.9	2.32	74.0	3.3	2.31
Mean Age	40.6	3.4	1.03	38.4	4.0	1.05
Pre-UC Labor Market Characteristics						
Percent Pre-UC Job in Manufacturing	32.6	2.0	1.57	33.2	2.3	1.51
Percent Expect Recall	28.3	1.8	1.45	38.1	1.8	1.96
UC Experiences						
Mean Weekly Benefit Amount	$180	3.7	2.02	$177	5.0	2.28
Mean Weeks UI	22.0	.4	2.19	11.9	5.1	1.80
Mean Weeks EUC	14.1	.3	1.31	n.a.	n.a.	n.a.
Percent Exhausted EUC	60.0	2.1	1.49	n.a.	n.a.	n.a
Labor Market Outcomes (if Reemployed)						
Mean Months Until First Job	13.2	.4	1.12	6.9	.4	1.07
Ratio of First Job Weekly Wage to Pre-UC Weekly Wage	.9	.02	1.04	1.0	.02	1.02
	1,341			963		

SOURCE: Emergency Unemployment Compensation Survey.

NOTE: The design effects were computed using the SUDAAN program developed by Research Triangle Institute. While design effects are usually shown as the effect of the simple design on the variance, we report the effects on the standard error of the estimate.

Given this range in design effects, we chose to use the average (1.6) as a rough design effect to apply to our survey results. That is, when making comparisons between the EUC and UI samples, we inflated standard errors by 1.6 when determining which differences were statistically significant.

Table B.6 provides standard errors for the survey samples for binary variables used to estimate the prevalence of characteristics that can be expressed as a proportion or percent (for example, the percent expecting recall). These standard errors can be used to compute confidence intervals for such characteristics or to compute standard errors for difference of means tests. For example, we reported in Table III.6 that 23 percent of the UI-and-EUC sample expected recall by their pre-UI employer as compared to 49 percent for the EUC-only sample. Two-tailed 95 percent confidence intervals for these estimates would equal 1.96 times the appropriate standard error from Table III.6, which would be approximately +/-4 percent for the UI-and-EUC sample. The t-statistic for a difference of means test equals the difference between a characteristic for two groups divided by the standard error of the difference of means, which equals the square root of the sum of the variances of the two estimates. For example, the t-statistic for the difference in the expected recall rate for the UI-and-EUC and the EUC-only sample is 5.1 $\left[(49-23)/\sqrt{(4.6^2+2.3^2)}\right]$. This level indicates that the difference is statistically significant at the 99 percent confidence level for a two-tailed test.

TABLE B.6

STANDARD ERRORS FOR PERCENTS
EUC SURVEY

Characteristic Percent	EUC-UI	EUC-Only	UI-Only
50	2.5	4.6	2.6
40 (60)	2.4	4.5	2.5
30 (70)	2.3	4.2	2.4
20 (80)	2.0	3.7	2.1
10 (90)	1.5	2.8	1.5

NOTE: The standard errors were computed using the formula $1.6\ \sqrt{p(1-p)/n}$ where p is the percent of the population with a characteristic, and n is the sample size for the EUC-UI, EUC-only, or UI-only sample. The 1.6 factor is used to inflate the standard errors to account for design effects.

APPENDIX C

SURVEY RESULTS AND NONRESPONSE BIAS ANALYSIS

The EUC study design called for the selection of nationally representative samples of Unemployment Compensation (UC) recipients and the collection of Unemployment Insurance (UI) program data and, for a subsample, telephone survey data on the pre-layoff characteristics of recipients and their post-layoff labor market experiences. We implemented this design using a two-step process involving the random selection of states and the random selection of UC recipients in those states. Initially we selected 23 states for the sample, but, as discussed in Appendix A, not all states agreed to participate. In the end, 18 states provided data, with 16 doing so in time for inclusion in the survey. We then selected subsamples of EUC recipients and UI recipients who did not collect EUC (called the "UI-only sample") for the telephone survey. The EUC sample was chosen to represent individuals who began receiving EUC in July 1992 or later (that is, in EUC, Phases 3 through 5). The UI-only sample was chosen to represent individuals who began receiving UI during the period January 1992 through September 1993. These individuals would have collected EUC during the same time period as the EUC sample if they had continued onto EUC. The survey subsamples were restricted in this way to help minimize recall error. Even with this restriction, however, the recall period was long. The interviews were conducted between April 1996 and April 1997, which, on average, was three and a half years after the respondents' UC first payments.

This appendix provides information on the survey results, the number of completions, their distribution by state, and the reasons for nonresponse. It uses administrative records data to examine nonresponse and to assess the likelihood that survey results could be biased because of nonresponse to the survey.[1]

[1]Another source of nonresponse that could affect our findings is nonresponse among the states selected for the survey. We address that issue in Appendix A.

A. SURVEY RESULTS

We attempted interviews with 4,781 sample members and completed interviews with 2,304, yielding an overall response rate of 48 percent (Table C.1). This response rate varied slightly by sample; it was 46 percent for the EUC sample and 52 percent for the UI-only sample. It also varied by state as has been our experience in other, similar studies. It was highest in Minnesota and Wisconsin (just over 60 percent) and lowest in California and Texas (40 percent).

The overall response rate and the rates in each state were low, both in an absolute sense and in comparison to the rates achieved in prior surveys of UI recipients. For example, Corson and Dynarski (1990) report an overall response rate of 60 percent in their study of UI exhaustees. Response rates for states included in both studies were as much as 20 percentage points higher in the earlier survey.

Several reasons exist for the low response rate achieved in this study. The most important one is that it was difficult to locate sample members. As Table C.2 shows, 32 percent of the cases were not located (60 percent of the nonrespondents). The interview was conducted approximately three and a half years after the UC first payment was made, and the addresses and telephone numbers available from UC records were old. Having old, out-of-date addresses contributed to the difficulty we encountered in locating sample members; but, interestingly, 31 percent of the sample members in the exhaustee study also were not located, and the addresses in that study were, on average, only 20 months old.

Another factor contributing to the low response rate is that some individuals either did not complete the full interview (2 percent) or refused to be interviewed (10 percent). In this case, the experience in the exhaustee study was different; there were virtually no partial completes and the refusal rate was half that of this study. One possible reason for this difference is that this interview

TABLE C.1

EUC SURVEY: NUMBER OF COMPLETES AND COMPLETION RATES, BY STATE

	EUC		UI-Only		Total	
State	Number	Percent	Number	Percent	Number	Percent
California	141	39.6	146	40.6	287	40.1
District of Columbia	38	38.4	19	61.3	57	43.8
Florida	87	38.5	42	48.8	129	41.3
Georgia	38	38.0	73	49.3	111	44.8
Illinois	68	42.5	34	42.5	102	42.5
Kentucky	93	51.7	71	46.7	164	49.4
Maine	67	52.8	37	62.7	104	55.9
Minnesota	121	63.0	92	63.0	213	63.0
North Carolina	59	49.6	26	53.1	85	50.6
New Jersey	76	40.6	27	46.6	103	42.0
Oklahoma	63	41.4	40	47.6	103	43.6
Pennsylvania	144	53.3	84	56.4	228	54.4
Tennessee	46	46.5	42	59.2	88	51.8
Texas	137	38.5	37	45.1	174	39.7
Wisconsin	86	62.8	123	61.5	209	62.0
West Virginia	77	50.7	70	61.4	147	55.3
Total	**1,341**	**46.1**	**963**	**51.5**	**2,304**	**48.5**

TABLE C.2

EUC SURVEY OUTCOMES

Interview Outcome	Percent
Completion	48.2
Partial Completion	2.3
Refusal	10.0
Could Not Locate	31.8
Case Retired	5.7
Other	2.0
Total	100.0
Total Cases Released	**4,781**

was longer (it averaged 45 minutes) than the earlier interview (which averaged about 30 minutes). The interview length contributed to the partial completes, since some individuals refused to continue with the interview. Length may also have contributed to the refusals, since individuals were told approximately how long the interview was when they were asked to participate.

Finally, some cases (about six percent) were retired because we made multiple phone calls without reaching the potential respondent or for other reasons such as ill health, language barriers, or death (two percent).

B. POTENTIAL NONRESPONSE BIAS

Results of the survey could be affected by nonresponse bias, particularly since the overall completion rate was quite low. If nonrespondents differ from respondents in a systematic way, inferences drawn from the interview data on the characteristics and labor market experiences of respondents could be misleading and not representative of the universe of UC recipients.

To analyze the implications of survey nonresponse for the analysis, we used UC administrative data that were available for both respondents and nonrespondents to explore differences in the baseline characteristics of respondents and nonrespondents and in UC outcomes. To perform this analysis, we used the weights described in Appendix A to create estimates for the respondent sample, which can be characterized as nationally representative of the UC population. We created comparable weights for nonrespondents, so that the weighted distribution of nonrespondents matched the weighted distribution of respondents by state and UC status (EUC and UI-only). This step was necessary because response rates differed by state and by UC status.

Our analysis shows (Table C.3) that there were a number of statistically significant differences between respondents and nonrespondents. Survey respondents were more likely than nonrespondents to be female, older, and nonminority. Respondents also had higher base period

TABLE C.3

DIFFERENCES BETWEEN SURVEY RESPONDENTS AND NONRESPONDENTS

	Survey Respondents	Survey Nonrespondents	Total
Pre-Layoff Characteristics			
Female (Percent)	41.7	37.9**	39.8
Mean Age	39.3	37.2***	38.3
Race/Ethnicity[a]			
Caucasian (percent)	74.1	67.8***	71.0
African American (percent)	12.2	15.5***	13.9
Hispanic (percent)	9.8	12.2***	11.0
Other race/ethnicity (percent)	3.9	4.4***	4.1
In Manufacturing (Percent)	29.6	28.4	29.0
Base Period Earnings	18,568	16,568***	17,581
UI and EUC Experience			
UI Maximum Benefit Amount (Dollars)	4,347	4,026***	4,187
UI Weekly Benefit Amount (Dollars)	179	169***	174
Weeks of Potential UI Duration	24.0	23.5***	23.8
UI Collected (Dollars)	2,768	2,578**	2,673
Weeks UI Collected	15.4	14.9	15.1
Exhausted UI (Percent)	40.5	42.5	41.5
EUC Maximum Benefit Amount (Dollars)	3,357	3,296	3,326
EUC Weekly Benefit Amount (Dollars)	180	176	178
Weeks of Potential EUC Duration	18.6	18.6	18.6

TABLE C.3 *(continued)*

	Survey Respondents	Survey Nonrespondents	Total
EUC Collected (Dollars)	2,574	2,547	2,560
Weeks EUC Collected	14.1	14.5	14.3
Exhausted EUC (Percent)	21.8	23.0	22.4
Percent of EUC Claimants Who Collected EUC First[b]	5.0	4.8	5.9
Unweighted Sample Size	**2,304**	**2,477**	**4,781**

SOURCE: Weighted administrative records and survey data.

NOTE: Statistics for either the UI or the EUC program pertain only to those claimants who participated in that program.

[a]A chi-squared statistic was used to test the hypothesis that the racial distribution of survey respondents is the same as the distribution of survey nonrespondents.

[b]Claimants collecting EUC first include both claimants who subsequently collected UI and those that did not.

*Significantly different from zero at the .10 level, two-tailed test.
**Significantly different from zero at the .05 level, two-tailed test.
***Significantly different from zero at the .01 level, two-tailed test.

earnings--hence, higher average weekly benefit amounts and entitlements for the regular UI program. They also collected more dollars of UI, but differences in other UI outcomes (weeks collected and the exhaustion rate) were not statistically significant. This pattern of differences between respondents and nonrespondents suggests that the respondent sample represented an older, more stable population than the nonrespondent sample--which is not surprising, given that the main reason for nonresponse was an inability to locate a sample member.

Although we find statistically significant differences between respondents and nonrespondents, we think that the broad conclusions drawn from the survey data in this report are not affected substantially by nonresponse. There are two reasons for this conclusion. First, the main focus of this report is on describing EUC experiences. While we found some differences in UI program entitlements and collections, we did not find statistically significant differences for EUC program variables. Respondents and nonrespondents had similar EUC weekly benefit amounts and entitlements, and there were no significant differences in EUC outcomes--dollars collected, weeks collected, exhaustion rate, or likelihood of choosing the option to collect EUC instead of UI.

Second, most of the differences we found are small (although statistically significant). For example, the respondent-nonrespondent difference in UI potential weeks is one-half week, and the difference in the UI weekly benefit amount is $10. Because the completion rate was roughly 50 percent, the nonresponse adjusted estimate differs from the survey estimate by half these amounts. Similarly, the differences in baseline characteristics seem small. For example, mean age differs from the nonresponse adjusted estimate by one year, and the percent female differs by two percentage points. Even the estimates for race/ethnicity differ at most by three percentage points. These differences seem small; as stated earlier, we think the broad conclusions we reach using the survey data are unaffected by nonresponse.

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