

Unemployment Insurance During the Great Recession

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for

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Survey of 20 States


- Surveys focused on UI provisions in ARRA, administrative challenges and successes
- Phone interviews with team of key administrative staff
- Questions shared with states before interviews
- 20 states selected based on size and location
- 20 states broadly representative of all states
- Most interviews conducted in 2011

Agenda

- The UI provisions of the Recovery Act
- Broad objectives
- UI administrative funding and claims workload before and during the recession
- Program performance
- Implementation of specific provisions

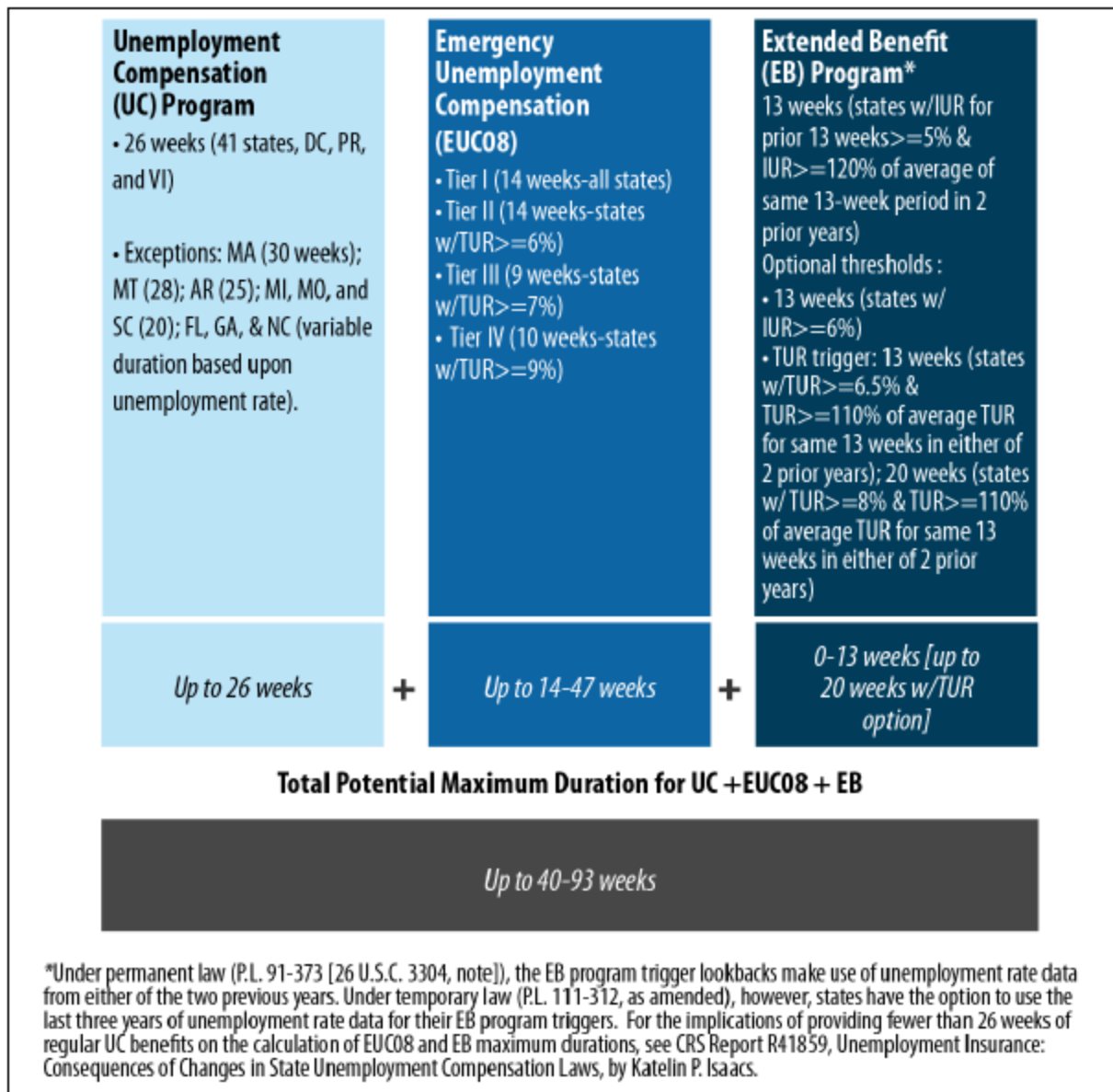
Major UI Provisions of ARRA

- Benefit extensions (EUC and EB)
- Federal Additional Compensation (FAC - \$25 per week 2009- 2010)
- UI Modernization (\$7.0 billion available to states)
- Suspension of federal income tax on UI benefits (2009)
- Suspension of interest charges on trust fund loans (2009-2010)
- \$500 million for UI administration



While initial estimates were \$45 B, outlays subsequently totaled more than \$200 B based on reestimates and later legislation.

Figure 1. Sequence of Unemployment Benefits: UC, EUC08, and EB Until December 28, 2013



Source: Congressional Research Service.

Purpose of UI System

- Economic stabilization
- Temporary and partial wage replacement for most workers who have lost their jobs
- Eligibility assessments and reemployment services

Figure 8.1 Core Business Processes for UI Benefits Administration

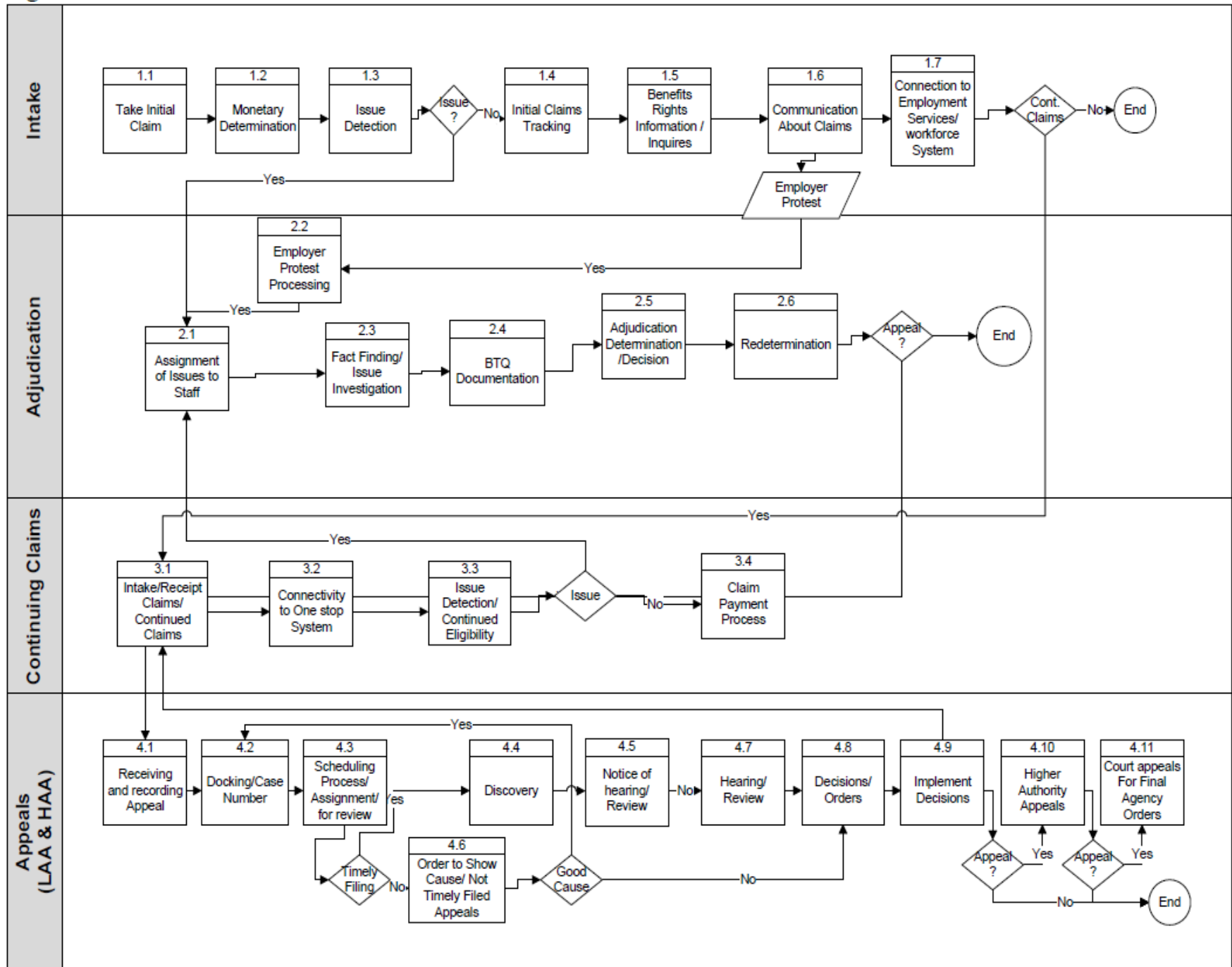
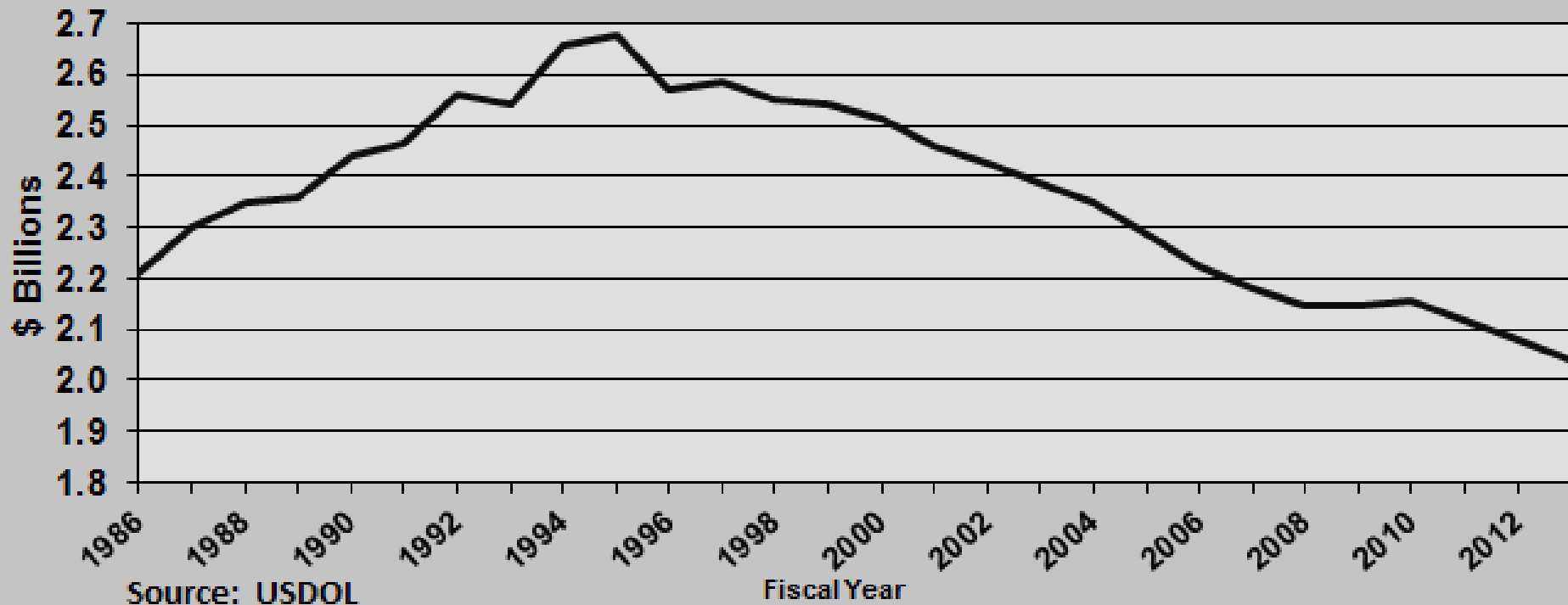


Figure 2
Appropriations for State UI Administration
per 2.0 Million AWIU
Adjusted into constant 2009 dollars

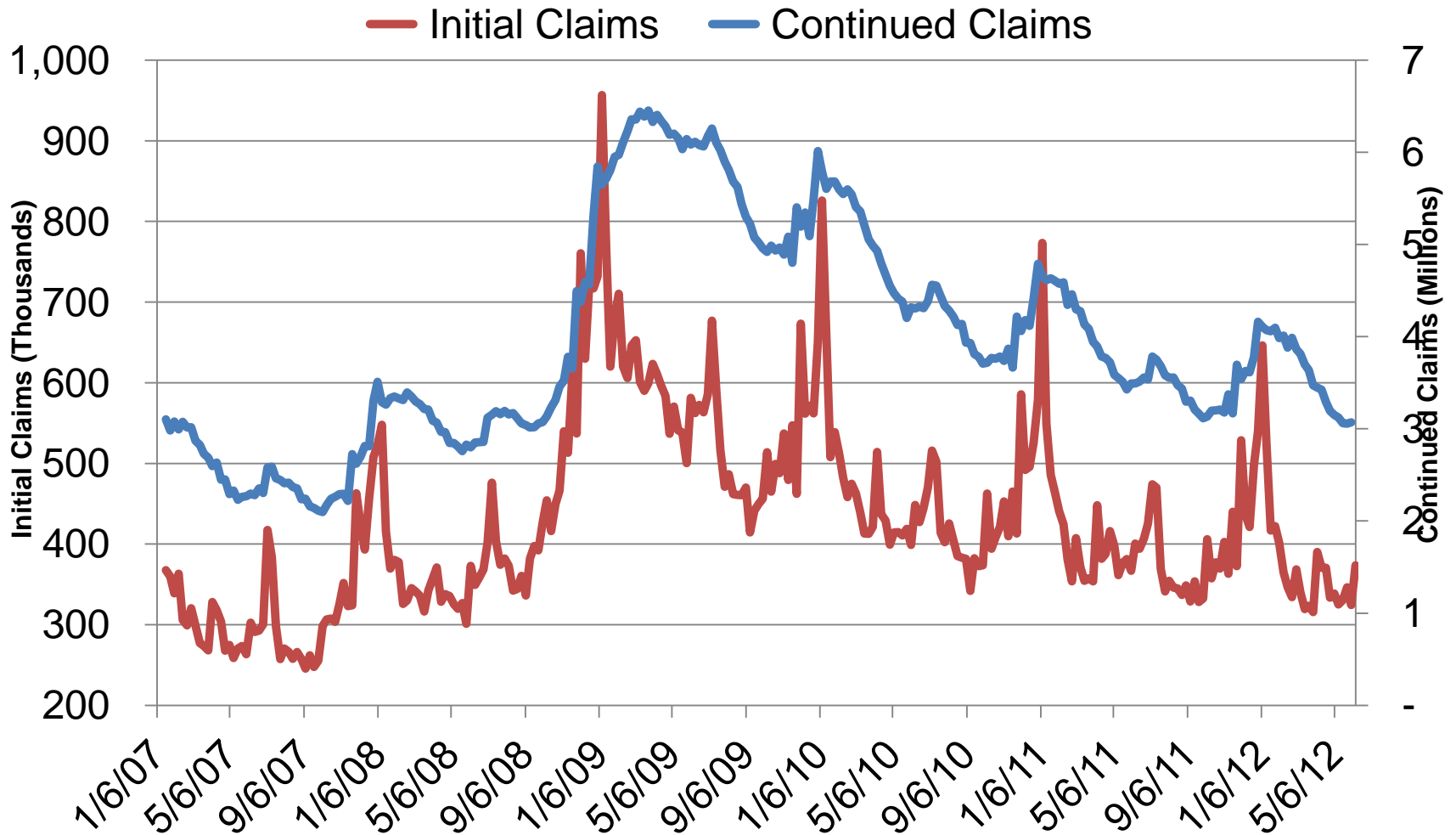




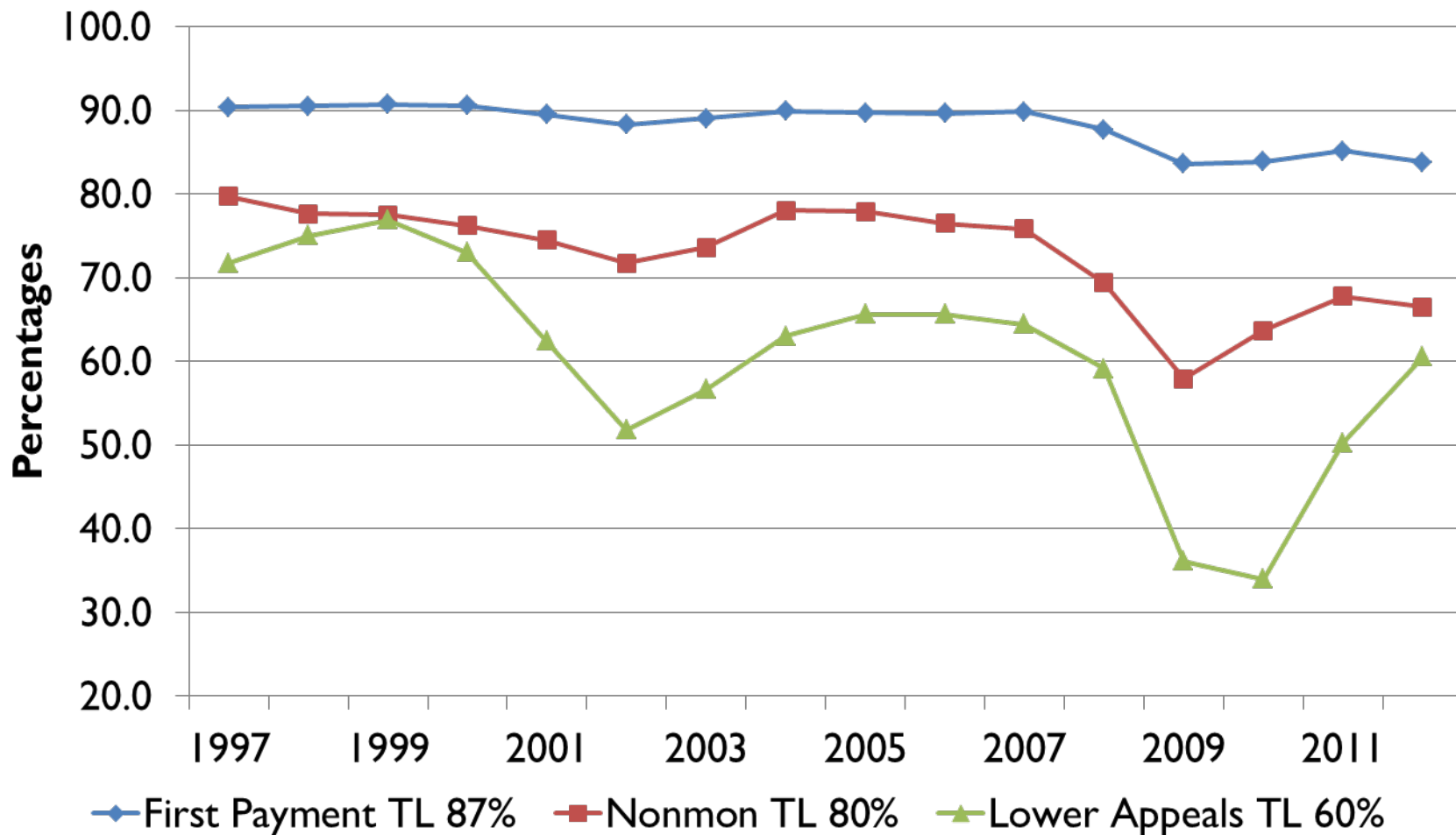
HOME GAMING: The Atari2600

Continued and Initial Claims

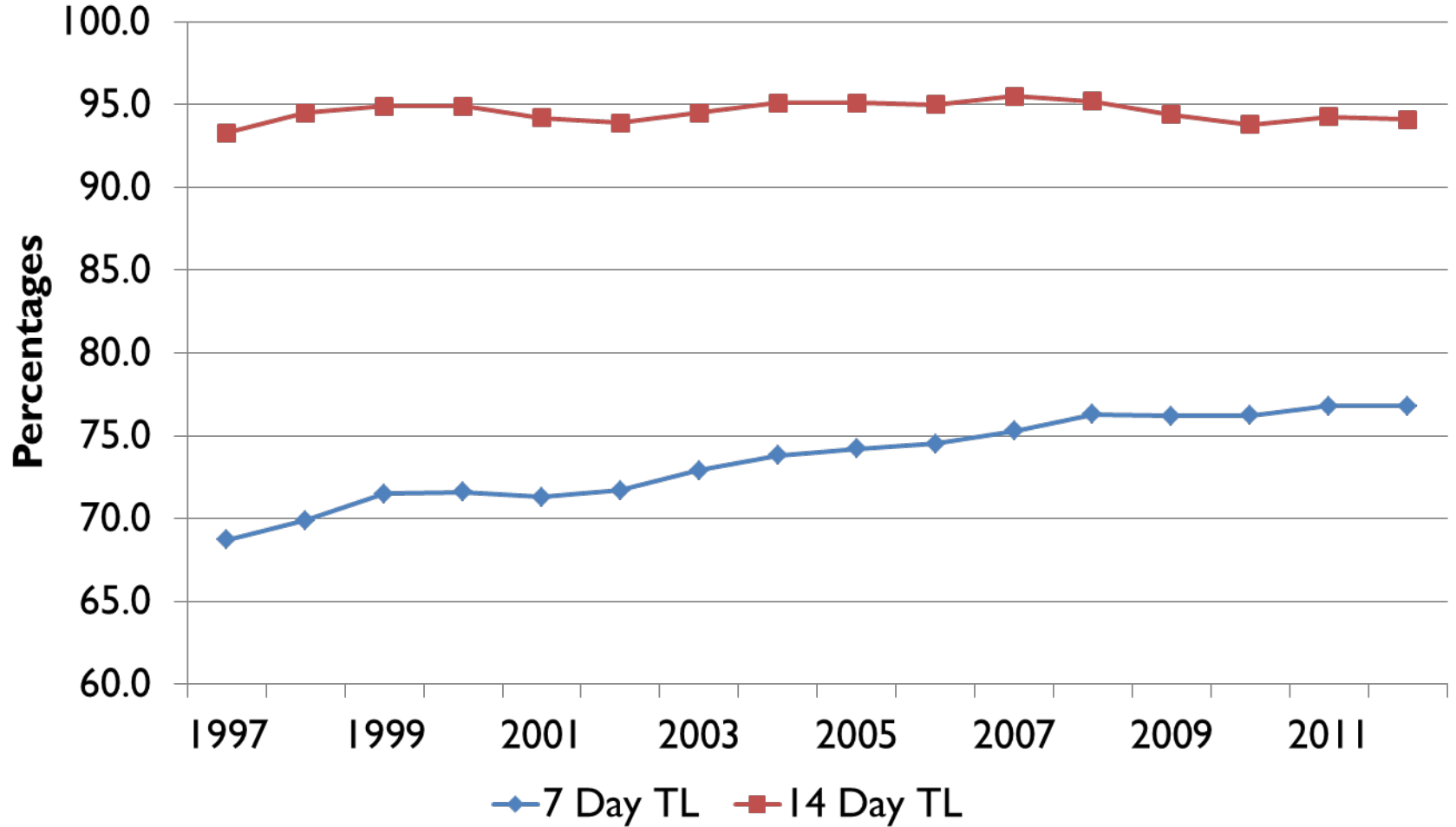
Regular UI: Jan. 2007 to May 2012



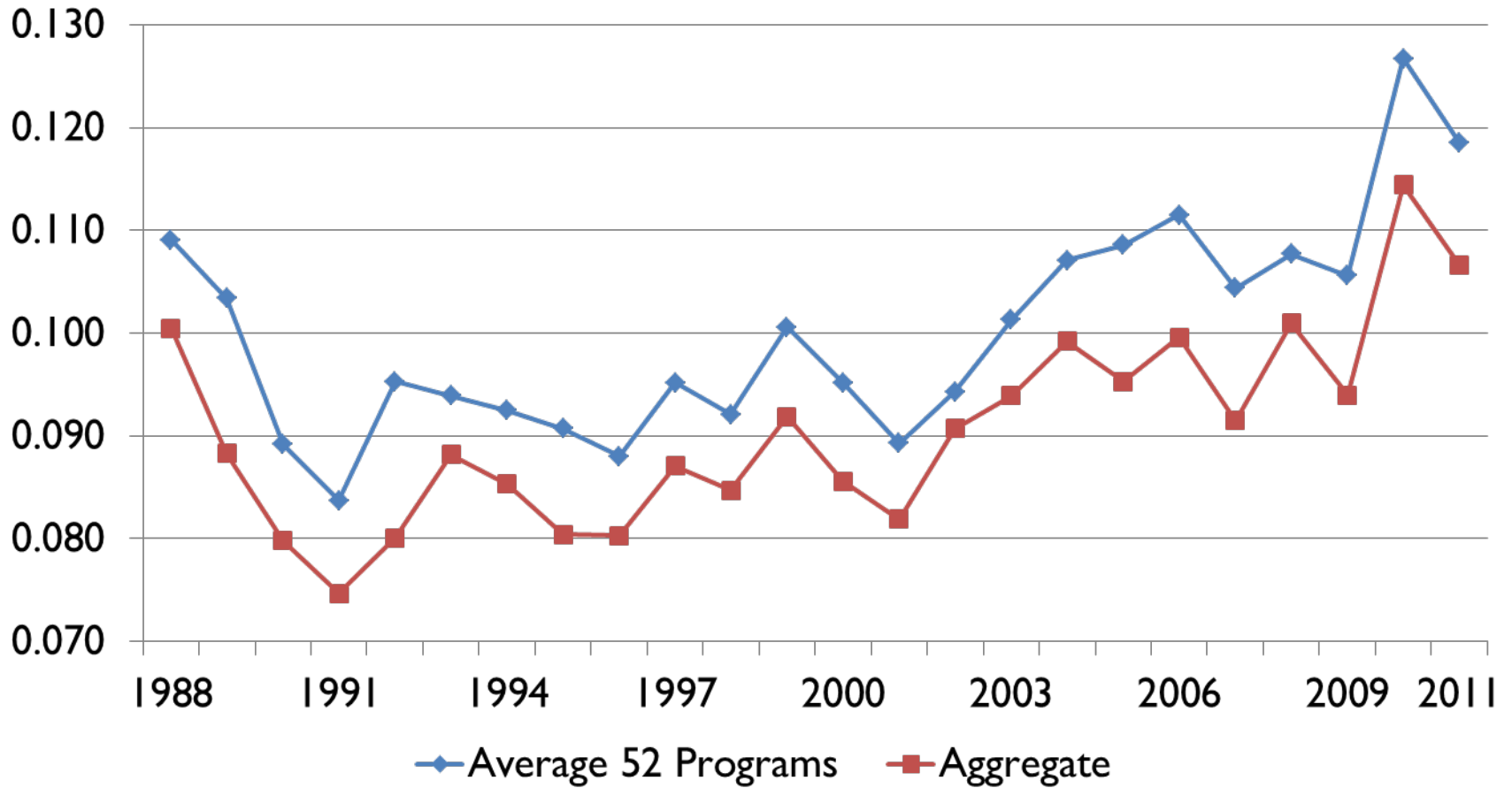
Time Lapse Performance Declined, Especially for Nonmons and Appeals



Time Lapse for Continued Claims Held Up Through the Great Recession



BAM Overpayment Rate Increased Especially in 2010



Administrative Challenges

- Staffing problems to service high claims volume
- Communication problems with claimants and administrative staff because of numerous legislative changes
- Need to be “nimble” despite ancient IT system
- Breaks in EUC intake followed by reach-back, 3 breaks in 2010
- \$25 FAC – no previous emergency benefit program changed the weekly benefit payment
- Recalculation of WBA if it decreased sharply in new benefit year (by 25% or \$100)
- Paying Tier 2 week 14 of EUC under four-tier EUC in Nov. 2009

Adjustments to Increase Administrative Capacity

- Staffing adjustments: new hires, rehiring retirees, increasing weekly hours, reassigning staff to claims functions
- Increased office hours: longer days, Saturdays
- Added telephone lines, call centers, virtual hold technologies
- Enhanced self-service via the internet
- Re-engineered business processes

UI Modernization

- \$7.0 billion to states with “modernized” benefit provisions
- States get 1/3 with an alternative base period (ABP)
- States with ABP get 2/3 with 2 of 4 other provisions:
 - 1) eligibility for part-time workers, 2) eligibility for quits due to family obligations, 3) training benefits for UI exhaustees, and 4) dependents’ allowance
- 39 of 51 compensated for ABP
- 34 of 51 compensated for 2/3 provisions
- \$4.4 billion paid to the 39 programs

UI Modernization (cont.)

- Effect on prevalence of ABP
 - 21 (of 51) before ARRA, 39 after ARRA
- Part-time most popular of 2/3 provisions (26)
- Dependents' allowance least popular (7 states compensated but just one new adoption)
- Limited effect of UI modernization
 - 12 states did not make any changes
 - Several states were compensated for provisions already present before ARRA

\$500 for UI Administration

- Half the states spent all or large majority on technology improvements.
- One quarter of states spent all or majority on staffing for basic UI operations or reemployment services.
- Remaining one-quarter of states divided investments between technology and staffing

Summary

- Huge increases in benefit payouts: regular and extended benefits
- Administratively difficult approach requiring adjustments and innovations to service claims volume
- State decisions reflected financial constraints and philosophies
- IT systems and administrative funding remain concerns