

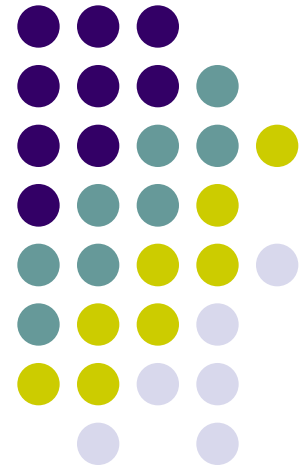
# UI program: At a Crossroads

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Andrew Stettner  
Deputy Director  
National Employment Law Project

[www.nelp.org](http://www.nelp.org)

May 13, 2008



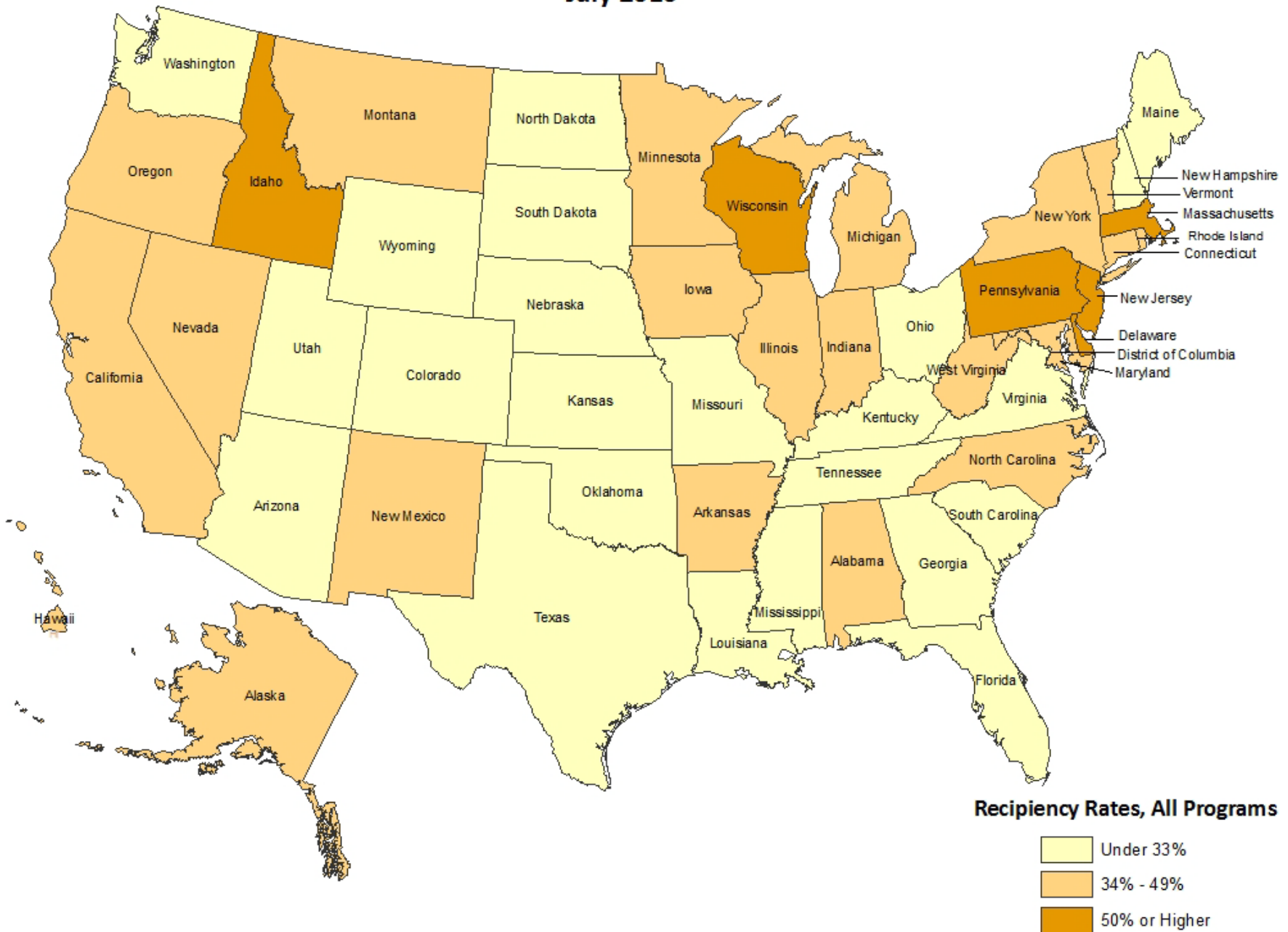
# UI: Back in Action as a Counter-cyclical force in our economy



- \$219 billion in federal and state UI paid out from 12-08 to 3-10 Compared to just \$70 billion in similar pre-recession period
- Stimulus equivalent to a whopping 1.5% of annual GDP-2.5-3% with multiplier effect.
- Sharp contrast with research/policy fears after the UI reciprocity rate dropped steeply in 1980s, and extended benefits was gutted.
- Two major factors in success
  - Record levels of extended benefits (up to 99 weeks)
  - Sweeping reforms to eligibility spurred by the Recovery Act.

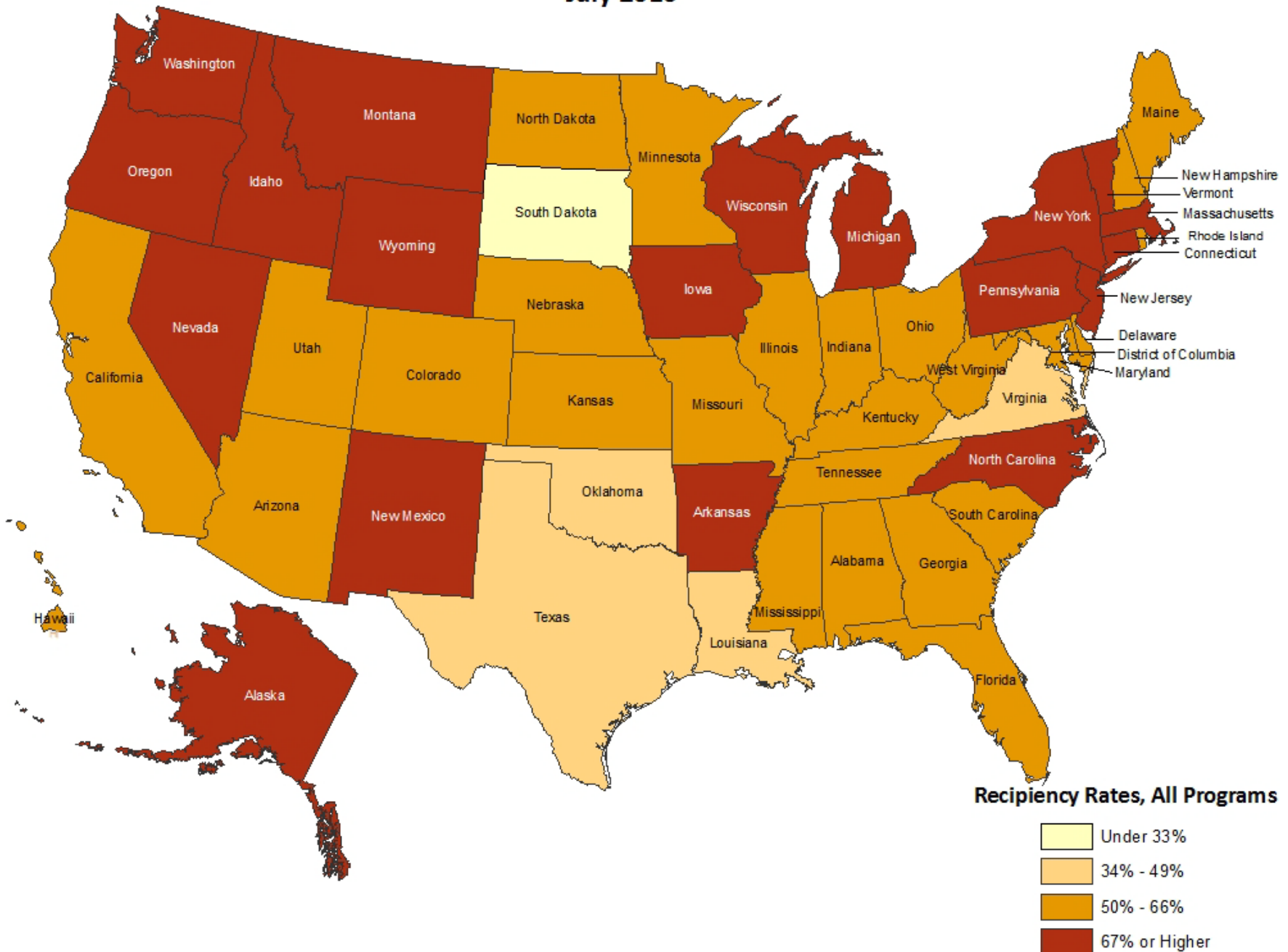
# 2007 Unemployment Insurance Reciprocity Rates, All Programs

## July 2010



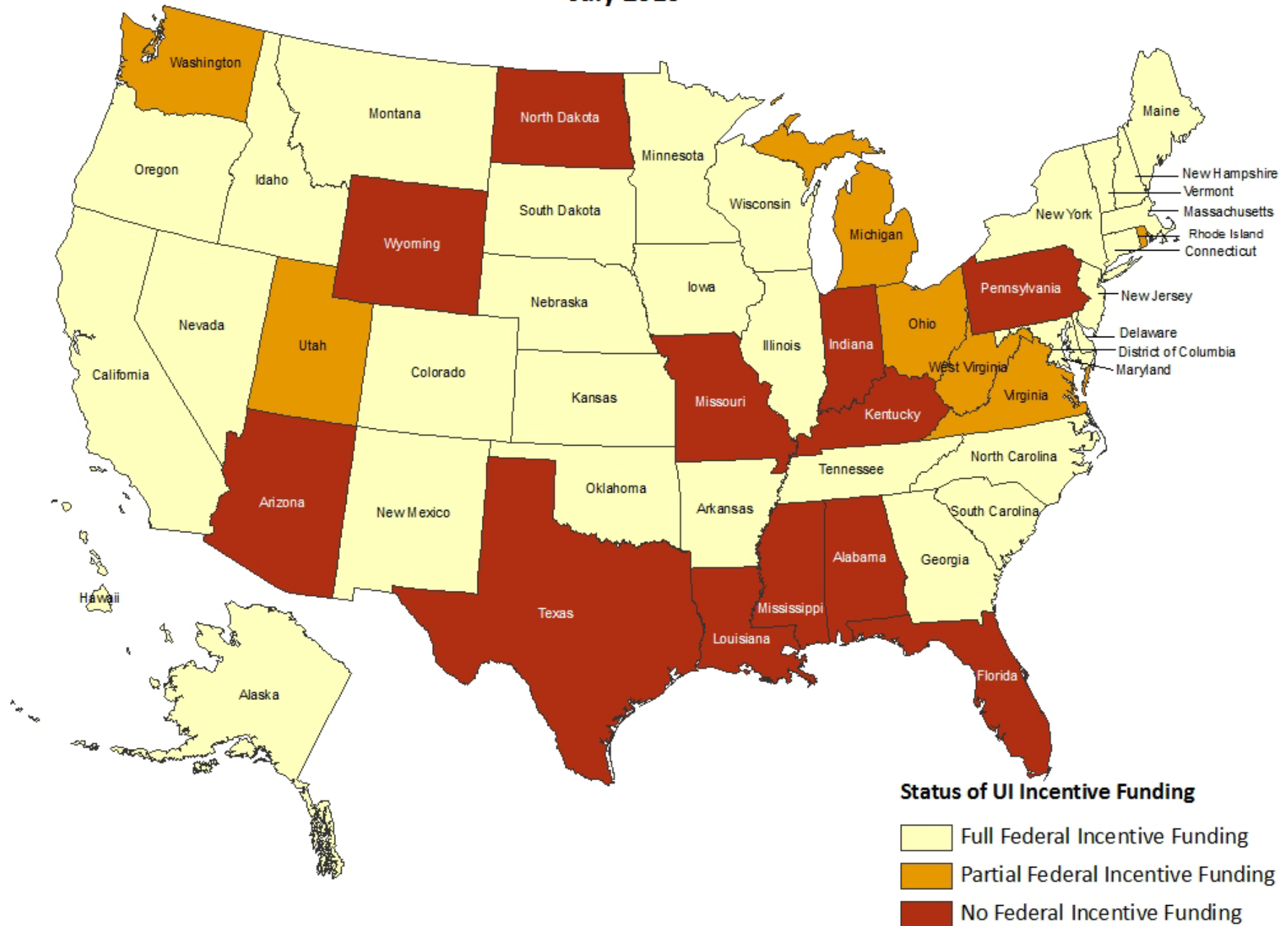
# 2009 Unemployment Insurance Reciprocity Rates, All Programs

## July 2010



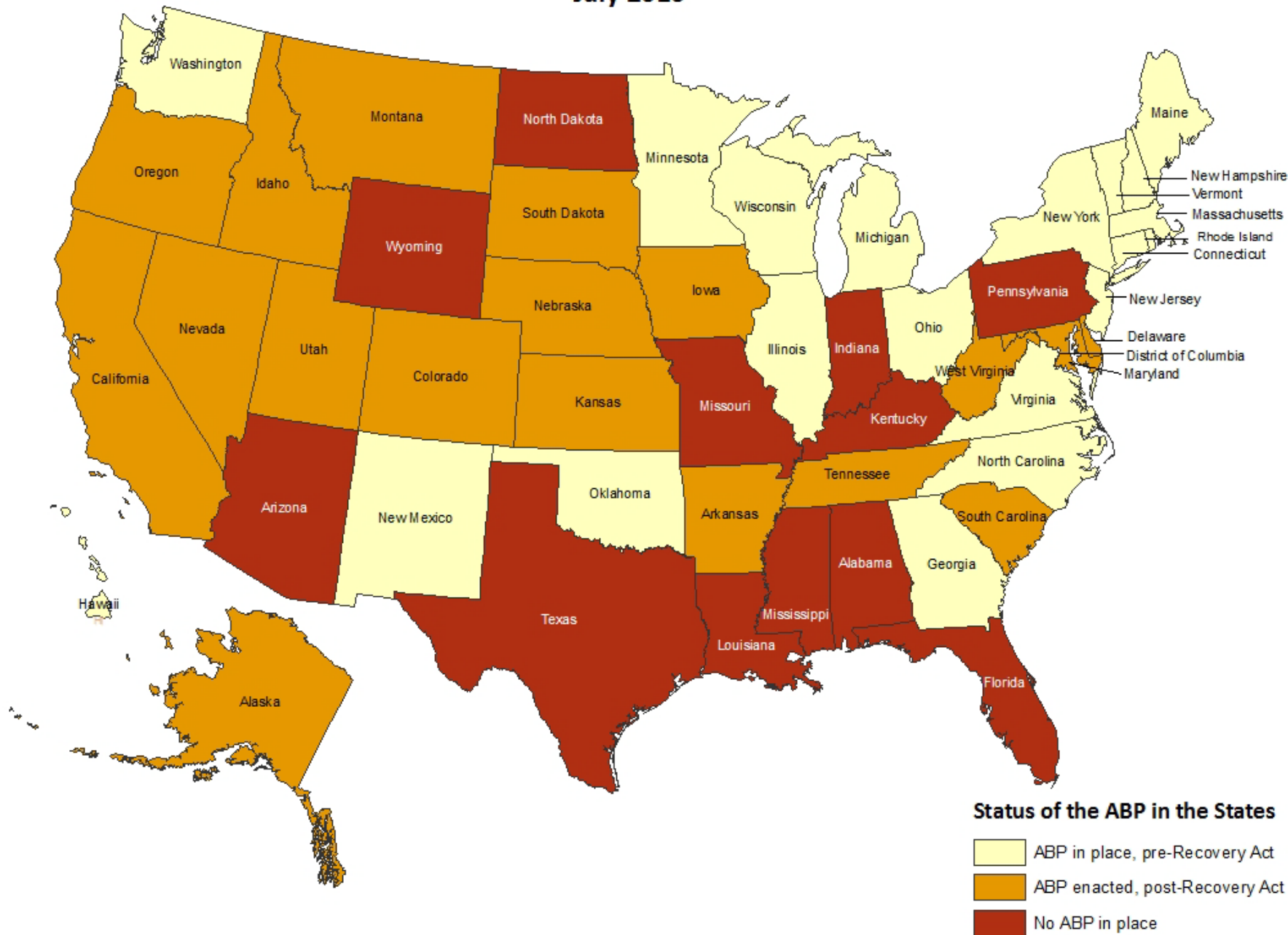
# Status of Federal Unemployment Insurance Incentive Funding Resulting from State Reforms

## July 2010



# Status of the Alternative Base Period in the States, Pre- and Post-Recovery Act

## July 2010

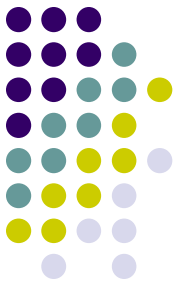


# Threat 1: Extended benefits crisis



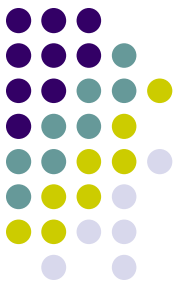
- Congress has cut off extended benefits at the earliest point ever.
  - Unprecedented: Reagan era extensions were not cut off until TUR dropped to 7.2% in 1985. 1990s extension went on until 1994.
  - Unacceptable:
    - Unemployment rate is at historically high levels only reached for 14 months during the post war period, and slated to remain over 9% through 2011.
    - Long term unemployment at record levels as just under half of the jobless out of work for more than six months.
  - UI reciprocity will plummet without extensions with so many unemployed out of reach of the regular program

# Responding to long term employment



- Extended benefits will be needed through 2011 and 2012. Current program must be continued through the end of the year and beyond.
- Lasting reform: Next several years should include a debate about a permanent fully federally funded extension program based on national and state triggers.
- Commitment to reemployment is lacking: Policy responses should include stronger doses of proven reemployment services, wage subsidies and publicly subsidized job creation.
- Worker Rights: Reemployment focus must not compromise fundamental worker rights like the right to be paid and the right to refuse unsuitable work.
- Education and training: States have made major changes temporarily streamlined access to serious education and training for claimants. These should be made permanent.
- Research needs: Document the stimulus and consumption smoothing effect of extended UI in today's unique economy.

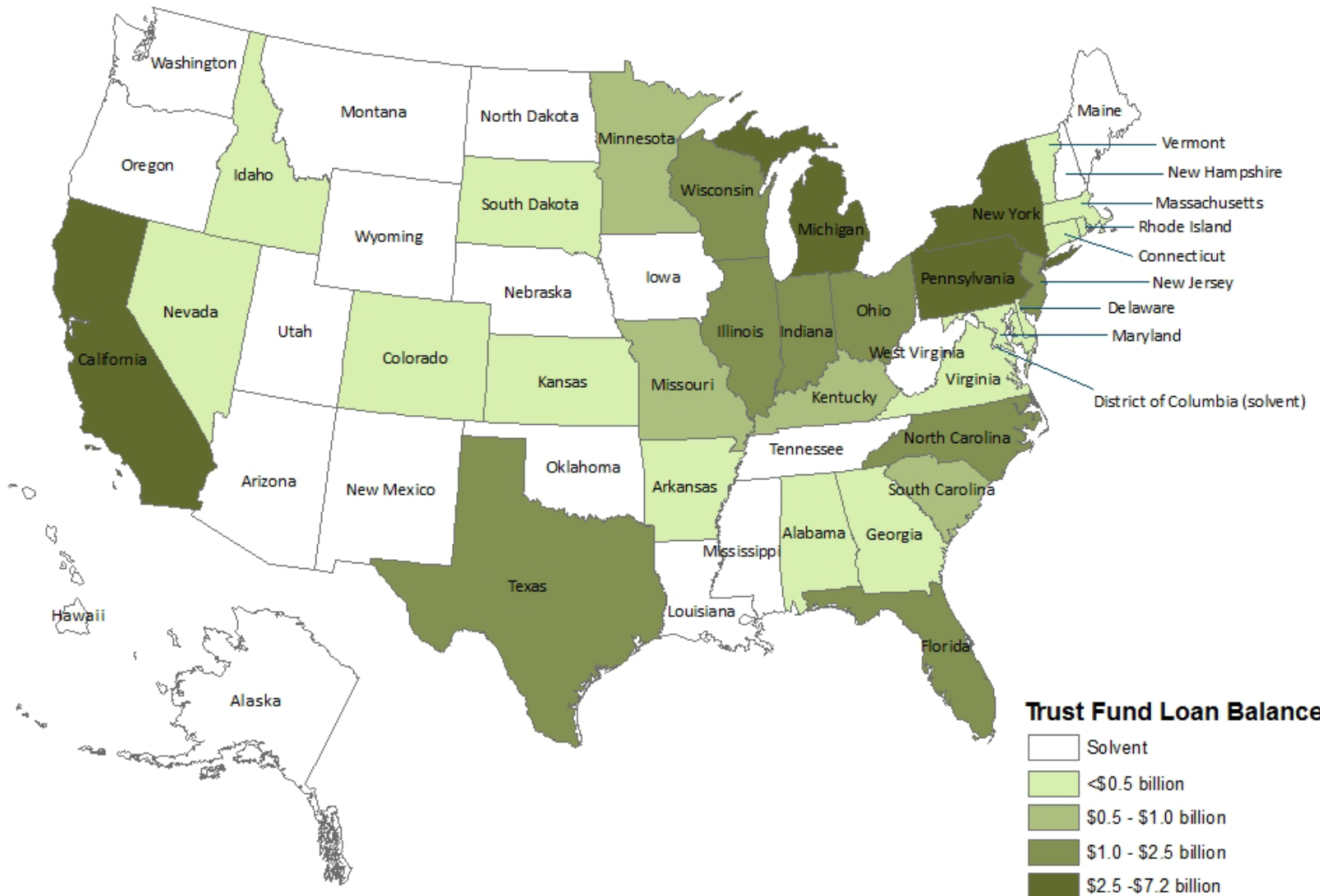




# Threat 2: Failing Infrastructure

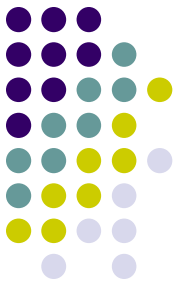
- UI programs are failing to meet the fundamental goal of providing timely temporary income support.
  - Less than 87% getting first payment within 14/21 days (since early 2009)
  - Less than 60% have an appeal within 30 days (since early 2001)
- Solutions:
  - Aggressive enforcement by US DOL on the states that don't comply, including funding incentives.
  - More aggressive leadership by US DOL into transforming state UI agencies into high-performance call center operations and IT systems.
  - Operations research needed to translate private sector and public sector high performance models to UI.
  - Consistent federal administrative financing for on-going administration and technological upgrades.

# State Trust Fund Loan Balances, June 2010



Source: U.S. Department of Labor, Trust Fund Loans (accessed June 15, 2010).

# Threat 3: The solvency crisis



- Negligence of forward financing caused today's solvency crisis.
  - 19 states met long standing reserve recommendations of holding 1 year of recession level benefits in 2007, compared to 30 in 2000.
  - State UI tax rates near all-time low in 2007 (0.7%)
  - A 1990s size recession would have wiped out state trust funds
- Solvency crisis is a grave threat to the safety net.
  - In the wake of the 1980s crisis, 44 states enacted benefit cuts and the program is still recovering and cuts are rearing their head again.
- Bold federal action needed to protect workers and guide program to forward financing.
  - Immediate steps to stave off benefit cuts and give employers and states breathing room
  - Phase in new minimum federal financing standards including significant increases in the federal taxable wage base.
  - New federal incentives and guidance to move states to forward financing.