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Staff Data and Materials Relating to

# THE UNEMPLOYMENT COMPENSATION PROGRAM

## COMMITTEE ON FINANCE
## UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*

Data and Materials Prepared by the Staff of the Committee on Finance for the Use of the

## SUBCOMMITTEE ON UNEMPLOYMENT AND RELATED PROBLEMS

David L. Boren, *Chairman*

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## CONTENTS



### LIST OF TABLES



### LIST OF CHARTS

# I. INTRODUCTION

Unemployment compensation is a Federal-State system designed to provide temporary wage loss protection to workers against the economic hazards of unemployment. Funds accumulated from payroll taxes permit payment of benefits to unemployed insured workers. The last major amendments to the unemployment compensation laws were enacted in 1976. One part of these amendments provided for the establishment of a National Commission on Unemployment Compensation—a temporary advisory body charged with studying a wide range of issues relating to the program and reporting back to the Congress. Legislation to extend the life of this Commission (which was scheduled to have completed its work by July 1, 1979) has been passed by the House of Representatives and referred to the Committee on Finance. On August 6, 1979, the Finance Subcommittee on Unemployment and Related Problems announced that hearings on the extension legislation (H.R. 3920) would be held on September 5, 1979. At the same time, the subcommittee announced its intention to hold further hearings at a later date on proposals for reducing the cost of the unemployment compensation program. This document presents general background data and materials on the unemployment compensation program along with specific information concerning the bill H.R. 3920 and concerning a number of proposals compiled by the staff related to reducing the costs of the program.

TABLE 1—UNEMPLOYMENT COMPENSATION—REVENUES AND EXPENDITURES, FISCAL YEARS 1979-84

[In millions of dollars]

| | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| State taxes | 12,190 | 12,900 | 14,160 | 14,890 | 14,680 |
| Federal taxes | 2,890 | 3,050 | 3,200 | 3,360 | 3,510 |
| **Expenditures** | | | | | |
| Regular benefits | 8,470 | 11,200 | 11,510 | 11,370 | 11,490 |
| Extended benefits | 250 | 620 | 630 | 600 | 600 |
| Administrative cost | 1,770 | 1,830 | 1,960 | 2,000 | 2,050 |

Source: Department of Labor projections under Administration midsession review assumptions.

# II. GENERAL INFORMATION CONCERNING THE UNEMPLOYMENT COMPENSATION PROGRAM

## A. The Basic Structure of the Program

The unemployment insurance system in this country is the product of Federal and State legislation. About 97 percent of wage and salary workers are covered by the Federal-State system established by the Social Security Act. The Federal taxing provisions are in the Federal Unemployment Tax Act, chapter 23 of the Internal Revenue Code (FUTA). Railroad workers are covered by a separate Federal program. Veterans with recent service in the Armed Forces and civilian Federal employees are covered by a Federal program, chapter 85, title 5, United States Code, with the States paying benefits as agents of the Federal Government.

The Federal provisions in the Social Security Act and the Federal Unemployment Tax Act establish the framework of the system. If a State law meets minimum Federal requirements, (1) employers receive a 2.7 percent credit against the 3.4 percent Federal payroll tax, and (2) the State is entitled to Federal grants to cover all the necessary costs of administering the program.

Section 3304 of the Internal Revenue Code of 1954 provides that the Secretary of Labor shall approve a State law if under the State law:

(1) Compensation is paid through public employment offices or other approved agencies;

(2) All of the funds collected under the State program are deposited in the Federal Unemployment Trust Fund;

(3) All of the money withdrawn from the unemployment fund is used to pay unemployment compensation or to refund amounts erroneously paid into the Fund;

(4) Compensation is not denied to anyone who refuses to accept new work because the job is vacant as the direct result of a labor dispute, or because the wages, hours or conditions of work are substandard, or if as a condition of employment, the individual would have to join a company union or resign from or refrain from joining a labor union;

(5) Compensation is paid to employees of FUTA tax-exempt nonprofit organizations who employ 4 or more workers in each of 20 weeks of the calendar year and to most State and local government employees (with specific limitations on benefit entitlement for employees of educational institutions);

(6) Compensation is not payable in 2 successive benefit years to an individual who has not worked in covered employment after the beginning of the first benefit year;

(7) Compensation is not denied to anyone solely because he is taking part in an approved training program;

(8) Compensation is not denied or reduced because an individual's claim for benefits was filed in another State or Canada;

(9) The only reasons for cancellation of wage credits or total benefit rights are discharge for work-connected misconduct, fraud or receipt of disqualifying income;

(10) Extended compensation is payable under the provisions of the Extended Unemployment Compensation Act of 1970;

(11) The State participates in arrangements for combining wages earned in more than one State for eligibility and benefit purposes;

(12) Reduced State unemployment tax rates are permitted employers only on the basis of their experience with respect to unemployment;

(13) Nonprofit organizations and governmental entities are permitted to finance benefit costs by reimbursing the fund for benefits paid to their former employees (instead of by paying unemployment taxes);

(14) Compensation is not denied solely on the basis of pregnancy or termination of pregnancy;

(14) Compensation is not payable during an offseason period on the basis of employment as a professional athlete;

(15) Compensation is not payable on the basis of employment by an alien who was not lawfully present in the United States for purposes of performing such employment;

(16) Wage information necessary for determining eligibility for aid to families with dependent children is made available to the appropriate State or local welfare agency; and

(17) Compensation payable for unemployment after March 31, 1980 is reduced by the amount of any public or private pension payment.

An employer is subject to the Federal unemployment tax if, during the current or preceding calendar year, he employed one or more individuals in each of at least 20 calendar weeks or if he paid wages of $1,500 or more during any calendar quarter of either such year.

Taxable wages are defined as all remuneration from employment in cash or in kind with certain exceptions. The exceptions include earnings in excess of $6,000 in a year, payments related to retirement, disability, hospital insurance, et cetera.

Employment is defined as service performed within the United States, on or in connection with an American vessel or aircraft, and service performed outside the United States for an American employer. This service, however, is subject to a long list of exceptions which generally coincide with the provision of law relating to the definition of employment for purposes of the old-age, survivors and disability insurance program (title II of the Social Security Act and chapter 21 of the Internal Revenue Code of 1954). Major exceptions are agricultural and domestic employment not meeting certain minimum requirements as to size of payroll. (Farm employment is covered only if the employer has a payroll of at least $20,000 in any calendar quarter or if he employes 10 or more employees in at least 20 weeks of the year. Domestic employment in a private household is covered if the employer pays $1,000 or more in domestic wages in a calendar quarter of the current or prior year.) Employment for State and local governments is not subject to the Federal tax but State programs must make unemployment compensation benefits available to State and local employees.

Title III of the Social Security Act provides for payments from the Federal unemployment fund to the States to meet the necessary cost of administering the unemployment compensation programs in the States and the costs of operating their public employment offices. Under this title, the grants are restricted to those States that have been certified by the Secretary of Labor as providing:

(1) Methods of administration (including a State merit system) which will insure full payment of unemployment compensation when due;

(2) Unemployment compensation payment through public employment offices or through other approved agencies;

(3) For fair hearings to individuals whose claims for unemployment compensation have been denied;

(4) For the payment of all funds collected to the Federal Unemployment Trust Fund;

(5) That all of the money withdrawn from the fund will be used either to pay unemployment compensation benefits, exclusive of administrative expenses or to refund amounts erroneously paid into the fund; except that, if the State law provides for the collection of employee payments, amounts equal to such collections may be used to provide disability payments;

(6) For making the reports required by the Secretary of Labor;

(7) For providing information to Federal agencies administering public work programs or assistance through public employment;

(8) For limiting expenditures to the purposes and amounts found necessary by the Secretary of Labor; and

(9) For repayment of any funds the Secretary of Labor determines were not spent for unemployment compensation purposes or exceeded the amounts necessary for proper administration of the State unemployment compensation law.

### B. Financing of the Program

The Internal Revenue Code provides for the imposition of an excise tax on wages paid by employers which forms the basis of the Federal-State system of unemployment compensation. The full Federal tax rate is 3.4 percent and is applicable to the first $6,000 of wages paid by each employer to each of his employees annually. However, if a State has an approved unemployment compensation program (as all States have had since the beginnings of the program) all employers in the State receive a credit equal to 2.7 percent out of the full 3.4 percent Federal tax. In other words, the net effective Federal tax rate is 0.7 percent of a maximum annual tax per employee of $42. The overall Federal tax rate and the net effective tax rate will automatically be reduced by 0.2 percentage points (to a gross rate of 3.2 percent and a net rate of 0.5 percent) when the general fund of the Treasury has been reimbursed for the loan made during the past recession to the Federal Extended Unemployment Compensation Account in the Unemployment Trust Fund. This loan now has an outstanding balance of more than $8 billion. The Administration estimates that, under present law and current economic assumptions, full repayment will not occur before 1986.

Regular unemployment benefits are payable under provisions established by State law and funded by State unemployment taxes. The net Federal tax is used primarily to meet State and Federal costs of administering the program, to provide a reserve from which States can temporarily borrow funds when they are unable to meet benefit costs from State accounts, and to pay a part of the costs of the extended benefit program which is operative in times of unusually high unemployment.

*Taxable wage base.*—The Federal unemployment tax is now applicable to the first $6,000 of annual wages paid to each employee. This means that for all employees earning above the minimum wage, the tax is imposed on less than their full earnings. It is estimated that, in 1981, the $6,000 base will cover about 43 percent of all wages in covered employment. While the net effective Federal tax rate is only 0.7 percent, the Federal tax base has a significant impact on the larger State unemployment taxes since all States must, as a practical matter, adopt a tax base at least as great as the Federal tax base. The majority of States do, in fact, adopt the Federal base as the State base although States may adopt (and several States have adopted) a larger base (see table 2).

*Tax rates.*—Regular unemployment benefits under State programs are financed by payroll taxes imposed by each State legislature. All States levy taxes on employers. Three States (Alabama, Alaska, and New Jersey) also collect contributions from employees. These taxes are deposited by the State to its account in the unemployment trust fund in the Federal Treasury and withdrawn as needed to pay benefits. All jurisdictions other than Puerto Rico and the Virgin Islands, utilize some form of "experience rating" under which employer tax rates vary according to the amount of unemployment benefits attributable to each employer. Federal law requires that State experience rating systems which allow certain employers to pay tax rates which are lower than the basic or "standard" rate must base those lower rates on "experience with respect to unemployment or other factors having a direct relation to unemployment risk." The reverse of this proposition is not, however, required. Employers who have an unusually high unemployment experience (as might, for example, be the case in a seasonal industry) are not required to pay rates which are higher than the "standard" rate even though that rate is not sufficient to meet the benefit costs for those employers.

*Loans to States.*—State benefit costs are generally funded by State imposed payroll taxes. In theory, taxes would be set at a level sufficient not only to meet immediate benefit cost requirements but also to establish a reserve against periods of economic slowdown when benefit costs may be greatly increased because of higher levels of unemployment and because of the longer duration of benefits under the extended benefit program. (In addition to other considerations, the existence of a reserve against such contingencies alleviates the need to raise taxes at the very point in time when it may be most important to avoid the economic consequences of raising taxes.) In practice, State reserves may not be adequate for such contingencies. Consequently, a portion of the Federal unemployment tax is devoted to a loan account from which States may borrow as necessary to meet benefit obligations for which the State's own fund proves inadequate. Under permanent law, States must repay these loans by November 10 of the second year as of the start of which they had an outstanding loan. If repayment has not been made by this deadline, employers in the State lose a part of their credit against the full Federal unemployment tax and the proceeds of the reduced credit are used to repay the outstanding loan. The amount of the reduction in the tax credit grows each year until the loan is fully repaid.

49-733 O - 79 - 2

During the recent recession, many States found their reserves inadequate to meet the demands of the increased benefit costs resulting from higher unemployment and longer benefit duration. The loan requirements greatly exceeded the capacity of the Federal loan account so that it in turn had to borrow funds from the general fund of the Treasury. (The trust fund accounts were also insufficient to meet Federal benefit obligations under the extended benefit program and the now expired Emergency Unemployment Compensation Act of 1974). Because of the magnitude of State borrowing, Congress determined that repayment would not be required within the usual period of about 2 years. Legislation was enacted allowing States an additional 3 years to repay the loans under certain conditions.

## TABLE 2.—AVERAGE STATE UNEMPLOYMENT TAX RATES IN 1979

| State | Tax base ($6,000 except as shown) | Estimated average tax rates as a percent of: Taxable wages | All wages |
|---|---|---|---|
| U.S. average |  | 2.8 | 1.3 |
| Alabama | $6,600 | 2.1 | 1.2 |
| Alaska | 10,000 | 4.0 | 2.0 |
| Arizona |  | 2.2 | 1.2 |
| Arkansas |  | 2.0 | 1.2 |
| California |  | 3.4 | 1.6 |
| Colorado |  | 1.3 | .7 |
| Connecticut |  | 2.6 | 1.2 |
| Delaware |  | 2.9 | 1.3 |
| District of Columbia |  | 4.0 | 1.7 |
| Florida |  | 2.0 | 1.0 |
| Georgia |  | 2.2 | 1.2 |
| Hawaii | 10,400 | 2.7 | 1.9 |
| Idaho | 10,200 | 2.1 | 1.4 |
| Illinois |  | 3.3 | 1.4 |
| Indiana |  | 1.5 | .6 |
| Iowa | 6,900 | 3.0 | 1.7 |
| Kansas |  | 1.8 | 1.1 |
| Kentucky |  | 2.2 | 1.2 |
| Louisiana |  | 3.4 | 1.0 |
| Maine |  | 3.3 | 1.9 |
| Maryland |  | 4.3 | 1.5 |
| Massachusetts |  | 3.6 | 1.8 |
| Michigan |  | 4.1 | 1.8 |
| Minnesota | 8,000 | 2.2 | 1.2 |
| Mississippi |  | 2.1 | 1.2 |

See footnote at end of table.

# TABLE 2.—AVERAGE STATE UNEMPLOYMENT TAX RATES IN 1979—Continued

| State | Tax base ($6,000 except as shown) | Estimated average tax rates as a percent of: Taxable wages | All wages |
|---|---|---|---|
| Missouri | | 2.3 | .9 |
| Montana | | 3.1 | 1.9 |
| Nebraska | | 1.3 | .6 |
| Nevada | 7,400 | 3.1 | 1.8 |
| New Hampshire | | 1.7 | 1.0 |
| New Jersey | 6,600 | 3.9 | 1.8 |
| New Mexico | 6,600 | 2.0 | 1.1 |
| New York | | 3.6 | 1.5 |
| North Carolina | | 1.7 | .8 |
| North Dakota | 7,000 | 1.8 | 1.3 |
| Ohio | | 2.7 | 1.1 |
| Oklahoma | | 2.0 | .9 |
| Oregon | 9,000 | 3.4 | 2.0 |
| Pennsylvania | | 3.2 | 1.5 |
| Puerto Rico [1] | | 3.0 | 3.0 |
| Rhode Island | | 2.9 | 1.5 |
| South Carolina | | 2.1 | 1.2 |
| South Dakota | | 1.1 | .7 |
| Tennessee | | 2.0 | 1.0 |
| Texas | | .7 | .3 |
| Utah | 10,300 | 1.7 | 1.2 |
| Vermont | | 3.3 | 1.8 |
| Virginia | | 1.1 | .5 |
| Virgin Islands | | 3.7 | 2.4 |
| Washington | 9,000 | 3.3 | 1.9 |
| West Virginia | | 2.6 | 1.2 |
| Wisconsin | | 3.3 | 1.4 |
| Wyoming | | 2.7 | 1.1 |

[1] Total wages paid to an individual are taxable.

Source: Department of Labor (based on estimates by State agencies).

TABLE 3.—ADVANCES TO STATES FROM THE FEDERAL UNEMPLOYMENT ACCOUNT

(In millions)

| States | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | Through July 31, 1979 | Repayments | Total outstanding |
|---|---|---|---|---|---|---|---|---|---|---|
| Connecticut | $31.8 | $21.7 | $8.5 | $203.0 | $137.0 | $75.0 | $37.0 | | $103.5 | $410.5 |
| Washington | | 40.7 | 3.4 | 50.0 | 55.3 | | | | 149.4 | 0 |
| Vermont | | | 5.3 | 23.0 | 9.2 | 10.3 | | | 1.4 | 46.4 |
| New Jersey | | | | 352.2 | 145.0 | 141.7 | 96.0 | | 40.0 | 694.9 |
| Rhode Island | | | | 45.8 | 20.0 | 9.0 | 31.0 | 5.0 | 7.8 | 103.0 |
| Massachusetts | | | | 140.0 | 125.0 | | | | | 265.0 |
| Michigan | | | | 326.0 | 245.0 | 53.0 | | | | 624.0 |
| Puerto Rico | | | | 35.0 | 22.0 | 18.2 | 13.5 | | | 88.7 |
| Minnesota | | | | 47.0 | 76.0 | 49.0 | | | 20.0 | 152.0 |
| Maine | | | | 2.4 | 12.5 | 8.0 | 13.5 | | | 36.4 |
| Pennsylvania | | | | 173.8 | 379.2 | 373.3 | 261.0 | 35.0 | | 1,222.3 |
| Delaware | | | | 6.5 | 14.0 | 16.1 | 10.4 | | | 47.0 |
| District of Columbia | | | | 7.0 | 26.6 | 25.4 | 8.4 | 6.1 | 2.9 | 70.6 |
| Alabama | | | | 10.0 | 20.0 | 26.7 | | | 56.7 | 0 |
| Illinois | | | | 68.8 | 446.5 | 243.3 | 187.9 | | | 946.5 |
| Arkansas | | | | | 20.0 | 10.0 | | | 10.5 | 19.5 |
| Hawaii | | | | | 22.5 | | | | 22.5 | 0 |
| Nevada | | | | | 7.6 | | | | 7.6 | 0 |
| Virgin Islands | | | | 2.5 | 5.6 | 2.8 | | | | 10.9 |
| Oregon | | | | | 18.5 | | | | 18.5 | 0 |
| Maryland | | | | | 36.1 | 26.5 | | | 62.6 | 0 |
| Ohio | | | | | | 1.9 | | | 1.9 | 0 |
| Florida | | | | | 10.0 | 32.0 | | | 42.0 | 0 |
| Montana | | | | | 1.4 | 7.9 | 1.2 | | | 10.5 |
| New York | | | | | | 155.8 | 180.0 | | | 335.8 |
| Total | 31.8 | 62.4 | 17.2 | 1,493.0 | 1,855 | 1,285.9 | 839.9 | 46.1 | 547.3 | 5,084.0 |

Source: Department of Labor.

# TABLE 4.—STATE UNEMPLOYMENT COMPENSATION ACCOUNTS

[Millions]

| State | Balance in trust fund Dec. 31, 1978 | Benefit outlays CY 1978 | CY 1978 balance in months of CY 1979 outlays | Outstanding loans as of Dec. 31, 1978 | Outstanding loans as of July 31, 1979 |
|---|---|---|---|---|---|
| Total | $11,161.1 | $10,494.8 | ... | $5,088.9 | $5,084.0 |
| Alabama | 88.7 | 105.5 | 10.1 | 27.0 | ... |
| Alaska | 58.4 | 88.2 | 7.9 | ... | ... |
| Arizona | 137.7 | 33.3 | 49.6 | ... | ... |
| Arkansas | 33.5 | 57.1 | 7.0 | 19.5 | 19.5 |
| California | 1,755.0 | 1,065.2 | 19.8 | ... | ... |
| Colorado | 99.5 | 49.6 | 24.1 | ... | ... |
| Connecticut | 74.3 | 150.4 | 5.9 | 410.5 | 410.5 |
| Delaware | 14.4 | 24.3 | 7.1 | 47.0 | 47.0 |
| District of Columbia | .8 | 58.3 | .2 | 64.5 | 70.6 |
| Florida | 398.0 | 117.1 | 40.8 | ... | ... |
| Georgia | 344.7 | 108.6 | 38.1 | ... | ... |
| Guam | ... | ... | ... | ... | ... |
| Hawaii | 37.7 | 41.4 | 10.9 | ... | ... |
| Idaho | 80.7 | 27.1 | 35.7 | ... | ... |
| Illinois | 334.4 | 673.6 | 6.0 | 946.5 | 946.5 |
| Indiana | 357.7 | 100.0 | 42.9 | ... | ... |
| Iowa | 94.2 | 106.2 | 10.6 | ... | ... |
| Kansas | 199.7 | 48.0 | 49.9 | ... | ... |
| Kentucky | 165.8 | 102.2 | 19.5 | ... | ... |
| Louisiana | 120.9 | 130.9 | 11.1 | ... | ... |
| Maine | 25.0 | 47.9 | 6.3 | 36.4 | 36.4 |
| Maryland | 121.4 | 102.5 | 14.2 | ... | ... |
| Massachusetts | 207.4 | 295.4 | 8.4 | 265.0 | 265.0 |
| Michigan | 597.2 | 492.6 | 14.5 | 624.0 | 624.0 |
| Minnesota | 164.5 | 134.3 | 14.7 | 172.0 | 152.0 |
| Mississippi | 180.3 | 38.2 | 56.6 | ... | ... |
| Missouri | 208.0 | 135.9 | 18.4 | ... | ... |
| Montana | 15.2 | 27.5 | 6.6 | 10.5 | 10.5 |
| Nebraska | 66.4 | 25.3 | 31.5 | ... | ... |
| Nevada | 51.6 | 30.7 | 20.2 | ... | ... |
| New Hampshire | 60.0 | 15.4 | 46.8 | ... | ... |
| New Jersey | 149.0 | 637.0 | 2.8 | 694.9 | 694.9 |
| New Mexico | 55.0 | 19.7 | 33.5 | ... | ... |
| New York | 358.7 | 1,086.9 | 4.0 | 335.8 | 335.8 |
| North Carolina | 402.7 | 101.5 | 47.6 | ... | ... |
| North Dakota | 16.5 | 21.7 | 9.1 | ... | ... |
| Ohio | 457.8 | 349.4 | 15.7 | ... | ... |
| Oklahoma | 118.0 | 33.6 | 42.1 | ... | ... |
| Oregon | 193.8 | 96.6 | 24.1 | ... | ... |
| Pennsylvania | 188.4 | 799.8 | 2.8 | 1,187.2 | 1,222.3 |
| Puerto Rico | 24.7 | 97.7 | 3.0 | 88.7 | 88.7 |
| Rhode Island | 13.5 | 82.5 | 2.0 | 102.1 | 103.0 |
| South Carolina | 130.5 | 66.5 | 23.5 | ... | ... |
| South Dakota | 13.4 | 9.7 | 16.6 | ... | ... |
| Tennessee | 243.2 | 103.4 | 28.2 | ... | ... |

See footnote at end of table.

TABLE 4.—STATE UNEMPLOYMENT COMPENSATION ACCOUNTS—Continued

[Millions]

| State | Balance in trust fund Dec. 31, 1978 | Benefit outlays CY 1978 | CY 1978 balance in months of CY 1979 outlays | Outstanding loans as of Dec. 31, 1978 | Outstanding loans as of July 31, 1979 |
|---|---|---|---|---|---|
| Texas | 343.4 | 146.9 | 28.1 | | |
| Utah | 48.6 | 34.0 | 17.2 | | |
| Vermont | 15.9 | 20.0 | 9.5 | 46.4 | 46.4 |
| Virginia | 96.0 | 94.6 | 12.2 | | |
| Virgin Islands | .5 | 3.8 | 1.6 | 10.9 | 10.9 |
| Washington | 103.9 | 157.0 | 7.9 | | |
| West Virginia | 57.0 | 75.4 | 9.1 | | |
| Wisconsin | 365.3 | 178.0 | 24.6 | | |
| Wyoming | 58.9 | 7.4 | 95.5 | | |

Source: Department of Labor.

## C. Eligibility Requirements and Benefit Levels

(1) *Federal requirements.*—Conditions for approval of State programs (and therefore for allowing the credit against the bulk of the Federal tax) are spelled out in the Internal Revenue Code. Originally, most of the Federal requirements were aimed at assuring propriety in the funding of State programs and at limiting the ability of States to deny benefits, rather than at controlling program costs. Since the overwhelming bulk of program costs were funded by State imposed taxes, States were considered to have adequate incentive to keep those costs under control. With increasing Federal involvement in the funding of the program, however, and a growing impact of unemployment benefits on the Federal budget, there has been some recent interest in Federal action to assure that benefits are not paid in inappropriate cases.

In the 1970 amendments, a requirement was added to prevent an abusive situation under some State programs which resulted in inordinately long duration of benefit payments. The 1976 amendments added provisions requiring that States deny benefits to illegal aliens, that benefits not be paid during the off-season on the basis of employment as a professional athlete, and that unemployment benefits be reduced by the amount of any public or private pension which is also payable to an unemployed person. (The last requirement does not become effective until March 31, 1980). In addition, the 1976 amendments, which mandated unemployment benefit coverage for State and local government employees, also required that benefits for teachers and other professional school employees not be paid during vacation periods (provided that there is a reasonable prospect of post-vacation reemployment).

(2) *State requirements.*—Although there are, as indicated above, certain Federal requirements which State unemployment compensation programs must meet, States have broad discretion to determine qualifying requirements, benefit amounts, and duration of regular benefits. Hence there is no common pattern of benefit provisions.

The States have developed diverse and complex formulas for determining workers' benefit rights.

Under all State unemployment insurance laws, a worker's benefit rights depend on his experience in covered employment in a past period of time, called the base period. The period during which the weekly rate and the duration of benefits determined for a given worker apply to him is called his benefit year.

The qualifying wage or employment provisions attempt to measure the worker's attachment to the labor force. To qualify for benefits as an insured worker, a claimant must have earned a specified amount of wages or must have worked a certain number of weeks or calendar quarters in covered employment within the base period, or must have met some combination of wage and employment requirements. He must also be free from disqualification for causes which vary among the States. All but a few States require a claimant to serve a waiting period before his unemployment may be compensable.

All States determine an amount payable for a week for total unemployment as defined in the State law. Usually a week of total unemployment is a week in which the claimant performs no work and receives no pay. In a few States, specified small amounts of odd-job earnings are disregarded in determining a week of unemployment. In most States a worker is partially unemployed in a week of less than full-time work when he earns less than his weekly benefit amount. The benefit payment for such a week is the difference between the weekly benefit amount and the part-time earnings, usually with a small allowance as a financial inducement to take part-time work.

The maximum amount of benefits which a claimant may receive in a benefit year is expressed in terms of dollar amounts, usually equal to a specified number of weeks of benefits for total unemployment. A partially unemployed worker may thus draw benefits for a greater number of weeks. In several States all eligible claimants have the same potential weeks of benefits; in the other States, potential duration of benefits varies with the claimant's wages or employment in the base period, up to a specified number of weeks of benefits for total unemployment.

*Qualifying wages and employment*

All States require that an individual must have earned a specified amount of wages or must have worked for a certain period of time within his base period, or both, to qualify for benefits. The purpose of such qualifying requirements is to restrict benefits to covered workers who are genuinely attached to the labor force.

*(1) Multiple of the weekly benefit or high quarter wages.*—Some States express their earnings requirement in terms of a specified multiple of the weekly benefit amount. Such States have a weekly benefit formula based on high-quarter wages. Most of the States with this type of qualifying requirement add a specific requirement of wages in at least two quarters which applies especially to workers with large high-quarter earnings and maximum weekly benefits. Many of the States with a high-quarter formula have an additional requirement of a specified minimum amount of earnings in the high quarter. Such provisions tend to eliminate from benefits part-time and low-paid workers whose average weekly earnings might be less than the State's minimum benefit.

(*2*) *Flat qualifying amount.*—States with a flat minimum qualifying amount include most States with an annual wage-formula for determining the weekly benefit and some States with a high quarter-wage benefit formula.

In all these States any worker earning the specified amount or more within the base period is entitled to some benefits. Of the States with a flat qualifying amount and a high-quarter formula, about half require wages in more than one quarter to qualify for any benefits. Others do not require any wages in a quarter other than the high quarter to qualify for benefits.

(*3*) *Weeks of employment.*—More than one-fourth of the States require that an individual must have worked a specified number of weeks with at least a specified weekly wage.

(*4*) *Requalifying requirements.*—All States that have a lag between the base period and benefit year place limitations on the use of lag-period wages for the purpose of qualifying for benefits in the second benefit year. The purpose of these special provisions is to prevent benefit entitlement in 2 successive benefit years following a single separation from work.

*Waiting period*

The waiting period is 1 week of total or partial unemployment in which the worker must have been otherwise eligible for benefits. All except 10 States require a waiting period of 1 week of total unemployment before benefits are payable.

*Benefit eligibility and disqualification*

All State laws provide that, to receive benefits, a claimant must be able to work, must be seeking work and must be available for work. Also he must be free from disqualification for such acts as voluntary leaving without good cause, discharge for misconduct connected with the work, and refusal of suitable work. The purpose of these provisions is to limit payments to workers unemployed primarily as a result of economic causes.

In all States, claimants who are held ineligible for benefits because of inability to work, unavailability for work, refusal of suitable work, or disqualification, are entitled to a notice of determination and an appeal from the determination.

*Benefit computation*

(*1*) *Weekly benefit amount.*—All States except New York measure unemployment in terms of weeks. The majority of States determine eligibility for unemployment benefits on the basis of the calendar week (Sunday through the following Saturday); the rest pay benefits on the basis of a flexible week, which is a period of 7 consecutive days beginning with the first day for which the claimant becomes eligible for the payment of unemployment benefits. In New York, unemployment is measured in days and benefits are paid for each accumulation of "effective days" within a week.

(*2*) *Formulas for computing weekly benefits.*—Under all State laws a weekly benefit amount, that is, the amount payable for a week of total unemployment, varies with the worker's past wages within certain minimum and maximum limits. The period of past wages used and the formulas for computing benefits from these past wages vary greatly among the States. In most of the States the formula is designed to compensate for a fraction of the full-time weekly wage; i.e., for a fraction of wage loss, within the limits of minimum and maximum benefit amounts. Several States provide additional allowances for certain types of dependents. Most of the States use a formula which bases benefits on wages in that quarter of the base period in which wages were highest. This calendar quarter has been selected as the period which most nearly reflects full-time work. A worker's weekly benefit rate, intended to represent a certain proportion of average weekly wages in the higher quarter, is computed directly from these wages. In 13 States the fraction of high-quarter wages is 1/26. Between the minimum and maximum benefit amounts, this fraction gives workers with 13 full weeks of employment in the high quarter 50 percent of their full-time wages. Some States provide a variable fraction of wages which gives a higher percentage to lower-paid workers than to those with higher earnings levels.

## TABLE 5.—DURATION (IN WEEKS) OF REGULAR UNEMPLOYMENT BENEFITS [1]

| State | Minimum potential duration | Maximum potential duration | Earnings in base year required for maximum benefits [2] |
|---|---|---|---|
| Alabama | 11 | 26 | $7,017.01 |
| Alaska | 14 | 28 | 8,500.00 |
| Arizona | 8 | 26 | 7,019.51 |
| Arkansas | 10 | 26 | 9,300.00 |
| California | 12 | 26 | 5,406.01 |
| Colorado | 7 | 26 | 14,144.52 |
| Connecticut | 26 | 26 | 5,120.00 |
| Delaware | 11 | 26 | 7,798.01 |
| District of Columbia | 17 | 34 | 11,694.01 |
| Florida | 10 | 26 | 9,776.52 |
| Georgia | 4 | 26 | 9,180.00 |
| Hawaii | 26 | 26 | 4,020.00 |
| Idaho | 10 | 26 | 9,815.01 |
| Illinois | 26 | 26 | 3,609.50 |
| Indiana | 3 | 26 | 7,696.00 |
| Iowa | 15 | 26 | 10,215.01 |
| Kansas | 10 | 26 | 9,591.01 |
| Kentucky | 15 | 26 | 9,358.51 |
| Louisiana | 12 | 28 | 9,867.51 |
| Maine | 3 | 26 | 7,486.51 |
| Maryland | 26 | 26 | 3,816.00 |
| Massachusetts | 9 | 30 | 10,163.89 |
| Michigan | 11 | 26 | 5,600.35 |
| Minnesota | 11 | 26 | 11,063.00 |
| Mississippi | 12 | 26 | 6,237.01 |

See footnotes at end of table.

49-733 O - 79 - 3

TABLE 5.—DURATION (IN WEEKS) OF REGULAR UNEMPLOYMENT BENEFITS [1]—Continued

| State | Minimum potential duration | Maximum potential duration | Earnings in base year required for maximum benfiets [2] |
|---|---|---|---|
| Missouri | 10 | 26 | $6,630.00 |
| Montana | 8 | 26 | 9,119.76 |
| Nebraska | 17 | 26 | 8,188.51 |
| Nevada | 11 | 26 | 8,967.01 |
| New Hampshire | 26 | 26 | 8,600.00 |
| New Jersey | 15 | 26 | 6,090.35 |
| New Mexico | 18 | 26 | 4,245.84 |
| New York | 26 | 26 | 4,980.00 |
| North Carolina | 13 | 26 | 10,101.00 |
| North Dakota | 12 | 26 | 10,004.82 |
| Ohio | 20 | 26 | 6,188.26 |
| Oklahoma | 20 | 26 | 10,293.01 |
| Oregon | 6 | 26 | 9,906.00 |
| Pennsylvania | 30 | 30 | 6,000.00 |
| Rhode Island | 12 | 26 | 9,087.54 |
| South Carolina | 10 | 26 | 8,655.01 |
| South Dakota | 13 | 26 | 8,499.01 |
| Tennessee | 12 | 26 | 7,797.01 |
| Texas | 9 | 26 | 8,762.97 |
| Utah | 10 | 36 | 11,668.80 |
| Virgin Islands | 26 | 26 | 2,460.00 |
| Vermont | 26 | 26 | 4,580.00 |
| Virginia | 12 | 26 | 9,516.01 |
| Washington | 8 | 30 | 12,328.51 |
| West Virginia | 28 | 28 | 16,550.00 |
| Wisconsin | 1 | 34 | 12,384.43 |
| Wyoming | 12 | 26 | 10,083.34 |
| Puerto Rico | 20 | 20 | 2,880.00 |

[1] Based on benefits for total unemployment. Amounts payable can be stretched out over a longer period in the case of partial unemployment.

[2] Based on maximum weekly benefit amount paid for maximum number of weeks.

Source: Department of Labor.

TABLE 6.—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT

| State | Weekly benefit amount [1] | | | Required total earnings in base year [2] | | Minimum work in base year (weeks) [3] |
|---|---|---|---|---|---|---|
| | Minimum | Maximum | Average (calendar year 1977) | For minimum benefit | For maximum benefit | |
| Alabama | $15 | $90 | 64.30 | $522.01 | $3,204.01 | 2Q |
| Alaska | 18–28 | 90–120 | 84.06 | 750.00 | 8,500.00 | 2Q |
| Arizona | 25 | 90 | 69.80 | 937.50 | 3,356.25 | 2Q |
| Arkansas | 15 | 124 | 58.38 | 450.00 | 3,720.00 | 2Q |
| California | 30 | 104 | 70.17 | 750.00 | 3,308.00 | |
| Colorado | 25 | 137 | 82.03 | 750.00 | 14,144.52 | |
| Connecticut | 15–20 | 128–192 | 78.21 | 600.00 | 5,120.00 | 2Q |
| Delaware | 20 | 150 | 88.96 | 720.00 | 5,400.00 | |
| District of Columbia | 13–14 | 172 | 94.55 | 450.00 | 5,899.51 | 2Q |
| Florida | 10 | 95 | 61.38 | 400.00 | 3,760.20 | 20 |
| Georgia | 27 | 90 | 67.06 | 412.50 | 3,337.50 | 2Q |
| Hawaii | 5 | 134 | 90.52 | 150.00 | 4,020.00 | 14 |
| Idaho | 17 | 121 | 72.44 | 520.01 | 3,775.01 | 2Q |
| Illinois | 15 | 129–154 | 59.42 | 1,000.00 | 3,609.50 | 2Q |
| Indiana | 35 | 74–124 | 67.75 | 500.00 | 2,122.10 | 2Q |
| Iowa | 17–18 | 131–148 | 77.56 | 600.00 | 3,503.13 | 2Q |
| Kansas | 30 | 123 | 75.04 | 900.00 | 3,690.00 | 2Q |
| Kentucky | 22 | 120 | 66.00 | 1,000.00 | 3,779.20 | 2Q |
| Louisiana | 10 | 141 | 74.21 | 300.00 | 4,230.00 | |
| Maine | 12–17 | 96–144 | 63.89 | 900.00 | 2,167.00 | 2Q |
| Maryland | 10–13 | 106 | 66.01 | 360.00 | 3,816.00 | 2Q |
| Massachusetts | 12–18 | 122–183 | 74.45 | 1,200.00 | 3,170.01 | |
| Michigan | 16–18 | 97–136 | 84.52 | 350.14 | 2,240.14 | 14 |
| Minnesota | 30 | 150 | 77.88 | 900.00 | 5,382.00 | 15 |
| Mississippi | 10 | 80 | 53.35 | 360.00 | 2,880.00 | 20 |
| Missouri | 15 | 85 | 69.95 | 450.00 | 2,550.00 | 2Q |
| Montana | 30 | 119 | 70.45 | 1,150.50 | 4,621.50 | 2Q |
| Nebraska | 12 | 106 | 68.02 | 600.00 | 3,150.00 | 2Q |
| Nevada | 16 | 115 | 74.27 | 562.51 | 4,275.01 | 2Q |
| New Hampshire | 21 | 102 | 58.78 | 1,200.00 | 8,600.00 | 2Q |
| New Jersey | 20 | 117 | 83.36 | 600.00 | 3,480.20 | 20 |
| New Mexico | 20 | 98 | 58.37 | 633.62 | 3,152.51 | 2Q |
| New York | 25 | 125 | 71.61 | 800.00 | 4,980.00 | 20 |
| North Carolina | 15 | 130 | 64.30 | 565.50 | 5,049.75 | 2Q |
| North Dakota | 36 | 131 | 71.76 | 1,440.00 | 5,240.00 | 2Q |
| Ohio | 10–16 | 120–189 | 82.37 | 400.00 | 3,760.20 | 20 |
| Oklahoma | 16 | 132 | 61.25 | 1,000.00 | 4,912.51 | 2Q |
| Oregon | 35 | 127 | 61.12 | 700.00 | 10,120.00 | 18 |
| Pennsylvania | 13–18 | 152–160 | 87.56 | 440.00 | 6,000.00 | 2Q |
| Rhode Island | 26–31 | 120–140 | 77.83 | 1,060.00 | 4,327.40 | 20 |
| South Carolina | 10 | 111 | 65.94 | 300.00 | 4,290.01 | 2Q |
| South Dakota | 28 | 109 | 56.66 | 1,160.00 | 3,469.22 | 2Q |
| Tennessee | 14 | 100 | 48.96 | 504.00 | 3,600.00 | 2Q |
| Texas | 16 | 91 | 41.42 | 500.00 | 3,375.38 | 2Q |
| Utah | 10 | 137 | 76.72 | 700.00 | 3,656.00 | 19 |

See footnotes at end of table.

## TABLE 6.—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT—Continued

| State | Weekly benefit amount[1] Minimum | Maximum | Average (calendar year 1977) | Required total earnings in base year[2] For minimum benefit | For maximum benefit | Minimum work in base year (weeks)[3] |
|---|---|---|---|---|---|---|
| Virgin Islands | 15 | 82 | | 396.00 | 2,460.00 | 2Q |
| Vermont | 18 | 115 | 69.73 | 700.00 | 4,580.00 | 20 |
| Virginia | 38 | 122 | 69.96 | 1,368.00 | 4,392.00 | 2Q |
| Washington | 17 | 137 | 74.43 | 1,800.00 | 3,412.50 | |
| West Virginia | 18 | 166 | 55.27 | 1,150.00 | 16,550.00 | |
| Wisconsin | 27 | 145 | 82.29 | 780.15 | 4,320.15 | 15 |
| Wyoming | 24 | 121 | 73.37 | 960.00 | 3,000.01 | 2Q |
| Puerto Rico | 7 | 72 | 40.98 | 150.00 | 2,880.00 | 2Q |

[1] A range of amounts is shown for those States which provide dependents' allowances.
[2] In some States larger total earnings may be required in order for the benefits to be paid for the maximum number of weeks.
[3] Number of weeks of work in base year required to qualify for minimum benefits. "2Q" denotes that State directly or indirectly requires work in at least 2 quarters of the base year

Source: Department of Labor.

## D. Federal Unemployment Programs

1. *The extended benefits program.*—The Employment Security Amendments of 1970 (Public Law 91–373) established a permanent program to pay extended benefits during periods of high unemployment to workers who exhaust their basic entitlement to regular State unemployment compensation. As a condition of Federal approval of the State's unemployment insurance programs, States were required to establish the new program by January 1, 1972, and all States have done so. The Federal Government and the States each pay 50 percent of the cost of benefits under this program.

These extended benefits are paid to workers only during an "extended benefit" period. Such a period can exist either on a national or State basis by the triggering of either the national or the State "on" indicator.

*National "on" indicator.*—There is a national "on" indicator when the seasonally adjusted rate of insured unemployment for the whole Nation equals or exceeds 4.5 percent averaged over a 13-week moving period.

*State "on" indicator.*—There is a State "on" indicator when the rate of insured unemployment for the State is at least 4 percent but only if it equals or exceeds, during a moving 13-week period, 120 percent of the average rate for the corresponding 13-week period in the preceding 2 calendar years.

When a State experiences a sustained period of high unemployment, the "20 percent" higher factor becomes difficult to meet as weeks of high unemployment are built into the base. Because of this phenomenon, States are permitted on an optional basis to participate in the extended benefit program without meeting the "20 percent" higher factor. If States make this election, the program becomes operative in the State whenever the 13 week moving average insured unemployment rate reaches 5 percent.

*Extended benefit period.*—An extended benefit period in a State begins after there is either a State or national "on" indicator, and continues until the trigger conditions are no longer met, but the minimum period is 13 weeks.

*Benefits.*—During either a national or State extended benefit period, the State is required to provide each individual who exhausts his regular State benefits additional weeks of compensation at the individual's regular weekly benefit amount. Benefits under the Federal-State program are limited to not more than 13 weeks per individual.

*2. Unemployment compensation for Federal employees (UCFE) and for ex-servicemen (UCX).*—Two Federal unemployment compensation programs are provided under Federal law (title 5, chapter 85, U.S. Code): unemployment compensation for Federal employees (UCFE); and, unemployment compensation for ex-servicemen (UCX). State employment security agencies administer these programs under agreements with the Secretary of Labor. Federal wages are assigned to the appropriate State according to Federal law and eligibility and the amount of benefits are determined under the applicable State law. Under UCX, an ex-serviceman's period of active Federal military service must be at least 90 days of continuous duty, unless a period of less than 90 days resulted from a service-incurred injury or disability. Ex-servicemen must have been discharged under conditions other than dishonorable; must not have received a bad conduct discharge; and must not have resigned "for the good of the service".

## TABLE 7.—EXTENDED BENEFIT INDICATORS AS OF JULY 21, 1979

| State | 13-week insured unemployment rate | Percent of prior 2 yrs |
|---|---|---|
| National | 2.83 | |
| Alabama | 3.15 | 81 |
| Alaska | 8.28 | 72 |
| Arizona | 1.39 | 52 |
| Arkansas [1] | (2.85) | (78) |
| California | 3.03 | 62 |
| Colorado [1] | (1.36) | (57) |
| Connecticut | 2.15 | 53 |
| Delaware | 2.14 | 68 |
| District of Columbia | 2.44 | 75 |
| Florida | 1.64 | 58 |
| Georgia | 1.74 | 65 |
| Hawaii | 2.78 | 77 |
| Idaho | 2.74 | 79 |
| Illinois | 2.83 | 60 |
| Indiana | 1.67 | 97 |

See footnotes at end of table.

TABLE 7.—EXTENDED BENEFIT INDICATORS AS OF JULY 21, 1979—Continued

| State | 13-week insured unemployment rate | Percent of prior 2 yrs |
|---|---|---|
| Iowa | 1.74 | 72 |
| Kansas | 1.31 | 59 |
| Kentucky | 3.12 | 107 |
| Louisiana | 2.28 | 69 |
| Maine | 3.84 | 67 |
| Maryland | 2.53 | 83 |
| Massachusetts | 2.75 | 60 |
| Michigan [1] | (3.59) | (76) |
| Minnesota | 1.46 | 62 |
| Mississippi | 2.40 | 76 |
| Missouri | 2.22 | 68 |
| Montana | 3.00 | 83 |
| Nebraska | .95 | 60 |
| Nevada | 2.20 | 58 |
| New Hampshire [1] | (1.36) | (73) |
| New Jersey | 5.02 | 81 |
| New Mexico [1] | (1.94) | (56) |
| New York [1] | (3.40) | (63) |
| North Carolina | 1.66 | 66 |
| North Dakota | 1.82 | 68 |
| Ohio | 2.27 | 105 |
| Oklahoma | 1.25 | 56 |
| Oregon | 3.10 | 72 |
| Pennsylvania | 3.98 | 78 |
| Puerto Rico | 10.18 | 70 |
| Rhode Island | 5.67 | 86 |
| South Carolina | 1.92 | 71 |
| South Dakota [1] | (1.20) | (70) |
| Tennessee | 2.73 | 88 |
| Texas | 1.11 | 74 |
| Utah | 1.92 | 74 |
| Vermont | 2.90 | 62 |
| Virginia | 1.28 | 76 |
| Virgin Islands | 2.87 | 60 |
| Washington | 2.58 | 47 |
| West Virginia | 3.96 | 122 |
| Wisconsin | 2.30 | 86 |
| Wyoming | .61 | 54 |

[1] Trigger indicator as of July 14, 1979.

Note: National rate is seasonally adjusted.

Source: Department of Labor.

*3. Railroad unemployment.*—Just as railroad employees are not covered by the social security system but have a separate railroad retirement program, so too their unemployment compensation protection is provided under a separate railroad program established by Federal law. The railroad unemployment program is operated by the Railroad Retirement Board and is funded through employer contributions held in a separate account in the unemployment trust fund. Legislation related to the railroad unemployment program is not handled by the Committee on Finance.

*4. Programs for specialized groups.*—Unlike the railroad and Federal employee programs which provide basic unemployment protection for certain categories of workers not covered under the regular State unemployment programs, there have been established a number of other programs which are designed to supplement in amount or duration those regular benefits. These programs are not funded through the unemployment trust fund but are paid for out of general revenue appropriations.

*a. Trade adjustment assistance.*—The Trade Adjustment Assistance program is designed to provide additional benefits to workers who become fully or partially unemployed because import competition has caused or contributed importantly to the decline of their employer's business. Workers who establish eligibility under the adjustment assistance program have their weekly unemployment benefit under the regular State program increased to a level equal to 70 percent of their prior wage level (but not more than the average manufacturing wage—this was $277 per week in 1978). When these workers exhaust their eligibility for regular State unemployment benefits, the adjustment assistance program also provides additional weeks of benefits (at the same total amount). In general, the program provides for an overall benefit duration of 52 weeks although this can be increased to 78 weeks for certain older workers or workers undergoing training. In fiscal year 1978, about 150,000 workers received benefits under this program.

*b. Other specialized programs.*—The trade adjustment assistance program was originally enacted as a part of the 1962 Trade Expansion Act and was substantially expanded and modified by the Trade Act of 1974. The precedent of providing special unemployment benefits to workers considered to be particularly affected by certain aspects of Federal policy has in recent years led to the enactment of a number of other programs of this type. With the exception of the trade adjustment assistance program, the legislation setting up these supplemental programs has not originated with the Finance or Ways and Means Committees. The following acts have included some type of special supplemental unemployment benefits program:

(1) Public Works and Economic Development Act of 1965;
(2) Regional Rail Reorganization Act of 1973;
(3) Disaster Relief Act of 1974;
(4) Redwood National Park Act of 1978; and
(5) Airline Deregulation Act of 1978.

TABLE 8.—PROJECTED OUTLAYS FROM FINANCE COMMITTEE GENERAL FUND UNEMPLOYMENT PROGRAMS: FISCAL YEARS 1980-84

[Millions of dollars]

| | 1980 | 1981 | 1982 | 1983 | 1984 |
|---|---|---|---|---|---|
| Federal employees | 194 | 182 | 170 | 165 | 158 |
| Ex-servicemen | 351 | 336 | 320 | 316 | 306 |
| Trade adjustment assistance | 290 | 300 | 290 | [1] | [1] |

[1] Under present law, this program terminates on September 30, 1982.

Source: Department of Labor (based on administration midsession budget review assumptions).

## III. H.R. 3920

### A. General Description of the Bill

The bill amends section 411 of the Unemployment Compensation Amendments of 1976 (Public Law 94-566) and section 3306 of the Internal Revenue Code of 1954. In general, the bill changes certain reporting and clearance requirements of the National Commission on Unemployment Compensation, provides for compensation of the Commission's members, and extends the exclusion of certain alien farmworkers from the Federal unemployment insurance tax to January 1, 1982.

Present law makes no provision for the compensation of National Commission on Unemployment Compensation members. The bill provides for the compensation of Commission members, excluding those who are full-time officers or employees of the U.S. Government, at a rate not exceeding the equivalent per diem pay rate for a GS-18 (now $47,500 per year) for each day (including travel time) the Commission meets.

Present law requires an interim report on September 30, 1978, and a final report on July 1, 1979. The Commission submitted an interim report in November 1978. It was unable to meet the July 1, 1979, deadline for a final report, however, and submitted another interim report instead (noting, however, that this would constitute a final report in the absence of an extension). If the extension legislation is not enacted, the Commission will cease to exist as of September 30, 1979. The bill allows the Commission to submit additional reports as it deems appropriate and extends the final report deadline to July 1, 1980.

The Federal Reports Act requires Federal agencies to obtain prior clearance from the Office of Management and Budget (OMB) when seeking identical information from 10 or more individuals or other Federal agencies. Also, OMB Circular A-19 requires executive agencies to clear formal communications with the Congress through OMB. The bill exempts the Commission from the Federal Reports Act and requires Commission reports to be made directly to the Congress without clearance from OMB.

Until January 1, 1980, alien farmworkers who are admitted to the United States pursuant to section 214(c) and 101(a)(15)(H) of the Immigration and Nationality Act are excluded from the Federal unemployment tax. Also, such alien farmworkers are not counted in determining whether a farmer has enough employees (10 workers in 20 weeks) or has paid enough wages for agricultural services ($20,000 in any quarter) to make him subject to the Federal unemployment tax.

The alien farmworker provision affects about 10,000 to 13,000 workers who are brought into the United States (primarily Florida) in peak seasons, because domestic workers are unavailable, as certified by the Secretary of Labor. Since they do not work in the United States long enough to be eligible for unemployment compensation, employers were not required to pay the Federal unemployment tax on their wages.

The bill extends this exclusion to January 1, 1982, but provides that services performed by such alien workers would be counted in determining whether an employer is subject to the Federal unemployment tax for his other farmworkers.

## B. The National Commission on Unemployment Compensation

Title IV of Public Law 94-566, enacted on October 20, 1976' provides for the establishment of a National Commission on Unemployment Compensation. It was to have 13 members appointed as follows: (1) three by the President pro tempore of the Senate; (2) three by the Speaker of the House of Representatives; and (3) seven by the President. The President was also to appoint one of the 13 members as chairman. Also, at least one individual was required to be appointed representing labor, industry, the Federal Government, State government, local government, and small business.

The Commission was required to study and evaluate the present unemployment compensation programs, develop alternatives, and recommend changes in the programs. The study and evaluation was to include, but not be limited to the following:

(1) examination of the adequacy, and economic and administrative impacts, of the changes made by the 1976 Amendments in coverage, benefit provisions, and financing;

(2) identification of appropriate purposes, objectives, and future directions for unemployment compensation programs; including railroad unemployment insurance;

(3) examination of issues and alternatives concerning the relationship of unemployment compensation to the economy, with special attention to long-range funding requirements and desirable methods of program financing;

(4) examination of eligibility requirements disqualification provisions, and factors to consider in determining appropriate benefit amounts and duration;

(5) examination of (A) the problems of claimant fraud and abuse in the unemployment compensation programs (B) the adequacy of present statutory requirements and administrative procedures designed to protect the programs against such fraud and abuse and (C) problems of claimants in obtaining prompt processing and payment of their claims for benefits and any appropriate measures to relieve such problems;

(6) examination of the relationship between unemployment compensation programs and manpower training and employment programs;

(7) examination of the appropriate role of unemployment compensation in income maintenance and its relationship to other social insurance and income maintenance programs;

(8) conduct of such surveys, hearings, research, and other activities as it deems necessary to enable it to formulate appropriate recommendations, and to obtain relevant information, attitudes, opinions, and recommendations from individuals and organizations representing employers, employees, and the general public;

(9) review of the present method of collecting and analyzing present and prospective national and local employment and unemployment information and statistics;

(10) identification of any weaknesses in such method and any problems which results from the operation of such method;

(11) formulation of any necessary or appropriate new techniques for the collection and analysis of such information and statistics; and

(12) examination of the feasibility and advisability of developing or not developing Federal minimum benefit standards for State unemployment insurance program.

The conference report on the 1976 amendments (House Rept. 94–1745) in addition directed the Commission to study the payment of unemployment compensation to retirees and denial of compensation to employees of educational institutions between terms.

The Commission's available budget totals $8.4 million. Of this total, it expects to have spent or obligated about $3.8 million by September 30, 1979. Much of this represents contracts for a variety of research projects related to unemployment compensation. The Commission has a full-time staff of 11 persons and employs a number of other individuals on a consultant basis.

The Commission held its first meeting in early March, 1978. It met seven times in the next seven months before it issued its interim report in November, 1978. During that period it received testimony in seven different cities, visited local and State offices, and held discussions on various unemployment compensation issues. Since then it has held many more meetings and has issued a second report to comply with the final report date requirement in present law of July 1, 1979. This report, however, does not address the issues charged to the Commission but indicates instead the need for additional time to study those issues.

The first interim report of the Commission in November, 1978, made the following recommendations:

(1) *Funding source for emergency benefits for the period from January 1975 through March 1977.*—Recommendation is to cancel obligation to repay the advances from general revenues to the Extended Unemployment Compensation Account (EUCA) of $5.8 billion.

(2) *Funding State share of Federal-State extended benefits during January 1975 through January 1978, when the national trigger was on.*—Recommendation is to reimburse all States from general

revenues for the State share of Extended Benefits program costs during this period of $3.3 billion.

(3) *Funding source for Federal share of Federal-State extended benefits program during January 1975 through January 1978, when the national trigger was on.*—Recommendation is to cancel the debt owed by the Extended Unemployment Compensation Account to the general fund by paying $3.3 billion from general revenues.

(4) *Deferral of loan repayment requirements.*—If an additional deferral of reduced Federal credits to the Federal Unemployment Tax is enacted, current regulations are recommended to be strengthened to require each debtor State to demonstrate that its average employer tax rate exceeds the State's average annual benefit cost rate for the preceding 10 years by at least 50 percent and to repay at least the amount that would have otherwise been collected in increased Federal Unemployment Taxes.

(5) *Proposal that services performed by certain student farm workers of ages 15 and 16 excluded from FUTA coverage.*—The recommendation is not to approve any such exclusion.

(6) *Proposal that States be allowed to restrict eligibility for benefits of substitute teachers.*—The recommendation is not to enact legislation allowing States to deny benefits to individuals on the basis of services performed as substitute teachers.

(7) *Reduction of benefits by retirement income.*—The recommendation is to repeal the Federal requirement that State Laws provide reduction of unemployment compensation benefits by retirement payments, which takes effect on April 1, 1980.

(8) *Taxing unemployment compensation benefits.*—The recommendation is to repeal or postpone the provision in Public Law 95-600 that imposes personal income taxes on unemployment compensation benefits paid to single persons with incomes above $20,000 and married couples above $25,000.

(9) *Interest on loans to States.*—The recommendation is to charge interest on loans to States after some initial period in addition to the present requirements for recoupment of loans.

The second report of the Commission on July 1979 recommended the enactment of H.R. 3920 to insure completion of its work.

## Members of the Commission

Wilbur J. Cohen, Chairman: Ph. B., and honorary Doctor of Law, University of Wisconsin; Professor of Education, Professor of Public Welfare Administration in the School of Social Work and former Dean of the School of Education, the University of Michigan; former Secretary, Under Secretary and Assistant Secretary, Department of Health, Education, and Welfare; former staff member and Director of the Division of Research and Statistics, Social Security Board.

Walter Bivins: B.S., Millsaps College; Attorney and Member of the Mississippi Bar; Board of Directors, the Mississippi Bank; Chairman of Board of Review of Mississippi Employment Security Commission; Retired Deputy Executive Director, Mississippi Employment Security Commission; member of several boards and commissions in the State of Mississippi.

Beatrice Coleman: B.S., Barnard College; President and Acting Chairwoman of the Board of Directors, Maidenform, Inc.; President and Chief Executive Officer of Ida and William Rosenthal Foundation; member, Ethical Culture Societies of New York and Riverdale; Trustee of ILGWU National Retirement Fund.

Warren Cooper: B.S., Muskingum College; Vice President for Public Affairs, Midwestern Region of Kaiser Aluminum and Chemical Corporation; Vice Chairman, West Virginia Manufacturers' Association; President, West Virginia Research League; member, District Export Council; U.S. Department of Commerce.

John D. Crosier: B.A., Hamilton College; Commissioner, Department of Commerce and Development, Massachusetts; former: Administrator of the Massachusetts Division of Employment Securities; Chairman of Massachusetts' Secretary of Economic Affairs Task Force on Unemployment Insurance; President of Interstate Conference of Economic Security Agencies.

Wilbur Daniels: B.S., City College of New York; J.D., New York University Law School; Executive Vice President, ILGWU; Director, Master Agreement Department, ILGWU; member: Federal Advisory Council on Unemployment Insurance; Board of Visitors Graduate School of City University of New York; New York State Job Development Authority; Board of Trustees, Medgar Evers Fund, Inc.; Board of Directors, League for Industrial Democracy; United Housing Foundation; Chairman, National Trade Union Council for Human Rights; Board of Managing Directors, Metropolitan Opera Association.

J. Eldred Hill, Jr.: B.A., Vanderbilt University; L.L.B., University of Virginia; Executive Director of UBA, Inc.; formerly: Assistant Attorney General of Virginia; Virginia Employment Commissioner; Executive Assistant to the Governor and State Director of Industrial Development, Virginia.

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## IV. COSTS OF THE UNEMPLOYMENT COMPENSATION PROGRAM

### A. General

The unemployment compensation program is one involving both Federal and State responsibilities. The extent of program coverage is largely determined by Federal legislation inasmuch as the Federal tax and tax credit provisions make it highly unlikely that States will exclude from coverage any employment which is subject to the Federal tax. The basic benefit structure and operational rules are largely determined by the States, which set benefit levels and qualifying requirements and which administer the day to day operations of the program. The financing of the program is more of a mixed responsibility, with Federal legislation establishing, in effect, a minimum tax base and many detailed requirements concerning State financing (e.g. that reductions from the standard State tax rate must be based on experience rating, that certain categories of employers must be permitted to use a "reimbursement" method of funding, that State employer tax funds must be used solely for benefit payments and must be held in the Unemployment Trust fund). States, however, are responsible for fixing the actual tax rates and, subject to the overall Federal mandate of reasonable relationship, determining the details of how those tax rates are applied under an experience rating system.

Although the Federal-State areas of responsibility can be generally categorized in this way, the overall program is clearly of concern to both levels of Government and the general divisions of responsibility are not hard and fast. For example, the extent of coverage is primarily determined by the Federal tax, but States have in many instances established broader coverage than the Federal mandate. Similarly, although the basic benefit structure is established by each State, the Federal Unemployment Tax Act includes a number of provisions which Congress has determined to be of sufficient importance to the overall program to be included on a mandatory basis in all State programs. From a budgetary standpoint, there is a clear interrelationship of

Federal and State interests in that program costs and financing are affected by both Federal and State statutes and in that the operations of the program have a significant impact on both State and Federal budgets.

## B. Budgetary Impact of Unemployment Compensation

Because the unemployment compensation program involves both Federal and State funds and also involves both trust funds and general funds, the Federal budgetary implications of the program are both substantial and complex. The Federal unemployment tax (effectively 0.7 percent of the first $6,000 of wages paid to each employee) now produces approximately $3 billion of revenues each year. By contrast, State unemployment taxes which fund the bulk of benefit costs are approaching $13 billion per year. For Federal budgetary purposes, however, both Federal and State funds are reflected in the budget totals. The reason for this is that all State unemployment taxes are deposited in and disbursed from State accounts in the Unemployment Trust Fund which is maintained in the Federal Treasury. Another element of the program involving substantial budgetary implications are the "automatic" general fund loan provisions. The increasingly large portions of the program involving direct Federal funding of benefit costs also have an important impact on the budget.

*Impact of State programs on Federal budget.*—Because of the size of the State programs their inclusion in the Federal budget can have a significant impact on Federal budgetary planning. If, in a given year, State unemployment tax receipts and benefit costs are in balance (or nearly so), they would not affect the overall Federal deficit or surplus but they would affect the total level of Federal expenditure. If, however, as is generally the case, State unemployment taxes and benefits are not in balance, their impact on Federal budgetary planning is magnified. If anticipated State unemployment tax revenues substantially exceed anticipated benefit costs for a fiscal year, the resultant "surplus" will appear to improve the Federal fiscal situation by lowering the Federal deficit. For example, in the budget submitted by the President in January, the overall deficit level was determined in part by a $3.3 billion surplus in the Unemployment Trust Fund. Most of that $3.3 billion was based on "excess" State unemployment taxes representing a rebuilding of State reserves which had been badly depleted by the last recession. Similarly, in other years there could be an excess of State benefit costs over State taxes, which would appear to worsen the Federal budgetary situation by increasing the Federal deficit.

*Automatic loan provisions.*—In a situation where there is a substantial deficit in State accounts created by an excess of benefit payments over State tax revenues, the impact on the overall Federal budget is, as described above, an increase in the Federal deficit. The impact "within" the Federal budget, however, may differ considerably depending upon the status of State reserves at the time. If the States have adequate reserves to meet the increased benefit costs, the "deficit" amounts to a draw down of those reserves. This increases the overall Federal deficit, but the impact is entirely within the "trust fund" aspects of the Budget and does not affect what is referred to as the "Federal funds" deficit (nor, consequently, does it increase the amount of public debt subject to the debt limit). If State reserves are inadequate, however, Federal loan provisions come into play drawing down the Federal loan account (supported by the Federal unemployment tax) and ultimately requiring advances from Federal general revenues. To the extent that general revenue loans are required, the program has an impact on the "Federal funds" part of the budget and increases the amount of the public debt subject to limit.

*Impact of Federal provisions.*—In addition to the budgetary impact of surpluses or deficits in State accounts, the Federal budget is also affected by several more directly Federal provisions which have become increasingly important in recent years. Since 1970, there has been a program of extended benefits which triggers into effect when State or national insured unemployment rates reach certain levels. This program provides up to 13 weeks of additional benefit duration to persons who have exhausted their regular State benefit duration. Extended benefit costs are met half from State unemployment tax funds and half from Federal unemployment tax funds. When this program goes into effect, overall Federal budgetary outgo increases by the total amount of benefits paid under the program since, as described above, State program costs are reflected in the Federal budget. The increased drain on State accounts because of the operation of the extended program also tends to increase the likelihood and amount of State borrowing from the Federal loan fund (and the borrowing of that Fund from the general treasury). Moreover, if the Federal reserves in the extended benefit account are insufficient to meet the Federal one-half share of benefit costs, loans from the general treasury may also be required to meet the Federal responsibilities. In addition, temporary programs have been enacted at times in the past to deal with particularly severe periods of unemployment. The most recent such program was the Emergency Unemployment Compensation Act of 1974 under which benefit duration was extended at one point up to a total of 65 weeks of unemployment. For most of its existence, the benefits of the Emergency Unemployment Compensation program were chargeable to the Federal Unemployment Tax. (During its final extension from April 1977 through January 1978, however, benefit costs were effectively charged to general revenues.)

During the recent recession, both Federal and State reserves proved far less than benefit requirements so that substantial loans from general revenues were required. The table below shows the present level of outstanding loans to the Trust Fund from the general treasury.

TABLE 9.—Unemployment Trust Fund Loans Outstanding of August 31, 1979

[In billions]

| | |
|---|---|
| State loans | $5.0 |
| Federal loans to trust fund for: | |
| Extended benefits (EB) | 2.4 |
| Emergency benefits | 5.8 |
| Total | 13.2 |

Source: Department of Labor.

## C. Various Proposals for Consideration

On August 6, 1979, the Finance Subcommittee on Unemployment and Related Problems announced its intention to hold hearings on various proposals which might be considered to improve the Federal-State unemployment compensation program in ways which would strengthen the budgetary situation by reducing unnecessary costs. The staff of the committee has compiled a list of proposals which, among others, might be considered in those hearings. These proposals are listed below together with estimates of the annual savings which might be expected to result from each proposal. These estimates were developed for the committee by the Department of Labor. It should be pointed out that these estimates indicate a full year savings impact at an assumed total unemployment rate of approximately 7 percent. Because the unemployment program's costs are highly sensitive to the rate of unemployment, the estimates could be expected to be somewhat different at higher or lower unemployment rates. In addition, it should be noted that many of the proposed changes might require the enactment of State legislation for implementation so that the full savings impact would not be likely until a year or so after the enactment of Federal legislation.

The proposals listed below have been compiled by the staff for the purpose of providing information to the subcommittee, to those who may wish to testify at the hearings planned by the subcommittee, and to other interested persons. These proposals have not been reviewed or approved by the subcommittee or any member thereof.

*1. Require disqualificaton for duration of unemployment for voluntary quits, discharge for misconduct, and refusal of suitable work.*—When an unemployed worker has voluntarily left his job without good cause, has been discharged for misconduct, or has refused what the State agency considers a suitable job offer for him, he becomes ineligible for benefits. However, in many States the disqualification is lifted after a period of time. Other States continue the disqualification for the duration of unemployment. A recent research study by SRI International concluded that the average length of unemployment tends to be lower in States which impose disqualification for the duration of unemployment. Consideration could be given to requiring all States to utilize this rule.

*Estimated annual savings.*—$0.3 billion.

*2. Require that States not pay benefits beyond 13 weeks to an individual refusing any reasonable job offer.*—The unemployment compensation program exists to provide protection against income loss during periods of involuntary unemployment. Generally, a worker qualifies for up to 26 weeks of benefits if he was laid off from work for reasons other than his own misconduct or his own voluntary decision to quit and if he remains ready, willing, and able to accept new employment. For the benefit of both the worker and the labor market, newly unemployed workers are not required to take any available job but are permitted to seek a job which reasonably matches their previous experience, training, and earnings level. After seeking such work unsuccessfully for a reasonable period of time, however, individuals may be required to seek jobs not meeting their full qualifications as a condition of continued benefit eligibility. Consideration could be given to establishing a Federal requirement that States not continue benefits beyond 13 weeks unless, at that point, the unemployed individual is willing to accept any job which meets minimum standards of acceptability (such as basic health and safety standards, compliance with the Federal minimum wage, and acceptability under existing Federal standards). A similar requirement was included in the legislation extending the now expired Emergency Unemployment Compensation Act of 1974.

*Estimated annual savings.*—$0.2 billion.

*3. Require that States not pay benefits on the basis of predictable layoffs from seasonal employment.*—The main objective of the unemployment program is to provide security for workers against the sudden loss of income which occurs when they are unavoidably laid off. It could be argued that it is inconsistent with this objective to pay benefits to workers whose layoff is a regularly recurring and predictable event because of the seasonal nature of that employment. In extending unemployment coverage to State and local government workers, Congress addressed this problem as it applies to school employees by providing for the denial of benefits during regularly scheduled periods of nonwork. The 1976 amendments also provided for denying benefits to professional athletes during the offseason. Consideration could be given to requiring States to establish a seasonal employment exclusion of general applicability as a few States have done already. For example, employment for firms with a pattern of seasonal layoffs could be excluded from consideration in determining benefit eligibility during the offseason unless the unemployed person was fully employed during the same offseason in the prior year.

*Estimated annual savings.*—No estimate yet available.

*4. Require all States to establish a 1-week waiting period.*—Most States do not now pay benefits for the first week of unemployment on the basis that requiring a "waiting week" before benefit eligibility starts provides an important incentive to immediately undertake a search for reemployment (or even to find ways to avoid being laid off). Consideration could be given to requiring that the 1-week waiting period be incorporated into all State programs.

*Estimated annual savings.*—$0.1 billion.

*5. Provide increased assistance to States in control of error and fraud.*—In the past, when benefit costs were almost entirely borne from State imposed taxes, there has not been a highly visible Federal concern over the need to control the extent of error, fraud, and abuse in State unemployment programs. Given the increased impact of these programs on the Federal budget and the increasingly large direct Federal contribution to benefit costs through the extended benefit program and other programs involving Federal funding, consideration might now be given to providing additional aid and incentives for improved State administration in these areas. Elements which could be considered might include Federal aid in establishing computerized quality control systems and the reduction of Federal payments under the various federally funded parts of the program to the extent that errors are determined to exceed certain minimum levels.

*Estimated annual savings.*—$0.1 billion.

*6. Eliminate the national trigger for the extended benefit program.*—Under existing law, an additional 13 weeks of benefits over and above the usual maximum duration of 26 weeks for regular State unemployment benefits become payable in times of high unemployment. Fifty percent of the costs of these extended benefits are paid from the proceeds of the Federal unemployment tax. The basis for the extended benefits program is that unemployed workers may reasonably be expected to find themselves unable to obtain employment for a longer period of time when jobs are scarce as indicated by high levels of unemployment. Consequently, the law requires States to participate in the extended benefits program when insured unemployment levels in the State have increased by at least 20 percent (measured against the 2 prior years) and an absolute insured unemployment rate of 4 percent has been reached. The law also, however, requires that all States implement the extended benefit program when the national insured unemployment rate reaches a level of 4.5 percent. This "national trigger" can result in adding 3 months of benefit duration in a State which has experienced neither a particularly high level of unemployment nor any relative growth in unemployment levels. In such States there would, therefore, seem to be no particular basis for assuming that unemployed workers required additional benefit duration in order to find new work. Consideration could be given to deleting this national trigger so that extended benefits would be payable only in those States where economic conditions indicated a need for the additional duration.

*Estimated annual savings.*—At the 7 percent total unemployment rate assumption used for estimating the savings of these proposals, this item would produce no savings since the national trigger would not be effective. At an 8.6 percent total unemployment rate, this item would reduce program costs by $1.3 billion.

*7. Permit States to establish optional extended benefit trigger at higher insured unemployment levels.*—Under present law, States which are not required to participate in the extended unemployment compensation program under the mandatory trigger provisions (because the "20 percent higher" factor is not met) may elect to opt into program when the State insured unemployment rate reaches a level of 5 percent. States do not, however, have the option of triggering the program only at a higher level (such as 6 percent). Consideration might be given to providing States this additional flexibility.

*Estimated annual savings.*—Up to $0.4 billion depending on economic conditions over a period of years.

*8. Provide incentives for Federal agencies to contest improper benefit claims.*—An important element of the unemployment compensation program in the States is the experience rating system which provides a strong incentive for employers to avoid unnecessary employee turnover and to monitor claims for unemployment to assure that improper awards are not being made by the State agency. Federal agencies do not have a similar incentive in the case of their employees since benefit costs are funded through a separate account not chargeable to the individual agency. Consideration could be given to requiring each agency, as a part of its annual budget request, to provide information concerning the amount of benefits paid to its former employees in the prior year and its expectations for the coming year. In addition, the Labor Department could be charged with a continuing analysis of the agency experience and could be required, in its annual budget submissions, to include information concerning any agencies with unusually high benefit charges.

*Estimated annual savings.*—Less than $0.05 billion.

*9. Modify trade adjustment assistance program to provide same benefit amount as regular program.*—The trade adjustment assistance program provides additional benefits to workers who become unemployed as a result of import competition which causes a decline in the sales or production of their employers. Under existing law, adjustment assistance is provided in the form of both higher benefits than would be payable under regular unemployment compensation programs and a longer duration of benefits (generally 52 weeks as opposed to 26 weeks under regular State programs). While the impact of import competition may justify a longer duration of benefits on the basis that many similar firms in a given area could be simultaneously impacted so that it would take a longer time for workers in the affected industry to find new work, there does not appear to be a similar rationale for providing a higher level of benefits than are provided to workers losing other types of jobs. Consideration could be given to modifying the program by continuing the additional benefit duration but limiting benefit levels to those of the regular State unemployment compensation program.

*Estimated annual savings.*—$0.1 billion.

*10. Require States to pay interest on funds borrowed from Federal accounts.*—Under present law, State benefit costs are paid from the proceeds of State unemployment taxes which are deposited in the State accounts of the unemployment trust fund. If a State account drops to a level where the State will be unable to meet its benefit obligations, a loan to meet the shortfall is made from the Federal unemployment account. (If the Federal unemployment account proves inadequate, it in turn borrows from the general fund of the Treasury.) In each case, the loans that are made bear no interest. Once a loan is made to a State under this provision, the State has between 23 and 35 months to make repayment. At the end of that period, Federal collection action begins by reducing the Federal tax credit otherwise available to employers in the State. Even so, no interest or other penalty applies. (Because of the severe impact of the recent recession, States with outstanding loans were given 3 additional years to make repayment during which no action is being taken to effect collection.) Since these loans are provided on an interest-free basis, there is little incentive for States to make repayment any sooner than they have to. The Federal Government, however, is actually paying interest on these balances since they represent an increase in the public debt. A change in the law could be considered to increase State incentive to repay outstanding loans as quickly as possible by charging interest on any loan balance outstanding at a rate equal to the going rate of interest on Federal securities.

*Estimated annual savings.*—$0.4 billion.

*11. Provide for reduction of benefits when the unemployed individual is receiving a pension based on recent employment.*—When the 1976 amendments to the unemployment laws were under consideration by Congress, concern was expressed over the situation in which an individual who is in fact retired rather than unemployed may receive unemployment benefits at the same time that he is receiving retirement pension. The law was amended to provide for a dollar-for-dollar reduction in unemployment benefits by the amount of any pension concurrently payable to the individual. Because of concern that the provision may have been too broadly drawn, the effective date was set in the future to permit time for study and that effective date was subsequently further extended to March 31, 1980. The interim report of the National Commission on Unemployment Compensation recommended that the provision be repealed. As an alternative to this proposal, consideration could be given to making the provision effective with a modification meeting the most serious objections by limiting the reduction to pensions based in whole or part on employment within the 2 years preceding the date of unemployment.

*Estimated annual savings.*—$0.3 billion (as compared with repeal recommended by the National Commission).

## V. ADDITIONAL MATERIALS RELATED TO THE UNEMPLOYMENT COMPENSATION PROGRAM

The following pages contain a number of tables and charts providing information related to the unemployment compensation program.

*Measures of unemployment.*—Table 10 shows the total and insured unemployment rates over a period of years. The total unemployment rate is the one more commonly referred to in discussions of economic conditions. It is based on survey data and represents a measure of those who are not employed as a percentage of all those who indicate that they are in the labor market (that is, either are employed or are looking for work). The insured unemployment rate by contrast is based on unemployment claims data. It constitutes a measure of persons getting unemployment benefits as a percentage of those who are working in employment subject to unemployment coverage. The insured unemployment rate is always lower than the total unemployment rate primarily because it excludes that portion of the unemployed population who are seeking work for the first time (or who have so little work experience as not to be eligible for compensation) and that portion who have been unemployed for so long as to have exhausted all unemployment compensation eligibility. The percentages shown in table 10 from 1960 through 1978 are actual calendar year rates. The projections from 1979 through 1984 are on a fisca year basis and are based on the Administration mid-session budget review economic assumptions as of July 1979.

*General unemployment compensation data.*—Table 11 summarizes a variety of data related to the scope and operations of the unemployment compensation program. Charts A and B grapically show the level of operations of State unemployment compensation programs over the past year in terms of total beneficiaries and in terms of new claims received. Chart C shows the average cost of each State's program as a percent of total wages over a seven year period. This chart illustrates the diversity of the program. A variety of causes underly this diversity including State to State differences in benefit levels, eligibility requirements, administration, and economic conditions. Chart D shows average weekly benefit amounts by State. Tables 12 and 13 show certain details of each State's claim and financing experience for 1977 (the most recent year available).

*Fraud and overpayment.*—Charts E and F are reprinted from the second report of the National Commission on Unemployment Compensation and show State by State data concerning fraud incidence and the collection of overpayments. It should be noted that these charts do not portray the findings of a uniform quality control reporting system but are, rather, based on those instances of fraud and overpayment which have been detected. Consequently a State which is effective in the detection of fraud may appear "worse" than a State which actually has more fraud but does less to uncover it. The charts are significant therefore less for their absolute numbers than for their indication of considerable diversity among the States in these areas.

*Summary of provisions.*—Table 14 provides in brief summary form, the highlights of each of the State unemployment compensation programs.

*Flow of funds.*—The net 0.7 percent Federal Unemployment tax is used for a variety of purposes including the payment of State and Federal administrative costs, the establishment of a loan fund for States which have depleted their reserves, and the payment of the Federal share of extended benefits. Separate accounts exist within the Unemployment Trust Fund for the various purposes served by the Federal tax and the proceeds of the tax are distributed to those accounts under a complex formula which is illustrated in Chart G.

## TABLE 10.—UNEMPLOYMENT: 1960–84

[Rates in percent]

| Year | National unemployment rate | |
|---|---|---|
| | Total | Insured |
| 1960 | 5.5 | 4.8 |
| 1961 | 6.7 | 5.6 |
| 1962 | 5.5 | 4.4 |
| 1963 | 5.7 | 4.3 |
| 1964 | 5.2 | 3.8 |
| 1965 | 4.5 | 3.0 |
| 1966 | 3.8 | 2.3 |
| 1967 | 3.8 | 2.5 |
| 1968 | 3.6 | 2.2 |
| 1969 | 3.5 | 2.1 |
| 1970 | 4.9 | 3.4 |
| 1971 | 5.9 | 4.1 |
| 1972 | 5.6 | 3.5 |
| 1973 | 4.9 | 2.7 |
| 1974 | 5.6 | 3.5 |

See footnote at end of table.

## TABLE 10.—UNEMPLOYMENT: 1960-84—Continued

[Rates in percent]

| Year | National unemployment rate | |
|---|---|---|
| | Total | Insured |
| 1975 | 8.5 | 6.0 |
| 1976 | 7.7 | 4.6 |
| 1977 | 7.0 | 3.9 |
| 1978 | 6.0 | 3.3 |
| 1979 (estimate) | 6.1 | 3.2 |
| Projections (fiscal years): | | |
| 1980 | 6.8 | 3.7 |
| 1981 | 6.6 | 3.6 |
| 1982 | 6.2 | 3.3 |
| 1983 | 5.9 | 3.0 |
| 1984 | 5.6 | 2.8 |

Source: Department of Labor.

## TABLE 11—SELECTED UNEMPLOYMENT COMPENSATION STATISTICS, FISCAL YEARS 1978-1980

| Item | Fiscal year— | | |
|---|---|---|---|
| | 1978 (actual) | 1979 (preliminary) | 1980 (estimate) |
| Labor force (thousands) | 100,420 | 101,887 | 104,010 |
| Covered employment (millions) (calendar year) | 79.9 | 82.8 | 83.5 |
| Total covered wages (billions) (calendar year) | $772.9 | $857.4 | $947.8 |
| Total taxable wages (billions) (calendar year) | $383.2 | $425.9 | $456.6 |
| FUTA revenue (millions) | $2,600.0 | $2,890.0 | $3,050.0 |
| State tax revenue (millions) | $11,030.0 | $12,190.0 | $12,900.0 |
| Total unemployment rate (percent) | 6.2 | 5.9 | 6.8 |
| Insured unemployment rate (percent) | 3.5 | 3.2 | 3.7 |
| Benefit payments (billions): | | | |
| Regular UI benefits | 8.351 | 8.470 | 11.200 |
| Extended benefits | 1.022 | .250 | .620 |

Source: Department of Labor (based on Administration midsession budget review assumptions).

CHART A

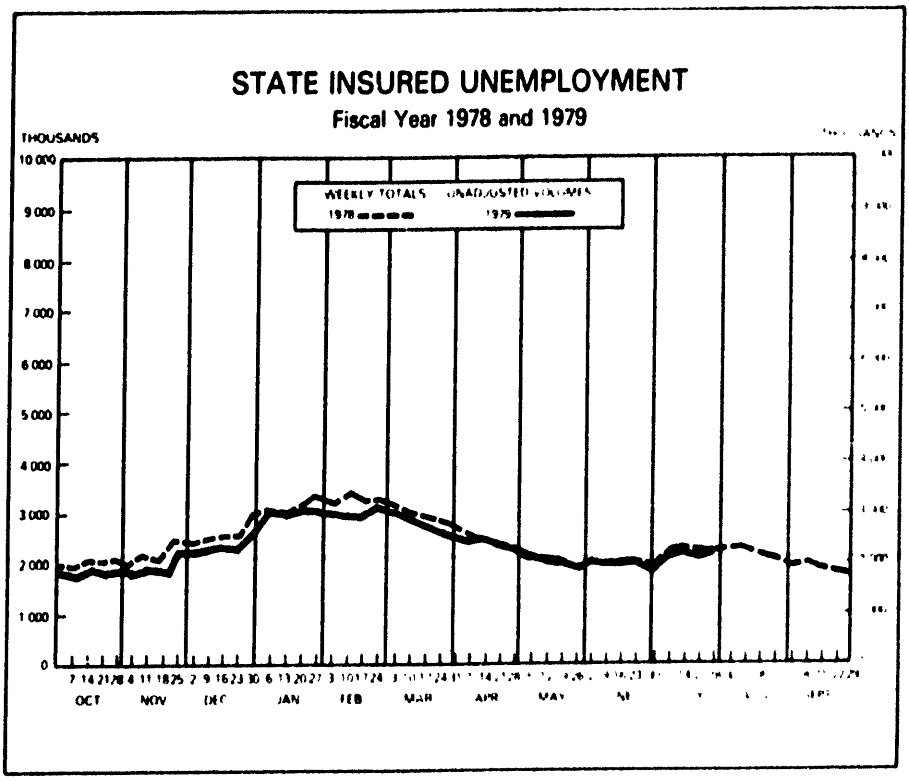



CHART B

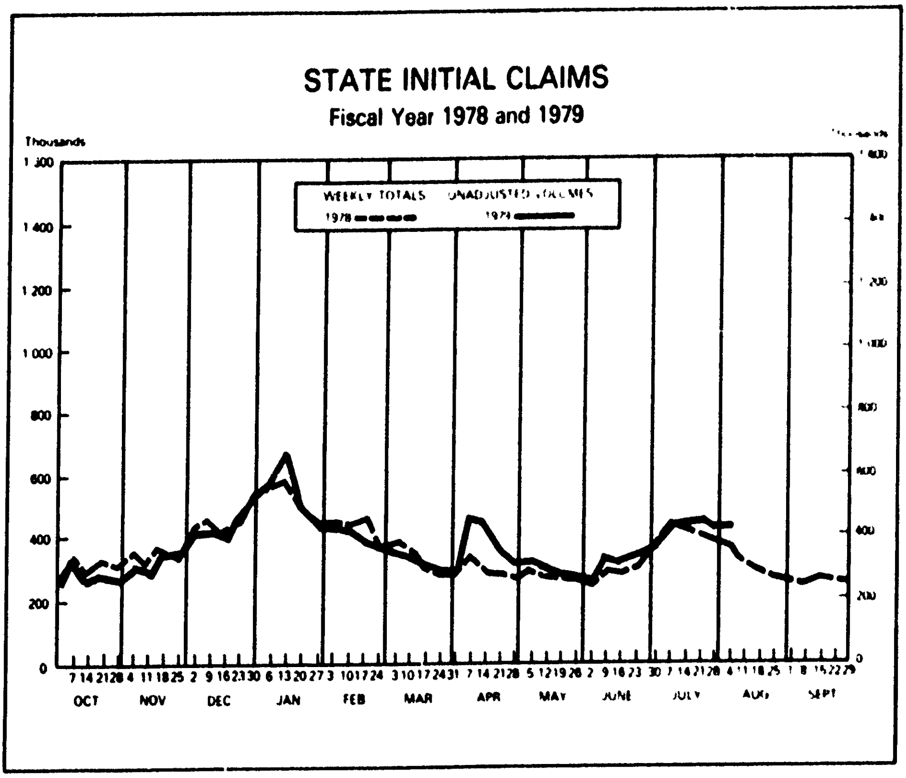
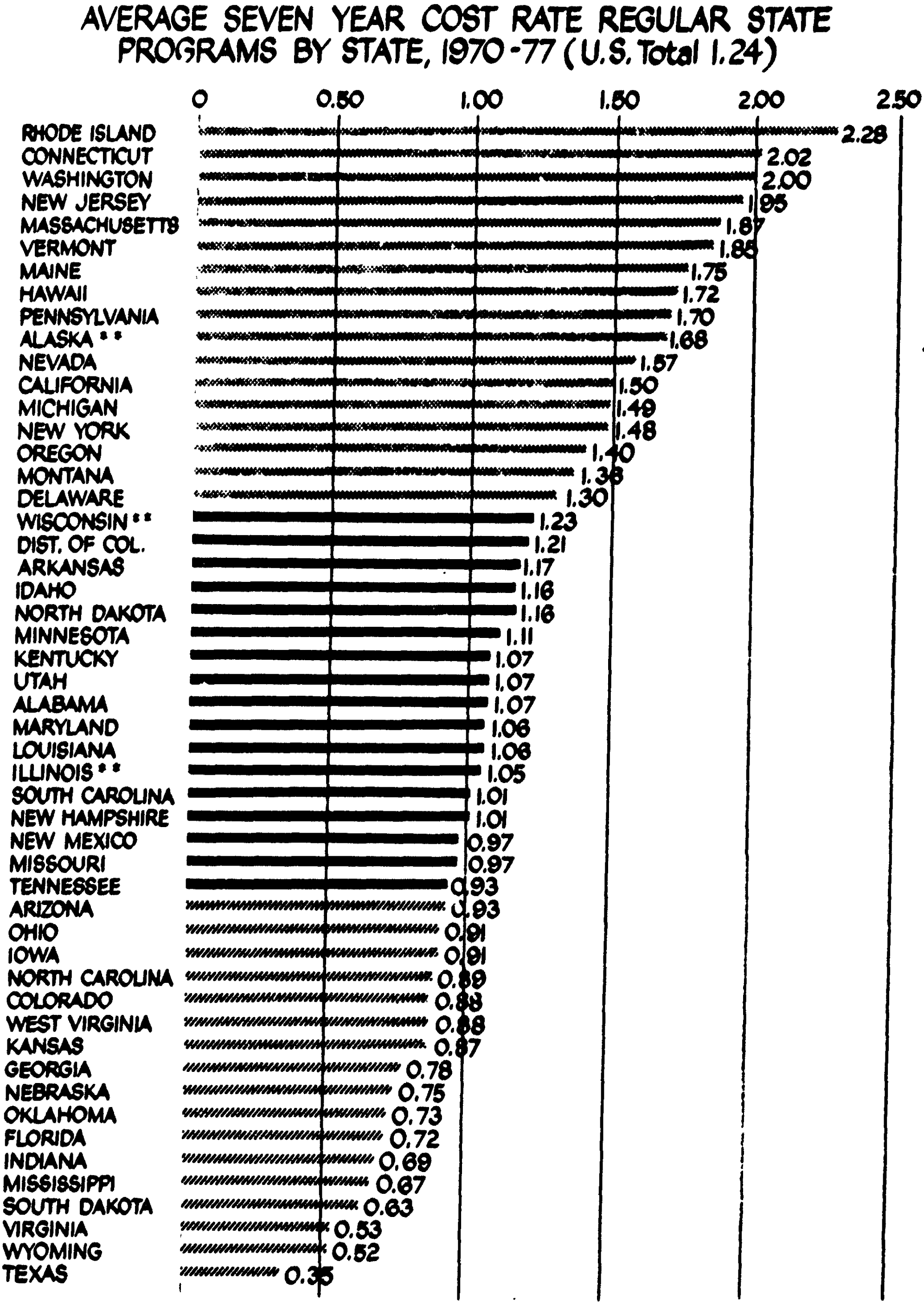


CHART C

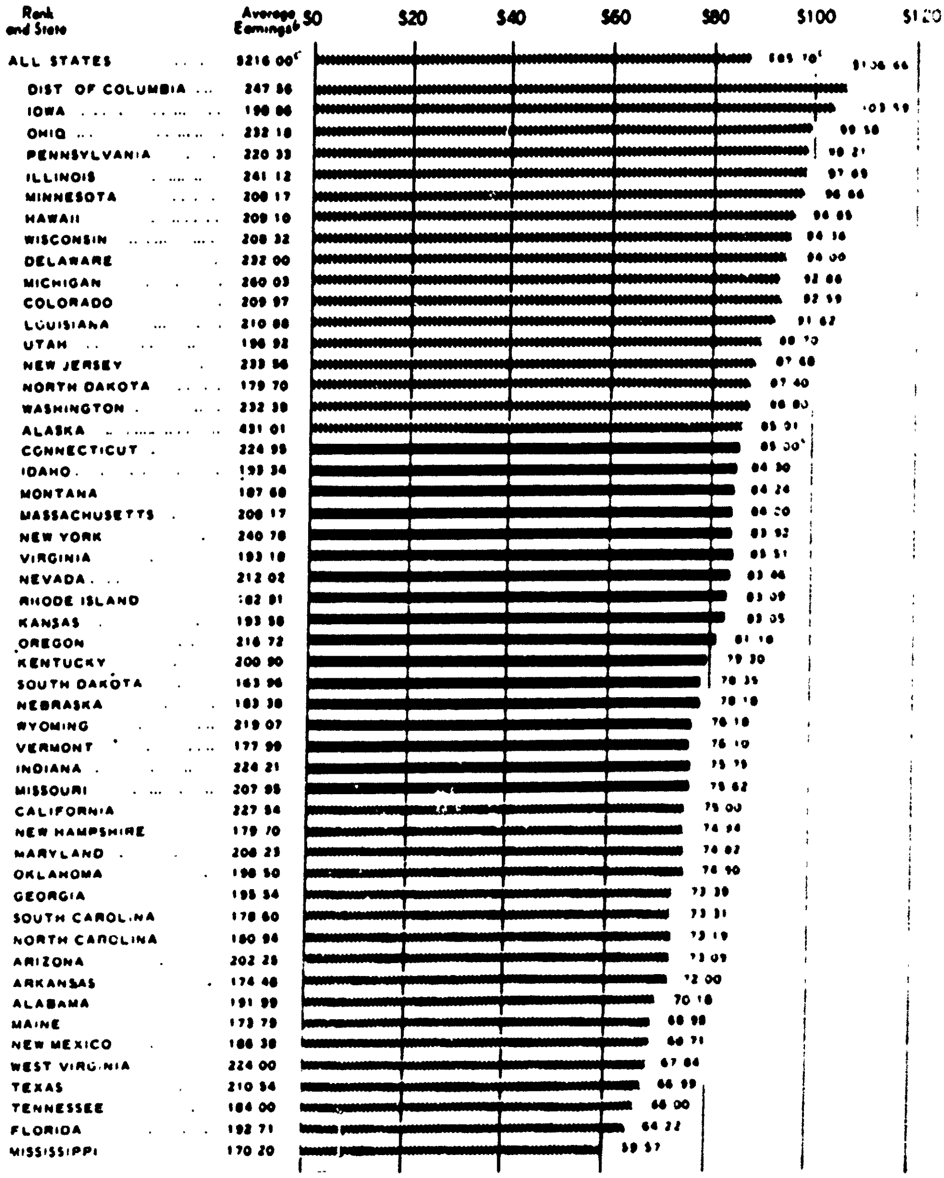



* Annual Benefit costs as a percentage of total wages.

** For years 1970-76 only

## CHART D

### AVERAGE WEEKLY BENEFIT FOR TOTAL UNEMPLOYMENT UNDER STATE UNEMPLOYMENT COMPENSATION LAWS IN 1978[a]




[a] Data from Directors of research and statistics, state employment security agencies.

[b] Average weekly earnings in 1977 in employment covered under state unemployment compensation laws.

[c] Estimated

# TABLE 12.—STATE UNEMPLOYMENT: CLAIMS DATA FOR REGULAR PROGRAM: CALENDAR YEAR 1977

| State | Number of beneficiaries: Total during year[1] | Number of beneficiaries: Average number per week | Average duration of regular benefits (weeks) | Percent of beneficiaries exhausting regular benefits |
|---|---|---|---|---|
| United States | 7,985,099 | 2,647,360 | 14.2 | 33.4 |
| Alabama | 158,596 | 38,515 | 10.4 | 25.2 |
| Alaska | 50,429 | 13,308 | 18.9 | 28.9 |
| Arizona | 52,651 | 19,800 | 12.8 | 30.9 |
| Arkansas | 70,004 | 22,621 | 12.1 | 24.7 |
| California | 1,015,868 | 321,182 | 14.3 | 37.7 |
| Colorado | 70,524 | 21,633 | 10.8 | 38.9 |
| Connecticut | 166,021 | 53,699 | 15.2 | 28.7 |
| Delaware | 28,283 | 7,643 | 13.5 | 26.2 |
| District of Columbia | 31,454 | 11,462 | 20.5 | 43.4 |
| Florida | 193,875 | 78,122 | 13.6 | 47.1 |
| Georgia | 196,545 | 42,023 | 8.9 | 28.0 |
| Hawaii | 34,486 | 12,802 | 16.2 | 34.1 |
| Idaho | 32,212 | 9,780 | 10.8 | 26.7 |
| Illinois | 414,679 | 164,930 | 17.4 | 39.3 |
| Indiana | 153,444 | 35,352 | 9.5 | 30.6 |
| Iowa | 76,859 | 21,532 | 12.9 | 24.8 |
| Kansas | 48,909 | 16,400 | 14.3 | 29.4 |
| Kentucky | 123,713 | 31,435 | 10.9 | 23.9 |
| Louisiana | 113,089 | 41,156 | 16.0 | 36.7 |
| Maine | 68,765 | 17,704 | 11.6 | 31.8 |
| Maryland | 128,032 | 40,322 | 13.2 | 23.9 |
| Massachusetts | 237,897 | 87,140 | 16.5 | 38.7 |
| Michigan | 406,302 | 139,278 | 12.2 | 34.4 |
| Minnesota | 127,276 | 42,165 | 15.0 | 40.9 |
| Mississippi | 54,666 | 17,511 | 11.6 | 24.4 |
| Missouri | 166,703 | 53,802 | 11.9 | 31.3 |
| Montana | 27,865 | 9,650 | 13.1 | 32.0 |
| Nebraska | 31,955 | 9,538 | 11.0 | 26.9 |
| Nevada | 33,950 | 9,949 | 13.2 | 35.4 |
| New Hampshire | 31,604 | 6,215 | 8.0 | 4.4 |
| New Jersey | 371,422 | 125,629 | 17.1 | 43.6 |
| New Mexico | 21,155 | 10,505 | 17.1 | 29.6 |
| New York | 646,462 | 280,398 | 20.3 | 39.1 |
| North Carolina | 202,983 | 49,928 | 11.0 | 20.1 |
| North Dakota | 19,573 | 6,267 | 13.6 | 26.0 |

See footnote at end of table.

TABLE 12.—STATE UNEMPLOYMENT: CLAIMS DATA FOR REGULAR PROGRAM: CALENDAR YEAR 1977—Continued

| State | Number of beneficiaries: Total during year [1] | Number of beneficiaries: Average number per week | Average duration of regular benefits (weeks) | Percent of beneficiaries exhausting regular benefits |
|---|---|---|---|---|
| Ohio | 316,086 | 102,216 | 13.4 | 22.4 |
| Oklahoma | 51,404 | 18,687 | 14.9 | 41.9 |
| Oregon | 102,270 | 39,314 | 13.7 | 26.3 |
| Pennsylvania | 672,110 | 216,339 | 14.5 | 20.9 |
| Puerto Rico | 125,604 | 63,578 | 15.1 | 65.5 |
| Rhode Island | 57,373 | 18,962 | 15.2 | 37.6 |
| South Carolina | 101,460 | 24,337 | 10.1 | 21.5 |
| South Dakota | 12,969 | 3,806 | 11.4 | 24.2 |
| Tennessee | 159,309 | 44,665 | 11.2 | 24.8 |
| Texas | 181,225 | 57,617 | 12.8 | 36.6 |
| Utah | 37,452 | 11,541 | 13.0 | 27.4 |
| Vermont | 19,780 | 7,058 | 15.7 | 26.1 |
| Virginia | 104,239 | 28,456 | 12.0 | 28.7 |
| Washington | 153,744 | 64,467 | 15.1 | 34.7 |
| West Virginia | 96,765 | 21,020 | 9.3 | 13.6 |
| Wisconsin | 177,970 | 53,934 | 12.6 | 67.1 |
| Wyoming | 7,088 | 1,967 | 11.0 | 21.5 |

[1] Based on number of "first weeks" claimed during year. This tends to understate the number of beneficiaries since it does not include those who came on the benefit rolls in the preceding year.

# TABLE 13.—STATE UNEMPLOYMENT FINANCIAL DATA: CALENDAR YEAR 1977

[Thousands of dollars]

| State | State taxes collected[1] | Interest credited to trust fund | Benefit payments: Regular State benefits | Benefit payments: State share of extended benefits |
|---|---|---|---|---|
| United States | 9,170,529 | 228,655 | 8,344,578 | 867,943 |
| Alabama | 119,126 | 2 | 107,184 | 9,199 |
| Alaska | 65,681 | 4,790 | 85,406 | 4,572 |
| Arizona | 78,493 | 2,790 | 45,567 | 4,737 |
| Arkansas | 62,005 | ... | 50,747 | 3,736 |
| California | 1,532,871 | 49,698 | 1,017,609 | 118,336 |
| Colorado | 90,859 | 2,530 | 65,321 | 5,824 |
| Connecticut | 177,719 | ... | 193,150 | 26,991 |
| Delaware | 22,326 | ... | 31,677 | 3,815 |
| District of Columbia | 37,176 | ... | 53,689 | 3,814 |
| Florida | 264,408 | 3,606 | 166,466 | 22,642 |
| Georgia | 143,283 | 13,210 | 116,973 | 12,657 |
| Hawaii | 63,344 | 41 | 44,964 | 4,895 |
| Idaho | 30,621 | 3,177 | 24,054 | 1,489 |
| Illinois | 483,871 | ... | 647,996 | 62,296 |
| Indiana | 141,754 | 13,303 | 97,864 | 8,420 |
| Iowa | 102,103 | 3,003 | 88,528 | 6,690 |
| Kansas | 63,751 | 8,562 | 55,715 | 4,766 |
| Kentucky | 110,055 | 7,507 | 90,282 | 6,933 |
| Louisiana | 110,587 | 8,196 | 143,764 | 10,468 |
| Maine | 44,353 | ... | 51,607 | 5,183 |
| Maryland | 158,311 | 232 | 124,260 | 9,671 |
| Massachusetts | 320,588 | ... | 281,242 | 24,093 |
| Michigan | 591,874 | ... | 406,690 | 67,605 |
| Minnesota | 165,191 | ... | 143,283 | 16,531 |
| Mississippi | 58,827 | 6,329 | 36,878 | 2,825 |
| Missouri | 171,082 | 5,981 | 134,511 | 12,755 |
| Montana | 27,192 | 8 | 26,412 | 2,047 |
| Nebraska | 38,796 | 2,590 | 23,695 | 1,760 |
| Nevada | 52,119 | 515 | 33,804 | 3,755 |
| New Hampshire | 21,679 | 2,083 | 16,563 | 463 |

See footnote at end of table.

# TABLE 13.—STATE UNEMPLOYMENT FINANCIAL DATA: CALENDAR YEAR 1977—Continued

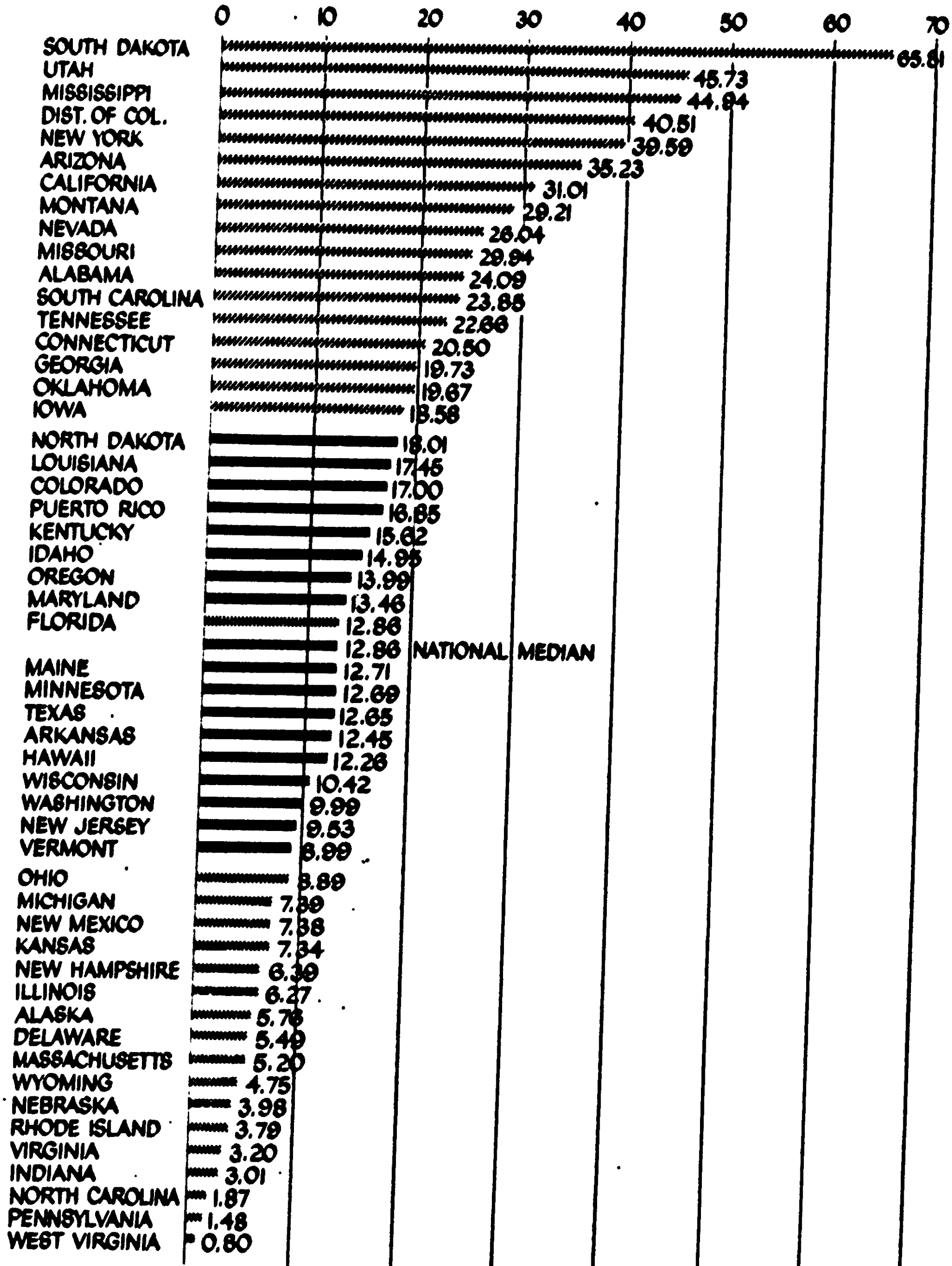
[Thousands of dollars]

| State | State taxes collected [1] | Interest credited to trust fund | Benefit payments: Regular State benefits | Benefit payments: State share of extended benefits |
|---|---|---|---|---|
| New Jersey | 516,052 | | 507,055 | 76,272 |
| New Mexico | 27,439 | 1,988 | 21,063 | 1,250 |
| New York | 796,582 | 5,723 | 917,802 | 115,397 |
| North Carolina | 148,107 | 14,792 | 140,292 | 13,773 |
| North Dakota | 18,612 | 967 | 21,088 | 1,162 |
| Ohio | 417,173 | 11,007 | 367,777 | 29,616 |
| Oklahoma | 77,440 | 1,503 | 47,417 | 5,674 |
| Oregon | 167,585 | 3,272 | 96,480 | 9,786 |
| Pennsylvania | 489,550 | | 803,592 | 52,102 |
| Puerto Rico | 89,821 | | 90,185 | 15,359 |
| Rhode Island | 54,874 | | 60,624 | 7,992 |
| South Carolina | 77,789 | 4,762 | 67,906 | 5,942 |
| South Dakota | 6,316 | 774 | 9,674 | 655 |
| Tennessee | 102,639 | 9,493 | 107,008 | 9,832 |
| Texas | 172,433 | 13,037 | 128,983 | 13,054 |
| Utah | 41,454 | 1,464 | 33,201 | 1,288 |
| Vermont | 20,461 | | 20,780 | 2,270 |
| Virginia | 91,813 | 4,945 | 91,480 | 6,818 |
| Washington | 203,818 | | 165,755 | 17,968 |
| West Virginia | 47,026 | 3,765 | 56,058 | 2,999 |
| Wisconsin | 238,740 | 10,709 | 177,127 | 9,491 |
| Wyoming | 14,760 | 2,301 | 7,330 | 275 |

[1] Includes employee contributions for Alabama, Alaska, and New Jersey.

CHART E

FRAUD CASES PER 1,000 FIRST PAYMENTS
(July, 1977 - June, 1978)

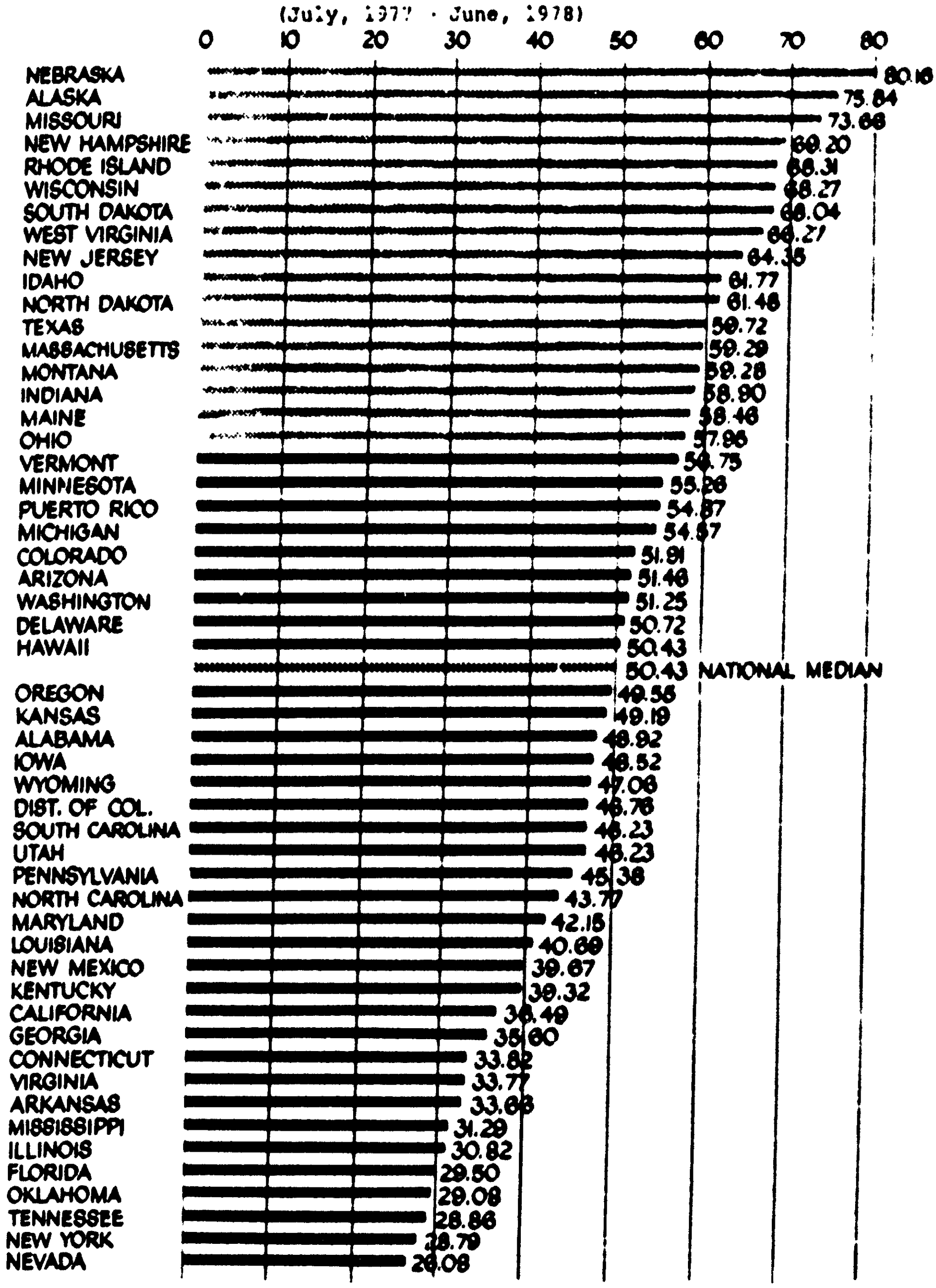



Source: USDOL/ETA/UIS

**CHART F**

## RESTITUTION AS PERCENTAGE OF ALL OVERPAYMENTS

(July, 1977 - June, 1978)




Source: USDOL/ETA/UIS

# TABLE 14.—SIGNIFICANT PROVISIONS OF STATE UNEMPLOYMENT INSURANCE LAWS, AUG. 31, 1979

| State | Benefit: Qualifying wage or employment (number × wba or as indicated)[1] | Benefit: Waiting week[2] | Benefit: Computation of wba (fraction of hqw or as indicated)[1,3] | Benefit: Wba for total unemployment[4]: Minimum | Benefit: Wba for total unemployment[4]: Maximum | Benefit: Earnings disregarded[5] | Benefit: Duration in 52-week period: Proportion of base-period wages[6] | Benefit: Duration in 52-week period: Benefit weeks for total unemployment[7]: Minimum[8] | Benefit: Duration in 52-week period: Benefit weeks for total unemployment[7]: Maximum | Coverage: Size of firm (1 worker in specified time and/or size of payroll)[10] | Taxes: 1978 Tax rates (percent of wages)[9]: Minimum | Taxes: 1978 Tax rates (percent of wages)[9]: Maximum |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alabama | 1½×hqw; not less than $522. | 0 | 1/24 | $15 | $90 | $6 | 1/3 | 11+ | 26 | 20 weeks. | 1[9] | 4.[9] |
| Alaska | $750; $100 outside HQ. | 1 | 2.3–1.1 percent of annual wages, plus $10 per dependent up to $30. | 18–28 | 90–120 | Greater of $10 or 1/2 basic wba. | 34–31 percent[6] | 14 | 28 | Any time. | 2.6[9] | 5.1[9]. |
| Arizona | 1½×hqw; $625 in HQ. | 1 | 1/25 | 25 | 90 | $15 | 1/3 | 8+ | 26 | 20 weeks. | 0.15 | 3.55. |
| Arkansas | 30; wages in 2 quarters | 1 | 1/26 up to 66⅔ percent of State aww. | 15 | 124 | 2/5 | 1/3 | 10 | 26 | 10 days | 0.5 | 4.4 |
| California | $750 | 1 | 1/24–1/31 | 30 | 104 | $21 | 1/2 | 12+–15[7] | 26[7] | Over $100 in any quarter. | 1.4[9] | 4.9. |
| Colorado | 30 | 1 | 60 percent of 1/13 of claimant's hqw up to 60 percent of State aww. | 25 | 137 | 1/4 wba | 1/3 | 7+–10 | 26 | 13 weeks. | 0.3 | 3.6. |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Connecticut | 40 | 0 | 1/26, up to 60 percent of State aww plus $5 per dependent up to ½ wba. | 15-20 | 128-192 | ⅓ wages | Uniform | 26[7] | 26[7] | 20 weeks | 1.5 | 6. |
| Delaware | 36 | 0 | 1/26, up to 66⅔ percent of State aww.[11] | 20 | 150 | Greater of $10 or 30 percent of wba. | ⅓ | 11-18[8] | 26 | do | 1.6 | 4.5. |
| District of Columbia. | 1½×hqw-not less than $450; $300 in 1 quarter. | 1 | 1/23 up to 66⅔ percent of State aww plus $1 per dependent up to $3. | 13-14 | 172[4] | ⅓ wages | ½ | 17+ | 34 | Any time | 2.7 | 2.7. |
| Florida | 20 weeks employment at average of $20 or more. | 1 | ½ claimant's aww. | 10 | 95 | $5 | ½ weeks employment. | 10 | 26 | 20 weeks. | 1.1 | 4.5. |
| Georgia | 1½×hqw | 1[2] | 1/25 plus $1 | 27 | 90 | $8 | ¼ | 4 | 26 | do | 0.06 | 5.38. |
| Hawaii | 30; 14 weeks employment. | 1[10] | 1/25 up to 66⅔ percent of State aww. | 5 | 134 | $2 | Uniform | 26[7] | 26[7] | Any time | 3.5[9] | 3.5[9]. |
| Idaho | 1¼×hqw; not less than $520.01; $416.01 in 1 quarter; wages in 2 quarters. | 1 | 1/26 up to 60 percent of State aww. | $17 | $121 | ½ wba | Weighted schedule of bpw in relation to hqw. | 10 | 26 | 20 weeks or $300 in any quarter. | 1.1[9] | 4.2.[9] |
| Illinois | $1,000; $275 outside HQ. | 1[10] | ½ claimant aww up to 50 percent of State aww.[13] | 15 | 129-154 | $7 | Uniform | 26 | 26 | 20 weeks | 0.1 | 4. |

See footnotes at end of table.

## TABLE 14.—SIGNIFICANT PROVISIONS OF STATE UNEMPLOYMENT INSURANCE LAWS, AUG. 31, 1979—Con.

| State | Benefits: Qualifying wage or employment (number × wba or as indicated)[1] | Waiting week[2] | Computation of wba (fraction of hqw or as indicated)[1 3] | Wba for total unemployment[4]: Minimum | Wba for total unemployment[4]: Maximum | Earnings disregarded[5] | Duration in 52-week period: Proportion of base-period wages[6] | Benefit weeks for total unemployment[7]: Minimum[8] | Benefit weeks for total unemployment[7]: Maximum | Coverage: Size of firm (1 worker in specified time and/or size of payroll)[16] | Taxes: 1978 Tax rates (percent of wages)[9]: Minimum | Taxes: 1978 Tax rates (percent of wages)[9]: Maximum |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indiana | 1¼×hqw; not less than $500; $300 in last 2 quarters. | 1 | 4.3 percent of high quarter wage credits.[3] | 35 | 74–124 | 20 percent of wba from other than BP employer. | ¼ | 4+ | 26 | do | 0.3 | 3.3. |
| Iowa | 1¼×hqw | 0 | [3 13] | 17–18 | 131–148 | $15 plus ⅕ wages. | ½ | 10 | 26 | do | 0.6[9] | 6.[9] |
| Kansas | 30; wages in 2 quarters. | 1 | 4.25 percent of HQW up to 60 percent of State aww. | 30 | 123 | $8 | ⅓ | 10 | 26 | do | 0 | 3.6. |
| Kentucky | 1⅜×hqw; 8×wba in last 2 quarters; $500 in 1 quarter and $500 in other quarters. | 0 | 1/23 up to 55 percent of State aww. | 22 | 120 | ⅕ wages | ⅓ | 15 | 26 | do | 2.7 | 5. |
| Louisiana | 30 | 1[10] | 1/20–1/25[11] | 10 | 141 | ½ wba | ⅔ | 12 | 28 | do | 0.1 | 2.7. |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Maine | $900; $250 in each of 2 quarters. | 0 | 1/22 up to 52 percent of State aww plus $5 per dependent to ½ wba. | 12–17 | 96–144 | $10 | ⅓ | 11+–25. | 26 | do | 2.4 | 5. |
| Maryland | 1½×hqw; $192.01 in 1 quarter; wages in 2 quarters. | 0 | 1/24 plus $3 per dependent up to $12. | 10–13 | 106 [4] | $10 | Uniform | 26 | 26 | Any time | 2.1 | 5. |
| Massachusetts | 30; not less than $1,200. | 1 | 1/21–1/26 up to 57.5 percent of State aww, plus $6 per dependent up to ½ wba.[3] | 12–18 | 122–183 | 40 percent not less than $10 nor more than $30. | 36 percent. | 9+–30 | 30 | 13 weeks | 2.6 | 6.4. |
| Michigan | 14 weeks employment at $25.01 or more. | 0 | 60 percent of claimant's aww up to $97 with variable maximum for claimants with dependents.[3] | 16–18 [4] | 97–136 | Up to ½ wba.[6] | 3/4 weeks employment. | 11 | 26 | 20 weeks or $1,000 in CY. | 1.0 | 7.5. |
| Minnesota | 15 weeks employment at $50 or more. | 1 [10] | ([11]) | 30 | 150 | $25 | 7/10 weeks employment. | 13 | 26 | 20 weeks.[17] | 1.[9] | 7.5.[9] |
| Mississippi | 36; $160 in 1 quarter; wages in 2 quarters. | 1 | 1/26 | 10 | 80 | $5 | ⅓ | 12 | 26 | 20 weeks | 2.6 | 2.7. |
| Missouri | 30×wba; $300 in 1 quarter; wages in 2 quarters. | 1 [10] | 1/20 | $15 | $85 | $10 | ⅓ | 8–13+ | 26 | do | 0.5 | 3.2. |

See footnotes at end of table.

## TABLE 14.—SIGNIFICANT PROVISIONS OF STATE UNEMPLOYMENT INSURANCE LAWS, AUG. 31, 1979—Con.

| State | Benefits: Qualifying wage or employment (number × wba or as indicated) [1] | Benefits: Waiting week [2] | Benefits: Computation of wba (fraction of hqw or as indicated) [1, 3] | Benefits: Wba for total unemployment [4]: Minimum | Benefits: Wba for total unemployment [4]: Maximum | Benefits: Earnings disregarded [5] | Duration in 52-week period: Proportion of base-period wages [6] | Duration in 52-week period: Benefit weeks for total unemployment [7]: Minimum [8] | Duration in 52-week period: Benefit weeks for total unemployment [7]: Maximum | Coverage: Size of firm (1 worker in specified time and/or size of payroll) [10] | Taxes: 1978 Tax rates (percent of wages) [9]: Minimum | Taxes: 1978 Tax rates (percent of wages) [9]: Maximum |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Montana | 1½×hqw | 1 | 1/26 up to 60 percent of State aww. | 30 | 119 | ½ wages in excess of ¼ wba. | Weighted schedule of bpw in relation to hqw. | 6 | 26 | Over $500 in current or preceding year. | 3.1 | 3.1. |
| Nebraska | $600; $200 in each of 2 quarters. | 1 | 1/19–1/23 | 12 | 106 | Up to ½ wba.[6] | ⅓ | 17 | 26 | 20 weeks. | 0.1 | 2.7. |
| Nevada | 1½×hqw | 0 | 1/25, up to 50 percent of State aww. | 16 | 115 | ¼ wages | ⅓ | 11 | 26 | $225 in any quarter. | 1.1 [9] | 3.5.[9] |
| New Hampshire | $1,200; $300 in each of 2 quarters. | 0 | 2.3–1.2 percent of annual wages. | 21 | 102 | ⅕ wba | Uniform | 26 | 26 | 20 weeks. | 0.05 | 6.5. |
| New Jersey | 20 weeks employment at $30 or more; or $2,200. | 1 [10] | 66⅔ percent of claimant's aww up to 50 percent of State aww. | 20 | 117 | Greater of $5 or ⅕ wba. | ¾ weeks employment. | 15 | 26 | $1,000 in any year. | 1.2 [9] | 6.2.[9] |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| New Mexico | 1¼×hqw | 1 | 1/26; not less than 10 percent nor more than 50 percent of State aww. | 20 | 98 | ⅕ wba | ⅗ | 18+ | 26 | 20 weeks or $450 in any quarter. | 0.6 | 4.2. |
| New York | 20 weeks employment at average of $40 or more.[11] | 1 [12] | 67–50 percent of claimant's aww. | 25 | 125 | (12) | Uniform | 26 | 26 | $300 in any quarter. | 1.5 | 5.2. |
| North Carolina | 1½×hqw; not less than $565.50; $150 in 1 quarter. | 1 | 1/26 up to 66⅔ percent of State aww. | 15 | 130 | ½ wba | ⅓ bpw | 13 | 26 | 20 weeks | 0.1 | 5.7. |
| North Dakota | 40×minimum wba; wages in 2 quarters. | 1 | 1/26 up to 67 percent of State aww. | 36 | 131 | ½ wba | Weighted schedule of bpw in relation to hqw. | 12 | 26 | do | 0.5 | 4.2. |
| Ohio | 20 weeks employment at $20 or more. | 1 [10] | ½ claimant's aww plus d.a. of $1–$59 based on claimant's aww and number of dependents.[3] [17] | 10 | 120–189 | ⅕ wba | 20×wba plus wba for each credit week in excess of 20. | 20 | 26 | do | 1.1 | 4.8. |
| Oklahoma | 1½×hqw; not less than $1,000 in BP; $6,000. | 1 | 1/26 up to 62 percent of State aww.[14] | 16 | 132 | $7 | ⅓ | 20+ | 26 | do | 0.5 | 5.2. |
| Oregon | 18 weeks employment at average of $20 or more; not less than $700. | 1 | 1.25 percent of bpw; up to 55 percent of State aww. | 35 | 127 | ⅓ wba | ⅓ | 6+ | 26 | 18 weeks or $225 in any quarter. | 2.6 [9] | 4.[9] |

See footnotes at end of table.

## TABLE 14.—SIGNIFICANT PROVISIONS OF STATE UNEMPLOYMENT INSURANCE LAWS, AUG. 31, 1979—Con.

| | Benefits | | | | | | | | | Coverage: Size of firm (1 worker in specified time and/or size of payroll) [10] | Taxes: 1978 Tax rates (percent of wages) [9] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Duration in 52-week period | | | | | |
| | | | | Wba for total unemployment [4] | | | | Benefit weeks for total unemployment [7] | | | | |
| State | Qualifying wage or employment (number × wba or as indicated) [1] | Waiting week [2] | Computation of wba (fraction of hqw or as indicated) [1, 3] | Minimum | Maximum | Earnings disregarded [5] | Proportion of base-period wages [6] | Minimum [8] | Maximum | | Minimum | Maximum |
| Pennsylvania | 32+–36; $120 in HQ and $440 in BP; at least 20 percent of bpw outside HQ. | 0 | 1/20–1/26 up to 66 2/3 percent of State aww plus $5 for 1 dependent; $3 for 2d. | $13–$18 | $152–$160. | Greater of $6 or 40 percent wba. | Uniform | 30 | 30 | Any time | 1 | 4. |
| Puerto Rico | 21+–30; not less than $280; $75 in 1 quarter; wages in 2 quarters. | 1 | 1/15–1/26; up to 60 percent of State aww. | 7 | 72 | Wba | do | 20 [7] | 20 [7] | do | 2.95 [9] | 3.45. [9] |
| Rhode Island | 20 weeks employment at $53 or more; or $3,180. | 1 [2] | 55 percent of claimant's aww up to 60 percent of State aww, plus $5 per dependent up to $20. | 26–31 | 120–140 | $5 | 3/5 weeks employment. | 12 | 26 | do | 2.2 | 4. |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| South Carolina | 1½×hqw; not less than $300; $180 in 1 quarter. | 1 | 1/26 up to 66⅔ percent of State aww. | 10 | 111 | ¼ wba | ⅓ | 10 | 26 | 20 weeks | 1.3 | 4.1. |
| South Dakota | $600 in HQ; 20× wba outside HQ. | 1 | 1/22 up to 62 percent of State aww. | 28 | 109 | ½ wages up to ½ wba. | ⅓ | 13+ | 26 | do | 0 | 4.5. |
| Tennessee | 36; $338.01 in 1 quarter. | 1 | 1/26 | 14 | 100 | $20 | ⅓ | 12 | 26 | do | 0.30 | 4. |
| Texas | 1½×hqw; not less than $500 or ⅔ FICA tax base. | 1[10] | 1/25 [17] | 16 | 91 | Greater of $5 or ¼ wba. | 27 percent | 9 | 26 | do | 0.1 | 4. |
| Utah | 19 weeks employment at $20 or more; not less than $700. | 1 | 1/26 up to 65 percent of State aww. | 10 | 137 | 3/10 wba than regular employer. | Weighted schedule of bpw in relation to hqw. | 10–22 | 36 | $140 in CQ in current or preceding CY. | 1.3 [9] | 2.8 [9]. |
| Virgin Islands | 26+–30; not less than $99 in 1 quarter and wages in 2 quarters. | 1 | 1/23–1/25 | 15 | 82 | ¼ wages in excess of $5. | Uniform | 26 | 26 | Any time | 2.7 | 2.7. |
| Vermont | 20 weeks employment at $35 or more. | 1 | ½ claimant's aww for highest 20 weeks up to 60 percent of State aww. | 18 | 115 | $15 plus $3 for each dependent up to $15. | do | 26 | 26 | 20 weeks | 1.7 | 6. |
| Virginia | 36; wages in 2 quarters. | 1[10] | 1/25 | 38 | 122 | Greater of ⅓ wba or $10. | ⅓ | 12 | 26 | do | 0.05 | 3.2. |

See footnotes at end of table.

## TABLE 14.—SIGNIFICANT PROVISIONS OF STATE UNEMPLOYMENT INSURANCE LAWS, AUG. 31, 1979—Con.

| State | Benefits | | | | | | | | | Coverage: Size of firm (1 worker in specified time and/or size of payroll) [10] | Taxes: 1978 Tax rates (percent of wages) [9] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Qualifying wage or employment (number × wba or as indicated) [1] | Waiting week [2] | Computation of wba (fraction of hqw or as indicated) [1,3] | Wba for total unemployment [4] | | Earnings disregarded [5] | Duration in 52-week period | | | | | |
| | | | | | | | Proportion of base-period wages [6] | Benefit weeks for total unemployment [7] | | | | |
| | | | | Minimum | Maximum | | | Minimum [8] | Maximum | | Minimum | Maximum |
| Washington | 680 hr. | 1 | 1/25 of average of 2 highest quarter wages up to 55 percent of State aww. | 17 | 137 | $5 plus 1/4 wages. | 1/3 | 8+–23+ | 30 | Any time | 3.3 [6] | 3.3 [9]. |
| West Virginia | $1,150 and wages in 2 quarters. | 1 [2] | 1.6–0.9 percent of annual wages up to 70 percent of State aww. | 18 | 166 | $25 | Uniform | 28 | 28 | 20 weeks | 0 | 3.3. |
| Wisconsin | 15 weeks employment; average of $50.01 or more with 1 employer. | 0 | 50 percent of claimant's aww up to 66⅔ percent of State aww. | 28 | 149 | Up to 1/2 wba [5]. | 8/10 weeks employment. | 1–13+ | 34 | do | 0.5 | 6.5. |
| Wyoming | 1 6/10×hqw; not less than $600 in 1 quarter. | 1 | 1/25 up to 55 percent of State aww. | 24 | 131 | Greater of $15 or 25 percent wba. | 3/16 | 11–24 | 26 | $500 in current or preceding CY. | 0.51 | 3.21. |

[1] Weekly benefit amount abbreviated in columns and footnotes as wba; base period, BP; base-period wages, bpw; high quarter, HQ; high-quarter wages, hqw; average weekly wage, aww; benefit year, BY; calendar quarter, CQ; calendar year, CY; dependent, dep.; dependents allowances, da.; minimum, min.; maximum, max.

[2] Unless otherwise noted, waiting period same for total or partial unemployment. West Virginia, no waiting period required for partial unemployment. Waiting period may be suspended if Governor declares state of emergency following disaster, New York, Rhode Island. In Georgia, no waiting week if claimant unemployed not through own fault.

[3] When States use weighted high-quarter, annual-wage, or average weekly-wage formula, approximate fractions or percentages figured at midpoint of lowest and highest normal wage brackets. When da provided, fraction applies to basic wba. In States noted variable amounts above max. basic benefits limited to claimants with specified number of dep. and earnings in excess of amounts applicable to max. basic wba. In Indiana da. paid only to claimants with earnings in excess of that needed to qualify for basic wba and who have 1–4 deps. In Iowa, Michigan, and Ohio claimants may be eligible for augmented amount at all benefit levels but benefit amounts above basic max. available only to claimants in dependency classes whose hqw or aww are higher than that required for max. basic benefit. In Massachusetts for claimant with aww in excess of $66 wba computed at 1/52 of 2 highest quarters of earnings or 1/26 of highest quarter if claimant had no more than 2 quarters work.

[4] When 2 amounts given, higher includes da. Higher for min. wba includes max. allowance for 1 dep.; Michigan for 1 dep. child or 2 dep. other than a child. In District of Columbia and Maryland, same max. with or without dep.

[5] In computing wba for partial unemployment, in States noted full wba paid if earnings are less than 1/2 wba; 1/2 wba if earnings are 1/2 wba but less than wba.

[6] States noted have weighted schedule with percent of benefits based on bottom of lowest and highest wage brackets.

[7] Benefits extended under State program when unemployment in State reaches specified levels; California, Hawaii, by 50 percent; Connecticut by 13 weeks. In Puerto Rico benefits extended by 32 weeks in certain industries, occupations or establishments when special unemployment situation exists. Benefits also may be extended during periods of high unemployment by 50 percent, up to 13 weeks, under Federal-State Extended Compensation Program.

[8] For claimants with min. qualifying wages and min. wba. When 2 amounts shown, range of duration applies to claimants with min. qualifying wages in BP; longer duration applies with min. wba; shorter duration applies with max. possible concentration of wages in HQ; therefore highest wba possible for such BP earnings. Minimum in Delaware applies to seasonal employment. Wisconsin determines entitlement separately for each employer. Lower end of range applies to claimants with only 1 week of work at qualifying wage; upper end to claimants with 15 weeks or more of such wages.

[9] Represents min.-max. rates assigned employers in CY 1978. Alabama, Alaska, New Jersey require employee taxes. Contributions for 1979 required on wages up to $6,000 in all States except Alabama, New Jersey, New Mexico, $6,600; Iowa, $6,900; Montana, and Nevada, $7,400; North Dakota, $7,000; Minnesota, $8,000; Oregon and Washington, $9,000; Alaska, $10,000; Idaho, $10,200; Hawaii, $10,400; Utah, $11,000; Puerto Rico, all wages.

[10] Waiting period compensable if claimant entitled to 12 consecutive weeks of benefits immediately following, Hawaii; unemployed at least 6 weeks and not disqualified, Louisiana; after 9 consecutive weeks benefits paid, Missouri; when benefits are payable for 3d week following waiting period, New Jersey; after benefits paid 4 weeks, Texas, Virginia; after any 4 weeks in BY, Minnesota; after 3d week unemployment, Illinois; after 3d week of total unemployment, Ohio.

[11] Or 15 weeks in last year and 40 weeks in last 2 years of aww of $40 or more, New York.

[12] For New York, waiting period is 4 effective days accumulated in 1–4 weeks; partial benefits 1/4 wba for each 1 to 3 effective days. Effective days; 4th and each subsequent day of total unemployment in week for which not more than $115 is paid.

[13] To 60 percent State aww if claimant has nonworking spouse· 66 2/3 percent if he had dep. child, Illinois; 1/19–1/23 up to 58 percent of State aww for claimants with no dep. variable max., up to 70 percent of State aww for claimants with dep., Iowa; 60 percent at 1st $85, 40 percent of next $85, 50 percent of balance. Max. set at 66 2/3 percent, Minnesota.

[14] Up to 66 2/3 percent of State aww, Louisiana. Beginning July 1, 1980, 66 2/3 percent, Oklahoma; 63 percent until 1981, Delaware.

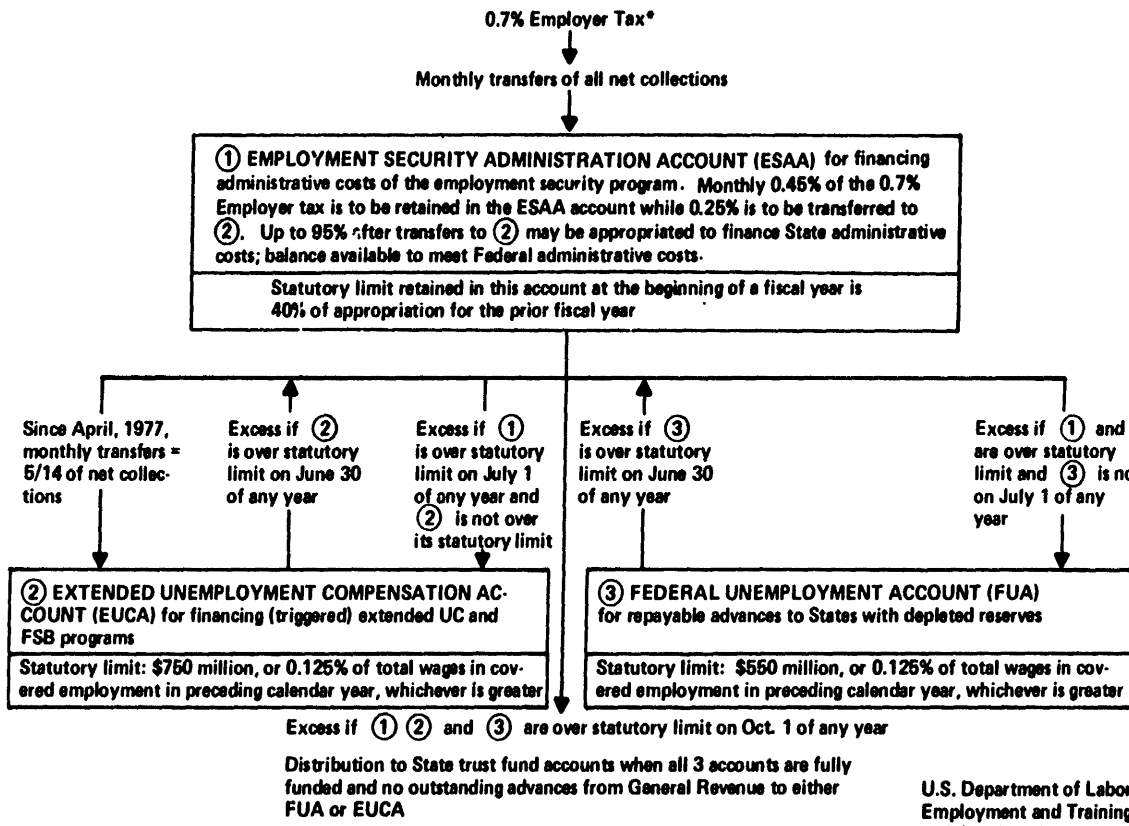
[15] $1,500 in any CQ in current or preceding CY unless otherwise specified.

[17] Max. amount adjusted annually; by same percentage increase as occurs in State aww (Ohio) by $7 for each $10 increase in average weekly wage of manufacturing production workers (Texas).

Source: Department of Labor.

CHART G

## Flow of FUTA Funds Under Existing Federal Statutes




U.S. Department of Labor
Employment and Training Administration
March 15, 1977

*Effective tax, after 2.7 percent is offset against 3.4 percent Federal unemployment tax. After outstanding indebtedness in ② has been repaid to general revenue, the 0.7% Employer tax becomes 0.6% with the distribution to ② being 1/10 of net collections. The 0.45% distribution to ① remains and the total Federal unemployment tax would be reduced to 3.2%.



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