Extending Unemployment Compensation Benefits During Recessions

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Summary

This report describes the history of temporary federal extensions to unemployment benefits from 1980 to the present. Among these extensions is the Emergency Unemployment Compensation (EUC08) program created by P.L. 110-252 and amended by P.L. 110-449. Additionally, information is included on economic recessions, changes in unemployment levels compared to the same month in the previous year, and the legislative timing of those additional federal unemployment benefits during this period.

This report contains four sections. The first section provides background information on unemployment compensation (UC) benefits. It also provides a brief summary of UC benefit exhaustion and how exhaustion rates are related to the business cycle.

The second section provides the definition of a recession as well as the determination process for declaring a recession. It also provides information on the timing of all recessions since 1980.

The third section summarizes the legislative history of federal extensions of unemployment benefits. It includes information on the permanently authorized extended benefit (EB) program as well as information on temporary unemployment benefit extensions. It also includes a brief discussion on the role of extended unemployment benefits as part of an economic stimulus package.

The fourth section provides a summary of the timing of recessions, the changes in unemployment levels compared to the same month in the previous year, the unemployment rate, changes in long-term unemployment, changes in the exhaustion of regular UC benefits, and temporary federal extended unemployment benefit programs.

The **Appendix** contains tables summarizing the legislative history of federal extensions of unemployment benefits.

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Unemployment Compensation and Exhaustion of Benefits

The cornerstone of an unemployed worker's income support is the joint federal-state Unemployment Compensation (UC)[1] program, which may provide income support through the payment of UC benefits. The underlying framework of the UC system is contained in the Social Security Act. Title III of the act authorizes grants to states for the administration of state UC laws, Title IX authorizes the various components of the federal Unemployment Trust Fund (UTF), and Title XII authorizes advances or loans to insolvent state UC programs. UC is financed by federal taxes under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under the State Unemployment Tax Acts (SUTA).

The federal government funds federal and state UC program administration, the federal share (50%) of Extended Benefit (EB) payments, and federal loans to insolvent state UC programs. States fund regular state UC benefits and the state share (50%) of EB payments. In FY2008, the states received an estimated $2.73 billion from the federal government for the administration of their regular UC programs and for the administration of the federal Emergency Unemployment Compensation (EUC08) program. In FY2008, states spent an estimated $38.1 billion on regular UC benefits and $4.1 million on EB payments.

UC Benefits and Duration

Workers who lose their jobs face serious long-term economic implications. In general, they face a substantially reduced probability of full-time employment and an increased probability of part-time employment. Those workers who find new full-time employment on average experience significantly decreased earnings relative to what they earned before they lost employment. The UC program pays benefits to workers in covered employment who become involuntarily unemployed for economic reasons and meet state-established eligibility rules. The UC program generally does not provide UC benefits to the self-employed, to those who are unable to work, or to those who do not have a recent earnings history. States usually disqualify claimants who lost their jobs because of inability to work or unavailability for work, who voluntarily quit without good cause, who were discharged for job-related misconduct, or who refused suitable work without good cause.[2]

This temporary unemployment insurance benefit is designed to be sufficient to meet an unemployed worker's basic obligations until the worker finds a new position. Generally, benefits are based on wages for covered work over a 12-month period. The entitlement formula varies by state, typically requiring a substantial work history and replacing approximately 50%-80% of

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[1] For more information on UC, see CRS Report RS22538, *Unemployment Compensation: The Cornerstone of Income Support for Unemployed Workers*, by Julie M. Whittaker, and CRS Report RL33362, *Unemployment Insurance: Available Unemployment Benefits and Legislative Activity*, by Julie M. Whittaker. For information on the most recent temporary federal unemployment benefit extension, see CRS Report RS22915, *Temporary Extension of Unemployment Benefits: Emergency Unemployment Compensation (EUC08)*, by Julie M. Whittaker.

[2] Workers who have quit or have been fired may qualify for UC benefits after a waiting period in a few states.

workers' wages. Generally, benefits are capped at a percentage of the average wage for workers in the state, which generally lowers the average replacement rate for all worker to less than 50% (47% in 2007). Weekly maximums in January 2008 ranged from $210 (Mississippi) to $600 (Massachusetts) and, in states that provide dependent's allowances, up to $900 (Massachusetts). In the third quarter of CY2008, the average weekly benefit was $292. Benefits are available for up to 26 weeks (30 weeks in Massachusetts). The average regular UC benefit duration in third quarter of CY2008 was 15.3 weeks. In FY2008, the ratio of unemployed workers who receive benefits to all those who are unemployed ranges from a low of 0.19 (South Dakota) to a high of 0.68 (Idaho). In FY2008, 40% of all U.S. unemployed workers received UC benefits.

Generally the recipiency rate of UC benefits rises during economic recessions (as workers with strong labor market experience are laid-off) and falls during economic expansions (as new entrants to the labor market begin to comprise a greater proportion of the unemployed).[3]

Generosity of Unemployment Benefits and Disincentives to Find Work

The difficulty in monitoring job search intensity creates the risk the unemployed will abuse a system designed to alleviate the worst of job loss. Although there are clear disincentives to quickly find work in the UC system, this disincentive is balanced by a relatively low replacement rate of wages by UC benefits and a recognition that proper allocation of human resources and human capital requires adequate job search time.[4]

The job-search behavior of the unemployed can be influenced by changing the timing, generosity, and duration of UC benefits. Higher benefit levels and easier program requirements for benefits will cause recipients to be less willing to accept jobs and may alleviate some of the social stigma from being unemployed.[5] Thus, the availability of benefits may create a disincentive to search for and accept reemployment, increasing unemployment and unemployment duration.[6]

UC Benefit Exhaustion

The limited duration of UC benefits (generally 26 weeks) will result in some unemployed individuals exhausting their UC benefits before finding work or voluntarily leaving the labor force for other activities such as retirement, disability, family care, or education. Empirical research suggests that workers who exhaust benefits search at similar or higher levels of intensity as those workers who do find employment before benefit exhaustion.[7] Most state UC programs

[3] The percent of UC beneficiaries as compared to all unemployed workers is commonly referred to as the "recipiency rate." The exhaustion rate measures the proportion of all UC benefit recipients who exhaust their UC eligibility and do not find a job within that period.

[4] For a detailed survey of this disincentive effect, see Burtless, Gary. "Unemployment Insurance and Labor Supply: A Survey." In *Unemployment Insurance*, W. Lee Hansen and James Byers, eds. Madison: University of Wisconsin Press.

[5] Burtless, Gary. "Unemployment Insurance and Labor Supply: A Survey." In *Unemployment Insurance*, W. Lee Hansen and James Byers, eds. Madison: University of Wisconsin Press.

[6] See CRS Report RL32111, *Unemployment Compensation (UC)/ Unemployment Insurance (UI): Trends and Contributing Factors in UC Benefit Exhaustion*, by Julie M. Whittaker.

[7] Corson, Walter and Mark Dynarski. *A Study of Unemployment Insurance Recipients and Exhaustees: Findings from a National Survey*. Unemployment Insurance Occasional Paper 90-3. U.S. Department of Labor Employment and (continued...)

attempt to identify potential benefit exhaustees through a profiling system. Workers who are identified as likely to become unemployed long-term are offered intensive employment services.[8]

Figure 1 displays both the percent of UC beneficiaries as compared to all unemployed workers (the "recipiency rate") and as the number of UC benefit exhaustees since 1979. (Please note that **Figure 1** uses different numerical scales for the recipiency rate and for the exhaustion rate. Because the correspondence between the two scales was determined by page size rather than by a particular reason, readers should not place any significance in the two lines crossing each other. The scale for the recipiency rate is located on the left-hand y-axis. The scale for the UC benefit exhaustees is located on the right-hand y-axis.)

The proportion of UC recipients who exhaust their benefits varies according to economic conditions, state benefit duration formulas, and the composition of the labor force. Some evidence suggests that an aging workforce may have increased the proportion of unemployed workers who were long-term unemployed; at the same time, this aging workforce may also have contributed to the decrease in the overall unemployment rate.[9]

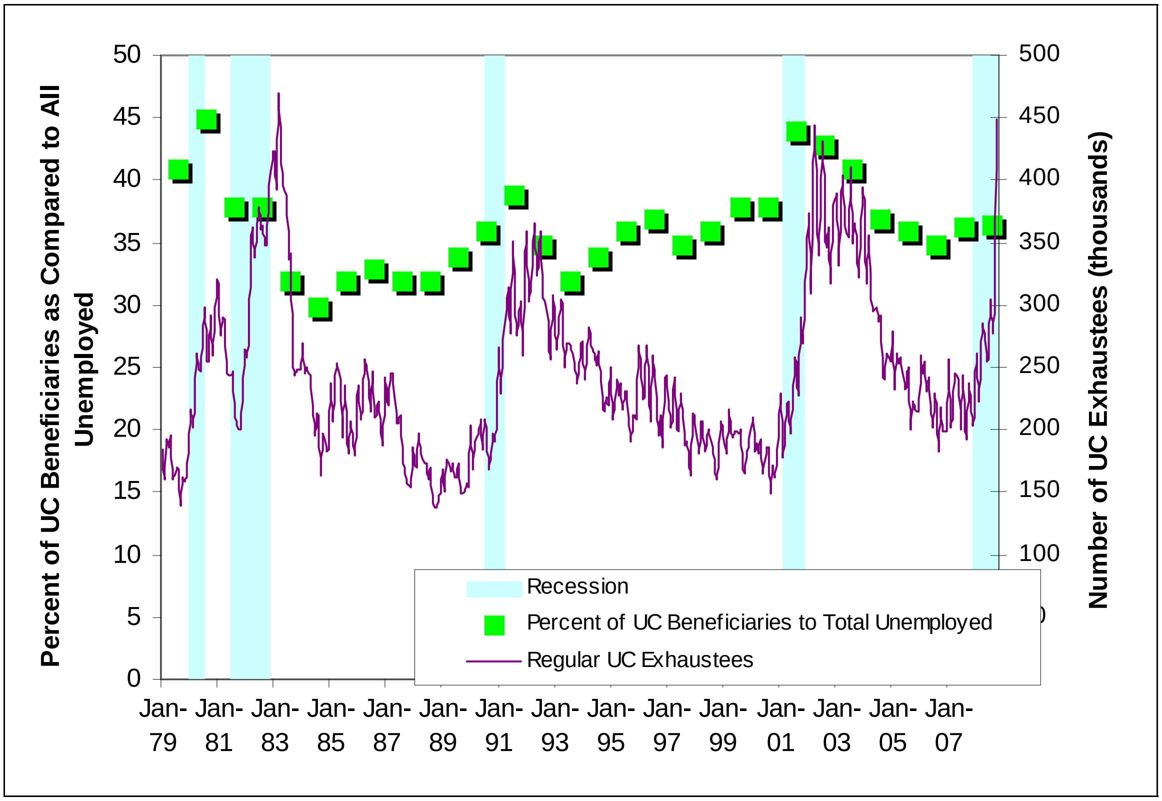
(...continued)

Training Administration, 1990.

[8] These services may include training on job search, job counseling, and funding for educational and skill-enhancing courses.

[9] For details on these trends, see CRS Report RL32757, *Unemployment and Older Workers*, by Julie M. Whittaker.

Figure 1. Economic Recessions, Percent of Regular UC Beneficiaries to All Unemployed, and UC Benefit Exhaustees, January 1979- October 2008



Source: Congressional Research Service. Data are from Department of Labor, Employment and Training Administration. http://www.doleta.gov/unemploy/chartbook.cfm

Recessions

Determination of a Recession

The National Bureau of Economic Research (NBER)—not the federal government—declares when a recession began.[10] A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in measures of real gross domestic product (GDP), real income, employment, industrial production, and wholesale-retail sales.[11] A recession begins just after the economy reaches a peak of activity and ends as the economy reaches its trough. Between a trough and a peak, the economy is in an expansion.

[10] For a detailed explanation on the determination of recessions, see CRS Report RS22793, *What is a Recession, Who Decides When It Starts, and When Do They Decide?*, by Brian W. Cashell.

[11] The NBER explicitly states that it considers real GDP to be the single measure that comes closest to capturing what it means by "aggregate economic activity." Therefore, it places considerable weight on real GDP and other output measures. Thus, the NBER takes into account employment but not unemployment or unemployment rates when determining recessionary periods. The NBER's approach is summarized at http://www.nber.org/cycles/recessions.html.

Current Recession Began December 2007

The NBER maintains a time line of the U.S. business cycle. This chronology identifies the dates of peaks and troughs that frame economic recessions or expansions. According to NBER, a peak was reached in December 2007, marking the end of the expansion that began in November 2001 and thus marking the beginning of the current recession.

The most recent expansion lasted 73 months; the previous expansion of the 1990s lasted 120 months.

Recessions from 1980 to Present

Since 1980 there have been five separate periods that the NBER has identified as recessions: January 1980-July 1980; July 1981-November 1982; July 1990-March 1991; March 2001-November 2001; and the ongoing December 2007 recession.

Federal Programs of Extended Unemployment Compensation

The Unemployment Compensation program's two main objectives are to provide temporary and partial wage replacement to involuntarily unemployed workers and to stabilize the economy during recessions.[12] These objectives are reflected in the current UC program's funding and benefit structure. When the economy grows, UC program revenue rises through increased tax revenues while UC program spending falls as fewer workers are unemployed and receive benefits. The effect of collecting more taxes while decreasing spending on benefits dampens demand in the economy. This also creates a surplus of funds or a "cushion" of available funds for the UC program to draw upon during a recession. In a recession, UC tax revenue falls and UC program spending rises as more workers lose their jobs and receive UC benefits. The increased amount of UC payments to unemployed workers dampens the economic effect of lost earnings by injecting additional funds into the economy.

In response to economic recessions, the federal government sometimes has augmented the regular UC benefit with both permanent (the EB program) and temporary extensions (including the EUC08 program) of the duration of unemployment benefits.

Extended Benefit (EB) Program (Determined at the State Level)

The Extended Benefit program was established by the Federal-State Extended Unemployment Compensation Act of 1970 (EUCA), P.L. 91-373 (26 U.S.C. 3304, note). EUCA may extend receipt of unemployment benefits (extended benefits) at the state level if certain economic

[12] See, for example, President Franklin Roosevelt's remarks at the signing of the Social Security Act; http://www.ssa.gov/history/fdrstmts.html#signing.

situations exist within the state. The Omnibus Budget Reconciliation Act of 1981, P.L. 97-35, among other items, amended the EUCA to require that claimants work at least 20 weeks of full-time insured employment or the equivalent in insured wages. The EB program is active in North Carolina and Rhode Island. On December 7, 2008 the program will become active in Oregon.

The EB program is triggered when a state's insured unemployment rate (IUR)[13] or total unemployment rate (TUR)[14] reaches certain levels. All states must pay up to 13 weeks of EB if the IUR for the previous 13 weeks is at least 5% and is 120% of the average of the rates for the same 13-week period in each of the 2 previous years. There are two other optional thresholds that states may choose. (States may chose one, two, or none.) If the state has chosen the option, they would provide the following:

- Option 1: an additional 13 weeks of benefits if the state's IUR is at least 6%, regardless of previous years' averages.
- Option 2: an additional 13 weeks of benefits if the state's TUR is at least 6.5% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous two years; an additional 20 weeks of benefits if the TUR is at least 8% and is at least 110% of the state's average TUR for the same 13-weeks in either of the previous two years.

The EB program imposes additional restrictions on individual eligibility for benefits. It requires that a worker be actively searching and available for work. Furthermore, the worker may not receive benefits if the worker refused an offer of suitable work. Finally, claimants must have recorded least 20 weeks of full-time insured employment or the equivalent in insured wages during their base period.

Methods for Determining 20 Weeks of Full-Time Insured Employment

States use one, two, or three different methods for determining an "equivalent" to 20 weeks of full-time insured employment. These methods are described in both law (Section 202(a)(5) of the EUCA) and regulation (20 CFR 615.4(b)). In practice, states that require any of these three requirements for receipt of regular UC benefits *and* do not allow for exceptions to those requirements do not need to establish that the worker met the 20 weeks full-time insured employment.[15] The three methods are listed below.

[13] The IUR is substantially different than the TUR because it excludes several important groups: self-employed workers, unpaid family workers, workers in certain not-for-profit organizations, and several other, primarily seasonal, categories of workers. In addition to those unemployed workers whose last jobs were in the excluded employment, the insured unemployed rate excludes the following: those who have exhausted their UC benefits; new entrants or reentrants to the labor force; disqualified workers whose unemployment is considered to have resulted from their own actions rather than from economic conditions; and, eligible unemployed persons who do not file for benefits.

[14] The TUR is essentially a weekly version of the unemployment rate published by the Bureau of Labor Statistics: that is, the ratio of the total number of unemployed persons divided by the total number of employed and unemployed persons.

[15] According to the *2008 Comparison of State Unemployment Insurance Laws* the following states require at least one of the "20 weeks" requirements for regular UC benefits: Alabama, Colorado, Connecticut, Florida, Georgia, Kentucky, Louisiana, Michigan, Mississippi, Missouri, New York, North Dakota, Ohio, South Carolina, South Dakota, Tennessee, and Utah.

- earnings in the base period equal to at least 1.5 times the high-quarter wages; or
- earnings in the base period of at least 40 times the most recent weekly benefit amount, and if this alternative is adopted, it shall use the weekly benefit amount (including dependents' allowances) payable for a week of total unemployment (before any reduction because of earnings, pensions or other requirements) that applied to the most recent week of regular benefits; or
- earnings in the base period equal to at least 20 weeks of full-time insured employment, and if this alternative is adopted, the term "full-time" shall have the meaning provided by the state law.

The base period may be the regular base period or, if applicable in the state, the period may be the alternative base period or the extended base period if that determined the regular UC benefit.

Temporary Federal Extensions of Unemployment Benefits: Congressional Intervention in Recessions

During some economic recessions, Congress has created federal temporary programs of extended unemployment compensation. Congress acted eight times—in 1958, 1961, 1971, 1974, 1982, 1991, 2002, and 2008—to establish these temporary programs of extended UC benefits. These programs extended the time an individual might claim UC benefits (ranging from an additional 6 to 33 weeks) and had expiration dates. Some extensions took into account state economic conditions; many temporary programs considered the state's total TUR or the state's IUR or both.

Historically, these programs started operation after the trough of a recession had passed. This is due to several reasons. One cause is that NBER often announces that a recession has begun three or more months after what is later determined to be the official start. Another cause to this lag in response time is that often the severity of the recession and its impact on unemployment levels does not become apparent for several quarters after the recession begins.

The 1958 and the 1961 programs were proposed and enacted after the trough of those recessions but before the unemployment rate had peaked. The 1971 program was enacted after the end of the recession in November 1970. Both the 1974 and 1982 programs also became effective toward the end of those recessions. The 1991 program was enacted eight months after the 1990-1991 recession trough but eight months before the unemployment rate peaked. Likewise, the 2002 program was enacted after the recession had ended but before the unemployment rate peaked. The current Emergency Unemployment Compensation (EUC08) program of 2008 was enacted seven months after the most recent recession began.[16]

[16] For a detailed description of the EUC08 program, see CRS Report RS22915, *Temporary Extension of Unemployment Benefits: Emergency Unemployment Compensation (EUC08)*, by Julie M. Whittaker.

Table A-1 located in the **Appendix** briefly summarizes these temporary programs[17] as well as the permanently authorized Extended Benefit (EB) program. The 1982 Federal Supplemental Compensation Benefit (FSB) and 1991 Emergency Unemployment Compensation (EUC) had extremely complicated—and changing—extended benefit triggers. **Table A-2** and **Table A-3** (also located in the **Appendix**Error! Reference source not found.) provide detailed information on those benefit triggers for those two temporary programs. **Table A-4** provides information on the current Emergency Unemployment Compensation (EUC08) program benefits and triggers.

Temporary Extended UC Benefits as Economic Stimulus

Recently, congressional and popular debate has examined the relative efficacy of expansion of UC benefits and duration compared to other potential economic stimuli. In his January 22, 2008, congressional testimony, the Director of the Congressional Budget Office (CBO) stated that increasing the value or duration of UC benefits may be one of the more effective economic stimulus plans.[18] This is because many of the unemployed are severely cash constrained and would be expected to rapidly spend any increase in benefits that they may receive.[19] Mark Zandi of Moody's Economy.com has estimated multiplier effects for several different policy options, including extending unemployment benefits (with multiplier effect of 1.64).[20] The multiplier estimates the increase in total spending in the economy that would result from a dollar spent on a given policy option. Zandi does not explain how these multipliers were estimated, other than to say that they were calculated using his firm's macroeconomic model. Therefore, it is difficult to offer a thorough analysis of the estimates.

Others point out that increasing either the value or length of UC benefits may, however, discourage recipients from searching for work and from accepting less desirable jobs.[21] A

[17] The summary does not include P.L. 108-11, which created the special "TEUC-A" program. That temporary program was in response to the unemployment of airline workers resulting from the September 11, 2001, terrorist attacks, subsequent security measures, and the Iraq war. Signed into law on April 16, 2003, the program provided up to 39 weeks of extended benefits to individuals whose regular UC was based on qualifying employment with a certified air carrier, at a facility in an airport, or with a producer or supplier of products or services for an air carrier. The program had two tiers of benefits, known as TEUC-A and TEUC-AX and were authorized through the week ending before December 29, 2003.

[18] See CBO Testimony of Peter Orszag on Options for Responding to Short-Term Economic Weakness before the Committee on Finance United States Senate on January 22, 2008; http://www.cbo.gov/ftpdocs/89xx/doc8932/01-22-TestimonyEconStimulus.pdf.

[19] For another paper that takes this position, see the following: Elmendorf, Douglas W. and Jason Furman, *If, When, How: A Primer on Fiscal Stimulus*, January 2008; available at http://www.brookings.edu/papers/2008/0110_fiscal_stimulus_elmendorf_furman.aspx.

[20] Mark Zandi, "Washington Throws the Economy a Rope," Dismal Scientist, Moody's Economy.com, January 22, 2008.

[21] For example, Shrek, James and Patrick Tyrell, *Unemployment Insurance Does Not Stimulate the Economy*, Webmemo #1777, January 2008; http://www.heritage.org/Research/Economy/wm1777.cfm#_ftn1. See also Martin Feldstein's testimony before the Committee on Finance United States on January 24, 2008, in which he stated that "[w]hile raising unemployment benefits or extending the duration of benefits beyond 26 weeks would help some individuals ... it would also create undesirable incentives for individuals to delay returning to work. That would lower earnings and total spending." Available at http://www.senate.gov/~finance/hearings/testimony/2008test/012408mftest.pdf.

rationale for making any extension in unemployment benefits temporary would be to mitigate disincentives to work, as the extension would expire once the economy improves and cyclical unemployment declines.

Assessing the Labor Market: Determining When to Intervene

A variety of measures are typically used to assess the state of the labor market.[22] These measures may include statistics that are absolute measures, such as employment and unemployment levels, as well as relative measures, such as the insured unemployment rate and the total unemployment rate.

A vigorous debate on how to determine when the federal government should intervene by extending unemployment benefits has been active for decades. Generally, this debate has examined the efficacy of using the IUR or TUR as triggers for extending unemployment benefits. The debate also has examined whether the intervention should be at a national or state level. Recently, serious consideration of other measures of the labor market has become increasingly common. In particular, the increase in the number of unemployed from the previous year has emerged in several proposals as a new trigger for a nationwide extension in unemployment benefits.

Using the Insured Unemployment Rate vs. Total Unemployment Rate

The Federal-State Extended Benefit Program, created by P.L. 91-373, originally assessed the labor market through both insured and "total" unemployment rates and included both federal and state level triggers for extended UC benefits. The EB's federal trigger[23] was eliminated by the Omnibus Reconciliation Act of 1980 (P.L. 96-499). That act also required that the IUR measure not include those who had exhausted benefits or who were receiving EB. This effectively made the IUR statistic a less generous measure of unemployment.

Since the adoption of the permanent EB program in 1970, there has been considerable debate concerning the relative merits of the IUR versus the TUR as an EB trigger. The IUR is defined as the 13-week moving average of continuing regular UC claims divided by the average number of individuals in UC-covered employment. This means that the IUR itself is an output of the UC program.

Because the calculation of the IUR is based upon the number of individuals currently receiving UC benefits, each state's IUR depends on various noneconomic factors, including state eligibility

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[22] For a detailed explanation of the more common employment measures, see CRS Report RL32642, *Employment Statistics: Differences and Similarities in Job-based and Person-based Employment and Unemployment Estimates*, by Julie M. Whittaker.

[23] The federal trigger was an IUR of at least 4.5% for 3 consecutive months.

rules and administrative practices. Thus, the IUR is not a precise reflection of the health of a state's economy.

In comparison, the TUR is defined as the number of all unemployed individuals actively seeking work divided by the size of the civilian labor force. The TUR represents a larger population than the IUR, because it counts as unemployed all those who are out of work and actively looking for work, on layoff, or waiting to start a new job within 30 days.

National, State, and Sub-State Triggers

A perennial question concerns the appropriate level at which to measure changes in unemployment. Generally this debate has centered on the EB program and whether the EB trigger should be based on national, regional, state or sub-state data. Recently, the debate on the EB trigger has been expanded to ask what measure should be used if a new temporary extension of UC benefits were to be enacted. In particular, should Congress act as it has in the most recent recessions and create a nationwide extension of UC benefits with a nod to higher unemployment states through an additional "high-unemployment" trigger? Or would it be more appropriate and a better use of scarce resources to target only those states with current economic difficulties?

The argument in favor of a national trigger is that the definition of a recession is national in scope, and the federal government's interest in reversing an economic decline is national as well. However, recessions have often been primarily regional in impact. Thus, a national trigger can result in the payment of extended benefits to individuals in states that do not face unusually weak labor markets.

There have also been proposals to create triggers on either a regional or a sub-state level. The logic behind the sub-state or regional triggers is that they might improve the targeting of benefits because state boundaries are often of little relevance to the workings of labor markets. There can be considerable labor market differences between urban and rural areas within a state or among urban areas within a state. Furthermore, some labor markets are located in more than one state. A statewide trigger can deny benefits to areas facing severe labor market problems because other regions of the state are not facing the same conditions. There are a variety of arguments against regional and sub-state triggers. It would be difficult to define appropriate regional or sub-state boundaries, and it is unclear whether these newly defined regions would be any less arbitrary than current state boundaries. In addition, there are significant obstacles to be overcome in the financing and administration of an EB program on the basis of regional or sub-state areas, because the state has always been the operational unit for UC. There is also concern regarding the accuracy and availability of regional or sub-state data and the costs of data improvements that would be needed.[24]

[24] The Advisory Council on Unemployment Compensation advised against the use of substate or regional data in determining the availability of extended benefits. Advisory Council on Unemployment Compensation, *Collected Findings and Recommendations: 1994-1996*, 1996. p. 5.

Increases in Unemployment of at Least One Million Unemployed as Compared to the Same Month in the Previous Year

Most recently, congressional debate has moved away from using the IUR or TUR as a trigger for a national program. Serious consideration of other measures of the labor market has become increasingly common. In particular, the increase in the number of unemployed from the previous year has emerged in several proposals for new triggers in a nationwide extension in unemployment benefits.

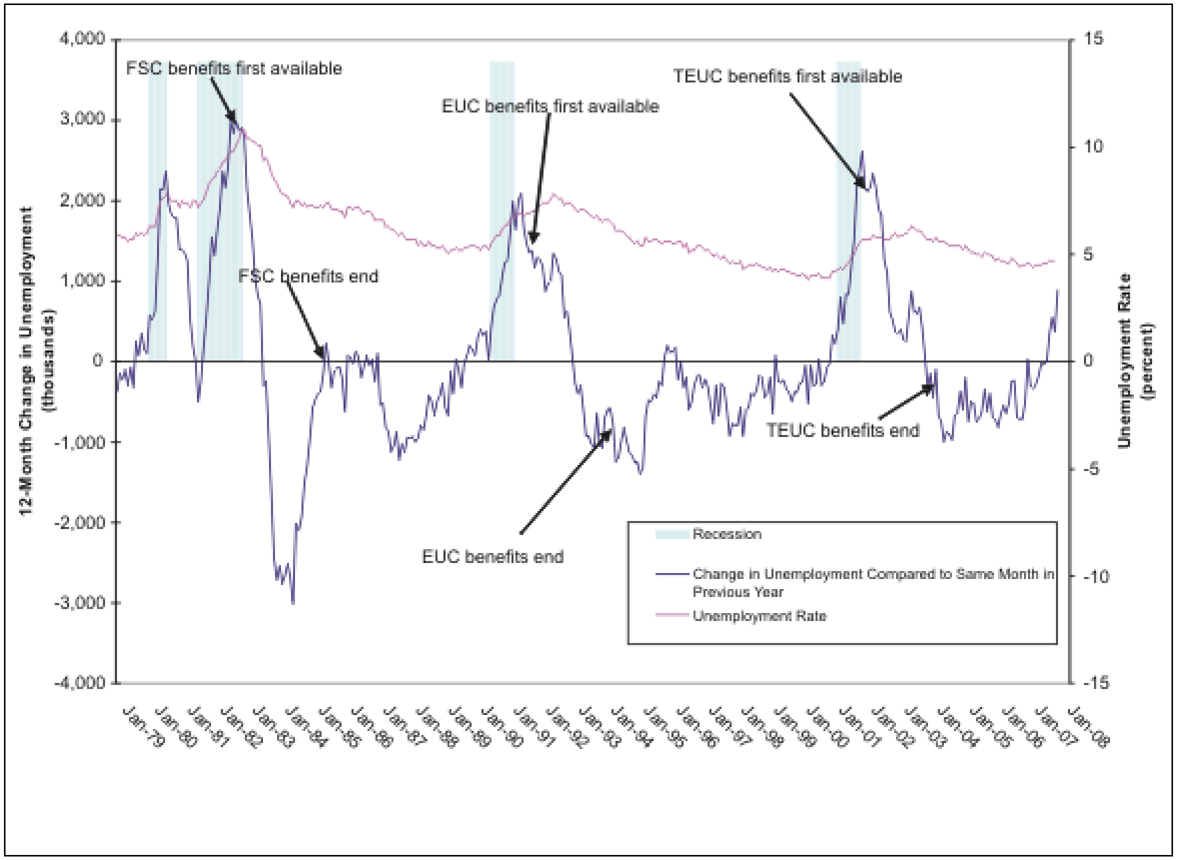
H.R. 4934, the Emergency Unemployment Compensation Act of 2008, was introduced on January 15, 2008. This bill would have extended UC benefits for up to 26 weeks whenever the number of unemployed persons 16 years of age or older as compared to the same month of the previous year exceeded one million individuals.

Table A-5, located in the **Appendix**, provides information on the timing of the recessions, changes in unemployment of at least 1 million compared to same month in the previous year, and federal enactment of the temporary extensions of benefits. During this period, the temporary extensions of unemployment benefits take effect between 4 and 14 months after the onset of the recession. The first changes in unemployment compared to the same month in the previous year of at least 1 million occur between 3 and 5 months after the onset of the recession. Therefore, if the use of the 1 million trigger had been applied in the past, the extension of UC benefits would have been triggered between 8 to 12 months earlier than actually occurred.

Figure 2 provides a graphical presentation of the information that was summarized in **Table A-4. Figure 2** also includes data on the unemployment rate.

Please note that **Figure 2** uses different numerical scales for changes in unemployment levels and for the unemployment rate. Because the correspondence between the two scales was determined by page size rather than by a particular reason, readers should not place any significance in the two lines crossing each other. The scale for the changes in unemployment levels compared to same month in the previous year is located on the left-hand y-axis. The scale for the unemployment rate is located on the right-hand y-axis.

Figure 2. Recessions, Changes in Unemployment Compared to Same Month in Previous Year, Unemployment Rates, and Temporary Federal Benefit Availability, January 1979-October 2008



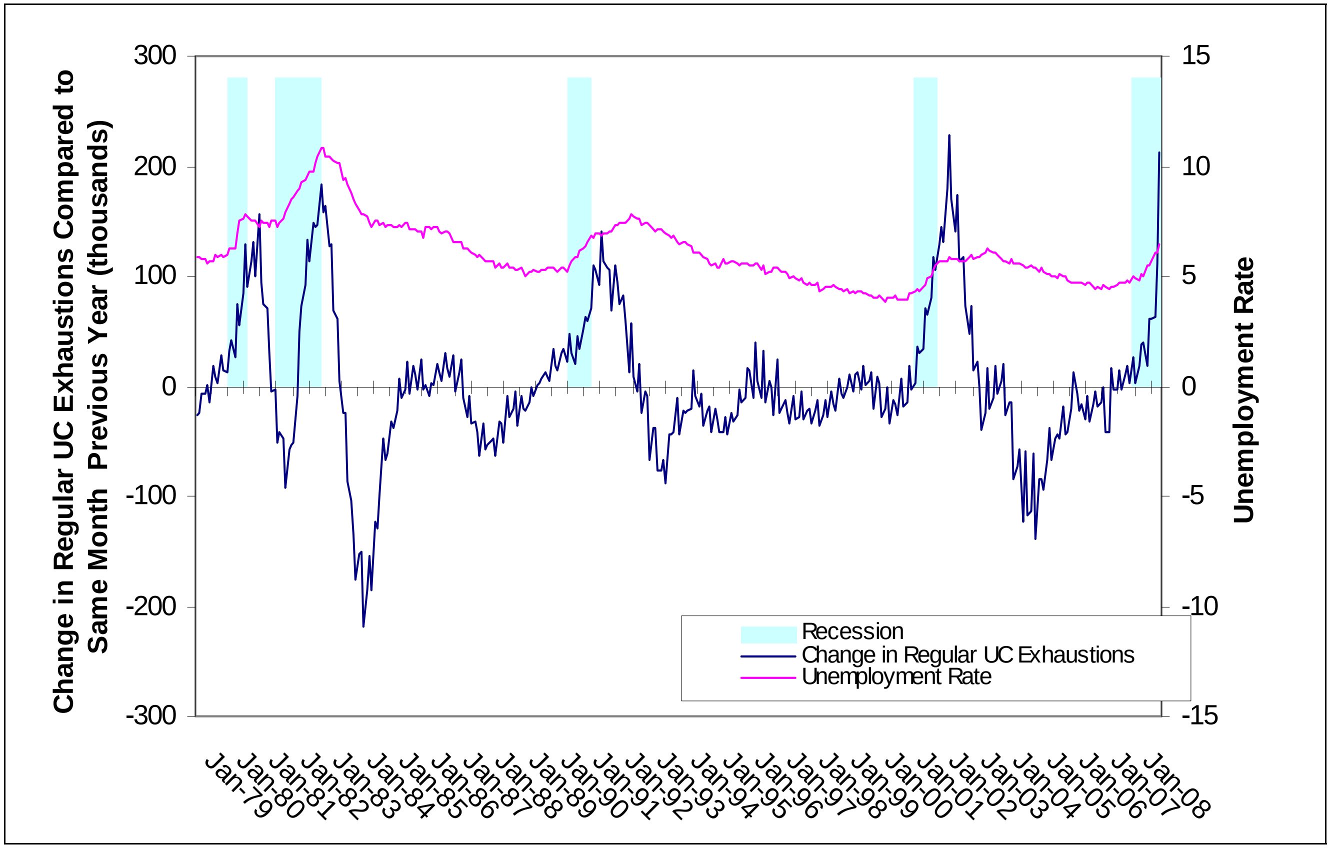
Source: CRS figure. Timing of recessions from National Economic Bureau of Research. Estimated changes in unemployment compared to same month in the previous year from the Current Population Survey data, Bureau of Labor Statistics.

Other Measures: Changes in Long-Term Unemployment and Changes in UC Benefits Exhaustions

Beyond the IUR, TUR, and changes in the total number of unemployed, several other measures of unemployment are often used in assessing the severity of employment conditions. These measures include the number of unemployed workers who exhaust UC benefits and the number of workers who have been unemployed for more than 26 weeks (the number of long-term unemployed).

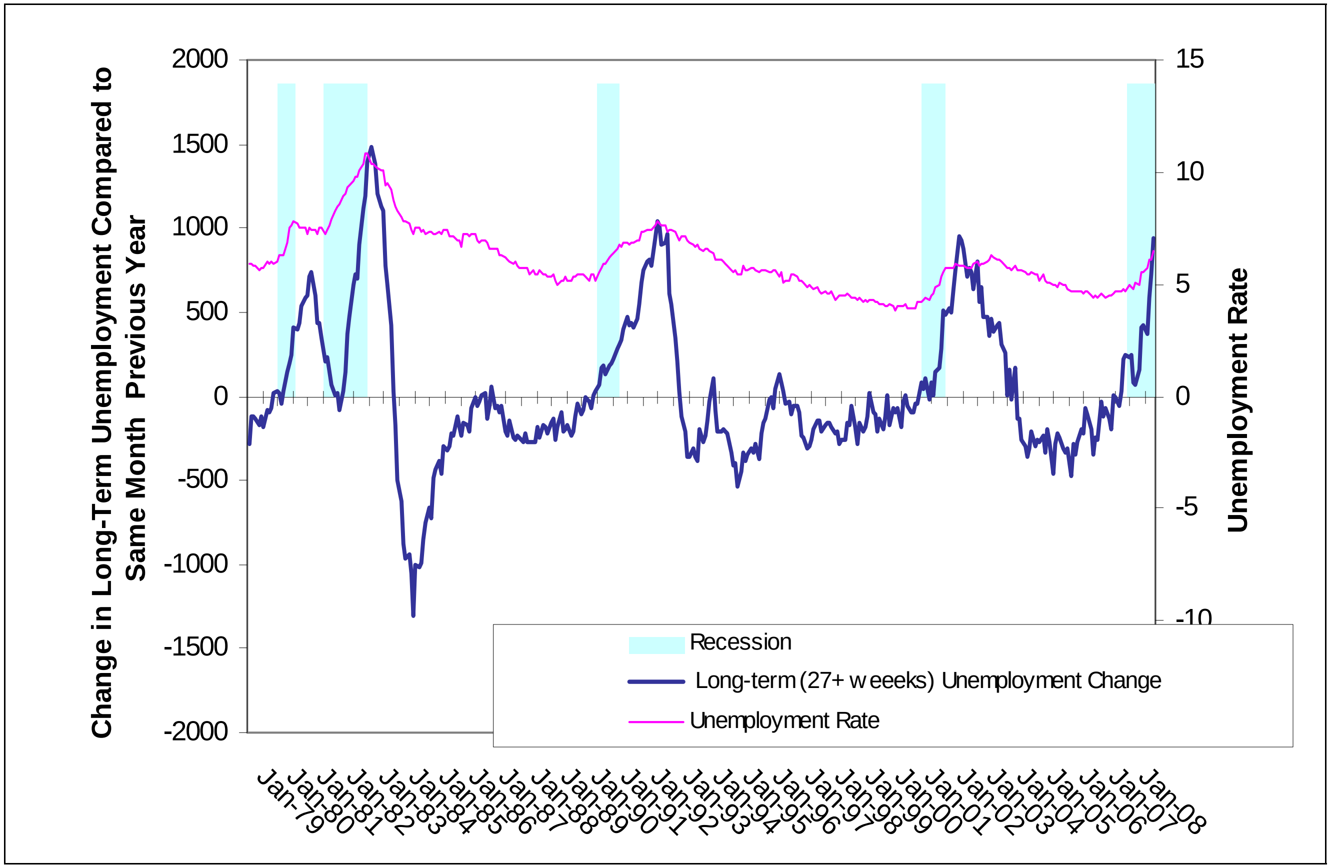
Figure 3 shows the change in the number of exhaustion of UC benefits. **Figure 4** shows the change in the number of workers who have been unemployed for more than 26 weeks. Generally, both the changes in the numbers of exhaustees and the changes in the number of long-term unemployed peak after the end of a recession.

Figure 3. Recessions, Changes in Regular UC Benefit Exhaustions as Compared to the Same Month in Previous Year, and Unemployment Rates, January 1979- October 2008



Source: CRS figure. Timing of recessions from National Economic Bureau of Research. Estimated changes in UC benefit exhaustion compared to same month in previous year from the Employment and Training Administration, Department of Labor. Unemployment rate from the Current Population Survey data, Bureau of Labor Statistics, Department of Labor.

Figure 4. Recessions, Changes in Long-Term Unemployment Compared to the same Month in Previous Year, and Unemployment Rates, January 1979-October 2008



Source: CRS figure. Timing of recessions from National Economic Bureau of Research. Estimated changes in long-term unemployment compared to same month in previous year and unemployment rate from the Current Population Survey data, Bureau of Labor Statistics.

Appendix. Related Tables

Table A-1. Summary of Extended Unemployment Compensation Programs

Program	Public Law	Dates	Duration of Benefits	Trigger Mechanism	Financing Authority
Temporary Unemployment Compensation (TUC)	P.L. 85-441	Reach back to 6/1957 6/1958 to 6/1959	Lesser of 50% of the regular UC benefit entitlement or 13 weeks.	None.	Interest free loans to state accounts; if a state failed to repay loan by 1/1/63 the FUTA tax in the state was raised to repay the loan.
Temporary Extended Unemployment Compensation (TEUC)	P.L. 87-6	Reach back to 06/1960 04/1961 to 03/1962	Lesser of 50% of the regular UC benefit entitlement or 13 weeks.	None.	FUTA funds.
Federal-State Extended Benefits Act of 1970 (EB)	P.L. 91-373 (Amended several times. See also P.L. 96-499 and P.L. 97-35 below.)	Permanently Authorized	Lesser of 50% of the regular UC benefit entitlement or 13 weeks.	National: IUR: seasonally adjusted rate of at least 4.5% for 3 consecutive months State: IUR: at least 5% and 120% of corresponding period in prior 2 years; or 6.0%; or TUR: 6.5% and 110% of either of 2 prior years.	50% state SUTA funds. 50% federal FUTA funds.
Emergency Unemployment Compensation (Magnuson Act)	P.L. 92-224 and P.L. 92-329	1/1972 to 3/1973	Lesser of 50% of the regular UC benefit entitlement or 13 weeks.	National: IUR: seasonally adjusted rate of at least 4.5% State: IUR: adjusted for exhaustions of at least 4% and 120% of prior 2 years	Federal FUTA funds and general revenue.
Federal Supplemental Benefits (FSB)	P.L. 93-572, P.L. 94-12, P.L. 94-45, and P.L. 95-19	1/1975 to 1/1978	(Varied.) Provided up to 26 weeks of benefits.	National: IUR: seasonally adjusted rate of at least 4.5% State: IUR: at least 5% and 120% prior 2 years; or 6.0%; or,	Federal FUTA funds for benefits paid before 4/1977; federal general revenue for benefits paid on or after 4/1/1977.

Program	Public Law	Dates	Duration of Benefits	Trigger Mechanism	Financing Authority
				TUR: 6.5% and 110% of either of 2 prior years.	
Amendments to Federal-State Extended Benefits Act (EB)	P.L. 96-499 and P.L. 97-35	Permanently Authorized	P.L. 96-499 tightened search and refusal of work requirements. P.L. 97-35 eliminated the national trigger, removed EB recipients from IUR calculations, and required that claimant worked at least 20 weeks recently.	National EB trigger eliminated. State: IUR: at least 5% and 120% prior 13-week period in the previous 2 years; or 6.0%; or, TUR: 6.5% and 110% of either of 2 prior years.	50% state SUTA funds and 50% federal FUTA funds.
Federal Supplemental Compensation (FSC)	P.L. 97-248, P.L. 97-424, P.L. 98-21, P.L. 98-118, P.L. 98-135, and P.L. 99-15. (P.L. 99-272, some recipients in Pennsylvania.)	Reach back to 6/1982 9/1982-6/1985	Varied. See **Table A-2**.	Varied. See **Table A-2**.	Federal FUTA funds and general revenue.
Emergency Unemployment Compensation (EUC)	P.L. 102-164, P.L. 102-182, P.L. 102-244, P.L. 102-318, P.L. 103-6, and P.L. 103-152	Reach back to 2/1991 11/1991-4/1994	Varied. See **Table A-3**. [Note: Supersedes rather than supplements the EB program. Governors had the option of triggering "off" EB benefits.]	Introduced "average" IUR, a 13-week comparison measure. Varied. See **Table A-3**.	Federal FUTA funds for benefits paid before 7/5/1992 and after 10/2/1993; with certain exceptions, federal general revenue for benefits paid on or after 7/5/1992 but before 10/3/1993.
Temporary Extended Unemployment Compensation (TEUC, TEUC-X)	P.L. 107-147, P.L. 108-1, and P.L. 108-26	Reach back to 3/2001 3/2002-3/2004	TEUC: Up to 13 weeks. High unemployment states (TEUC-X); up to an additional 13 weeks.	TEUC was available nationally. TEUC-X was determined by state level: if the EB program was triggered on; or if the EB program would have been triggered	Federal FUTA funds.

Program	Public Law	Dates	Duration of Benefits	Trigger Mechanism	Financing Authority
				on if section 203(d) of the Federal-State Unemployment Compensation Act of 1970 were amended to read IUR: at least 4% and 120% of the prior 2 years.	
Emergency Unemployment Compensation of 2008 (EUC08)	P.L. 110-252 and P.L. 110-449	Reach back to 5/2007 7/6/2008-3/28/2009	Varied. See **Table A-4**.	EUC08 is nationally available High Unemployment Tier II EUC08 is determined at the state level: if the state TUR is at least 6% or if the state IUR is at least 4%.	Federal FUTA funds.

Source: CRS.

Table A-2. Details: Federal Supplemental Compensation (FSC) Benefits

Public Law	Benefit Tiers	Dates in Effect (first claim date)
Tax Equity and Fiscal Responsibility Act (P.L. 97-248), signed 9/2/1982.	10 weeks: EB activated in state after 6/1/1982 8 weeks: EB inactive in state; IUR at least 3.5% 6 weeks: all other states.	9/12/1982-1/8/1983.
Surface Transportation Act of 1982 (P.L. 97-424), signed 1/6/1983.	16 weeks: IUR of 6% or higher 14 weeks: EB activated on or after 6/1/1983 but IUR below 6% 12 weeks: IUR at least 4.5% 10 weeks: IUR at least 3.5% but less than 4.5% 8 weeks: all other states	1/9/1983-3/31/1983.
Social Security Amendments of 1983 (P.L. 98-21), signed 4/20/1983.	*First FSC payments on 4/1/1983 or later:* 14 weeks: IUR of 6% or higher 12 weeks: IUR of at least 5% but less than 6% 10 weeks: IUR of at least 4% but less than 5% 8 weeks: All other states Additional entitlements for FSC recipients before 4/1/1983 10 weeks: IUR at least 6%	4/1/1983-10/18/1983.

Public Law	Benefit Tiers	Dates in Effect (first claim date)
	8 weeks: IUR at least 4% but less than 6% 6 weeks: all other states	
Federal Supplemental Compensation Amendments of 1983 (P.L. 98-135), signed 10/24/1983.	*FSC first payments on 10/19/1983 or later:* 14 weeks: IUR of 6% or higher 12 weeks: IUR of at least 5% but less than 6% 10 weeks: IUR of at least 4% but less than 5% 8 weeks: all other states *Additional entitlements for FSC recipients after 3/31/1983 but before 10/19/1983* 5 weeks: if all remaining benefits are for weeks before 10/19/1983 4 weeks: IUR of at least 5% 2 weeks: all other states	10/19/1983-3/31/1985. (No benefits past 6/1985).

Source: CRS.

Table A-3. Details: Emergency Unemployment Compensation (EUC) Benefits of 1991

Public Law	Benefit Tiers	Dates in Effect (first claim date)
Emergency Unemployment Compensation Act (P.L. 102-164), signed 11/15/1991.	20 weeks: States with TUR of 9.5% or higher or IUR of 5% or higher. 13 weeks: States with IUR of 4% or higher or IUR of 2.5% or higher and UC exhaustion rate of 29% or higher. 6 weeks: All other states.	Superseded by P.L. 102-182.
Termination of Application of Title IV of the Trade Act of 1974 to Czechoslovakia and Hungary (P.L. 102-182), signed 12/4/1991; and Emergency Unemployment Benefits Extension (P.L. 102-244), signed 2/7/1992.	*Claims filed before 6/14/1992* 33 weeks: States with TUR of 9% or higher or IUR of 5% or higher. 26 weeks: All other states. *Claims filed on or after 6/14/1992* 20 weeks: States with TUR of 9% or higher or IUR of 5% or higher. 13 weeks: All other states. [Note: P.L. 102-182 authorized benefit periods of 20 and 13 weeks; P.L. 102-244 authorized an additional 13 weeks for each tier.]	11/17/1991-7/3/1992.

Unemployment Compensation Amendments of 1992 (P.L. 102-318), signed 7/3/1992.	26 weeks: States with TUR of 9% or higher or IUR of 5% or higher 20 weeks: All other states. [Note: If national TUR fell below 7.0% benefits were to be phased down. This condition was not met.]	6/14/1992-3/6/1993.
Emergency Unemployment Compensation Amendments of 1993 (P.L. 103-6), signed 3/4/1993.	*Claims filed before 9/12/1993* 26 weeks: states with TUR of 9% or higher or IUR of 5% or higher 20 weeks: all other states Claims filed on or after 9/12/1993 (triggered by national TUR falling below 7% for 2 consecutive months) 15 weeks: States with TUR of 9% or higher or IUR of 5% or higher. 10 weeks: All other states.	3/7/1993-10/2/1993.
Unemployment Compensation Amendments of 1993 (P.L. 103-152), signed 11/25/1993	13 weeks: States with TUR of 9% or higher or IUR of 5% or higher. 7 weeks: All other states. [Note: This law also made permanent changes to the EB program to make its benefits more widely available after the expiration of EUC.]	10/3/1993-2/5/1994 (No benefits past 4/30/1994)

Source: CRS.

Table A-4. Details: Emergency Unemployment Compensation (EUC08) Benefits of 2008

Public Law	Benefit Tiers	Dates in Effect (first claim date)
Supplemental Appropriations Act of 2008, Title IV Emergency Unemployment Compensation (P.L. 110-252), signed June 30, 2008	13 weeks: all states	7/6/2008-3/29/2009 (No benefits past 7/4/2009)
Unemployment Compensation Extension Act of 2008, (P.L. 110-449), signed November 21, 2008.	33 weeks: states with TUR of 6% or higher or IUR of 4% or higher 20 weeks: all other states	11/23/2008-3/29/2009 (No benefits past 8/29/2009)

Source: CRS.

Table A-5. Timing of Recessions, Changes in Unemployment of at Least One Million Unemployed Compared to Same Month in Previous Year, and Extended Unemployment Benefits, 1990-2008

	1980 Recession		1981-1982 Recession		1990-1991 Recession		2001 Recession		2007 Recession	
	No Temporary Federal Extension	**Months after Recession Begins**	**P.L. 97-248, FSC Benefits**	**Months after Recession Begins**	**P.L. 102-164, EUC Benefits**	**Months after Recession Begins**	**P.L. 107-147, TEUC Benefits**	**Months after Recession Begins**	**P.L. 110-252, EUC08 Benefits**	**Months after Recession Begins**
Date began	January 1980	—	July 1981	—	July 1990	—	March 2001	—	December 2007	—
First change in unemployment of at least 1 million compared to same month in previous year	April 1980	3 months	November 1981	4 months	November 1990	4 months	August 2001	5 months	March 2008	3 months
Congress first enacts extension	None[a]	NA	August 1982	13 months	August 1991	13 months	February 2002	11 months	June 2008	6 months
Program becomes active	None	NA	September 1982	14 months	November 1991[b,c]	16 months	March 2002	12 months	July 2008	7 months
End recession	July 1980	6 months	November 1982	16 months	March 1991	8 months	November 2001	8 months	To be determined (TBD)	—
Last change of at least 1 million unemployed	March 1981	14 months	April 1983	21 months	September 1992	17 months	September 2002	20 months	TBD	—
Last benefits claimed	NA	NA	June 1985	47 months	April 1994	44 months	April 2004	37 months	Scheduled: August 2009	Scheduled: 18 months

Source: CRS. Timing of recessions from National Economic Bureau of Research http://www.nber.org/cycles.html. Estimated increases of 1 million unemployed use data from the Current Population Survey, Bureau of Labor Statistics; http://www.bls.gov/data/home.htm.

a. The individual eligibility for the federal-state EB program was tightened by P.L. 96-499. The federal EB trigger was eliminated and the calculation of IUR was altered to be less generous by P.L. 97-35.

b. H.R. 3201 was passed on 8/2/1991; the President signed the bill (P.L. 102-107) but did not declare an emergency; thus, no benefits were available. Congress sent S. 1722 to the President who vetoed it on 10/1/1991. For a statement on the reasons for the veto, see http://www.presidency.ucsb.edu/ws/index.php?pid=20097.

c. Although P.L. 102-164 was signed into law on November 15, 1991, it was immediately superseded by 2 other laws: P.L. 102-182, signed 12/4/1991, and P.L. 102-244, signed 2/7/1992. P.L. 102-182 authorized benefit periods of 20 and 13 weeks depending on state economic conditions; P.L. 102-244 authorized an additional 13 weeks for each tier.

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