

MEMORANDUM



DATE: November 18, 2009
TO: House Appropriations Subcommittee on Economic Development
FROM: Mark Wolf, Fiscal Analyst
RE: Extension of Unemployment Insurance Benefits – UPDATED

This memorandum provides an overview of the unemployment insurance provisions contained in the Worker, Homeownership, and Business Assistance Act of 2009, P.L. 111-92 (H.R. 3548), signed by President Obama on November 6, 2009. This memorandum is an updated version of a previous version dated October 2, 2009. New information is provided on the changes made by the act (including Tier 3 and Tier 4 benefits), and additional information is provided on the estimated number of job openings compared to unemployed individuals in the state, and the permanent Extended Benefits program. Attached are a recent summary of the PL 111-92 from the Unemployment Insurance Agency, and a series of Q&A on the act prepared by the National Employment Law Project. The UIA is expected to mail instructions on claiming the additional extended benefits to claimants next week, with payments being made by mid-December.

- Overview -

The UI provisions of the Worker, Homeownership, and Business Assistance Act of 2009 make three changes to the emergency extended unemployment compensation (EUC08) program established in 2008: (1) extends Tier 2 benefits by one additional week, up to 14 weeks and makes Tier 2 benefits available in all states; (2) creates a third tier 13 weeks of additional EUC08 benefits in states with an unemployment rate of 6%, and (3) creates a fourth tier of 6 weeks of additional EUC08 benefits in states with an unemployment rate of 8.5%.¹

Under current state and federal law, displaced workers are eligible for the following types of unemployment benefits, described more fully below:

1. Up to 26 weeks of regular state benefits. [Paid for through state unemployment taxes.]
2. EUC08 Tier 1: Up to 20 weeks of emergency extended unemployment benefits to workers who exhaust regular state benefits before December 26, 2009. [Paid for by the federal government.]
3. EUC08 Tier 2: Up to 14 weeks of emergency extended unemployment benefits to workers who exhaust EUC08 Tier 1 benefits before December 26, 2009. [Paid for by the federal government].
4. EUC08 Tier 3: Up to 13 weeks of emergency extended unemployment benefits to workers in states with an unemployment rate of at least 6.0% who exhaust EUC08 Tier 2 benefits before December 26, 2009. [Paid for by the federal government.]
5. EUC08 Tier 4: Up to 6 weeks of emergency extended unemployment benefits to workers in states with an unemployment rate of at least 8.5% who exhaust EUC Tier 3 benefits before December 26, 2009. [Paid for by the federal government].
6. Up to 13-20 weeks of extended benefits (EB) to workers who exhaust EUC08 benefits in states that have an unemployment rate of at least 8%.² [Temporarily paid for by the federal government, otherwise shared 50-50 between the state and the federal government.]

In all, the maximum duration of benefits is 99 weeks, although few displaced workers are expected to be eligible for Tier 4 benefits given that the December 2009 deadline remains unchanged with PL 111-92.³ Claimants who exhaust UI benefits

¹ In practice, the duration of EUC08 Tier 3 benefits would be 50% of the duration of regular benefits.

² Extended benefits (EB) are permanently authorized under the Federal-State Extended Unemployment Compensation Act of 1970, PL 91-273, 26 USC 3304 note.

after that date are not eligible to receive the next tier of EUC08 benefits, although they would continue to be eligible for EB benefits, provided they meet the EB eligibility requirements. In a recent press release, UIA Director Stephen Geskey noted that because the deadline was not extended, "few unemployed workers in Michigan will actually collect EUC Tier IV benefits, as most will not exhaust their Tier III benefits before December 31, 2009."⁴ Similarly, the National Association of State Workforce Agencies has noted, "NASWA has heard from a number of states concerned with the expiration of the EUC program under the Recovery Act at the end of 2009. These concerns are well-founded, since the new Tier IV entitlement under HR 3548 would nearly be useless under existing law if the EUC08 program was allowed to expire on December 31, 2009...Congressional staff have made clear [their intentions] to address this and other UI Recovery Act provisions set to expire this year,...and NASWA anticipates a much larger package of UI extension amendments to be considered before the end of the year."⁵ According to recent news accounts Congress may extend the December deadline before it adjourns for the year.⁶

To be eligible for existing EUC08 benefits (described below) and the additional benefits provided under H.R. 3548, an individual must meet the following criteria:

1. Have exhausted all rights to regular compensation in a benefit year that ends on or after May 1, 2007 (i.e. first receiving benefits after May 7, 2006);
2. Have no rights to regular compensation or extended benefits;
3. Are not receiving benefits under the UI law of Canada;
4. Are legally authorized to work in the United States;
5. Have 20 weeks of full-time insured employment (or the equivalent in insured wages) as determined under the applicable state UI law in accordance with Section 202(a)(5) of the Federal-State Extended Unemployment Compensation Act.⁷

Previously, the National Employment Law Project estimated that the extension would provide additional income support to more than 1.3 million displaced workers nationwide, including nearly 63,000 workers in Michigan.⁸

– REGULAR UNEMPLOYMENT BENEFITS –

While the duration of regular UI benefits is often reported as being 26 weeks, the actual number of weeks is based on an individual's earnings within the "base period."⁹ The duration of benefits is 43% of the wages in the base period, divided by the weekly benefit amount. The minimum duration is 14 weeks. The weekly benefit amount is determined by taking 4.1% of the highest calendar quarter of wages within the base period, plus \$6 per dependent (up to 5), and capped at \$362.¹⁰

³ In practice, the deadline (i.e. the last week to exhaust benefits) is the week ending Saturday December 26, 2009.

⁴ Michigan's Unemployment Insurance Agency to mail instructions for claiming federal extension starting next week, Michigan Unemployment Insurance Agency, 13 November 2009, [http://www.michigan.gov/uia/0,1607,7-118-1328_1331-226152--,00.html].

⁵ HR 3548: Background and Explanation, National Association of State Workforce Agencies, 12 November 2009, [<http://www.workforceatm.org/sections/pdf/2009/HR%203548%20-%20Explanation%20and%20Analysis.pdf>]. See, also, the November 5, 2009 press release of the U.S. House of Representatives Ways and Committee announcing passage of HR 3548, in which U.S. Rep. Jim McDermott, noted, "Congress will need to act again before the end of this year to allow the extended UI benefits to continue into 2010", [<http://waysandmeans.house.gov/news.asp?formmode=release&id=967>].

⁶ "House to Turn Up the Heat on Jobs", Jackie Calmes, *New York Times* (on-line), 17 November 2009, [<http://thecaucus.blogs.nytimes.com/2009/11/17/house-to-turn-up-the-heat-on-jobs/>].

⁷ Section 202(a)(5) provides, "state law shall provide which one or more of the foregoing methods of measuring employment and earnings shall be used in that state." See, generally, Section 46 of the Michigan Employment Security Act, MCL 421.46.

⁸ See, *Thousands on Brink of Exhausting Jobless Benefits – Congress Must Act Now to Expand Program*, National Employment Law Project, September 4, 2009, [<http://www.nelp.org/page/-/UI/jobs.statement.aug.09.pdf?nocdn=1>]. See, also, *Talking Points: Immediate Action Needed to Extend Unemployment Benefits*, National Employment Law Project, 20 August 2009, [<http://www.nelp.org/page/-/UI/August2009ExtensionTalkingPoints.pdf?nocdn=1>].

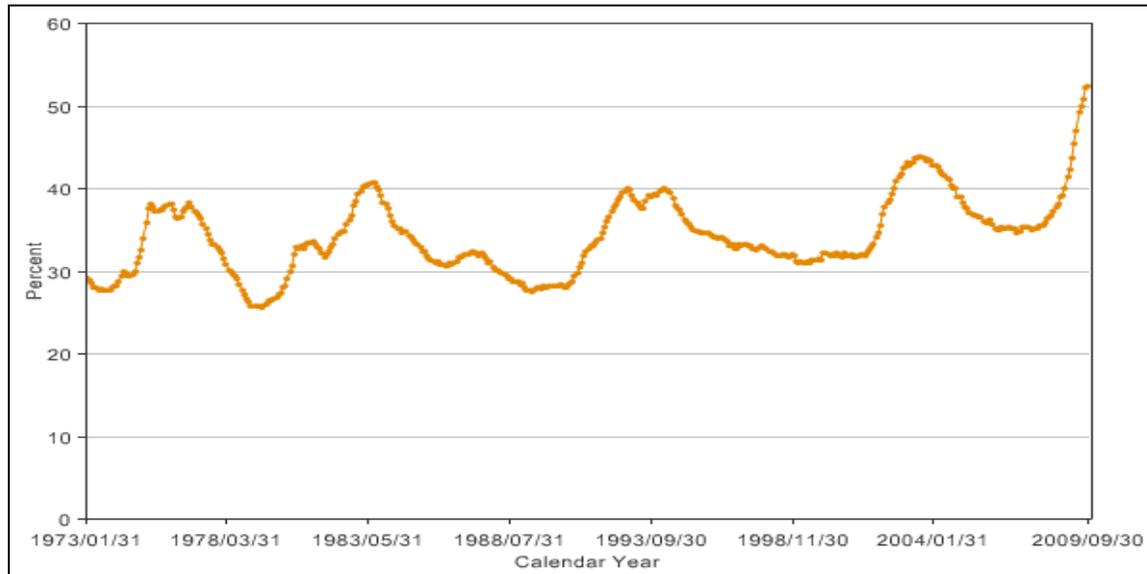
⁹ Section 45 of the Michigan Employment Security Act, MCL 421.45, defines "base period" to mean the first 4 of the last 5 completed calendar quarters before the first day of the individual's benefit year. Alternatively, if an individual does not have sufficient wages within the base period to be eligible for benefits, the UIA uses an alternate base period, consisting of the four most recent completed calendar quarters to establish eligibility.

¹⁰ The American Recovery and Reinvestment Act temporarily provides for an additional weekly benefit amount of \$25 through the end of the year. This payment, known as Federal Additional Compensation (FAC), is paid for by the federal government.

Calculating the Duration of Benefits

$$\text{Duration of Regular Benefits} = \frac{43\% \text{ of Base Period Wages}}{4.1\% \text{ of High Quarter Wages} + \$6 \text{ per dependent}}$$

Nationwide Exhaustion Rate of Regular UI Benefits



Source: Department of Labor, Employment and Training Administration, Unemployment Insurance Chart book, [<http://www.doleta.gov/unemploy/chartbook.cfm>]

The chart above shows exhaustion rate (nationwide) of regular UI benefits for the past decade. The table shows that the exhaustion rate during the current downturn – 52% – is higher than exhaustion rates in previous downturns (between 38% and 43%). On this point, Gary Burtless, of the Brookings Institution notes, "[t]his is the highest benefit exhaustion rate on record and is a painful indicator of the difficulty of finding a job in the current economy."¹¹

– EMERGENCY EXTENDED UNEMPLOYMENT COMPENSATION (EUC08) –

Supplemental Appropriations Act of 2008¹²: In June 2008, Congress and then-President Bush enacted the Supplemental Appropriations Act of 2008 (P.L. 110-252).¹³ Title IV of the act, codified at 26 USC 3304 note, temporarily established the Emergency Unemployment Compensation (EUC08) Program, providing up to an additional 13 weeks of additional UI benefits.¹⁴ As originally enacted, the original 13 weeks in EUC08 benefits were payable to individuals who exhausted regular benefits not later than the week ending March 28, 2009.

¹¹ Gary Burtless, *Unemployment Insurance for the Great Recession*, testimony before the U.S. Senate Committee on Finance, September 15, 2009, [<http://finance.senate.gov/hearings/testimony/2009test/091509gbtest.pdf>]. See, also, *Unemployment Compensation (UC)/Unemployment Insurance (UI): Trends and Contributing Factors in UC Benefit Exhaustion*, Congressional Research Service, RL32111, 10 October 2003, available publicly at, [<http://lost-contact.mit.edu/afs/sipb/contrib/wikileaks-crs/wikileaks-crs-reports/RL32111.pdf>].

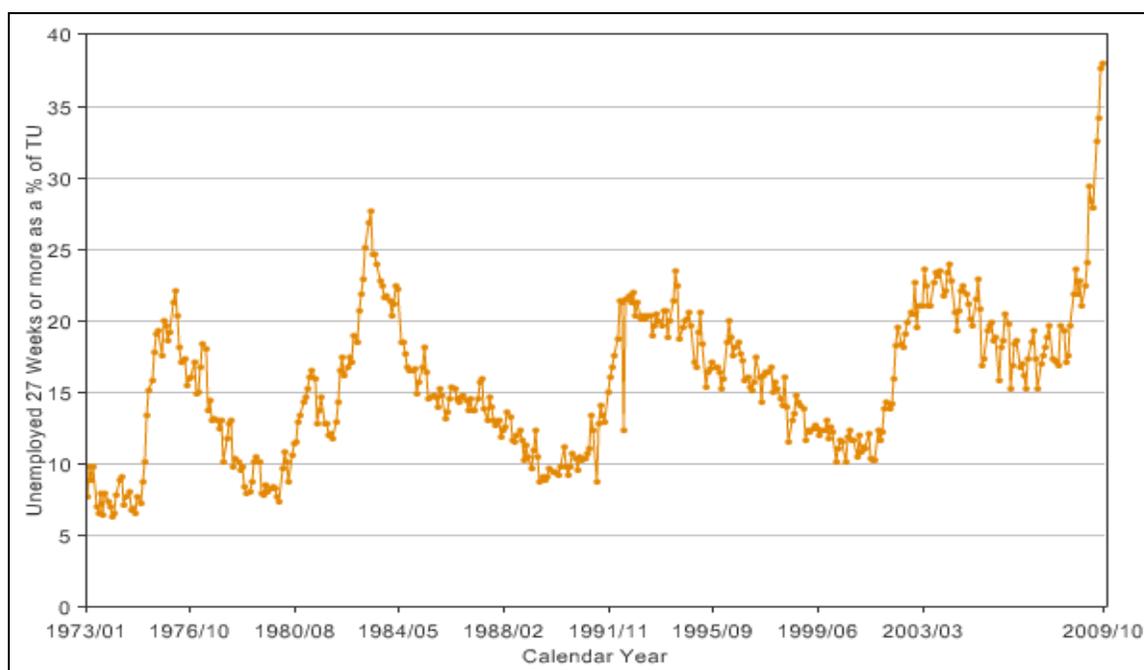
¹² For text, see, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ252.110.pdf]. See, also, *Unemployment Insurance Program Letter (UIPL) 23-08*, July 7, 2008, U.S. Department of Labor, Employment and Training Administration (DOL-ETA), [<http://wdr.doleta.gov/directives/attach/UIPL/UIPL23-08.pdf>] and *UIPL 23-08, Change 1*, 15 August 2008, U.S. DOL-ETA, [<http://wdr.doleta.gov/directives/attach/UIPL/UIPL23-08C1.pdf>].

¹³ P.L. 110-252 incorporated the provisions of HR 5749, introduced by U.S. Rep. Jim McDermott (D-Washington, 7th) on April 9, 2008. For additional background information see House Report 110-607 accompanying HR 5749, as it was reported from the House Ways and Means Committee on April 24, 2008, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_reports&docid=f:hr607.110.pdf]. See, also, *Extending Unemployment Insurance*, Hearing before the U.S. House of Representatives, Committee on Ways and Means, Subcommittee on Income Security and Family Support, April 10, 2008, Serial No. 110-77, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_house_hearings&docid=f:47299.wais.pdf].

¹⁴ In practice, the duration of EUC08 benefits, as originally enacted, was one-half of the duration of regular benefits.

In April 2008, the U.S. House Ways and Means Subcommittee on Income Security and Family Support held a hearing on a proposed 13-week extension of UI benefits. (At the time of the hearing, the state unemployment rate was 7.2%, compared to a national unemployment rate of 5.0%.) Much of the committee testimony focused on the growing numbers among the "long-term unemployed" – i.e. individuals who are unemployed for at least six months - and the importance (in the view of proponents) of UI benefits in providing income security to the families of the long-term unemployed.¹⁵ Rebecca Blank, of the Brookings Institution, urged for the extension of UI benefits, noting "[t]his will assist the long-term unemployed as they continue to search for work. The unusually high share of long-term unemployed workers at this relatively early stage in the economic slowdown is a warning sign; history suggests these numbers will grow as the recession affects more and more jobs." Similarly, Heidi Shierholz, of the Economic Policy Institute, noted "[d]espite the current relatively low unemployment rate, long-term unemployment is already a problem that merits prompt action and it is only expected to get worse as the economic downturn deepens. For individuals seeking work in this economy, the search is likely to be long, putting an enormous strain on the families of the over two million workers projected to be long-term unemployed in the next 15 months."

Persons Unemployed At Least 27 Weeks, as a Percentage of Total Unemployment



Source: Department of Labor, Employment and Training Administration, Unemployment Insurance Chart book, [<http://www.doleta.gov/unemploy/chartbook.cfm>]

The chart above shows the percentage of individuals unemployed for at least 27 weeks, as a percentage of total unemployment. This is a measure of long-term unemployment.¹⁶ On this point, the Congressional Budget Office notes, "[l]ong-term unemployment can result from difficulties related to job seekers or potential employers or from the mechanisms that match supply to demand. For example, job seekers may not have the skills sought by employers in their labor market or may have unrealistic expectations; potential employers may not be hiring any new workers in their labor market; or unemployed workers may not know how to productively look for work. Long-term unemployment could also result from job seekers having less need to find a job because of access to other sources of income, such as unemployment insurance (UI) benefits or income from a working spouse."¹⁷ The CBO goes on to state, "Over the past several decades, long-term unemployment as a percentage of total unemployment has been highly cyclical and generally increasing...[a]bout one-in-six workers who were unemployed in 2006 had been unemployed for 27 weeks or longer, even though the overall unemployment rate was low. In several earlier periods with relatively low unemployment rates (such as in the early 1970s), the percentage of unemployed people who had been unemployed for 27 weeks or longer was lower."

¹⁵ *Extending Unemployment Insurance*, U.S. House of Representatives, Ways and Means Subcommittee on Income Security and Family Support, April 10, 2008, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_house_hearings&docid=f:47299.wais.pdf]. See, also, *Long Term Unemployment*, Congressional Budget Office, October 2007, [<http://www.cbo.gov/ftpdocs/87xx/doc8770/10-31-LongtermUnemployment.pdf>].

¹⁶ The U.S. Bureau of Labor Statistics' monthly national employment reports include figures on the duration of unemployment.

¹⁷ *Long Term Unemployment*, Congressional Budget Office, October 2007, [<http://www.cbo.gov/ftpdocs/87xx/doc8770/10-31-LongtermUnemployment.pdf>].

Unemployment Compensation Extension Act of 2008¹⁸: In November 2008, Congress and the President enacted the Unemployment Compensation Extension Act of 2008, P.L. 110-449 (H.R. 6867), codified at 26 USC 3304 note. The act extended the original EUC08 program by additional seven weeks - providing unemployed individuals with up to 20 weeks of extended compensation.¹⁹ (These benefits are referred to as Tier 1 EUC08 benefits.) The act did not change the initial eligibility deadline to exhaust benefits (the week ending March 28, 2009), although it did extend the deadline by which individuals may be paid Tier 1 benefits to the week ending August 28, 2009.

Additionally, the act established a second tier of benefits, providing up to an 13 weeks of additional benefits, to individuals in states with an average unemployment rate of at least 6.0% for the previous 13-week period who have exhausted their Tier 1 EUC08 benefits.²⁰ The act took effect immediately upon enactment on November 21, 2008. In effect, then, EUC08 benefits were payable for weeks beginning on Sunday November 23, 2008. As a result, individuals who exhausted their original claim of 13 weeks of EUC08 benefits were now eligible for the additional seven weeks of Tier 1 benefits and the 13 weeks of Tier 2 benefits. The act did not push back the original March 2009 deadline for EUC08 eligibility, meaning that individuals who exhausted regular benefits after the week ending March 28, 2009 were not eligible for Tier 1 or Tier 2 EUC08 benefits, and individuals who exhausted Tier 1 benefits after that date were not eligible for Tier 2 benefits. The chart below shows the listing of states that have "triggered on" for Tier 2 EUC08 benefits.

American Recovery and Reinvestment Act²¹: The Recovery Act pushed back the March 2009 deadline by which a person would have to exhaust benefits, in order to be eligible for additional EUC08 benefits, to December 31, 2009. This meant that, individuals who exhaust regular benefits on or after December 31, 2009 are not eligible for Tier 1 or Tier 2 benefits, and individuals who exhaust Tier 1 benefits after that date are not eligible for Tier 2 benefits. Under the Recovery Act, no EUC08 payments are payable after May 31, 2010.

Michigan Emergency Extended Unemployment Compensation (EUC08) Claims Statistics

Month	Tier 1 EUC08 Claims Statistics					Tier 2 EUC08 Claims Statistics				
	First Payments	Weeks Compensated	Benefits Paid	Avg. Weekly Benefit	Final Payments	First Payments	Weeks Compensated	Benefits Paid	Avg. Weekly Benefit	Final Payments
Jul-08	47,139	95,186	\$26,261,087	\$275.89	0	0	0	\$0	\$0.00	0
Aug-08	37,104	351,023	\$95,914,362	\$273.24	0	0	0	\$0	\$0.00	0
Sep-08	17,340	383,204	\$105,386,533	\$275.01	0	0	0	\$0	\$0.00	0
Oct-08	16,432	295,628	\$82,667,407	\$279.63	0	0	0	\$0	\$0.00	0
Nov-08	14,466	155,959	\$43,797,655	\$280.83	0	0	0	\$0	\$0.00	0
Dec-08	17,886	444,966	\$123,603,535	\$277.78	0	0	0	\$0	\$0.00	0
Jan-09	20,447	449,105	\$124,240,603	\$276.64	0	0	34,911	\$9,465,154	\$271.12	0
Feb-09	18,779	278,347	\$78,596,953	\$282.37	12,335	16,606	260,452	\$72,079,939	\$276.75	12,335
Mar-09	20,372	302,392	\$85,428,370	\$282.51	12,742	12,742	306,980	\$84,924,812	\$276.65	8,966
Apr-09	23,079	350,478	\$98,619,483	\$281.39	12,372	12,372	278,238	\$77,404,031	\$278.19	2,472
May-09	25,844	350,051	\$99,390,170	\$283.93	13,918	13,918	133,027	\$36,468,527	\$274.14	2,630
Jun-09	30,314	404,749	\$116,494,204	\$287.82	16,204	16,204	148,933	\$41,543,160	\$278.94	3,226
Jul-09	41,535	506,711	\$148,062,497	\$292.20	16,677	16,677	173,289	\$48,481,961	\$279.78	3,302
Aug-09	32,052	483,935	\$142,851,853	\$295.19	2,716	2,716	167,095	\$46,994,331	\$281.24	15,742

Source: Department of Labor, [<http://www.ows.doleta.gov/unemploy/euc.asp>].

¹⁸ For text, see [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ449.110.pdf]. See, also, *UIPL 23-08, Change 2*, 24 December 2008, U.S. DOL-ETA, [<http://wdr.doleta.gov/directives/attach/UIPL/UIPL23-08C3.pdf>].

¹⁹ In practice, the duration of EUC08 Tier 1 benefits, as amended by P.L. 110-449, is 80% of the duration of regular benefits. If an individual was eligible for 26 weeks of regular benefits, the duration of EUC08 Tier 1 benefits is 20 weeks. If the duration of regular benefits was 20 weeks, the duration of EUC08 Tier 1 benefits is 16 weeks.

²⁰ In practice, the duration of EUC08 Tier 2 benefits is 50% of the duration of regular benefits. All states are eligible for Tier 1 benefits.

²¹ Unemployment provisions in the Recovery Act are contained in Subtitle A (Unemployment Insurance) of Title II (Assistance for Unemployed Workers and Struggling Families) of Division B (Tax, Unemployment, Health, State Fiscal Relief, and Other Provisions). For text see, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_public_laws&docid=f:publ005.111.pdf]. See, also, *UIPL 23-08, Change 4*, March 4, 2009, U.S. DOL-ETA, [<http://wdr.doleta.gov/directives/attach/UIPL/UIPL23-08C4.pdf>]. See, also, *Unemployment Insurance Provisions in the American Recovery and Reinvestment Act of 2009*, Congressional Research Service, Report R40368 (March 4, 2009), [http://assets.opencrs.com/rpts/R40368_20090304.pdf]. See, also, *Temporary Extension of Unemployment Benefits: Emergency Unemployment Compensation (EUC08)*, Congressional Research Service, RS22915, 17 February 2009, available publicly at, [http://assets.opencrs.com/rpts/RS22915_20090217.pdf].

Worker, Homeownership, and Business Assistance Act of 2009²²: The act extended the Tier 2 benefits by an additional week to, up to 14 weeks²³, and made Tier 2 benefits available in all states. Previously, there were only four states (Nebraska, North Dakota, South Dakota, and Utah) that, immediately prior to enactment of PL 111-92, were not eligible for EUC08 Tier 2 benefits.

Additionally, the act provided a new third tier of up to 13 weeks of EUC08 benefits, available to individuals who exhaust Tier 2 benefits in states with an average unemployment rate of at least 6.0% for the previous 13-week period.²⁴ (This is the same requirement for Tier 2 benefits prior to PL 111-92.) While the UIA will start providing Tier 3 benefits in mid-December, benefit payments are retroactive to the week of November 8th. (They are not retroactive to the time the claimant exhausted benefits.) At present, there are only three states that have not "triggered on" for Tier 3 benefits. The act also creates a new fourth tier of up to 6 weeks of EUC08 benefits, available to individuals who exhaust Tier 3 benefits in states with an average unemployment rate of at least 8.5% for the previous 13-week period.²⁵ Again, given that PL 111-92 does not extend the December 31, 2009 deadline for the EUC08 program, there likely won't be many claimants receiving Tier 4 benefits.

In addition to extending UI benefits, the act also extended the 0.2% Federal Unemployment Tax Act (FUTA) surtax. This surtax was enacted by Congress in 1976 to repay loans to the federal unemployment trust fund following the mid-1970's recession. The surtax sunsets every few years, and is routinely re-authorized by Congress. It was set to expire at the end of the 2009 calendar year, but is extended through June 2011 with the enactment of PL 111-92. The surtax increases the FUTA tax rate from 6.0% to 6.2% (0.6% to 0.8% after application of the standard 5.4% credit) of the first \$7,000 in employee wages subject to FUTA taxes. The increase equates to \$14 per employee.

The act is a streamlined version of an UI extension bill (H.R. 3404) introduced by U.S. Rep. McDermott that, in addition to providing a third tier of benefits, would have also extended the existing EUC08 (Tier 1 and Tier 2) benefits by one year (through December 31, 2010), extend the \$25 in Federal Additional Compensation provided under the Recovery Act by one year (through January 1, 2011), and extend the 100% federal funding for the permanent Extended Benefits (EB) program (through January 1, 2011).²⁶ Rep. McDermott cited the impending exhaustion of UI benefits for many displaced workers as the reason for moving the Tier 3 EUC08 benefits bill separately, with the belief that that the H.R. 3548 would move through Congress faster than H.R. 3404. "The comprehensive bill that looks at extending provisions through the end of next year will require more time to debate but too many Americans are quickly running out of time on their benefits and I believe the time to act on extending benefits is now," Rep. McDermott said in a September 10, 2009 press release.²⁷

On September 15, 2009, the U.S. Senate Finance Committee held a hearing the potential extension of unemployment benefits and other UI issues.²⁸ Individuals testifying before the committee included researchers from the National Employment Law Project (a labor advocacy organization), the Brookings institution, the National Association of State Workforce Agencies, the Heritage Foundation, and UWC-Strategic Services on Unemployment and Workers' Compensation (a business advocacy organization).

²² For text, see [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h3548enr.txt.pdf]. See, also, UIPL 23-08, Change 5, 13 November 2009, [<http://wdr.doleta.gov/directives/attach/uipl/uipl23-08c5.pdf>].

²³ In practice, the duration of EUC08 Tier 2 benefits, under PL 111-92, is 54% of the duration of regular benefits.

²⁴ In practice, the duration of EUC08 Tier 3 benefits would be 50% of the duration of regular benefits.

²⁵ In practice, the duration of EUC08 Tier 4 benefits would be 24% of the duration of regular benefits.

²⁶ See the text, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h3404ih.txt.pdf]. See, also, S. 1647, introduced by U.S. Senator Jack Reed (D-Rhode Island).

²⁷ *Rep. McDermott Introduces New UI Extension Legislation*, 10 September 2009, [<http://www.house.gov/mcdermott/pr090910.shtml>].

²⁸ See, [<http://finance.senate.gov/sitepages/hearing091509.html>].

**MICHIGAN COUNTIES RANKED BY UNEMPLOYMENT RATE
SEPTEMBER 2009**

1	Mackinac County	6.1	43	Gratiot County	13.7
2	Isabella County	8.5	44	Newaygo County	13.8
3	Cheboygan County	8.6	45	Ontonagon County	13.8
4	Leelanau County	9.0	46	St. Joseph County	13.9
5	Washtenaw County	9.3	47	Charlevoix County	13.9
6	Clinton County	9.4	48	Alpena County	13.9
7	Marquette County	10.1	49	Branch County	14.0
8	Houghton County	10.2	50	Monroe County	14.2
9	Midland County	10.2	51	Kalkaska County	14.3
10	Eaton County	10.3	52	Roscommon County	14.6
11	Barry County	10.5	53	Otsego County	14.7
12	Kalamazoo County	11.2	54	Antrim County	14.7
13	Cass County	11.4	55	Huron County	14.8
14	Delta County	11.5	56	Jackson County	14.9
15	Chippewa County	11.6	57	Missaukee County	15.0
16	Ingham County	11.6	58	Shiawassee County	15.2
17	Kent County	11.7	59	Oceana County	15.2
18	Iron County	11.7	60	Osceola County	15.3
19	Keweenaw County	11.9	61	Oakland County	15.6
20	Alger County	12.0	62	Arenac County	15.8
21	Benzie County	12.0	63	Genesee County	15.8
22	Grand Traverse County	12.0	64	Presque Isle County	16.0
23	Dickinson County	12.0	65	Muskegon County	16.0
24	Emmet County	12.2	66	Lenawee County	16.1
25	Bay County	12.3	67	Tuscola County	16.3
26	Calhoun County	12.4	68	Iosco County	16.4
27	Menominee County	12.5	69	Gladwin County	16.5
28	Manistee County	12.6	70	Alcona County	16.7
29	Schoolcraft County	12.7	71	Clare County	16.8
30	Ogemaw County	12.7	72	Hillsdale County	17.2
31	Ottawa County	12.8	73	Lake County	17.5
32	Mason County	12.9	74	Montcalm County	17.6
33	Saginaw County	12.9	75	Sanilac County	17.8
34	Mecosta County	13.0	76	Lapeer County	18.1
35	Van Buren County	13.2	77	Macomb County	18.1
36	Allegan County	13.2	78	Wexford County	18.3
37	Luce County	13.2	79	Wayne County	18.3
38	Gogebic County	13.3	80	Montmorency County	18.9
39	Ionia County	13.4	81	St. Clair County	19.0
40	Berrien County	13.5	82	Oscoda County	19.1
41	Livingston County	13.6	83	Baraga County	24.3
42	Crawford County	13.7			

Source: *September Unemployment Rates Edge Down Slightly in Most of Michigan's Regional Labor Markets*, Department of Energy, Labor, and Economic Growth, 22 October 2009, [https://www.milmi.org/admin/uploadedPublications/1530_Local0909.pdf].

EUC 2008 TRIGGER NOTICE NO. 2009 - 44
 THIRD AND FOURTH TIER EUC 2008 TRIGGERS UNDER P.L. 111-92
 Effective November 15, 2009

State	13 Weeks IUR	3 months SA TUR	Tier Three Status	Tier Three Effective Date	Tier Four Status	Tier Four Effective Date
Alabama	3.57	10.4	ON	11/8/2009	ON	11/8/2009
Alaska	4.24	8.2	ON	11/8/2009		
Arizona	4.13	9.1	ON	11/8/2009	ON	11/8/2009
Arkansas	4.68	7.2	ON	11/8/2009		
California	4.97	12.1	ON	11/8/2009	ON	11/8/2009
Colorado	3.03	7.4	ON	11/8/2009		
Connecticut	4.55	8.1	ON	11/8/2009		
Delaware	3.17	8.2	ON	11/8/2009		
District of Columbia	1.61	11.0	ON	11/8/2009	ON	11/8/2009
Florida	3.97	10.9	ON	11/8/2009	ON	11/8/2009
Georgia	3.98	10.2	ON	11/8/2009	ON	11/8/2009
Hawaii	3.46	7.1	ON	11/8/2009		
Idaho	3.76	8.8	ON	11/8/2009	ON	11/8/2009
Illinois	4.35	10.3	ON	11/8/2009	ON	11/8/2009
Indiana	3.52	10.0	ON	11/8/2009	ON	11/8/2009
Iowa	2.92	6.6	ON	11/8/2009		
Kansas	3.49	7.2	ON	11/8/2009		
Kentucky	3.43	11.0	ON	11/8/2009	ON	11/8/2009
Louisiana	3.28	7.5	ON	11/8/2009		
Maine	2.65	8.5	ON	11/8/2009	ON	11/8/2009
Maryland	3.22	7.2	ON	11/8/2009		
Massachusetts	4.02	9.1	ON	11/8/2009	ON	11/8/2009
Michigan	5.05	15.2	ON	11/8/2009	ON	11/8/2009
Minnesota	3.27	7.8	ON	11/8/2009		
Mississippi	3.71	9.5	ON	11/8/2009	ON	11/8/2009
Missouri	3.51	9.4	ON	11/8/2009	ON	11/8/2009
Montana	3.49	6.7	ON	11/8/2009		
Nebraska	1.97	5.0				
Nevada	5.53	13.0	ON	11/8/2009	ON	11/8/2009
New Hampshire	2.70	7.0	ON	11/8/2009		
New Jersey	4.65	9.6	ON	11/8/2009	ON	11/8/2009
New Mexico	3.33	7.4	ON	11/8/2009		
New York	3.74	8.8	ON	11/8/2009	ON	11/8/2009
North Carolina	4.70	10.9	ON	11/8/2009	ON	11/8/2009
North Dakota	1.17	4.2				
Ohio	3.61	10.7	ON	11/8/2009	ON	11/8/2009
Oklahoma	2.90	6.7	ON	11/8/2009		
Oregon	5.60	11.8	ON	11/8/2009	ON	11/8/2009
Pennsylvania	5.30	8.6	ON	11/8/2009	ON	11/8/2009
Puerto Rico	6.67	15.6	ON	11/8/2009	ON	11/8/2009
Rhode Island	4.13	12.8	ON	11/8/2009	ON	11/8/2009
South Carolina	4.67	11.6	ON	11/8/2009	ON	11/8/2009
South Dakota	1.13	4.9				
Tennessee	3.06	10.7	ON	11/8/2009	ON	11/8/2009
Texas	2.66	8.0	ON	11/8/2009		
Utah	2.67	6.1	ON	11/8/2009		
Vermont	3.23	6.8	ON	11/8/2009		
Virgin Islands	3.28	8.1	ON	11/8/2009		
Virginia	2.14	6.7	ON	11/8/2009		
Washington	4.48	9.1	ON	11/8/2009	ON	11/8/2009
West Virginia	3.65	8.9	ON	11/8/2009	ON	11/8/2009
Wisconsin	4.96	8.7	ON	11/8/2009	ON	11/8/2009
Wyoming	2.61	6.6	ON	11/8/2009		

Source: Department of Labor, Employment and Training Administration, Office of Workforce Security, [http://www.ows.doleta.gov/unemploy/euc_trigger/2009/euc_111509.html].

- Extended Benefits (EB) -

Extended benefits (EB) are permanently authorized under the Federal-State Extended Unemployment Compensation Act of 1970. The EB program provides individuals who have exhausted their right to regular benefits with an additional 13-20 weeks of UI benefits, if certain economic conditions are met within an eligible individual's benefit year. The cost of EB benefits is shared between the states and the federal government.²⁹

Under the EUCA, states are required to pay 13 weeks of EB benefits when their *insured unemployment rate* (IUR) for the previous 13-week period is at least 5% and is 120% of the average rates for the same 13-week period in each of the previous two years.³⁰ States may also adopt the following alternate EB triggers: (1) providing up to 13 weeks of EB benefits when the state's IUR is at least 6%; or (2) providing up to 13 weeks of EB benefits when the state's *total unemployment rate* (TUR) for the most recent 13-week period is at least 6.5% and at least 110% of the TUR rate for the same 13-week period in either of the previous two years, and providing up to an additional 7 weeks, if the TUR is at least 8% and at least 110% of the TUR in the same 13-week period in either of the two previous years.

²⁹ See, *Extended Benefits in Michigan*, Unemployment Insurance Agency, Fact Sheet No. 122, April 2009, http://www.michigan.gov/documents/uia/Extended_Benefits_in_Michigan_Fact_Sheet_122_267185_7.pdf

³⁰ See, Section 203 of the EUCA. The IUR is, essentially, the ratio of (1) the average number of UI claims in a week and (2) covered employment. The state "triggered on" for EB benefits in January 2009. The TUR is the "unemployment rate" that is commonly reported by the Bureau of Labor Statistics and the DELEG, Bureau of Labor Market Information and Strategic Initiatives.

The Recovery Act essentially made three changes to the EB program: (1) temporarily providing that EB benefits are to be financed 100% by the federal government from the date of enactment (February 17, 2009) through January 1, 2010;³¹ (2) providing that states may provide that an individual is eligible for EB benefits if the individual exhausted emergency unemployment (EUC08) during an EB period if the individual exhausted EUC08 benefits during an EB period; (3) continuing to provide, temporarily, that the federal government will fully fund the first week of EB benefits in states that do not impose a waiting week.

Earlier this session, the Legislature and the governor enacted legislation – 2009 PA 19 (SB 399) – that temporarily adopts the alternate TUR trigger while the federal government pays for 100% of the costs (through 2009), thereby enabling displaced workers to receive an additional seven weeks of EB benefits. Michigan is one of 39 states that have "triggered on" for EB benefits, as shown in the chart below. If Congress does not extend the 100% federal financing of EB benefits beyond the end of the year, claims filed in 2010 for EB benefits would be 13 weeks.

Prior to the current recession, few states triggered on for EB benefits, even in times of high unemployment, because of the relatively high threshold based on the insured unemployment rate (IUR).³² (This is a common criticism of the EB program). In 1992, Congress enacted legislation (PL 102-318) permitting states to adopt an alternate trigger based on the total unemployment rate (TUR). Few states have, because the cost of the EB program is shared between the federal government and the state. As a result Congress has established eight temporary UI benefit extensions – six of them since establishment of the EB program in 1970 – with the most recent being the EUC08 program first established in June 2008.³³ On this point, some have observed,

Indeed, states have stalled in adopting the new TUR trigger because they do not really want EB to be activated in a recession. The old IUR trigger has become ineffective and rarely activates EB, whereas the alternative TUR trigger would be more effective. States, however, naturally prefer to have the federal government step in and provide emergency extended benefits, since emergency benefits have been financed wholly by the federal government. In contrast, only half of EB payments are financed by the federal government; the other half is financed out of states UI trust fund accounts. As long as states can argue that EB is not providing adequate benefit durations, they can reasonably urge Congress to enact emergency extensions. Furthermore, as long as Congress accommodates the states with emergency extensions, the states have no incentive to switch to the alternative TUR trigger, which would be more effective but would also result in greater benefit payments from state UI trust funds.

* * *

Relying on temporary emergency extensions...is clearly suboptimal. Temporary extensions are discretionary rather than triggered automatically. It takes time for Congress to recognize the onset of a recession and to enact legislation in response, so there may be a significant lag between the onset of slack labor markets and the availability of extended benefits. Also, temporary extensions have proven politically difficult to shut down...so they are both slow to turn on and slow to turn off.³⁴

EB benefits are generally payable after an individual exhausts EUC08 benefits. P.L. 111-92 provides that claimants currently receiving benefits may, at the discretion of the state, continue to receive EB benefits, even though they are now eligible for Tier 3 and Tier 4 EUC08 benefits. Since triggering on for EB benefits in January, there have been more than 52,000 claimants, receiving \$115.2 million in extended benefits, through the end of June 2009.³⁵

³¹ EB benefits provided to displaced workers from states, local governments, and other "reimbursing" employers are not, under the EUCA or the Recovery Act, payable by the federal government.

³² Stephen A. Woodbury, "The Duration of Benefits" in *Unemployment Insurance in the United States: Analysis of Policy Issues*, Christopher O'Leary and Stephen A. Wandner (eds.), W.E. Upjohn Institute for Employment Research, Kalamazoo, Michigan, 1997. Woodbury also notes, "EB was nearly defunct by the time of the recession of the early 1990s. In fact, EB was activated in only 10 states during that recession and failed to be activated in several states where many observers felt labor market conditions were bad enough to warrant it."

³³ See, *Extending Unemployment Compensation Benefits During Recessions*, Congressional Research Service, RL 34340, December 2, 2008, available publicly at, [<http://web.mit.edu/lugao/MacData/afs/sipb.mit.edu/contrib/wikileaks-crs/wikileaks-crs-reports/RL34340.pdf>].

³⁴ See, Stephen A. Woodbury, "The Duration of Benefits" in *Unemployment Insurance in the United States: Analysis of Policy Issues*, Christopher O'Leary and Stephen A. Wandner (eds.), W.E. Upjohn Institute for Employment Research, Kalamazoo, Michigan, 1997.

³⁵ *UI Data Summary, Second Quarter 2009*, U.S. Department of Labor, Employment and Training Administration, Office of Workforce Security, [http://www.ows.doleta.gov/unemploy/content/data_stats/datasum09/DataSum_2009_2.pdf]. Additionally, there were more than 1,400 EB exhaustees.

TRIGGER NOTICE NO. 2009 - 44
STATE EXTENDED BENEFIT (E.B.) INDICATORS UNDER P.L. 102-318
Effective November 15, 2009

		INDICATORS						STATUS		
		13 Weeks Insured Unemployment Rate	Percent of Prior 2 Years	3 months S.A. T.U.R.	Percent of prior			Begin Date(B) End Date(E)		
					Year	Second Year	Available Weeks			
@		Alabama	3.57	213	10.4	200	288	20	B 03-29-2009	
@		Alaska	4.24	162	8.2	122	132	20	B 01-25-2009	
@		Arizona	4.13	255	9.1	154	245	20	B 02-22-2009	
	&	Arkansas	4.68	181	7.2	141	138		E 09-26-2009	
@		California	4.97	182	12.1	159	220	20	B 02-22-2009	
@		Colorado	3.03	279	7.4	151	189	13	B 04-12-2009	
@		Connecticut	4.55	188	8.1	137	176	20	B 02-15-2009	
@	*	Delaware	3.17	155	8.2	164	241	20	B 06-28-2009	
@		District of Col	1.61	165	11.0	152	200	20	B 04-05-2009	
@	*	Florida	3.97	191	10.9	167	259	20	B 02-22-2009	
@	*	Georgia	3.98	223	10.2	159	221	20	B 02-22-2009	
	&	Hawaii	3.46	202	7.1	169	262		E 01-24-1981	
@		Idaho	3.76	216	8.8	169	293	20	B 02-08-2009	
@		Illinois	4.35	205	10.3	153	198	20	B 03-15-2009	
@		Indiana	3.52	182	10.0	166	222	20	B 03-15-2009	
	*	&	Iowa	2.92	225	6.6	157	173	E 06-04-1983	
@		Kansas	3.49	247	7.2	163	180	13	B 07-05-2009	
@	*		Kentucky	3.43	188	11.0	164	200	20	B 02-22-2009
	&	Louisiana	3.28	241	7.5	153	202		E 02-25-2006	
@		Maine	2.65	198	8.5	157	180	20	B 03-29-2009	
	&	Maryland	3.22	190	7.2	160	200		E 07-31-1982	
@	*	Massachusetts	4.02	166	9.1	168	206	20	B 03-22-2009	
@		Michigan	5.05	170	15.2	176	214	20	B 01-25-2009	
@		Minnesota	3.27	228	7.8	144	169	13	B 03-29-2009	
	&	Mississippi	3.71	187	9.5	130	153		E 07-16-1983	
@		Missouri	3.51	196	9.4	151	180	20	B 02-22-2009	
	&	Montana	3.49	250	6.7	145	191		E 07-18-2009	
	&	Nebraska	1.97	210	5.0	151	166		E 01-24-1981	
@		Nevada	5.53	216	13.0	185	270	20	B 02-22-2009	
@	*	New Hampshire	2.70	233	7.0	184	205	13	B 08-02-2009	
@		New Jersey	4.65	158	9.6	171	223	20	B 03-15-2009	
@		New Mexico	3.33	220	7.4	172	211	13	B 09-06-2009	
@		New York	3.74	181	8.8	157	191	20	B 03-29-2009	
@		North Carolina	4.70	204	10.9	165	227	20	B 10-05-2008	
	*	&	North Dakota	1.17	225	4.2	127	135	E 06-11-1983	
@		Ohio	3.61	202	10.7	159	191	20	B 03-15-2009	
	&	Oklahoma	2.90	284	6.7	171	163		E 01-24-1981	
@		Oregon	5.60	204	11.8	181	226	20	B 12-07-2008	
@		Pennsylvania	5.30	189	8.6	156	195	20	B 02-15-2009	
#		&	Puerto Rico	6.67	166	15.6	866	138	13	B 01-25-2009
@		Rhode Island	4.13	153	12.8	156	241	20	B 07-06-2008	
@		South Carolina	4.67	183	11.6	161	210	20	B 03-08-2009	
	*	&	South Dakota	1.13	332	4.9	158	175	E 01-24-1981	
@		Tennessee	3.06	186	10.7	159	218	20	B 02-22-2009	
@		Texas	2.66	229	8.0	160	181	20	B 05-03-2009	
	*	&	Utah	2.67	290	6.1	179	217	E 06-25-1983	
@		Vermont	3.23	192	6.8	144	174	13	B 03-22-2009	
	&	Virgin Islands	3.28	189	8.1	137	188		E 08-06-1983	
@		Virginia	2.14	217	6.7	163	223	13	B 05-03-2009	
@	*		Washington	4.48	253	9.1	168	197	20	B 02-15-2009
@		West Virginia	3.65	228	8.9	211	197	20	B 06-07-2009	
@		Wisconsin	4.96	217	8.7	185	185	20	B 02-22-2009	
	*	&	Wyoming	2.61	372	6.6	200	227	E 06-13-1987	

Total Number "ON": 39

1

38

* - State does not have 6 % L.U.R. option in law

& - State does not have T.U.R. option in law

@ - State "ON" by 3-month average TUR

- State "ON" by 13-week TUR

L.U.R. reflects 13-week period ending October 31, 2009

T.U.R. reflects avg. seasonally adjusted T.U.R. for 3-month period ending September, 2009

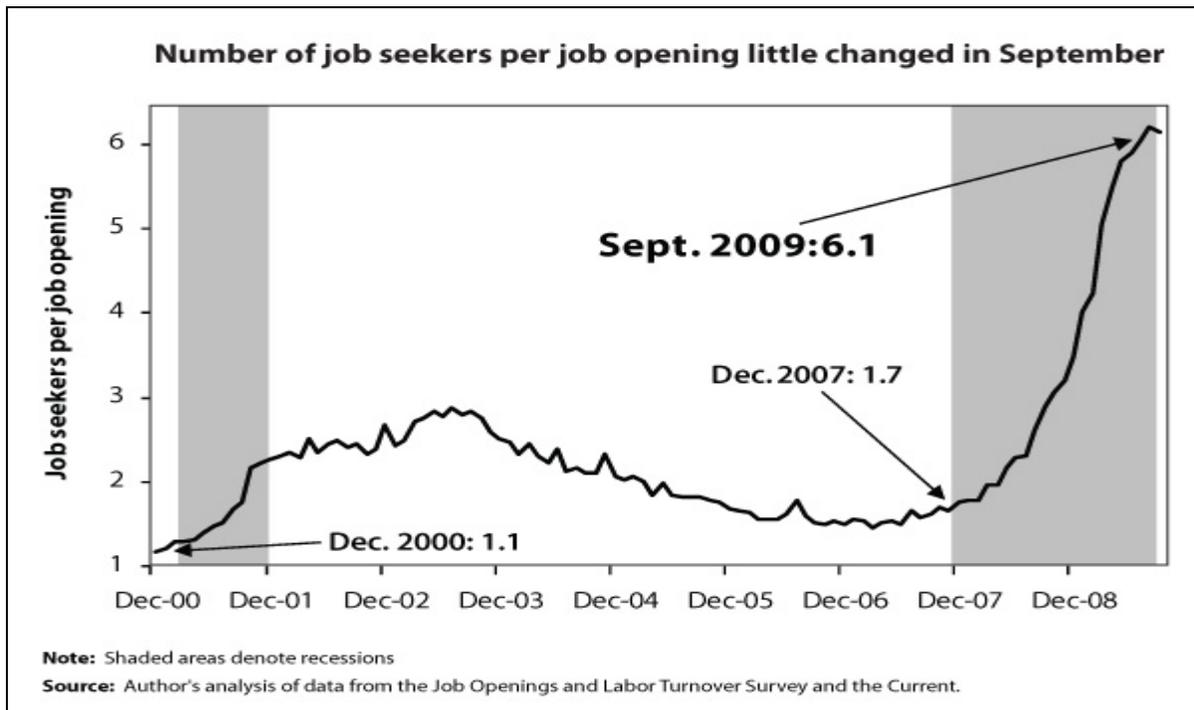
November 12, 2009

- Ratio of Job Openings to Unemployed Individuals -

In addition current unemployment rates and long-term unemployment trends, another important consideration in the discussion on the merits of extending unemployment insurance benefits are the number of job openings within the economy. Since December 2000, the U.S. Department of Labor, Bureau of Labor Statistics (BLS) has produced a monthly survey on the number of job openings and labor turnover (JOLTS).³⁶ In testimony before the U.S. House Ways and Means Subcommittee on Family Support and Income Security, Heidi Shierholz, Ph.D., of the Economic Policy Institute stated,

A primary reason workers are getting stuck in unemployment is the drastically diminished number of job openings. At the start of the recession in December 2007, there were 4.3 million job openings; in February 2009...there were 3 million, a decline of 31.4%. As the number of unemployed has continued to rise, this means that there are more and more unemployed workers for every available job opening. In February, there were over four unemployed workers for every available job, almost two and a half times the number at the start of the recession.³⁷

Based on September JOLTS figures, nationwide, there were 2.5 million available job openings.³⁸ This figured compared to a September 2009 nationwide unemployment level of 15.1 million.³⁹ This means that there were 12.7 million more unemployed workers than available job openings, and approximately 6 unemployed individuals for each available job opening [15.1 million ÷ 2.5 million]. This is an increase from the estimated 3.5 unemployed individuals per available job opening at the end of the 2008 calendar year.⁴⁰



Source: Heidi Shierholz, Ph.D., *6.1 job seekers per job opening in September*, Economic Policy Institute, November 10, 2009, [http://www.epi.org/publications/entry/6.1_job_seekers_per_job_opening_in_september/].

³⁶ For additional information on the JOLT survey see, [<http://www.bls.gov/jlt/>].

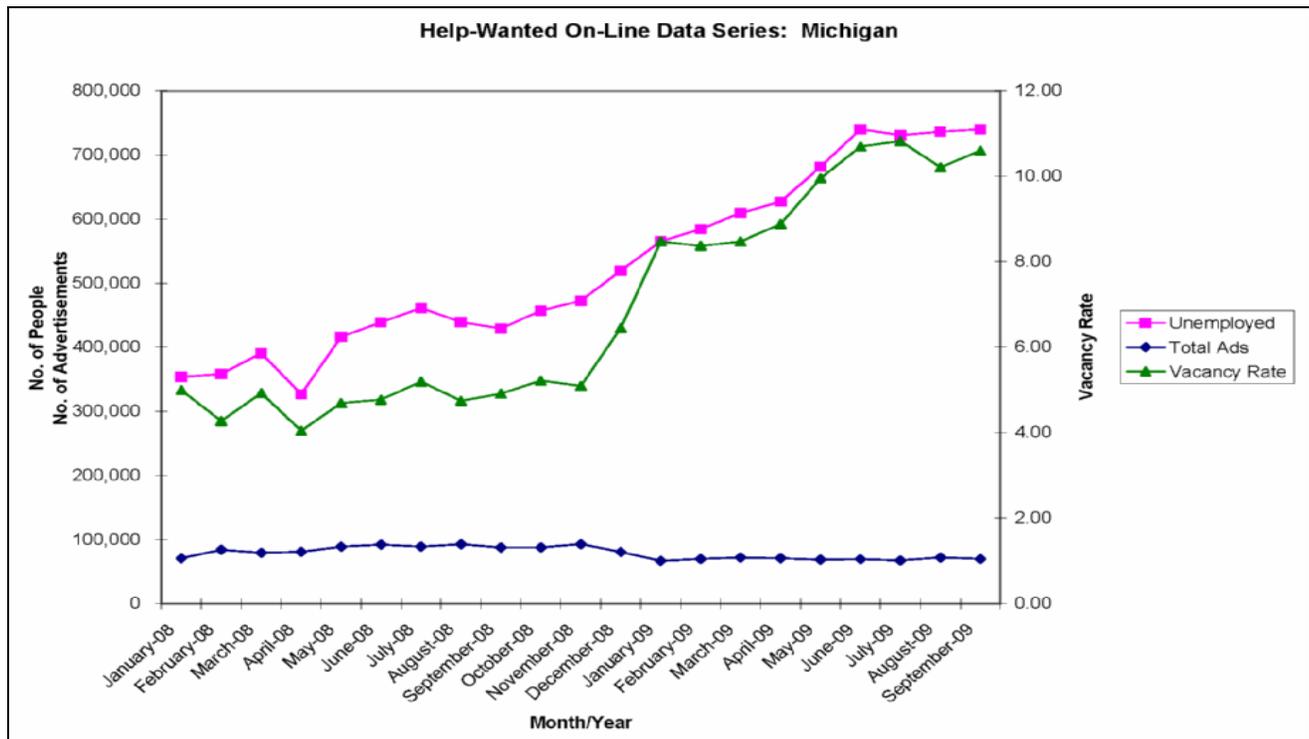
³⁷ *Implementation of the Unemployment Insurance Provisions in the Recovery Act*, hearing of the U.S. House of Representatives, Committee on Ways and Means, Subcommittee on Income Security and Family Support, April 23, 2009, Serial No. 111-15, [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_house_hearings&docid=f:50601.wais.pdf]

³⁸ *Job Openings and Labor Turnover: September 2009*, U.S. Department of Labor, Bureau of Labor Statistics, 10 November 2009, [<http://www.bls.gov/news.release/pdf/jolts.pdf>]. Survey findings are reported on a national and regional basis.

³⁹ *The Employment Situation - September 2009*, U.S. Department of Labor, Bureau of Labor Statistics, 2 October 2009, [http://www.bls.gov/news.release/archives/empst_10022009.pdf].

⁴⁰ Katherine Klemmer, "Job openings and hires decline in 2008", *Monthly Labor Review*, May 2009, Department of Labor. [<http://www.bls.gov/opub/mlr/2009/05/art2full.pdf>].

An alternate source for data on the ratio of job seekers to job openings is the Help Wanted On-Line (HWOL) Data Series, issued monthly by The Conference Board.⁴¹ The Conference Board notes the HWOL Data Series, "measures the number of new, first-time online jobs and jobs reposted from the previous month on more than 1,200 major Internet job boards and smaller job boards that serve niche markets and smaller geographic areas" and cautions that it "is not a direct measure of job vacancies. The level of ads in both print and online may change for reasons not related to overall job demand." The chart below shows the number of unemployed individuals in Michigan⁴², the number of on-line advertisements for jobs in Michigan, and ratio of those two factors since January 2008. As of September 2009, there were an estimated 10.6 unemployed individuals per job opening in the state. For the Detroit-Warren-Livonia MSA, there were an estimated 11.9 unemployed individuals per job opening, as of September 2009.



Source: The Conference Board, *Help-Wanted On-Line Data Series*, various months 2008-2009

- Work Disincentive Effects of Unemployment Benefits -

In addition to the underlying labor market conditions, another important aspect of the debate to extend UI benefits is the role UI benefits have in providing a disincentive to displaced workers to actively seek work. It is well recognized that the design of unemployment insurance systems presents certain moral hazards as "[t]he theory supporting the disincentive effect of UI is based on the premise that UI tends to prolong unemployment spells because it lowers the cost of unemployment. Unemployed workers who receive UI benefits tend to consume more leisure, to reduce the intensity (and therefore the cost) of their job search, or to be more selective in accepting a job offer than they would be in the absence of UI. All of these tendencies will generate longer unemployment spells. Increasing the two key parameters of the UI system – the amount and potential duration of benefits – would tend to exacerbate this effect."⁴³ On this point, Gary Burtless, of the Brookings Institution notes,

It is important to use caution in raising the maximum [duration of benefits], for there is abundant evidence that a long maximum will induce some workers to increase the amount of time they spend in unproductive search for a new a new job. Some workers will spend longer before accepting a new job, but their new job will not be any better than the one they would have found will less search.

⁴¹ See, [<http://www.conference-board.org/economics/helpwantedOnline.cfm>].

⁴² The Conference Board utilizes the number of "unemployed" individuals as reported monthly by the U.S. Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics program, [<http://www.bls.gov/lau/>].

⁴³ Paul T. Decker, "Work Incentives and Disincentives" in *Unemployment Insurance in the United States: Analysis of Policy Issues*, Christopher J. O'Leary and Stephen A. Wandner (ed.), Upjohn Institute, Kalamazoo, Michigan, 1997. Decker notes that "[s]tudies have generally shown that, as predicted, increases in the potential duration of benefits lengthen unemployment spells, although the magnitude of the impact is not clear."

* * *

While this kind of insurance [against the temporary loss of wages] is an essential component of overall income protection, we should also recognize that it creates adverse incentives for recipients. Since the UI payment replaces a percentage of the earnings workers lose as a result of unemployment, it reduces the pressure on them to accept another job. This is advantageous both to the workers and the wider economy when it improves a worker's capacity to reject bad job offers and fine better ones. By improving the quality of matches between workers and job openings, UI improve the average productivity of the workforce. This function of UI is especially important for workers with extensive skills and experience, for this expertise would go to waste if these workers accepted jobs where their skills have little use. UI also creates important incentive problems. It allows workers to postpone serious search for a new job, and it encourages some of the unemployed to reject good job offers even when they are unlikely to obtain better ones. In these cases, taxpayers are obliged to finance additional UI payments to subsidize jobless workers who are not productively engaged in finding a new job.⁴⁴

Burtless had similar comments in his testimony before the U.S. Senate Finance Committee on September 15, 2009. However, he also notes, "[w]hen weighing the welfare costs of these adverse effects, however, we should take into account the substantial welfare value of the income protection provided by UI....By providing longer duration benefits in a recession, benefit expansions like the EUC and EB programs can worsen the adverse incentives that are already built into unemployment insurance. How big [of] a concern should this be? Given the current trend in unemployment and job creation, I do not think it is a major concern...When unemployment is extremely high and the number of job seekers greatly exceeds the number of job openings I am not terribly concerned about the adverse incentives created by extensions in unemployment benefits. The significance of the adverse effects is small in comparison with the importance of maintaining or increasing consumer spending."⁴⁵

Researchers from the Heritage Foundation have noted, "[u]nemployment benefits reduce the incentive and pressure to find a new job by making it less costly to remain without work. Consequently workers with UI benefits look for new jobs less rigorously than do workers without them. The typical unemployed worker spends about 32 minutes a day looking for a new job. Workers eligible for UI benefits spend about 20 minutes a day looking during their 15th week of unemployment. They look much harder when their benefits are about to end, spending more than 70 minutes a day job hunting in the 26th week of unemployment. Since workers with unemployment benefits search less rigorously for work until their benefits are about to expire, it typically takes them longer to find new jobs. Labor economists estimate that extending the potential duration of unemployment benefits by 13 weeks increases the average amount of time workers on UI remain unemployed by two weeks."⁴⁶

⁴⁴ Gary Burtless, *Trends in the Structure of the Labor Market and Unemployment: Implications for U.S. Unemployment Insurance*, submitted by IMPAQ International, the U.S. Department of Labor, Employment and Training Administration, ETAOP 2009-9, September 2008, [http://wdr.doleta.gov/research/FullText_Documents/Trends%20in%20the%20Structure%20of%20the%20Labor%20Market%20and%20Unemployment%20-%20Implications%20for%20U.S.%20Unemployment%20Insurance.pdf].

⁴⁵ Gary Burtless, *Unemployment Insurance for the Great Recession*, testimony before the U.S. Senate Committee on Finance, September 15, 2009, [<http://finance.senate.gov/hearings/testimony/2009test/091509gbtest.pdf>].

⁴⁶ Karen Campbell, Ph.D. *The Economics of Extending Unemployment Benefits*, testimony before the U.S. Senate Finance Committee, September 15, 2009, [<http://finance.senate.gov/hearings/testimony/2009test/091509kctest.pdf>]. Studies cited in the above quote include, Alan B. Krueger and Andreas Mueller, *Job Search and Unemployment Insurance: New Evidence from Time Use Data*, August 2008, [http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1261452#] and Lawrence Katz and Bruce Meyer, *The Impact of the Potential Duration of Unemployment Benefits on the Duration of Unemployment*, *Journal of Public Economics*, Vol. 41, No. 1 (1990). See, also, James Sherk and Karen Campbell, Ph.D., *Extended Unemployment Insurance – No Economic Stimulus*, Heritage Foundation, Center for Data Analysis, CDA08-13, November 18, 2008, [http://www.heritage.org/Research/Economy/upload/cda_08-13.pdf].

NEW Emergency Unemployment Compensation (EUC) Extensions November 2009 (Revised 11/16/09)

Two new EUC extensions were passed by Congress and signed by the President on Friday, November 6, 2009. In summary, the new law:

- Adds **up to 1 additional week** to EUC Tier II (total of 14 weeks);
- Creates an EUC Tier III for an **additional up to 13 weeks** of benefits; and
- Creates an EUC Tier IV for high unemployment states, such as Michigan, for an **additional up to 6 weeks**.

Who is Eligible, How Will They Be Notified, and What Needs To Be Done?

- Those who exhaust their Extended Benefits (EB) in 2009 may qualify.
- 70,000-80,000 unemployed workers who have exhausted all unemployment benefits may qualify.
- Payments will be made retroactive to the new EUC extension's effective date of November 8, 2009.
- **If you have exhausted all benefits:**
 - UIA will begin mailing informational letters, complete with instructions and redeterminations, on or about Wednesday, November 18, 2009.
 - Begin contacting MARVIN (telephone or online) during the week of November 23rd (Thanksgiving week) to claim the up to 1 additional week from Tier II.
 - Contact MARVIN during the week of December 6, 2009, to certify for three weeks of Tier III (the up to 13 weeks tier).
- **If you are currently collecting state unemployment, EUC Tier I, Tier II, or Extended Benefits (EB):**
 - Continue to report using MARVIN.
 - UIA will mail redeterminations to those on Tier II and EB, by November 21st, 2009.

Important Notes:

- **EUC Tiers I–IV have expiration dates.** As of now, all EUC benefits (Tiers I-IV) are due to expire 12-31-2009. **If you are already collecting EUC benefits that week, you may continue collecting the weeks for which you are entitled.** You will be unable to begin the next EUC tier after that week – the week of expiration. Note that the popular media is reporting the possibility that Congress may extend the expiration dates yet this year. You may apply for EB, if the EB extension program is still available.

Current Unemployment Programs:

- **State regular unemployment** provides up to 26 weeks of benefits, based on a worker's earnings prior to becoming unemployed.
- **EUC Tier I** began in July 2008 and provides an unemployed worker with up to 20 weeks of federally funded unemployment benefits, once they exhaust their state benefits. EUC Tier I = 80% of a person's state unemployment benefits, up to 20 weeks.

- **EUC Tier II** began in November 2008 and provides up to 13 weeks of federally funded benefits after a person exhausts EUC Tier I. Tier II = 50% of a person's state unemployment benefits, up to 13 weeks. Effective November 8, 2009, Tier II now provides for up to 54% of a person's state unemployment benefits, *up to 14 weeks*. Benefit payments for EUC Tier II will range from \$48 to one full week of \$387.
- **EUC Tier III** is effective November 8, 2009 and provides up to 13 weeks of federally funded EUC benefits after a person exhausts EUC Tier II. Tier III = 50% of a person's state unemployment benefits, up to 13 weeks.
- **EUC Tier IV** is also effective November 8, 2009 and provides up to 6 weeks of federally funded EUC benefits after a person exhausts Tier III. Tier IV = 24% of a person's state unemployment benefits, up to 6 weeks. Tier IV is payable in Michigan because Michigan is a high unemployment state.
- **Extended Benefits (EB)** began in January 2009 and provides up to 20 weeks of federally funded benefits after a person exhausts EUC Tier III. EB = 80% of a person's state unemployment benefits, up to 20 weeks. Absent Congressional action, the 20 week EB program will be reduced to 13 weeks for *new EB claims established in 2010*.

UIA will update information about the EUC and EB extensions on this website.



Updated November 9, 2009

Questions & Answers

About Benefit Extensions under H.R. 3548, the Worker, Homeownership, and Business Assistance Act of 2009

Introduction

After weeks of delays, the Senate passed a substitute for HR 3548 (Unemployment Compensation Extension Act of 2009). The House of Representatives then passed this bill on November 5th and the President signed it into law on Friday, November 6, 2009. These Questions & Answers are based upon the final law which is known as the Worker, Homeownership, and Business Assistance Act of 2009.

Based upon our reading of the new law, we are passing along our best understanding of how the extensions will work under this law in combination with existing benefit extensions. We will update as new guidance is available or new questions come to our attention.

–PLEASE NOTE–

Given the huge volume of extension claims, calling or emailing state unemployment agencies and local workforce agencies will only make it more difficult for state agencies to focus on implementing the new extension and will slow down the process of paying benefits to those who have already exhausted their unemployment benefits. All state agencies will advise jobless workers, including workers who have already exhausted benefits, when and how to apply for these extensions.

Unless you have moved and haven't provided your new address to the state, it shouldn't be necessary to contact the state UI agency unless you do not hear from them by mail in the next two to three weeks. Check your state agency website or your local media for updated information. We expect putting this law into effect to take at least a few weeks in all states, and longer in some states.

You can post comments about extension implementation in your state on www.unemployedworkers.org.

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1. Question: What are the basics of the latest extension bill?

Answer: This law helps those jobless workers who have already exhausted all of their federally funded benefits and those running out of benefits in the coming weeks. This latest extension law pays up to 14 added weeks of benefits on top of whatever benefits a jobless worker is or was already entitled to under existing law. In those states with higher unemployment rates (over 8.5 percent), up to another 6 weeks will be paid under the November extension law. This means that a total of 20 added weeks will be paid in 29 states, including the District of Columbia and Puerto Rico, with higher unemployment levels. As a result of the November extension bill, those individuals who have exhausted benefits and those who exhaust benefits in the future will get these longer extensions (although, as noted below, Congress now must take further action to determine how long these extensions will remain in effect for jobless workers running out of benefits in the coming weeks).

2. Question: Will workers who have already exhausted all benefits get these new extension benefits?

Answer: Yes. The November law will pay extensions benefits only for weeks of unemployment happening after its effective date. No “back pay” or “retroactive” benefits will be paid under the November extensions law. The law will be effective the week after it is signed, meaning the week beginning November 8 (week of November 7 in New York) is the first week for which new extension benefits are payable under the law. We expect the fastest states will take at least 3 weeks before they can accept claims under the November extension, and many will take longer.

All states will advise those who have exhausted benefits of how and when to start filing claims for extensions under the latest law. If you have moved since you last filed for benefits, you should file a change of address with your agency, but if you have not moved there is nothing you can or should do until you are notified by your state UI agency. Monitor media reports and agency websites for updates on when your state UI agency is ready to pay extensions under the latest law.

3. Which states will pay 14 weeks and which states will pay 20 weeks of added extension benefits?

Answer: As of this week, 29 states have three-month total unemployment rates averaging over 8.5 percent and will pay up to an additional 20 weeks of Emergency Unemployment Compensation (EUC). Remaining states will pay up to 14 more weeks of EUC under the November extensions. As unemployment rates rise or fall in states, some states may change from a 14 week state to a 20 week state, or vice versa. The U.S. Department of Labor recalculates the unemployment triggers on a weekly basis. Please note that there are 53 UI jurisdictions (the 50 states plus DC, PR, VI) in all.

Here is a NELP table that lists state-by-state information on total extensions available under current law when combined with the November extensions law:

<http://www.nelp.org/page/-/UI/federal.extensions.by.state.pdf?nocdn=1>]In addition, see Answer to Question 6 below about which states pay which extensions.

4. Question: What should jobless workers do to get extensions under this law?

Answer: Most states will not require new applications and will just instruct workers about how to restart filing weekly certifications. Before doing so, state agencies have to reprogram their computers to take claims under the latest law. Depending upon the state, this will take from a few weeks to several weeks. States will advise jobless workers by mailing notices, posting information on their websites, and advising the media of when they are ready to take claims for benefit extensions under the latest law.. Check state agency websites or watch for information in the media, or check with www.unemployedworkers.org.

5. Question: What is going to happen to jobless workers that have only started their extensions and have not yet exhausted benefits?

Answer: Congress must extend the Emergency Unemployment Compensation program prior to the end of 2009 to ensure that all jobless workers can be paid the additional weeks of EUC now provided under the November 2009 extensions. Under current laws, including the latest extension, a maximum of 73 extension weeks are payable in high unemployment states. Lower unemployment levels and different Extended Benefits trigger options mean that some states have as few as 34 extension weeks available. This table shows the total weeks of extensions available in each state: <http://www.nelp.org/page/-/UI/federal.extensions.by.state.pdf?nocdn=1>.

At the same time as these weeks of extensions are potentially payable, the existing Emergency Unemployment Compensation (EUC) program is only fully in place until the end of calendar year 2009 under current law. EUC starts phasing out on December 27, 2009, with final EUC payments taking place the week of May 31, 2010 under existing law. Generally, this means that after December 26th, claimants cannot qualify for a new tier of EUC beyond whatever tier they are collecting under at that time.

For this reason, EUC must be reauthorized by Congress before the end of 2009 or jobless workers running out of benefits in late 2009 and 2010 will not receive the total number of weeks of extensions in 2010 now offered under the latest extension bill. NELP and its allies will post updates on this effort soon.

6. Question: What is the typical sequence of benefits now available to long term jobless workers?

Answer: All workers get regular state unemployment insurance benefits for up to 26 weeks. (Workers not qualifying for a full 26 weeks of regular benefits get a proportionately

shorter period of EUC benefits.) Generally, workers then draw Emergency Unemployment Compensation followed by Extended Benefits, where available. There are several “tiers” of Emergency Unemployment Compensation (EUC) extensions available depending upon state unemployment levels. Extended Benefits are not available in all states. Here is a detailed explanation of how extensions work under current law, including the newly enacted law.

Emergency Unemployment Compensation (EUC) Tiers I and II

Prior to the November extensions, there were two levels of EUC that have been called “tiers.” EUC Tier I (one) paid up to 20 weeks of EUC in all states. EUC Tier II (two) next paid up to 13 additional weeks of EUC in states with high unemployment (defined as 6.0 percent average 3-month total unemployment or more). Tier I remains the same. Now, Tier II is available in all states and provides up to 14 weeks of EUC. As a result, low unemployment states previously paying only 20 weeks of Tier I EUC will now also pay Tier II benefits and furnish up to 14 additional weeks of EUC to those who have already exhausted Tier I and those exhausting Tier I in the future. Only 3 states (NE, ND, and SD) will fall into this low unemployment category at current unemployment levels.

Emergency Unemployment Compensation (EUC) Tier III

Under the November extensions, EUC will have a new Tier III (three) of up to 13 added weeks of EUC in states with high unemployment (defined as 6.0 percent average 3-month total unemployment or more—the same as was previously used for Tier II).

Twenty-one (21) states with three-month average total unemployment rates currently at or above 6.0 percent but below 8.5 percent will pay Tiers I, II, and III EUC under the November extensions. Currently, they are AK,AR,CO,CT,DE,HI,IA,KS, LA,MD,MN,MT,NH,NM,OK,TX, UT,VT,VA,VI, and WY.

Emergency Unemployment Compensation (EUC) Tier IV

The November extension adds EUC Tier IV (four) that will pay up to another 6 weeks of EUC in states with unemployment rates at or above 8.5 percent 3-month average total unemployment. Twenty-nine states will pay Tier IV benefits using unemployment levels as of the first week of November 2009. Currently, they are AL, AZ, CA, DC, FL, GA, ID, IL, IN, KY, ME, MA, MI, MS, MO, NV, NJ, NY, NC, OH, OR, PA, PR, RI, SC, TN, WA, WV, and WI. Tier IV EUC makes a total of 20 weeks of added EUC available.

Again, if unemployment rates rise or falls different EUC tiers will become available in states.

Extended Benefits (EB)

Finally, a separate program, called the Extended Benefits (EB) program is currently triggered on in 39 states. EB pays up to either 13 or 20 additional weeks of benefits, depending upon which EB triggers are part of each state’s UI law and each state’s unemployment level. As of the first week of November, 30 states paid 20 weeks of EB (AL,AK,AZ,CA,DE,DC,FL,GA, ID,IL,IN,KY,ME,MA, MI,MN,MO,NV,NJ,NY,NC,OH,OR,PA,RI,SC,TN,WA,WV,and WI). Nine states were providing 13 weeks of EB (CO,CT,KS,NH,NM,PR,TX,VT, and VA). Note: CT will move into the 20-week category effective with week beginning November 8, 2009.

In completing our NELP table listing available weeks of extensions, we have included weeks of EB as well as weeks of EUC. Again, the number of weeks paid under EB in a state can change, or states might even stop paying EB if unemployment rates fall.

7. Question: How will states combine existing extensions with new options under the November extension law?

Answer: The November extensions law gives states options about continuing to pay EB before paying newly available EUC benefits under the November extensions. Depending upon the ability of states to implement new EUC options under the new law, states may vary the timing and sequencing of EUC and EB benefits. Also, as noted above, the EUC program is only fully in place through the end of 2009.

So, while under current law, jobless workers remaining unemployed would draw regular state UI benefits, EUC Tier I, EUC Tier II, and then EB, this sequence of extensions may now be altered under options offered to states by the November extension law. These options are not furnished to workers and whatever options are selected will apply to all workers in a state. Each state is going to have to examine its options in order to assist the greatest number of jobless workers and reduce disruptions in payments of extensions.

For jobless workers, the major distinction between EUC and EB is the existence of strict job search rules for EB benefits that require keeping a record of job contacts and furnishing that record to state UI agencies. All states have a required number of weekly job contacts for EB benefits. The best course for jobless workers that have started drawing EB is to continue recording job weekly search efforts and reporting those efforts to state agencies unless and until clearly instructed to stop doing so by a state UI agency because the worker has been shifted back to EUC benefits.

In most cases, EUC and EB benefits will be the same dollar amounts. The only important distinction is the work search requirements of EB. When on EB, workers must comply with job search requirements, document their efforts, and provide that record to state UI agencies when instructed to do so. Keep those records for future reference as well.

8. Question: I am currently collecting under my state's Extended Benefits (EB) program. Will my state switch me over to the EUC Tier 3 program or will I continue collecting EB?

Answer: While this decision is made by each state, the new law permits states to continue paying EB to claimants who have filed for at least one week of EB prior to November 8, 2009. This provision of the law was intended to help states insure continuity of benefits to claimants who have already established entitlement under the EB program.

9. Question: I am currently collecting EUC Tier 2 benefits which I will exhaust in two weeks. Under what program would I next file for benefits?

Answer: Under the new law, states only have the option of paying EB prior to paying benefits under the EUC Tier 3 program when the claimant has filed for at least one week of EB prior to the effective date of the new law. This means that if you are exhausting EUC Tier 2 benefits with the week beginning November 8, 2009 or later, you will be required to file next for benefits under the EUC Tier 3 program.

Rules of the Road for UI Claims

1. Read any instructions provided to you by state unemployment agency. Read any information on state agency websites. Learn these rules to avoid hang ups and problems with your claim. You are primarily responsible for your claim and you are not likely to get much help from others.
2. Keep any notices or documents sent to you by a state agency regarding your claim.
3. Keep a copy of anything you send to the agency, and keep notes about when you filed claims or took other actions online or by telephone. Keep these notes.
4. File an appeal from any unfavorable decision. Know appeal time limits and meet them.
5. You need not “write a novel” when appealing. Include your name, claim number or Social Security number, and state that you want to appeal and why you disagree with the decision you are appealing. Keep filing weekly or bi-weekly claims while you are appealing so you can get paid if you win your appeal.
6. File claims by Internet when possible. File later in the day and later in the week to avoid delays, busy signals, and hangups.
7. Comply with job search requirements, especially when drawing Extended Benefits, and document work search and provide records to state UI agencies when instructed.

10. Question: If I am unemployed as of the week ending December 26, 2009, I will still be collecting benefits under the EUC Tier 2 program. Does that mean I will not qualify for EUC Tier 3 or Tier 4 benefits?

Answer: Under current law, you can continue filing for the balance of your EUC Tier 2 entitlement if you are still collecting under Tier 2 as of the week ending December 26th. You can only proceed to EUC Tier 3 if you have exhausted EUC Tier 2 prior to December 31st. (Note: Claimants collecting EB as of the end of the year will generally be able to proceed to EUC Tier 3 after exhausting EB because they have already exhausted EUC Tier 2). In order for all claimants to have full access to benefits under the full range of federal extensions currently in place, Congress needs to reauthorize the entire EUC program before the expiration of the authorizing federal law in December.

11. Question: What if I have had a job since I exhausted my benefits?

Answer: If you have had any sort of employment since you exhausted your benefits but are now either fully or partially unemployed, you will be required to report that employment to the state UI agency as part of the process of reopening your EUC claim. If you separated from that employment, you will be required to report the reason for separation as well. If you voluntarily left that job or were discharged for a non-economic reason. The state UI agency will need to adjudicate whether or not that reason is disqualifying under state UI law.

Finally, as with all federal extension programs, states are required to determine whether you have had enough recent earnings to re-qualify for a new state UI benefit year before you can establish entitlement to EUC Tier 3 benefits.