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Unemployment Insurance

Upjohn Institute Working Paper 14-208

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ABSTRACT

Unemployment insurance (UI) provides temporary income support to workers who have lost their jobs and are seeking reemployment. This paper reviews the origins of the federal-state UI system in the United States and outlines its principles and goals. It also describes the conditions for benefit eligibility, the benefits themselves, and their financing through the UI payroll tax. The UI system is complex and includes many interested parties, including employers, worker advocates, state UI administrators, and the federal government. These parties' differing views have led to controversies over benefit eligibility, adequacy, and whether the states or federal government should bear primary responsibility for UI. The Great Recession caused most states' UI trust funds to become insolvent and has led to renewed debate over the structure and financing of the system.

JEL Classification Codes: H1, H2, J65

Key Words: Social insurance, unemployment, unemployment insurance, income support, federal-state relations, trust funds, trust fund insolvency, benefit adequacy, benefit eligibility, payroll tax

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INTRODUCTION

Unemployment insurance (UI) is a social insurance program intended to provide temporary income support to workers who have lost their jobs through no fault of their own and are seeking reemployment. Its clearest purposes are to reduce the hardship of unemployment by smoothing consumption, and to help stabilize the economy during downturns by maintaining demand for goods and services. UI is not means-tested, so it is not intrinsically an anti-poverty program, although it does assist households to remain above the poverty threshold.

The next section recounts the origins of UI in the United States and outlines the principles and goals of the system. The following section describes how UI works in the United States, discussing in turn eligibility, the structure of benefits, and how the system is financed. The discussion then turns to the political economy of UI, including discussions of the system's stakeholders and federal-state relations. This is followed by a review of current and recurring controversies over the system's effectiveness as an anti-poverty program, trust fund solvency, eligibility, and benefit adequacy. The paper concludes with a brief review of the problems facing UI and speculation about its future.

HISTORICAL BACKGROUND AND GOALS

UI is unique among American social programs: each of the 50 states (plus the District of Columbia, Puerto Rico, and the Virgin Islands) finances and administers its own program, but does so under federal guidelines and oversight. Accordingly, UI differs from other social insurance programs like Social Security, which is national, and Workers' Compensation, which has individual state programs with no federal involvement (Blaustein 1993).

Several considerations appear to have led to this unusual federal-state arrangement (Rubin 1983; West and Hildebrand 1997). Although progressive reformers had for decades pushed states to enact UI, by 1935 only Wisconsin had done so (in 1932), and it appeared that federal involvement was needed to overcome states' reluctance to adopt UI. But when the Social Security Act (SSA) was drafted in 1935, no federal social program existed, and Congress was reluctant to enact a large, complex, and untested national program. Moreover, the novelty of such a program led many in Congress to believe that a national UI program would not survive a constitutional challenge. For these reasons, President Roosevelt stated a preference for "a maximum of cooperation between States and the Federal government" (Blaustein 1993, 133).

The solution, which has been attributed to Supreme Court Justice Louis D. Brandeis, was to create financial incentives under the SSA for each state to conduct its own UI system; specifically, to levy a federal payroll tax under the Federal Unemployment Tax Act (FUTA) on virtually all employers, then forgive or credit most of that tax for employers in states operating a UI program meeting federal requirements (Blaustein 1993). The most important requirements were and are quite general: administer a UI program using "methods of administration ... reasonably calculated to insure full payment of unemployment compensation when due" [42

U.S.C. § 503(a)(1)] and raise revenues for that program through an experience rated payroll tax levied on (at least) the federal tax base, with a maximum tax rate no lower than 5.4 percent. Payroll tax revenues must be deposited in a Trust Fund held by the U.S. Treasury and may be used only to pay UI benefits (Rubin 1983; Hildebrand 1995–1996), but otherwise the states have much freedom in setting benefits and specific tax provisions.¹ As will be seen, this freedom has led to marked differences among the states in program eligibility, benefit generosity, and program solvency.

Under the SSA, the federal government provides the funds to administer each state’s UI program, conditional on the “methods of administration” requirement to meet basic quality standards such as timely payment and procedures to adjudicate appeals. Control over administrative funding gives the federal government added leverage over state UI programs, and as Rubin (1990, 213) notes, “has guaranteed continual conflict between the two parties.” As will become clear, both federal-state relations and debate over the merits of the federal-state system (versus a nationalized one) have been recurring themes in UI.

Although UI is rife with controversy over specific provisions (see below), the principles and goals of the system are uncontested. Blaustein’s (1993, chapter 2) review of existing statements of UI principles is comprehensive through 1993, and subsequent discussions (ACUC 1995; Blaustein, O’Leary, and Wandner 1997) mainly reiterate and elaborate on the earlier ones. A 1955 statement of “Major Objectives of Federal Policy with Respect to the Federal-State Employment Security Program” by the U.S. Department of Labor (USDOL) is close to definitive (quoted in Blaustein 1993, 47):

¹ Lesser requirements have been added over the years, pertaining for example to ensuring payment of interstate claims, covering state and local governments, paying extended benefits, short-time compensation (or work sharing UI), and profiling workers into job search assistance.

Unemployment insurance is a program—established under Federal and State law—for income maintenance during periods of involuntary unemployment due to lack of work, which provides partial compensation for wage loss as a matter of right, with dignity and dispatch, to eligible individuals. It helps to maintain purchasing power and to stabilize the economy. It helps to prevent the dispersal of the employers’ trained work force, the sacrifice of skills, and the breakdown of labor standards during temporary unemployment.

Two purposes of UI are clear in this statement, which Blaustein notes is “the last official federal expression of the program’s overall objectives”: first, to partially compensate for lost earnings and to smooth consumption during periods of involuntary unemployment; second, to help stabilize aggregate economic output. Blaustein and others have interpreted the last sentence as encompassing two additional goals: to prevent unemployment (through an experience-rated payroll tax, which creates a disincentive to lay off workers); and to facilitate reemployment (through the work search test and public employment services). The absence in the postwar years of any recorded or published debate over these principles suggests they are widely accepted.

Lack of debate about the goals of UI is due largely to the growing understanding that UI fills a gap created by a missing market. That is, although insurance improves the well-being of risk-averse individuals (Burtless 1990), adverse selection is likely to impede a private market for UI from materializing. Also, Chetty (2008) has emphasized that liquidity-constrained workers may lack the means to buy insurance even if it would make them better off, and the behavioral economics literature (e.g., Paserman 2008) has shown that individuals may behave in ways that contradict expected utility theory; for example, placing too much weight on outcomes they consider certain (like employment) and too little on risky outcomes (like unemployment). Government-mandated universal coverage with government provision has been the most

common solution to adverse selection in UI, although Feldstein (2005) has emphasized that government provision is not the only possible solution.

Although a better understanding of asymmetric information and related reasons for market failure have largely eliminated resistance to UI as an institution, controversy persists over many aspects of the system, as discussed below.

HOW UNEMPLOYMENT INSURANCE WORKS

UI can be thought of as a three-tiered system (Woodbury and Rubin 1997). Tier 1 is the “regular” system conducted by each state. It is always in effect, financed by payroll taxes collected from employers in the state, and in most states provides up to 26 weeks of benefits. Tier 2 is the “standby” Extended Benefits (EB) program, a federal-state program that is intended to activate automatically in a recession and lengthen the duration of benefits by 13 weeks (or 20 weeks by state option). Tier 3 is the succession of federal “emergency” benefit extensions that Congress has passed in every recession since 1958.

To be eligible for UI under any of these three tiers, an unemployed worker must file a claim and meet two broad sets of criteria: monetary eligibility criteria, which pertain to the worker’s earnings history (ACUC 1995, chapter 7; Nicholson 1997); and non-monetary eligibility criteria, which pertain to the conditions that led the claimant to become unemployed and whether the claimant is looking for work (ACUC 1995, chapter 8; Anderson 1997).

Monetary Eligibility

States differ markedly in their specific requirements, but all examine earnings or hours worked in a *base period*, usually defined as the first four of the five quarters completed before a claim is filed. Most states require that earnings exceed two thresholds: one in the “high quarter” (the quarter of the base period in which earnings were highest) and another for the entire base period (USDOL 2012, chapter 3). For example, in 2012, to be eligible for benefits in Arizona and Missouri (two states with high-quarter and base period earnings requirements near the median), a claimant needed high-quarter earnings of at least \$1,500 and total base-period earnings at least 1.5 times high-quarter earnings (or at least \$2,250 for a worker with high-quarter earnings of

\$1,500).² This dual threshold is an attempt to ensure that UI recipients have more than a sporadic attachment to the labor force.

For workers who meet the monetary criteria, the state determines the *weekly benefit amount* and *maximum payable benefits* (effectively, the potential duration of benefits) for the year following the UI claim—the *benefit year*. Most states calculate the weekly benefit amount as some fraction of high-quarter earnings, up to a maximum.³ For example, in New York (another state near the median) the weekly benefit amount is 1/26 of high-quarter earnings up to a maximum of \$405. States set the multiple of high-quarter earnings (1/26 for New York) so the weekly benefit amount replaces about one-half of average weekly earnings in the high quarter (a quarter has 13 weeks, so dividing high-quarter earnings by 1/26 yields a 50 percent replacement rate).

The weekly benefit formula has two implications for benefit adequacy (ACUC 1995, chapter 9). For seasonal workers (or any worker whose earnings are concentrated in one quarter of the base period), the weekly UI replacement rate—*relative to average base period earnings*—exceeds 50 percent because their high-quarter earnings are atypically high. (In contrast, for a stably employed worker, high-quarter earnings would be typical.) Also, for most workers who receive the maximum weekly benefit amount, the weekly UI replacement rate is *less* than 50 percent. For example, all New York recipients with high-quarter earnings greater than \$10,530 receive the same maximum weekly benefit amount—\$405. Accordingly, the benefit formula is designed to compensate low earners more adequately than high earners.

² In 2012, the minimum base period earnings needed to qualify ranged from less than \$1,000 in five states (Connecticut, Delaware, Hawaii, Maryland, and Nevada) to more than \$4,000 in six (Indiana, Maine, Michigan, North Carolina, Ohio, and South Carolina).

³ Throughout, specifics on state provisions come from USDOL (2012).

In 2012, the maximum weekly benefit was below \$300 in six states (Alabama, Arizona, Florida, Louisiana, Mississippi, and Tennessee). It was above \$500 in six others (Connecticut, Hawaii, Massachusetts, New Jersey, North Carolina, and Rhode Island). All but 17 states automatically adjust the maximum to be a percentage—usually between 50 and 67 percent—of the state’s average weekly earnings in UI-covered employment. The maximum is higher on average by \$115 in these states. Five of the ten largest states (California, Florida, Georgia, Michigan, and New York) do *not* tie the maximum to state average earnings, and in all of these except California, the maximum is near or below the national median of \$400.

In eleven “uniform duration” states (Illinois and New York alone among the ten largest), all eligible claimants may receive up to 26 weeks of benefits (that is, maximum payable benefits are 26 times the weekly benefit amount for all recipients). In all other states, potential benefit duration varies with base period earnings. Most of these “variable duration” states set maximum payable benefits so workers whose earnings are more stable have longer potential duration (Woodbury and Rubin 1997).

Non-monetary Eligibility

A claimant must also meet two sets of *non-monetary eligibility* criteria (USDOL 2012, chapter 5). The *separation criteria* require a worker to have lost a job due to lack of work and through no fault of his or her own; that is, separation was initiated by or due to an employer’s action. In principle, this implies that any worker who voluntarily quits or is discharged for misconduct will be ineligible for UI. In practice, the separation criteria are somewhat less harsh. For example, all states provide for a worker who quits a job for “good cause” not to be disqualified, although states vary greatly in how they define “good cause.” Most consider work-related issues—unsafe

or unhealthy working conditions, a change in hours or pay, or being required to perform tasks different from those the worker was hired to perform—to be good causes.

In addition, most states have provisions that prevent a worker who quits for specified personal reasons from being disqualified. In the ten largest states—California, Texas, New York, Florida, Illinois, Pennsylvania, Ohio, Michigan, Georgia, and North Carolina—workers are not disqualified if they quit due to an illness that is not work related, or move with a spouse whose place of work has changed. In seven of these states, the same is true if a worker quits to care for an immediate family member who is ill or disabled (Florida, Michigan, and Georgia are the exceptions). Regarding discharge for misconduct, an employer may find it difficult to substantiate a charge of misconduct if the claimant disputes the denial of benefits through the appeals process. When a voluntary quit or discharge for misconduct does disqualify a claimant, most states (including all of the ten largest) postpone benefits for between four weeks (Illinois) and 17 weeks (Florida and Michigan).

The second set of non-monetary eligibility criteria require a worker to be able, available, and seeking work—the *non-separation* criteria (ACUC 1995, chapter 8). A worker who is ill or disabled, traveling or out of the area on vacation, or lacking means to get to and from work is generally considered unable or unavailable to work. Also, most states disqualify workers who are available only for part-time work or enrolled in school or a training program (unless approved by the public employment agency). These latter two restrictions have been controversial and are discussed further below.

By law, the requirement that workers actively seek work—the *work search test*—is administered by the Employment Service; however, the requirement is handled differently in

each state, and little data exist on the procedures used or the stringency with which the requirement is enforced (O’Leary 2006). In general, the work search test is applied through requirements that claimants register with the Employment Service and not refuse *suitable work* when referred to a job (Anderson 1997). Through its UI law, administrative regulations, or practice, each state defines suitable work based on considerations like a worker’s prior training, experience, and earnings, as well as the claimant’s duration of unemployment and distance between the claimant’s residence and the job. If a claimant does refuse suitable work, fifteen states (including California, Florida, and Michigan among the ten largest) postpone benefits for a specified number of weeks (between two and 21), and all others require the claimant to earn five to ten times the weekly benefit amount to re-qualify. In addition, ten states (only Michigan among the ten largest) reduce benefits payable, usually by the number of weeks of the postponement.

Additional Eligibility and Benefit Provisions

Six additional issues relating to eligibility and benefits are important (USDOL 2012). First, under the SSA, every state must have an appeals process whereby a claimant who is denied benefits can obtain “a fair hearing before an impartial tribunal” (USDOL 2012, 7-1). In most states the tribunal is convened by a single administrative law judge, and most states provide for a second appeal to a state review board.

Second, all but 12 states impose a one-week *waiting period* before UI benefits start. The waiting period serves as an insurance deductible and reduces the relative compensation paid during a short unemployment spell.

Third, most states provide for workers who are *partially unemployed* to receive partial benefits. A week of partial unemployment is usually defined as a week of less than full-time work in which earnings are less than the weekly benefit amount for which the claimant would be eligible. The partially unemployed worker receives a benefit equal to the weekly benefit amount less earnings in excess of a disregard; all states set a disregard to create an incentive for workers to take short-term work. A byproduct of this arrangement is that claimants may receive UI benefits for more than 26 weeks during a benefit year; indeed, some workers receive a partial benefit in every week of the benefit year.

Fourth, most states reduce benefits in weeks when a claimant receives *disqualifying income* such as severance pay, wages in lieu of notice, back pay, or vacation pay. About half the states also treat Workers' Compensation as disqualifying income. The treatment of retirement income is rather complicated. Nominally, most states treat some portion of private pension income as disqualifying, although anecdotal evidence suggests this is a difficult provision to enforce. The treatment of Social Security income is different—four states (Illinois, Louisiana, Minnesota, and South Dakota) reduce UI benefits by 50 percent of Social Security benefits received; all others disregard Social Security income.

Fifth, 15 states have special provisions for *seasonal employment*, typically limiting UI based on seasonal earnings to be paid during the time the industry is “in season.”

Finally, in 14 states (mainly in the Northeast and Midwest) UI recipients who have dependents receive an additional weekly *dependents' allowance*, which varies with the number of dependents.

Extended Benefits

In addition to the regular state UI programs described above (Tier 1), two extended benefit programs are important: standby EB and emergency extensions (Woodbury and Rubin 1997).

The standby program (Tier 2), enacted in 1970, has two distinctive features. First, it automatically increases the duration of benefits when unemployment is high and rising. Details of the “triggers” that activate EB are less important than the debates surrounding them, which relate to the difficulty of judging optimal benefit duration under different labor market conditions (see below). Second, EB is financed half from payroll taxes collected by the states (as are regular benefits) and half from revenues raised under the FUTA.⁴ Accordingly, it represents a shifting of responsibility from the states to the federal government as economic conditions worsen.

Starting with the 1958 recession, Congress has enacted eight “emergency” extended benefit programs (Tier 3), one in each recession. These programs have become increasingly complicated, difficult to administer, and confusing to claimants (Woodbury and Rubin 1997; USDOL 2013). For example, Congress enacted the most recent emergency extension—Emergency Unemployment Compensation 08 (EUC08)—on June 30, 2008. It was effective the following week and provided UI recipients who exhausted their regular benefits with up to 13 additional weeks of benefits. The measure included a “reach back” provision, so workers who had exhausted regular benefits from a benefit year ending after May 1, 2007, and were still unemployed, could receive EUC08 benefits. States could pay EUC08 benefits *before* workers received EB, which appealed to states because EUC08 was fully federally funded. During this

⁴ An exception to the 50-50 funding of EB occurred during the Great Recession. Under the American Recovery and Reinvestment Act of 2009 and subsequent amendments, Congress provided for 100 percent federal funding of EB during 2009–2013.

first phase of EUC08, claimants in a state where the unemployment rate exceeded 8 percent could receive up to 59 weeks of benefits.

In November 2008, Congress expanded EUC08 so that claimants in high-unemployment states could receive up to 79 weeks of benefits. Congress extended EUC08 twice during 2009, then expanded it again in November 2009 so that claimants in high-unemployment states could receive up to 99 weeks of UI benefits—substantially more than in previous recessions.⁵

Between December 2009 and December 2011, Congress extended EUC08 six times, although twice the program lapsed, and states had to stop payments before Congress reinstated the program. The last of these six extensions stipulated that EUC08 would end on August 15, 2012. Then in February 2012, Congress extended EUC08 through January 2, 2013, but added provisions that started to wind down the program: changes effective in June and September of 2012 reduced the number of states where EUC08 would be paid, reduced the duration of benefits, and added requirements that EUC08 recipients be subject to the work search test and eligibility reviews (USDOL 2013). On January 2, 2013 (the day it was to have expired), Congress again extended EUC08 through the end of 2013.

The ad hoc and chaotic development of EUC08 typifies emergency extensions. Not surprisingly, state UI administrators consider emergency extensions difficult to administer, error-prone, and susceptible to fraud and abuse (Woodbury and Simms 2011). Congress engaged in little if any substantive debate over the optimality of extended benefits during the life of EUC08, and it seems fair to say that no rational social planner would endorse the way EUC08 unfolded, either on policy or administrative grounds. An effective standby program with established rules,

⁵ In the four slumps preceding the Great Recession, maximum potential durations (all three tiers) were 65 weeks (1975–1977), 55 weeks (1983), 72 weeks (1992), and 65 weeks (2002–2004).

activating automatically, and for which the states were prepared, would seem to be a more sensible approach to extending benefits in a slack labor market.

Reciency

One consequence of UI eligibility rules is that most unemployed individuals do not receive benefits. New labor force entrants and re-entrants typically have insufficient earnings to qualify, the conditions under which many workers leave employment disqualify them, and others are not able, available, and seeking reemployment (ACUC 1996, chapter 4; Wandner and Stengle 1997). As Table 1 (column 4) shows, the result is that the percentage of unemployed individuals who received UI benefits—the *UI reciency rate*—was about 35 percent averaged over 2009–2011. Recency rates varied substantially by state and region, reflecting the freedom states have to decide eligibility and benefits. They were above the national average in the northeast and east north central states, and well below average in the west south central states (Arkansas, Louisiana, Oklahoma, and Texas). This pattern reflects regional differences in labor markets as well as in eligibility rules and benefit levels (which are higher in the northeast).

Table 1 also reveals substantial differences in UI reciency among demographic groups. UI reciency tends to be higher for older than for younger workers, higher for men than for women, and above average for white (non-Hispanic) workers. It tends to be well below average for Hispanics, far lower among high school dropouts than among others, and dramatically lower for part-time than for full-time workers. (For reference, columns 1 and 2 show distributions of the labor force and unemployed by region and group, and column 3 shows the unemployment rate for each region and group.)

In general, groups with lower reciprocity rates tend to have lower earnings (for example, younger workers, non-white and Hispanic workers, and those with less education) and more transitions in and out of the labor force (younger workers and women). Also, the ineligibility (in many states) of those looking for part-time work contributes to the lower reciprocity of part-time workers. But research suggests that these factors alone do not explain low UI reciprocity: analyses of four UI supplements to the Current Population Survey suggest that many workers do not claim UI because they believe they are ineligible or are optimistic about becoming reemployed quickly (Wandner and Stettner 2000; Vroman 2009; Gould-Werth and Shaefer 2012). Because survey data are inadequate to determine whether a respondent is indeed UI eligible, the extent to which UI reciprocity is depressed by incorrect assumptions about eligibility is unknown.

Financing Unemployment Insurance

UI is financed by a payroll tax that has federal and state components and is collected from most employers (USDOL 2012, chapters 1 and 2; ACUC 1994, chapter 7; ACUC 1995, chapter 11).⁶ Under the federal component (FUTA), a 6 percent tax is levied on the first \$7,000 of each covered worker's annual earnings; however, employers in states with a UI program meeting federal standards receive a 5.4 percent credit. The 0.6 percent not credited is deposited in federal trust accounts that in turn finance UI's federal and state administrative costs, fund public employment services throughout the country, pay the federal share of the EB program, and make loans to states that have exhausted their UI trust funds.

⁶ Although their employees are potentially eligible for UI, nonprofit employers and state and local government employers do not pay FUTA taxes and usually reimburse the state for benefits paid to their former employees (rather than paying regular state UI payroll taxes). Small farm employers and self-employed workers are wholly exempt from UI coverage.

Each state sets its own UI payroll tax base (or “taxable wage base”) and tax rates for the purpose of financing regular state benefits. Both vary greatly from state to state (USDOL 2012). All but two states (Arizona and California) have set their UI tax base higher than the \$7,000 required under FUTA, but state UI tax bases are much smaller than the Social Security base (\$113,700 in 2013). The UI tax base exceeded \$25,000 in just twelve states in 2012 (Washington’s and Hawaii’s were highest, at \$38,200 and \$38,800), and in these twelve, the base is adjusted automatically each year by indexation to the state’s average annual wage. Of the 16 states that index, all but six (Iowa, Minnesota, New Jersey, North Carolina, North Dakota, and Oklahoma) are in the west, and of the 12 largest states, only New Jersey and North Carolina had 2012 tax bases greater than \$12,000 *and* indexed their base. The tax base was \$12,000 or less in twenty-two states, and in none of these was the tax base indexed. Vroman (2011) has shown that states with relatively low UI tax bases were more likely than others to exhaust their UI trust funds (and hence to borrow to pay UI benefits) following the 2007–2008 financial crisis (see below).

The tax rates levied on the base are *experience rated* at the level of the employer, meaning that each employer’s tax rate depends on the extent to which that employer has laid off workers who have received UI benefits (USDOL 2012, chapter 2). Experience rating was one of the hallmarks of the UI law in 1935, and it remains a unique feature of the U.S. system. It was originally touted as a way to distribute the cost of UI equitably among employers and to discourage employers from laying off workers (Blaustein 1993). To implement experience rating, the same administrative records used to determine a claimant’s monetary eligibility are used to

identify the claimant's base period employer and to "charge" the benefits paid to each former employee back to the "responsible" employer.

Details and analysis of the formulas mapping benefit charges into tax rates can be found elsewhere (Topel 1984, 1990). More important is that not all benefits can (or should) be charged: those paid to workers who have quit with good cause, the federal share (50 percent) of EB, emergency extended benefits, and dependents allowances are all *noncharged* benefits (traceable to an employer but not counted against the employer's layoff experience); and those traceable to employers that have gone out of business are *inactively charged*. Moreover, tax rates are capped at some maximum, leading to *ineffectively charged* benefits (charged to an employer but not affecting that employer's tax rate). These so-called socialized costs of UI limit the effectiveness of experience rating and lead to reallocation of resources from low- to high-unemployment industries (Deere 1991).

Many strictly mechanical complications vex experience rating (ACUC 1994, chapter 7): charging rules need to be worked out for benefits paid to workers with multiple base period employers; rules are needed to handle new employers (who have no experience on which to calculate a rate), and states must set rules for the transfer of layoff experience when an employer merges, is acquired, or reorganizes. The details of all these provisions are inevitably arcane and often cryptic (USDOL 2012, chapter 2).

THE POLITICAL ECONOMY OF UNEMPLOYMENT INSURANCE

Interested Parties

The UI system has been shaped by diverse parties at both the federal and state levels. Employers, worker advocates, state UI administrators, researchers, and the Office of UI of the USDOL have all influenced the U.S. Congress and state legislatures and played key roles in shaping the system (West and Hildebrand 1997).

Employers have a financial stake in the system because benefits are financed from an experience rated payroll tax. Their most prominent advocate has been UWC—Strategic Services on Unemployment and Workers’ Compensation, a Washington-based membership organization whose mission is “to serve the business community by promoting unemployment insurance (UI) ... programs that provide fair benefits to workers at an affordable cost to employers and the community” (UWC 2012). Among other activities, UWC advocates before state and national legislatures, holds annual meetings where members exchange information, and assists its members in resolving disputes with state UI authorities.

In recent years, the most prominent advocate for workers’ rights to UI benefits and an expanded program—less restrictive eligibility requirements, higher benefit amounts, and longer benefit durations—has been the National Employment Law Project (NELP), a group funded primarily by foundations (NELP 2011). NELP’s agenda for UI reform is extensive (Stettner, Smith, and McHugh 2004, with online updates), and it issues frequent briefing papers and reports on current UI issues and legislation. Organized labor also favors expanded UI benefits, and at the state and local level, legal aid groups frequently assist denied UI claimants in litigating appeals—for the views of two claimant advocates, see Gray and Stevens (1995–1996). Despite

support from these quarters, West and Hildebrand (1997, 588) have noted that “there is no specific ‘UI lobby’ for all individuals who might become unemployed,” and as a result, UI does not “receive the political or moral support that it once did.”

State UI and employment service agencies are at the center of the UI program. In 1937, they organized the National Association of State Workforce Agencies (NASWA, until 2000, the Interstate Conference of Employment Security Agencies) and have supported it strongly since. Although explicitly not a lobbying group, NASWA represents the states before Congress and the USDOL, as well as providing a way for the states to network and exchange information through periodic conferences. NASWA refers to itself as “the collective voice of state agencies on workforce policies and issues” (NASWA 2012a), and West and Hildebrand (1997, 588–589) call NASWA “a positive force ... that has performed an essential role in preserving the federal-state partnership.”

The so-called federal partner in UI includes the U.S. Congress, the White House, and most directly the Office of UI, the Chief Economist, and regional offices of the USDOL (West and Hildebrand 1997, 548). These groups have often held different views about the UI program, complicating matters for the states. Federal-state relations will be discussed presently.

Researchers in academe and think tanks have performed numerous studies and field experiments on aspects of UI. Many of these studies have been sponsored by the USDOL (directly, or indirectly through one of the UI advisory councils) and are readily available (<<http://wdr.doleta.gov/research/>>). The USDOL encourages researchers to make recommendations based on their work, and they occasionally testify before Congress. Researchers also meet

frequently with UI administrators and the other interested parties at conferences organized by NASWA, NELP, UWC, and the USDOL, among others.

Because each state conducts its own UI program, most debates over UI occur at the state level and rarely reach the national stage. States have their own UI advisory councils, legislatures, and courts, all of which have different views (West and Hildebrand 1997, 549). Only during recessions, when Congress debates emergency extensions, does UI receive more than passing attention in the national press.

Federal-State Relations

Relations between the federal and state partners bear on many aspects of the UI system, but are most visible in the enforcement of federal requirements, funding for UI administration, and federal benefit extensions (Rubin 1983; Hildebrand 1995–1996).⁷ Within the framework of the SSA, each state administers its own UI program, but the federal government must both enforce conformity of state UI laws with federal requirements, and ensure compliance of state administrative practices with federal requirements and state laws. Conformity cases have often pertained to states' interpretations of federal UI requirements, such as the prohibition on paying benefits to claimants like teachers who are between terms and have a reasonable assurance of returning to the same job, or the mandate to cover nonprofit organizations and state and local governments. Conformity cases have also addressed state laws that divert UI payroll taxes to purposes other than paying UI benefits, which is clearly prohibited (Hildebrand 1995–1996; Fanning 1995–1996).

⁷ Important federal-state issues also arise in the areas of state trust fund solvency (Whittaker 2012) and detection and reduction of fraud, abuse, and errors (Skrable 1997; Woodbury 2002).

Administrative compliance issues center on the SSA's "methods and administrations" requirement ("to insure full payment of unemployment compensation when due"), which Rubin (1983, 42) has noted is broad enough "to permit virtually any federal control over administration DOL sees fit to impose." For example, in two pivotal federal court cases, the "methods of administration" requirement has been used successfully to challenge delaying payment of benefits during an employer appeal, and not using an alternative to the standard base period when doing so would benefit a claimant (Hildebrand 1995–1996; Fanning 1995–1996).

Although, as Rubin (1990, 219) has pointed out, "Conflict is inevitable when responsibilities for a single program are shared by two levels of government with different perspectives," the USDOL has long preferred to negotiate informally with states to reach conformity and compliance. In fact, the states often rely on USDOL's Office of UI for technical assistance in these and other matters. As a result, formal legal challenges to states and court cases like those mentioned above have been rare (Rubin 1983; Hildebrand 1995–1996).

A second important aspect of federal-state relations pertains to financing UI administration, which has long been a source of conflict (West and Hildebrand 1997, 574–583). The SSA [42 U.S.C. § 303(a)(8)] requires the federal government to provide grants to the states "in the amounts found necessary by the Secretary of Labor for the proper and efficient administration" of each state's UI program. In principle, FUTA payroll taxes are collected from employers nationwide, pooled, and distributed to states based on program requirements and workload. But FUTA revenues are not earmarked for UI administration; rather, funding for UI administration is discretionary spending determined through the annual appropriations process, and less than half of FUTA revenues are returned to the states for UI administration (Hight 1982;

NASWA 2012b). The result has been ongoing complaints from the states about inadequate funding for UI administration (Woodbury and Simms 2011). The Advisory Council on Unemployment Compensation (ACUC) recommended removing all UI trust funds from the unified federal budget (ACUC 1995), and NASWA has proposed that at least 50 percent of FUTA revenue be guaranteed for UI administration (NASWA 2012b), but Congress has not acted on either of these proposals.

A third key aspect of federal-state relations pertains to extended benefit programs—standby EB and emergency extensions—discussed above. As West and Hildebrand (1997) point out, administering EB has been a model of federal-state cooperation, whereas administering emergency benefits has been confusing and difficult at best, as the above discussion of EUC08 suggests.

Compliance and conformity, administrative financing, and federal extended benefits are the most visible issues in federal-state relations. Equally important are the less tangible aspects of the partnership, especially the shifting balance of power between the two in deciding where responsibility for an adequate UI system will ultimately fall (Rubin 1990; O’Leary 2013). Although Congress has resisted calls for rigid federal standards on eligibility and benefits, the accretion of federal requirements, already discussed, has suggested the increasing will of the federal government to assert its authority over UI. This continuing shift toward federal control was evident in the “UI Modernization” package passed by Congress in 2009, with its incentives to broaden eligibility (see below), and in EUC08 benefit extensions.

Indeed, some states took EUC08 as a signal of federal willingness to assume greater responsibility for UI. As O’Leary (2013) points out, the share of UI benefits paid for by the

federal government during recessions has increased greatly over the decades: during the mid 1970s recession, the federal share of benefits peaked at about 20 percent; in 1992 and 2002, the federal share of benefits peaked at 35 percent and 21 percent; but in 2009, 2010, and 2011, the federal government paid for 38, 48, and 56 percent of all UI benefits. This growing willingness of Congress to step in during a recession may have had the unintended consequence of permitting the states to reduce the maximum benefit durations to less than 26 weeks, as happened in seven states (Arkansas, Florida, Georgia, Illinois, Michigan, Missouri, and South Carolina) during 2011 and 2012 (USDOL 2012). Not surprisingly, if the federal government is willing to pay for UI benefits, states are less willing to tax their employers to pay for them.

The evolution of federal-state relations will continue to be important to changes in the UI program. Benefit eligibility, benefit adequacy, and the effectiveness of UI administration are all conditioned by federal-state relations. The urge for uniformity and the desire to prevent a “race to the bottom” push the system toward increased federal authority; the desire to accommodate individual state needs, limited federal resources, and the political will to avoid a “one size fits all” approach will likely continue to limit that authority.

POLICY ISSUES

Despite general agreement over the principles of UI, many aspects of the program remain controversial. The issues stem from disagreement over the appropriate institutions for implementing the principles (e.g., effectiveness of the federal-state system), disagreement over interpreting the principles (e.g., the meaning of partial compensation for lost wages), and difficulties resolving tradeoffs inherent in the program (e.g., more adequate benefits and better countercyclical effectiveness may blunt job search incentives and, through higher UI payroll taxes, inhibit job creation). This section focuses on a limited number of recurring policy issues.

Social Insurance and Anti-Poverty Goals

An overarching debate pertains to the effectiveness of UI as an anti-poverty program. Since the mid 1990s, U.S. social policy has increased the expectation that earnings will be the main source of income for non-elderly adults and their dependents, even when their earnings capacity is limited. Congress made this expectation clear by greatly expanding the Earned Income Tax Credit effective 1994 and replacing Aid to Families with Dependent Children with Temporary Assistance for Needy Families effective 1997 (Decker, Gustafson, and Levine 2001).

The added emphasis on employment as a source of income for the poor has inevitably placed added pressure on UI: insurance against loss of earnings is more important when society emphasizes employment and earnings as the primary means of support. The question then is whether UI should change in response to changes in income maintenance policy, or if some other accommodation is needed.

Some researchers (Shaefer 2010; Vroman 2010) and worker advocates (Stettner, Smith, and McHugh 2004) do not question UI's underlying principles, but do favor UI reform. They

have criticized UI provisions restricting eligibility, such as restrictions on workers who quit for cause. During the slack labor market of the Great Recession and its aftermath, they supported emergency extensions of UI, were skeptical of suggestions that these extensions might act as a disincentive to accept reemployment, and were critical of attempts to rein in the extensions (see the discussion in Woodbury and Simms 2011). Although directed at UI, these criticisms could be read as broad complaints about the lack of generous cash support for low-income households and the absence of Unemployment Assistance (reduced income support for the long-term unemployed, as exists in some European countries).

The alternative view is that UI is social insurance—that is, meant to replace the lost earnings of households whose earnings are normally adequate, rather than an income transfer program with the goal of redistributing income and bringing poor households out of poverty. Even with its flaws, the existing UI system can be defended as a reasonable interpretation of basic UI principles. Hansen and Byers (1990) argued that reforming UI to better serve those with low earnings capacity and the long-term unemployed could reduce its already limited support among employers and reduce its effectiveness as social insurance by reducing funds available for regular UI benefits. In short, those who view UI as social insurance (for example, Blaustein 1993, chapter 3) believe that income maintenance for the poor and training for the long-term unemployed would be better handled by separate programs and funded by general revenues, not payroll taxes.

State Trust Fund Solvency

Unlike Social Security, UI is not a pay-as-you-go system, at least in principle. Rather, each state places its UI payroll taxes in a trust fund with the U.S. Treasury, from which benefits are paid.

The intent is to “forward-fund” UI so that, in a recession, funds needed to pay benefits will be available and UI will serve as an automatic stabilizer (ACUC 1995, chapter 5).

The simplest measure of trust fund solvency is the *reserve ratio*—net trust fund reserves as a percentage of total payrolls—which can be calculated for each state individually or for all states aggregated. Figure 1 shows that the aggregate reserve ratio (the darker line) has trended downward over the last 50 years; indeed, in the years preceding the Great Recession, the aggregate reserve ratio was lower than it had been before any other recent recession. Figure 1 also shows a key reason for this decline: the tax revenues collected for UI (as measured by the UI “cost ratio,” or tax contributions as a percentage of total wages) trended down from 1.0–1.3 percent during the 1980s, to 0.5–0.8 percent during the 2000s (the lighter line).

Low and declining reserve ratios have important consequences. When unemployment rises in a recession, the trust funds of states with low reserves quickly become insolvent; these states must borrow (usually from the federal government) to pay UI benefits. For example, during and after the Great Recession, the trust funds of 31 states became insolvent, and these states borrowed in excess of \$35 billion from the federal government (Vroman 2011).

States that borrow must ultimately repay the federal loans, usually with interest, which means raising above-normal revenues. As already discussed, state tax rates rise automatically when trust funds become depleted, and states often add surcharges to repay loans. If loans are not repaid in a timely manner, the federal government assesses penalties through increases in the FUTA tax. These tax increases may occur (as they have during the Great Recession) in a weak economy and a slack labor market, placing a drag on recovery and hampering the ability of UI to

act as an automatic stabilizer. A state that forward funds UI by building up adequate trust funds during a period of growth avoids such fiscal drag (ACUC 1995, chapter 5).

A further perverse consequence of insolvent state UI trust funds has been benefit reductions. For example, during 2010 and 2011, eight states reduced benefit amounts or durations to limit UI payroll tax increases and reduce the burden of repaying their loans (Vroman 2011).

Solutions to Insolvency

UI experts are virtually unanimous that the weak finances of most state UI systems have reduced the program's effectiveness as a counter-cyclical stabilizer and jeopardized its adequacy as an income replacement program (Woodbury and Simms 2011, 21–33). The most widely recommended way to improve the system's finances is to increase the payroll tax base and index it to the average weekly wage. This could be done by states individually, or by Congressional action to increase and index the federal taxable wage base.

Raising the taxable wage base is necessary if earnings increase over time and the goal is to maintain a 50 percent replacement rate (unless the unemployment rate showed a long-term downtrend, which it has not). Indexing the tax base to wage levels is an obvious way to accomplish this. Moreover, Vroman (2011) finds that whether a state indexes its tax base is a good predictor of its trust fund's solvency: of the 16 states that indexed in 2008, only 5 (31 percent) had to borrow from the federal government during the Great Recession; of the 35 that did not index, 29 (83 percent) needed to borrow.⁸

⁸ Raising the tax base would also increase the percentage of annual wages on which the payroll tax is paid, reducing the relative cost of employing low-wage workers (Topel 1990, 128).

An alternative to raising the taxable wage base would be to increase tax rates; however, this alternative has received little attention, both because the federal government has little leverage over tax rates and because raising rates on an ever-shrinking base would not solve the UI system's long-term funding problems. Rather, most discussion surrounding tax rates has focused on the degree to which they are experience rated.

Empirical evidence suggests that incomplete experience rating leads to subsidization of unstable industries by stable industries (and a reallocation of resources to the unstable industries), and causes employers to substitute temporary layoffs for hours reductions when demand is slack (Topel 1984; Deere 1991; Card and Levine 1994). Topel (1990) has suggested that experience rating could be increased, and efficiency improved, by uncapping payroll tax schedules, charging interest on negative balances in employers reserve accounts, and reducing the number of non-charging provisions in states' regulations.

Experience rating also increases the employer's stake in UI, improving enforcement of eligibility requirements and checking the cost of the system to a degree that would not occur if the UI system were financed from general revenues and enforced solely by a government bureaucracy. But such a political economy argument has two sides: Vroman (2001) has criticized experience rating because it creates an incentive for employers to challenge the UI claims of their former employees, so as to prevent increases in their tax rate. Moreover, it creates a reason for employers to lobby against relaxed eligibility requirements and more generous benefits. This argument suggests that reducing the role of employers in UI would eliminate an interest group that is perceived to have been effective in reducing the generosity of UI benefits.

Eligibility and “UI Modernization”

UI eligibility has received attention because UI reciprocity has declined since the 1970s, potentially reducing the countercyclical effectiveness of UI (ACUC 1996, chapter 4). Also, research starting with Danziger and Gottschalk (1990) has emphasized that, compared with higher-earning workers, low earners (especially those with little education) are more likely to be unemployed at some time in a given year, and less likely to receive UI (conditional on being unemployed). Neither of these findings is surprising, but the latter suggests that UI could do more to replace the lost earnings of low earners without abandoning its social insurance principles.

To address these concerns, the American Recovery and Reinvestment Act of 2009 included a “UI Modernization” package (based on a novel proposal from NELP) that offered incentive payments totaling \$7 billion to states for broadening their eligibility criteria (USDOL 2013, 88–89). The incentives were in two parts: one for broadening monetary eligibility by adopting an *alternative base period*, another for adopting at least two of four other specific provisions.

The traditional base period—the first four of the five completed quarters before a claim is filed—tends to work against the eligibility of new labor force entrants, reentrants, and workers with sporadic work histories. For example, for a worker who files a claim on June 30, the base period is the *four quarters of the preceding calendar year*. So a worker with substantial earnings in the year of the claim but none in the preceding calendar year would be ineligible for benefits.

To ameliorate this problem, many states now apply an *alternative base period*, usually the most recent four completed quarters, if a claimant does not qualify under the traditional base

period. In a state with an alternative base period, the worker just mentioned could file a claim the following week, the base period (under the alternative) would include the first and second quarters of the current year, and the worker might be eligible. O’Leary (2011) estimates that use of the alternative base period increases eligibility by 2 to 6 percent, and benefit payments by somewhat less (1 to 5 percentage points) because claimants who qualify under the alternative base period tend to have low earnings.

The alternative base period is clearly consistent with the UI principles outlined earlier. It simply redefines the time period used to gauge a worker’s earnings history. In response to the UI Modernization incentives, 22 states adopted an alternative base period, increasing the total to 41 (NASWA 2011).

Two of UI Modernization’s other provisions directly addressed non-monetary eligibility: whether to allow UI payments to claimants seeking part-time work, and whether to disqualify claimants who quit for compelling family reasons.⁹ Traditionally, UI claimants seeking part-time work have been denied benefits because they fail the work search test—that claimant must be job-ready, available, and seeking work, where “work” is interpreted as *full-time* work (Burtless 2008). This is a throwback to a day when the typical household was headed by a full-time married male worker, and it seems dated when the labor market includes many workers, especially women, who are single household heads with childcare responsibilities. The criterion is inequitable because payroll taxes are paid on a higher percentage of a part-time worker’s earnings than of most full-time workers’ earnings, due to the low payroll tax base in most states. Moreover, denying benefits to an otherwise eligible part-time worker who has been laid off and

⁹ UI Modernization also gave states an incentive to pay an additional 26 weeks of UI to exhaustees who enroll in approved training, an attempt to address the problems faced by dislocated workers. Sixteen states took up this incentive (NASWA 2011).

is seeking part-time work is counter to the basic wage replacement goal of UI. Following UI Modernization, 26 states (up from only 6) now pay benefits to claimants seeking part-time work (NASWA 2011).

Whether to disqualify claimants who quit for compelling family reasons—domestic violence, illness or disability of a family member, or the need to accompany a spouse to a new place of employment—has long been debated. Employers and some UI experts (Hamermesh 1977; Nicholson 1997) acknowledge these circumstances are difficult, but suggest that the resulting spell of unemployment should not be compensated both because the employer is not at fault and because the claimant may not be available for work. Legal experts (e.g., Malin 1995–1996) argue that the claimant is not at fault either, and if monetarily eligible, she has earned the right to benefits. Reasonable people, then, disagree about these issues. Following UI Modernization, 20 states (up from 2) now allow claimants who quit for compelling family reasons to receive benefits.

A related issue is that of paying benefits to a worker who leaves a job due to pregnancy. Although federal law prohibits states from denying benefits “solely on the basis of pregnancy,” pregnant women are generally ineligible for benefits because states consider them unavailable for work (Chasanov 1995–1995, 124). Nevertheless, other countries, including Canada, do grant benefits to workers who quit due to pregnancy, and Brown (1995–1996) argues strongly for such a policy.

Although the UI Modernization incentives had a clear effect on broadening UI eligibility, the extent to which UI eligibility should be eased will continue to be debated. The above discussion may give some idea of the considerations involved.

Benefit Adequacy

The main UI wage replacement issues concern where to set the weekly benefit amount and how long to set the duration of benefits. The early literature on benefit adequacy (see O’Leary 1998 for a review) has evolved into a literature on optimal UI that attempts to provide an analytical framework for these issues. The literature is rather technical, and a comprehensive review is overdue (see Karni 1999 for a review of early developments), but the basic idea of optimal UI is straightforward. UI yields benefits to recipients in the form of consumption-smoothing, which depend in turn on a worker’s degree of risk aversion (Gruber 1997), but UI also entails social costs because it creates disincentives to work (for a review of empirical estimates, see Decker 1997). The generosity of UI should be increased as long as marginal consumption-smoothing benefits exceed the marginal cost of lost output due to reduced work effort.

The logic of optimal UI justifies increasing the potential duration of UI in a recession because the marginal cost of UI falls when the labor market is slack (that is, little or no output is lost when a worker remains unemployed for an additional week). It also justifies enforcing the work search test and paying reduced benefits to workers with weak work histories: both reduce the marginal cost of UI and lead to higher benefits for eligible workers. Nevertheless, the implications of optimal UI analyses are sensitive to a range of assumptions: whether workers have savings or can borrow, how risk averse they are, how their job search behavior responds to changes in weekly benefits and the potential duration of benefits, and the extent of worker heterogeneity (including the percentage of workers who are eligible for UI). Analyses have quantified the optimal pattern, level, and duration of benefits by using empirical estimates to “calibrate” models of optimal UI (for example, Davidson and Woodbury 1997; Hopenhayn and

Nicolini 1997; Wang and Williamson 2002; Chetty 2008; Shimer and Werning 2008), but inevitably, disagreement arises over the assumptions made and the estimates used to calibrate the models. As a result, the literature has yet to offer consensus on the optimal structure of UI benefits. Indeed, political and financial considerations have been more important than equity and efficiency criteria in contributing to recent benefit changes (see the above discussions of extended benefits and federal-state relations).

The final feature of the UI Modernization package was its incentive for states to increase weekly benefits for some claimants through a dependents' allowance of at least \$15 per dependent per week. Three states took up the incentive, increasing the number of states with a dependents' allowance from four to seven (NASWA 2011). Supporters of dependents' allowances take a needs-based approach to UI (Stettner, Smith, and McHugh 2004), in contrast to most economists, who question the appropriateness of dependents' allowances because they violate the income replacement principle of UI—that benefits are set in relation to past earnings because they are intended to partially replace lost earnings. Hamermesh (1977, 27) has argued that dependents' allowances are inequitable (because they result in different benefit amounts being paid to two workers with identical work histories) and move UI toward an income-transfer program based on need, creating confusion about the program's goals.

CONCLUSION

The downward trend in UI payroll taxes and the reluctance of states to broaden the UI taxable wage base suggest eroding support for the existing federal-state UI system. The most obvious outcome has been the insolvency of most states' UI trust funds, described above. In short, a distaste for payroll taxes and concerns about the work disincentives associated with UI—the unemployment created by UI, as Feldstein (1976) called it—seem to dominate at the state level.

Federal UI policy, in contrast, has moved toward funding longer benefit durations in recessions (culminating in the 99-week durations under EUC08) and encouraging looser eligibility requirements (through the UI Modernization incentives). Recent reductions in regular state benefit durations in some states can be seen partly as a response to Congress's willingness to step in and finance emergency extended benefits whenever the labor market is weak. In effect, Congressional action has relieved the states of the need to finance UI benefits for up to 26 weeks, which has been the norm since the early 1960s (Blaustein 1993, 302–306).

The endgame of this divergence between federal and state policy would seem to be abandonment of the federal-state arrangement, and its replacement by a national UI system. As Rubin (1990, 219) pointed out, “There are no ‘states’ rights’ limitations on the authority of Congress to impose whatever provisions it wishes, or to substitute a national program for the present hybrid.” Indeed, a national system has had advocates from the start and would have several advantages—a pooled national trust fund (hence, broader sharing of unemployment risk), uniform coverage, consistent treatment of employers with multi-state operations, and potentially more efficient administration (West and Hildebrand 1997, 546–547).

But the federal-state system has proven remarkably durable and has its own advantages—decentralized policy authority and greater accountability of state administrators to a state’s needs, a system that is potentially better suited and more responsive to a state’s conditions, and the possibility for state-level experimentation. Moreover, the vested interests of the states in their systems and the near-certain aversion of Congress to another large federal bureaucracy would seem to make nationalization an unlikely prospect. However troubled the existing federal-state UI system may be, both financially and administratively, it seems likely to continue intact.

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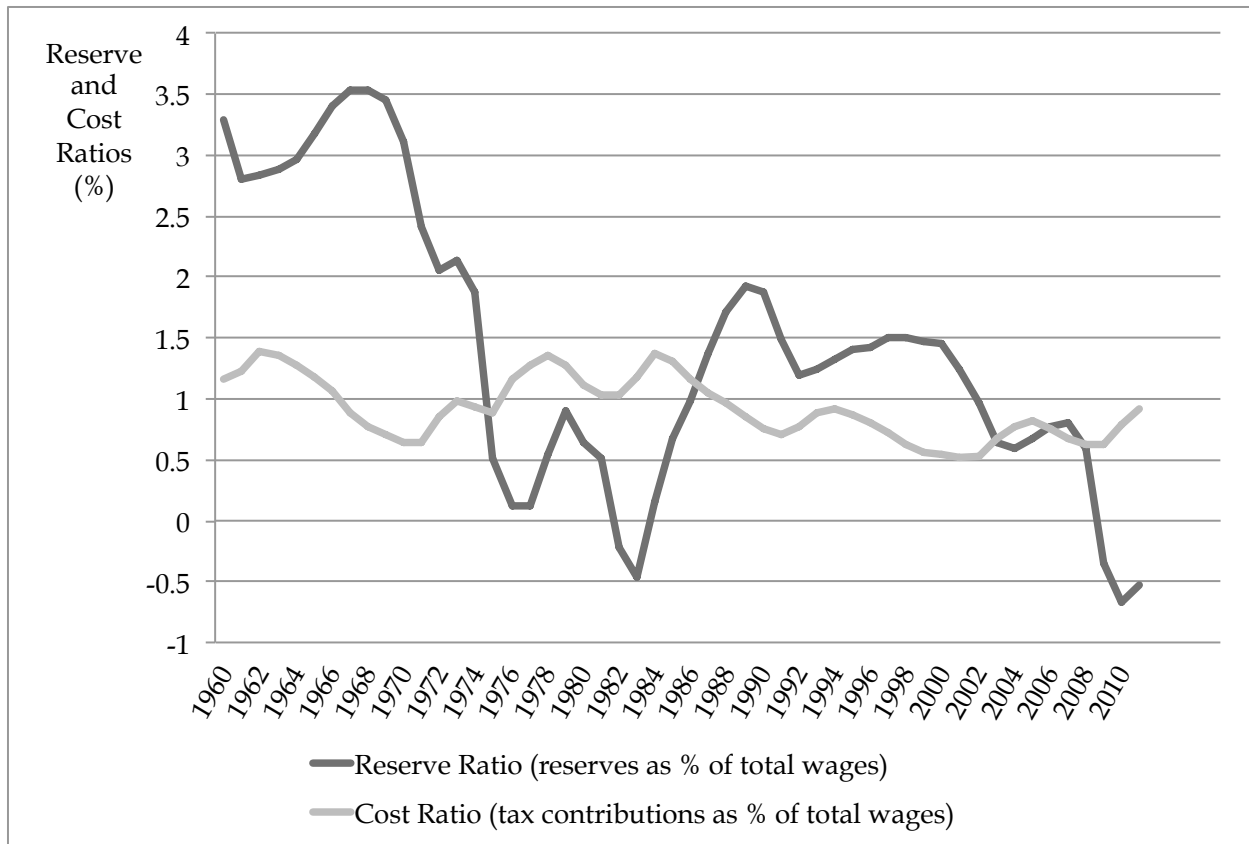
Table 1: Labor force, unemployment, and UI reciprocity rates, by region and population subgroup, 2009–2011 (weighted percentages)

Group	Percentage of labor force (1)	Percentage of unemployed (2)	Percentage unemployed at some time last year (3)	UI reciprocity rate: percentage of unemployed receiving UI (4)
All	100.0	100.0	11.9	35.3
Region				
New England	5.1	4.4	10.4	41.4
Middle Atlantic	13.2	12.0	10.8	41.2
East North Central	15.1	15.8	12.4	39.9
West North Central	7.2	6.6	10.8	34.1
South Atlantic	19.0	18.0	11.2	31.8
East South Central	5.7	6.0	12.6	32.5
West South Central	11.5	10.6	11.0	26.7
Mountain	7.2	7.5	12.4	33.0
Pacific	15.8	19.0	14.3	36.4
Age				
< 25	13.3	22.6	20.1	12.4
25-34	21.6	25.7	14.1	34.0
35-44	21.2	19.4	10.9	41.5
45-54	22.8	18.9	9.8	48.4
> 54	21.2	13.4	7.5	47.8
Male	52.8	59.7	13.4	36.8
Female	47.2	40.3	10.1	33.0
Race/ethnicity				
white (non-Hispanic)	68.2	61.1	10.6	38.9
black (non-Hispanic)	10.6	13.6	15.3	33.0
Asian (non-Hispanic)	5.1	3.8	9.0	34.6
other (non-Hispanic)	1.7	2.4	16.4	31.8
Hispanic	14.4	19.1	15.7	25.9
Educational attainment				
less than high school	9.9	16.5	19.8	23.3
high school only	28.0	33.7	14.3	37.2
some college	29.7	29.7	11.9	37.4
college graduate	32.4	20.0	7.3	38.8
Full-time	78.5	66.0	10.0	43.7
Part-time	21.5	34.0	18.7	18.9

Note: Reciprocity rates show the percentage of individuals unemployed for at least one week in the preceding year who also received UI in that year.

Source: Author's tabulations of samples of the civilian labor force in the 2010, 2011, and 2012 Current Population Survey Annual Social and Economic Supplements (March CPS), extracted from IPUMS-CPS (King et al. 2010). The annual data in the March CPS pertain to the preceding year. Weighted percentages are based on samples of individuals who worked at least one week in the year preceding the survey (104,721 in the 2010 survey; 101,162 in the 2011 survey; 99,133 in the 2012 survey).

Figure I: Aggregate UI Reserve and Cost Ratios, 1960–2011



Note: The aggregate reserve ratio is the sum of all states’ year-end trust fund reserves as a percentage of all states’ total payrolls in that year. The aggregate cost ratio is the sum of all states’ regular UI tax contributions as a percentage of all states’ total payrolls (both over the same year).

Source: U.S. Department of Labor, Employment and Training Administration, ET Financial Data Handbook 394 Report. <<http://workforcesecurity.doleta.gov/unemploy/hb394.asp>>