

# Adopt Better Extended Benefits Triggers



## What is it?

Extended Benefits (EB) is a UI program that automatically provides additional weeks of UI during recessions. The costs of EB are shared equally by the state and the federal government. The federal share of extensions is paid from Federal Unemployment Tax Act (FUTA) revenues; the state share is financed by state UI trust funds.

Currently, EB provides up to 13 weeks of additional UI benefits to workers who exhaust their regular UI benefits (typically no more than 26 weeks). EB is paid only when a state's unemployment rate rises to a level sufficient to "trigger" the program and start benefit extensions. Current EB triggers, however, have not kept pace with changes in the labor market. While overall unemployment rates are lower, workers are out of work for longer periods and higher numbers of workers experience long-term joblessness. The inadequacy of the current EB triggers is demonstrated by the fact that only 10 states provided EB to long-term jobless workers in the early 1990s recession and only six states had EB extensions during the 2001 recession and its aftermath.

Federal EB rules set a mandatory EB trigger that states must adopt. Federal EB rules also allow states to adopt either one or both of two optional EB triggers. See box for details of these three triggers. By adopting all three triggers, especially the optional Total Unemployment Rate trigger, a state can maximize its chances of providing EB to its jobless residents during economic downturns. In the long run, federal guidelines defining EB triggers need to be changed to make EB a more effective, timely protection for long-term jobless workers.

## The Three Extended Benefit Triggers

EB triggers use two kinds of unemployment rates to decide whether unemployment has reached a level within a state high enough to justify extending benefits. The Insured Unemployment Rate (IUR) is calculated by counting how many individuals out of work are drawing UI benefits. Total Unemployment Rate (TUR) is a survey-based estimate of the number of jobless workers looking for work. Both rates are calculated as an average using a moving 13-week period.

1. **Mandatory trigger:** The mandatory EB trigger uses a 5 percent Insured Unemployment Rate. To satisfy this mandatory trigger, a state's IUR of 5.0 percent or more must also exceed 120 percent of its IUR for the same 13-week period in each of the two prior years. All state UI laws have this trigger in order to participate in EB.

2. **Optional IUR trigger:** Under the optional IUR trigger, the state's IUR must equal or exceed 6.0 percent for 13 weeks. The optional IUR trigger does not have the 120 percent threshold requirement found in the mandatory trigger.

3. **Optional TUR trigger:** States have a third trigger option under federal law using a TUR. Under this option, states must have an average TUR of 6.5 percent or more for any 13-week period and the rate must exceed 110 percent of the TUR for the same period in either of the previous two years. Under federal EB rules, the optional 6.5 percent TUR trigger also includes a second tier of 20 weeks of benefits with a TUR of 8.0 percent and 110 percent of the TUR in either of the prior two years.



## Key arguments in favor

Current EB triggers are too high for today's economy. Many economists and public officials recognize that unemployment levels have fallen well below high unemployment rates found during recessions in the 1970s and 1980s. While unemployment rates have fallen, jobless workers are staying unemployed longer and the proportion of jobless workers out of work more than 26 weeks has increased. While no current EB trigger is wholly satisfactory, all six states that triggered Extended Benefits during the 2001 recession and subsequent job slump had adopted the optional TUR trigger.



## Key arguments against and responses to them

**Opponents say:** Insured Unemployment Rates are more accurate because they are based upon administrative counts, rather than surveys used to calculate Total Unemployment Rates.

**Response:** For over a decade, there has been an ongoing debate about whether or not EB triggers should use IUR or TUR figures. After studying the issue in the early 1990s, the Advisory Council on Unemployment Compensation recommended the use of TUR triggers. The basic argument for TUR triggers is that the IUR has lost its effectiveness, as demonstrated by the fact that the percentage of unemployed workers getting a UI benefit (i.e., the insured unemployed) has declined over the years. This argument was bolstered during the recent downturn when only states with the optional TUR trigger provided EB to their long-term jobless workers.

**Opponents say:** States should avoid using EB which requires the state to pay half of benefit extension costs; instead, states should rely upon the federal government to provide wholly federally-financed extensions.

**Response:** While it is true that the federal government has provided temporary extensions that it paid for entirely with federal dollars for all recessions since the mid-1970s, these extensions are not always well timed. The Emergency Unemployment Compensation program of the early 1990s was not passed until well after the recession was over, and the Temporary Extended Unemployment Compensation program of 2002 and 2003 was permitted to expire while record numbers of long-term jobless workers were unable to find jobs. This expiration reflected an unprecedented resistance to extensions at the federal level, and it casts doubt on the wisdom of depending totally on the federal government for benefit extensions. For these reasons, states should have their EB program in place to serve as a backstop if Congress fails to act to prolong federal extensions.

## State Choices

### 11 states have adopted 6.5% TUR trigger

Alaska  
Connecticut  
Kansas  
New Hampshire  
New Jersey  
New Mexico  
North Carolina  
Oregon  
Rhode Island  
Vermont  
Washington



## Which states do it?

Eleven states currently provide their long-term jobless workers with the best available protection under EB by having the optional 6.5 percent TUR trigger. All but 12 states have the optional 6.0 percent IUR trigger, but in all but the most serious recessions this trigger is unlikely to actually result in benefit extensions. For this reason, adopting the optional TUR trigger should be a higher priority in states without either of the optional EB triggers.

## Model legislation for optional 6.5 percent TUR trigger

### Vermont

(2) State "on" indicator.

(B) There is a state "on" indicator for a week beginning after March 6, 1993, if:

(ii) The average rate of total unemployment in this state (seasonally adjusted) for the period consisting of the most recent three months for which data for all states are published before the close of such week:

(I) equaled or exceeded 6.5 percent, and

(II) equaled or exceeded 110 percent of such average rate for either (or both) of the corresponding three-month periods ending in the preceding calendar years.

(4) (B) For purposes of subdivisions (2)(B) and (3)(B) of this section, determinations of the "rate of total unemployment" in this state for any period (and of any seasonal adjustment) shall be made by the Secretary of Labor of the United States. VT. STAT. ANN. tit. 21, § 1421.

## References

ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION, REPORT AND RECOMMENDATIONS, Chapters 2 & 6 (Feb. 1994).

NATIONAL EMPLOYMENT LAW PROJECT, EXTENDED BENEFITS: RESTORING OUR UNEMPLOYMENT INSURANCE SAFETY NET FOR WORKERS AND COMMUNITIES IMPACTED BY LONG TERM UNEMPLOYMENT, BACKGROUND PAPER (March 2001), available at <http://www.nelp.org>.