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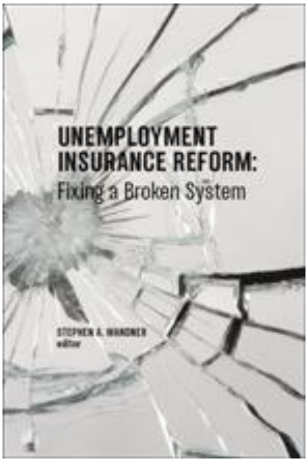
Why the Unemployment Insurance Program Needs to Be Reformed



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Chapter 1

Why the Unemployment Insurance Program Needs to Be Reformed

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This book examines the Unemployment Insurance (UI) program in the United States from a research and policy perspective. It finds that there is consensus among experts and researchers that the program is broken and needs to be fixed to function as an adequate source of temporary income support to individuals and as a reliable automatic stabilizer in the twenty-first century economy. The chapters are written by experts who review the program as it is supposed to work under federal law and, by contrast, how it actually has been operating in recent years. Based on research evidence, the authors offer prescriptions for restoring the UI program. Chapters 2 and 5 consider a number of different proposals for UI reform proposed by the federal government, private institutions, and individual researchers. In addition, Chapter 5 compares recent reform proposals and presents and analyzes the authors' plan for comprehensive reform.

UI is a form of social insurance that was first enacted in 1935 as a part of the Social Security Act. The program is a federal-state partnership, with the federal government setting a national institutional framework, and the states establishing most of the program specifications through state law and administering day-to-day program operations. For eight decades, the UI program has paid temporary income support to experienced American workers who lose their jobs through no fault of their own. The basic (or "regular") UI program[1] generally pays up to 26 weeks [2] of benefits to eligible workers. Benefit payments usually replace approximately half of a worker's prior wages up to a state determined maximum benefit amount. Compensation is paid weekly and is considered to be adequate if it provides a reasonable level of wage replacement while the unemployed seek reemployment.

Unemployment benefits are paid for by insurance premiums (called "contributions," but in fact, they are a tax) paid by employers on payrolls. Unemployment benefits are designed to be fully paid by employer taxes over time, although the amounts of unemployment benefits paid and unemployment taxes collected are not expected to balance every year because the level of unemployment—and, therefore, benefit payments—is much greater in recessionary times than in more prosperous times. Rather, UI benefit payments and tax revenues are intended to balance over the business cycle.

The UI program's three main goals are to provide:

1) adequate, temporary income support to experienced, unemployed individuals while they search for new employment;
2) a countercyclical stimulus to the American economy when large numbers of workers become unemployed during recessionary periods; and
3) stabilization of employment through the UI experience rating system, which discourages employer layoffs.

Thus, UI is both a social insurance program for individuals and part of the larger macroeconomic policy to limit the harmful effects of economic downturns for individual states and for the United States as a whole. As we will see in this book, it is a complex policy challenge to achieve each of these goals separately and an even more difficult one to achieve them together.

The complexity of the challenge is derived from the number of components of the program that must be in balance. Specifically, if the UI program is to be a self-sustaining, self-adjusting social insurance program, the following must occur:

- The overall *level* of benefits and revenues must balance over time as a result of the financing provisions in state and federal laws (in a static sense).

- Benefits and revenues must both be indexed to wage increases (in a dynamic sense).
- The UI state and federal tax structures need to be structured to adjust automatically so that revenues equal benefit payments over the business cycle.

A number of things must be implemented to create a UI program that remains in balance.

On the benefit side:

- Unemployment benefit levels and durations must be set to ensure an adequate level of wage replacement.
- Unemployment benefits must be adjusted annually to reflect changes in wages that occur in the labor market—to enable UI to provide the same level of wage replacement over time.

On the revenue side:

- The two components of the UI tax system, tax rates and the taxable wage base, must be adequate.
- The taxable wage base must increase annually to accommodate annual increases in UI benefits that reflect increases in wages.
- Tax contributions must vary over the business cycle, increasing after a recession to build up reserves and declining when reserves reach an adequate level to anticipate the next recession.

A SYSTEM OUT OF BALANCE

Balancing the components of the UI program is like keeping all the parts of a clock in working order to make sure it always keeps the right time. Things can go wrong, however, and in recent years, many things have gone wrong with the UI system. On the benefit side, benefits in many states are set below an adequate level and also do not increase as wages increase. On the revenue side, the federal UI wage base has not been increased since 1983, and many states have not increased their state wage bases sufficiently above the federal wage base. Also, state tax rates frequently have not been set high enough to enable states to get through the next recession without running out of reserves, and during economic recoveries, many states resist raising taxes and some lower UI benefits instead.

Thus, the UI program is seriously out of balance in large part because neither unemployment benefits nor UI taxes are indexed to provide adequate benefits or revenues over time. By contrast, the Social Security pension system indexes both benefit levels and the taxable wage base, such that payouts and revenues would be in far better balance than the UI program, if it were not for the drain on program resources from the aging of the U.S. population. Dramatic differences have developed between these two social insurance programs over time despite the fact that both programs started with the same taxable wage base of $3,000. In essence, Social Security has adjusted to changing economic conditions over time, while UI has not.

In response to concerns about the health of the UI system, a number of major UI reform proposals have been released in the past two years. This book reviews and compares several of these proposals.

The authors offer their analyses in the hope that the next serious review of the UI program will consider a wide range of reforms to strengthen the UI program so that it can become more effective and efficient. Given the dramatic changes over the last two decades in the demographics of the U.S. workforce and in work arrangements, it is past time to reform the UI program before the next recession. This evidence-based discussion of reforms will enable federal and state officials to weigh policies so they can provide practical solutions to prevent a recurrence of the problems the program experienced during and after the Great Recession.

UNEMPLOYMENT INSURANCE PUBLIC POLICY: NOT KEEPING UP WITH THE TIMES

The UI program is over 80 years old. When it was enacted in 1935, the United States was in the middle of the Great Depression. As a result, because of concern about potentially overwhelming short-term expenditures, the program that was established was modest in its design—with states paying low weekly benefits for short periods of time—and benefit payments were delayed until 1938 to allow tax collections to build up state reserves in the Unemployment Trust Fund (UTF) in the U.S. Treasury.

With nearly full employment, virtually no unemployment benefits were paid during World War II. In the years after the war, it became clear that the strength of the U.S. economy was such that the UI program could pay more generous benefits for longer periods of unemployment. As a result, states changed their UI laws to increase maximum benefit amounts and lengthen potential durations.

Since the 1970s, however, the federal government has done little to adapt and modernize the UI program through reforms of the federal UI law. In response to most of the postwar recessions, Congress has continued to enact temporary federal extensions of benefits. A permanent Extended Benefit (EB) program was enacted in 1970, but it soon proved to be ineffective because the automatic ("trigger") mechanism to turn the program on and off did not work, and the program has never been fixed. Instead, in response to the ensuing recessions, Congress enacted temporary emergency programs that added to the potential duration of UI benefits.

A major reform of the program was enacted in 1976, but that reform was only partial and it left much undone. Congress authorized two UI study commissions that issued reports in the 1980s and 1990s, but their reform recommendations were ignored.

Under the Social Security Act, individual states are given considerable freedom to determine UI benefit payments eligibility and levels, tax rates, and tax bases. The states have varied widely in the generosity of their unemployment benefit payments and the soundness of their state accounts in the UTF, but over many decades, benefits have generally declined in real terms and benefit financing systems have remained inadequate.

As a result, a general consensus has developed among UI policy experts that the UI system should be reformed for several reasons. These include changing economic conditions, outdated federal statutes that no longer work well, and dysfunction in state programs, which are both underfunded and pay inadequate benefits.

Nevertheless, even though there are serious weaknesses in the UI program, the state UI administrative systems have responded well to recessions. State UI agencies have paid benefits in a reasonably timely and accurate manner, despite the fact that recessionary benefit payments have tended to increase exponentially, and Congress generally has required the states to implement temporary emergency UI programs effective upon enactment.

However, the federal and state UI tax structures have not worked well. Most states have not accumulated adequate reserves to pay benefits during recessions. After recessions, they have only slowly repaid their federal loans and built up their state accounts in the UTF, frequently facing the next recession in a weak fiscal condition. Also, after a recession, many states have reduced benefit levels and durations rather than raised taxes, choosing to lower costs rather than raise revenues. At the same time, federal funding from the Federal Unemployment Tax Act (FUTA) accounts has declined, providing inadequate funding for UI administration, EBs, Employment Service (ES) administration of the UI work test, and provision of reemployment services.

As a result, the current UI system faces a reduced ability to serve individual covered workers who become unemployed through no fault of their own. The percentage of unemployed workers receiving UI benefits has declined to a historic low. In the next recession, a weakened UI system will have a reduced ability to provide a countercyclical stimulus, and the states will not be ready to fund new demands on the system.

The UI program has been extensively studied and evaluated. Public policy analysts have identified problems in the UI system and ways to fix them. The purpose of this book is to highlight what has been learned from the UI research and evaluations and to analyze proposals for the program's reform. This book also includes an update of portions of a two-decade-old UI policy book by O'Leary and Wandner (1997).

FAILURE TO HELP UI RECIPIENTS RETURN TO WORK

The UI system's provision of temporary income support is based on the expectation that UI recipients will receive help to rapidly return to work by receiving information about and referral to job openings, job finding and placement services, and labor market information to assist in their job search. This exposure to job openings is known as the UI Work Test, and it is crucial to assuring that UI recipients are seeking new work as a condition for receipt of weekly unemployment benefits. Historically, ES has provided these services, and the decline of the ES has meant that these functions have badly eroded. The evolution of the relationship between ES and UI is discussed at length in Chapter 3.

In recent decades, UI recipients' need for reemployment services has increased sharply because a large percentage of recipients are permanently laid off, rather than temporarily separated from their previous jobs, and most of them do not have the skills needed to search for work. The provision of Job Search Assistance (also called Reemployment Services) is crucial to facilitating the return to work. Unfortunately, the federal government has provided little new funding for this activity except for a short period during the Great Recession under the American Recovery and Reinvestment Act of 2009, despite the fact that Reemployment Services have been found to be highly cost effective.

WHAT HAS CHANGED? WHY IT IS TIME TO REFORM UI NOW

Above we discussed some systemic problems with the UI program, but part of the reason that UI reform is needed is simply that times have changed, while the UI program has not. The key evolutionary changes that have occurred are changes in the U.S. labor market and in economic conditions. In addition, past program initiatives have not been successful and some current UI rules are outdated, and the previously strong federal-state relationship has deteriorated.

Changing Labor Market and Economic Conditions

From temporary to permanent layoffs

In 1935, the UI program was envisioned as a countercyclical program, providing benefits during the temporary layoff of workers who were expected to be recalled when the economy improved. Since the 1970s, however, temporary layoffs have declined sharply, and permanently laid off workers are likely to need to find new jobs, possibly in new industries or occupations. The UI and ES programs have not fully adapted to the demands of structural, rather than temporary unemployment.

Needs of dislocated workers

As larger numbers of laid off workers have become permanently dislocated, most need reemployment services to help them return to work. The availability of reemployment services, however, has been inadequate. The Workforce Investment Act (and now the Workforce Innovation and Opportunity Act) have a Dislocated Worker program, but funding has been modest. Similarly, the Worker Profiling and Reemployment Services initiative was enacted in 1993 to help dislocated workers but was not funded. Most recently, a Reemployment Services and Eligibility Assessment initiative has been launched, but it too has received inadequate funding.

Long unemployment durations

There has been an upward trend in the duration of unemployment. Dislocated workers are having increasing difficulty finding employment. As a result, UI recipients are in need of income support for longer periods of time. Since the end of the Great Recession, however, a number of states have reduced potential durations of regular benefits below the standard level of 26 weeks. As a result, in times of recession, many unemployed workers will exhaust their entitlement to UI benefits well before they are able to find new jobs.

Changing U.S. labor force

The UI program has not successfully adapted to two major demographic changes in the labor force—the increased labor force participation of women from the end of World War II to the mid-1990s and the increased participation of older workers since the mid-1990s. For example, when a multi-earner family moves when one member finds new employment, the spouse or partner often does not have a job in the new location. In many states, the UI system does not consider the "following" spouse to be eligible for UI benefits. Women and older workers are more likely to work part time, but many states make it difficult for part-time workers to receive UI benefits. The UI and ES programs also have not accommodated the expanding participation of older workers. Their unemployment benefits are sometimes limited, and they are not likely to receive the special types of reemployment services they may require.

Unemployment Insurance Program Failures and Lack of Adaptation

Failure of past provisions and lack of updating

Because UI reform occurs so infrequently, any mistakes made in program design take a long time to correct. For example, the permanent EB trigger mechanism was revealed as faulty—it doesn't turn the program on and off properly—soon after implementation in the 1970s, but it has never been permanently improved.

Many program benefit and taxation provisions also have not adapted well to change. In many cases, the problem is that program parameters have been set using absolute numbers and have not been adjusted to account for wage and price increases. For example, the federal taxable wage base was last increased to $7,000 in 1983 and is now completely inadequate to fund the program in a manner that treats employers and employees equitably. Similarly, many states set their maximum weekly benefit amounts and state taxable wage bases in fixed dollar amounts, and these levels become inadequate over time.

Failure of the federal-state partnership

UI is supposed to be a federal-state partnership, but the partnership has failed in recent decades, both on the federal and state sides. In the Executive Branch, the federal government has gradually given less direction and guidance to the states. For example, in 1950, 1962, 1970, and 1976, the U.S. Department of Labor issued detailed federal guidance regarding conforming state UI legislation, but no similar comprehensive guidance has been issued since 1976. The Congress, too, has declined to enact legislation that helps the UI system adapt to a changing U.S. economy.

With the federal government stepping into the background, in recent decades, the states have been mostly on their own with respect to a wide variety of benefit, financing, and administrative issues. While some states have chosen to adapt to the changing labor-force environment, many have not. States have also been reluctant to respond to the strains of recessions, often reducing benefits after downturns, rather than rebuilding their state UI trust fund accounts by increasing UI taxes to prepare for the next recession. The result has been increasing variation in UI programs among states and a decline in financial resilience and the quality of many program components.

The failure of the federal government and of many states to adapt the program has been a result of political pressures on the UI system resulting in a lack of public policy consensus. Employee groups and public policy analysts typically have called for reform, while employer groups have resisted. It has been employers' organizations that generally have held sway at both the federal and state levels.

POLITICAL CONSTRAINTS ON UI REFORM

Employers have a strong incentive to use their political leverage to oppose UI reform because, in almost all states, they pay the entire UI tax. As a result of employer political leverage, many states have resisted both UI tax increases and increases in benefits that would lead to tax increases. Organized labor generally has not been an effective advocate for legislative efforts to improve UI benefits or provide sufficient tax revenues to pay for the increased benefits.

At the federal level, employers have been successful in resisting increases to the UI taxable wage base and tax rates. As a result, federal UI trust fund accounts frequently have been inadequate to fund federal responsibilities regarding payments for UI and ES administration and EBs. Employers also have resisted federal benefit standards that would provide reasonable qualifying requirements and adequate benefit levels and durations.

Employers also have sought to constrain UI at the state level. They have opposed increases in both taxes and benefits. When state UI revenues have been inadequate to fund benefits in recent recessions, they have pressed for benefit reductions while resisting tax increases.

Today, the federal-state UI system lacks an effective employee constituency in large part because employers pay UI taxes. In order to provide additional state UI revenue to fund the program and to rebalance the political influence between employers and employees in state legislatures, an employee payroll tax would have to be enacted as part of all state UI laws. Because employer resistance to UI reform is likely to continue in the future, one recommendation made in Chapter 5 is that Congress should consider partially or fully funding the UI program with an employee tax. Comprehensive UI reform is unlikely to occur without employee funding of the UI program.

UI REFORM: PAST REFORMS AND STUDY COMMISSIONS

Unemployment Compensation Amendments of 1976

The last comprehensive reform of the UI program was in 1976, following the severe 1974–1975 recession. The Unemployment Compensation Amendments of 1976 made fundamental changes in the UI program, including increasing the kinds and number of workers covered by the program, such that virtually all wage and salary workers in the United States were covered by the program.

However, the 1976 amendments did not address many other benefit and tax issues, so Congress authorized the creation of the National Commission on Unemployment Compensation (NCUC) to examine and recommend further changes to the UI program.

The Commission was composed of representatives from business, labor, and the public. It made a large number of reform recommendations in its final report to Congress (NCUC 1980a) and produced three volumes of sponsored research (NCUC 1980b). No legislation was enacted based on these recommendations.

1981 Amendments

In 1981, a number of changes in federal law were made to reduce federal UI costs. Federal statutory changes included making it more difficult to pay EBs (e.g., eliminating the national trigger, raising the state trigger rate, and adding a minimum work requirement), disqualifying some ex-service members, and tightening child support intercept, federal loan, and Trade Adjustment Assistance provisions.

Advisory Council for Unemployment Compensation

The 1990–1991 recession again revealed weakness in the UI program. In response, as part of the Emergency Unemployment Compensation Act of 1991, Congress established the Advisory Council for Unemployment Compensation (ACUC) to examine approaches to UI reform precipitated by the economic downturn during the 1991 recession. The ACUC sponsored many empirical studies of the UI program—gathered in four volumes of background papers (ACUC 1995b, 1996b), and its three-part final report (ACUC 1994, 1995a, 1996a) recommended numerous reforms to the system. Among the major recommendations were reforms to EB triggers, increasing the UI taxable wage base, encouraging state forward funding of UI benefits, increasing UI-covered employment, increasing UI eligibility, and increasing UI administrative funding. The ACUC recommendations were never considered by the Congress.

The American Recovery and Reinvestment Act of 2009 (ARRA): UI Provisions

The ARRA was enacted in February 2009, over a year into the Great Recession. Congress had already enacted a new Emergency Unemployment Compensation (EUC) program in June 2008. ARRA extended EUC and temporarily increased unemployment benefit levels.

ARRA also tried to improve the availability of UI benefits to unemployed workers by enacting UI Modernization provisions.

States were given a financial incentive to increase initial UI eligibility by enacting alternative base periods, paying benefits to unemployed part-time workers searching for new part-time work, and paying workers leaving work for compelling personal reasons. It also encouraged states to pay an allowance for children and extended regular UI benefits for UI claimants engaged in training. The UI Modernization initiative had modest but uneven success in encouraging expansion of UI eligibility (see Chapter 5).

RECENT REFORM PROPOSALS

There has been a growing realization that the Great Recession has caused continuing problems for the UI program. Some states responded negatively to the recession by cutting benefits in a manner that undermines the purpose of the program to act as both a support to unemployed workers during temporary periods of unemployment and a countercyclical economic stimulus during periods of high unemployment. As a result, a number of organizations have examined the UI program, analyzed its current problems, and recommended new approaches to restore UI to fulfilling its historical programmatic goals.

Obama FY 2017 Budget Proposal

As part of the FY 2017 Presidential Budget request, then President Obama proposed a modest range of reforms to the UI program (White House 2016). These proposals were not considered by the Congress, but they were a recognition that the UI program had not fully recovered from the Great Recession and that major changes should be made to make the program sound (see Chapter 2). The White House 2016 proposal dealt with selective issues and was not meant to be a comprehensive set of reform options.

Proposal by the Center for American Progress–Center on Poverty and Inequality of the Georgetown University Law Center–National Employment Law Project

A combination of three nonprofit organizations—the Center for American Progress, the Center on Poverty and Inequality of the Georgetown University Law Center, and the National Employment Law Project (CAP, CPI, and NELP, together the CGN)—got together and conducted a study of the UI program. In 2016, they issued a report (West et al. 2016) proposing a much wider range of UI reforms than the Obama administration's proposals. The CGN proposal had as its major goal a sharp increase in UI program participation, as measured by greatly increasing the UI recipiency rate, that is, the percentage of all unemployed workers who receive UI benefits. To achieve this goal, CGN recommended the liberalization of a wide range of UI provisions, some of which, if adopted, would create a program that goes beyond insurance principles and would create an unemployment assistance program (see Chapter 5). The CGN proposal represents a comprehensive approach to UI reform, as does the new proposal presented in Chapter 5.

November 2016 White House Meeting on Unemployment Insurance

In its last days, the Obama administration considered the urgent need for UI reform. On November 2, 2016, senior staff from the Council of Economic Advisers, the National Economic Council, the Domestic Policy Council, and the Department of Labor met with outside experts to discuss UI research and policy. The meeting brought together leading researchers and policymakers to address the key components of a modern and effective UI system. The invitation stated: "UI plays several key roles, including providing income support to families experiencing negative income shocks and countering cyclical slowdown through automatic stabilization. As the American economy changes, researchers have an important role to play in understanding the strengths and weaknesses of the UI system. This Convening offers a format for researchers to share evidence-informed solutions and for policymakers to highlight areas where additional research is needed." The discussion covered four topics: "1) Stabilizing Effects of Automatically Triggered Extensions; 2) Shoring Up Finances; 3) Impact of Changing Employer-Employee Relationships; and 4) Ensuring Adequate Benefits." The purpose of the "Convening" appeared to be to set the stage for UI reform during a potential Hillary Clinton administration. The Convening had no effect on public policy.

The National Academy of Social Insurance Examines UI Reform

The National Academy of Social Insurance (NASI) is an organization dedicated to studying all programs covered by the Social Security Act, including UI. On November 9, 2015, NASI convened a meeting of UI experts, moderated by Stephen Wandner and William Rodgers. The meeting addressed issues including benefit payment (eligibility requirements, disqualifications, recipiency rates, and income replacement rates), benefit financing of regular benefits (taxable wage base and forward funding) and EBs, administrative financing, reemployment services, and work sharing. NASI issued a summary of the proceedings of the meeting (Schreur and Veghte 2016).

In late 2016, NASI also brought together a group of NASI members who are expert with respect to public pensions, health care, and UI. The experts developed papers on public policy dealing with social insurance, which were organized and revised by NASI staff. The result was a discussion of possible social insurance reforms, including those relating to UI. The final report was shared with the Trump administration and was widely distributed (Veghte, Schreur, and Bradley 2017).

SUMMARY OF THE CHAPTERS

The rest of this book consists of four main chapters and a brief summary chapter. In Chapter 2, Suzanne Simonetta first provides substantial background on the UI program and how it operates—information useful for understanding the proposal she discusses as well as others that are discussed in later chapters. She presents the framework of the UI program and how it has been working in states across the country. She reviews the evolution of the program and why some types of reform are needed. She then discusses the components of the reform proposal that was contained in the February 2016 UI legislative proposal in President Obama's Budget Request for Fiscal Year 2017, a proposal that was never considered by the U.S. Congress.

In Chapter 3, David Balducchi and Christopher O'Leary describe the origin and evolution of the partnership between the Employment Service (ES) and UI programs. They start with the policy objectives of the authors of the Wagner-Peyser and Social Security Acts, which established these two programs. They then analyze early actions by policymakers to facilitate inter-program cooperation, as well as policy changes in the ES-UI partnership over time. They turn to reasons for the decline in cooperation starting in the 1980s and explain why service availability has declined continuously since then. Next, the authors examine the changing sources of Wagner-Peyser Act funding, the decline in funding levels, and how funding could be increased. Finally, they suggest ways to revitalize the ES-UI partnership.

Wayne Vroman reviews the policy responses of the states to the Great Recession in Chapter 4. He shows that a substantial portion of the states were unprepared for the Great Recession, and, as a result, most went heavily into debt. He notes that the states could build back their state trust fund accounts either by raising taxes or by reducing benefits. He finds that state responses varied, but a substantial number of states made a slow recovery because they took little action to restore their trust funds. In addition, he analyzes the steps states did take to build back their state trust fund accounts. On the tax side, he shows how success differed, depending on variation in the actions taken by individual states. He also analyzes the actions that a substantial number of states took to make major reductions to their future benefit payments.

In Chapter 5, O'Leary and Wandner review the need for UI reform and the research that supports some of the needed changes to the program. The authors compare two recent UI reform proposals (West et al. 2016; White House 2016) to their own. They call for a comprehensive and consistent reform program that is balanced such that UI benefit payments and tax revenue are balanced and that indexing of both UI benefits and taxes is likely to keep the program both paying adequate benefits and collecting sufficient taxes to pay for those benefits.

Chapter 6 presents a general set of recommendations for comprehensive UI reform, covering the broad range of changes that could yield an adequate and self-sustaining UI program for the twenty-first century. It briefly describes and explains the components of such UI reform with respect to regular and extended benefits, tax policy, and reemployment services.

CONCLUSION

The materials in this book have been developed to provide information for consideration of federal and state UI legislative reform proposals. It provides background information that describes the problems with the current UI and ES programs and why these programs need to be reformed. It also provides a variety of proposals to deal with issues that are currently impeding the UI program from meeting its statutory goals of providing temporary, adequate income support to individuals unemployed through no fault of their own and acting as a macroeconomic stabilizer for the U.S. economy during recessionary periods.

The prospects for reform appear slim in the near term. Interest in UI reform tends to be limited when the economy is going well, and it increases in times of recessions. As unemployment increases, Congress hears from their constituents that the regular UI program is not sufficient and that they want Congress to enact additional weeks of benefits. It is at such times that public policy interest in UI reform surges. It is no accident that the last major reform of UI took place in 1976, soon after the end of the 1974–1975 recession.

The authors offer this book as material and proposals that could be the basis for a discussion of UI reform when interest in the program again increases. We all believe that significant reform is needed now and that putting reforms in place before the next recession would greatly help the United States to more quickly recover from the next recession and unemployed workers get through the next downturn by providing them with improved unemployment benefits and ES resources to help speed their return to productive employment.

Notes

1. The UI program also pays extended benefits—beyond 26 weeks of duration—in times of high unemployment, but most of this chapter discusses the regular UI program. Whereas the regular UI program can be considered a social insurance program, the extended benefits programs cannot.
2. As federal policy after World War II, the U.S. Department of Labor (USDOL) made a wide range of recommendations to states about the contents of their UI laws, including that they should provide claimants with a uniform potential duration of at least 26 weeks of benefits, and that if a state must vary the duration, it should range from 20 weeks to 30 weeks, along with other factors (USDOL 1962, p. 42). The department has not issued similar recommendations on state potential duration of UI benefits since issuing "Unemployment Insurance Legislative Policy: Recommendations for State Legislation, 1962," a "statement of unemployment insurance legislative policy and recommendations for State legislation." That publication was a revision of a 1953 document, *Unemployment Insurance Policy, Benefits-Eligibility*.

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Unemployment Insurance Reform

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