

## Chapter 2

# The Unemployment Insurance Program and Its Relationship to the Supplemental Nutrition Assistance Program

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**T**he Unemployment Insurance (UI) program’s parameters and the policy (set by both the federal and state governments) have a large impact on whether and when unemployed workers collect Supplemental Nutrition Assistance Program (SNAP) benefits, administered by the U.S. Department of Agriculture. If UI beneficiaries receive adequate UI benefits up until the time they find new employment, they may not need to apply for SNAP. During the Great Recession, however, UI benefits did not last long enough for many beneficiaries to find jobs. The SNAP program experienced a large increase in participants during the Great Recession, and UI beneficiaries were a significant portion of the increase. The SNAP program is particularly affected by the percentage of the unemployed who receive UI, the amount of UI benefits they receive each week, and the duration of UI benefits. The effect of the UI program on SNAP enrollment, however, varies between states because of differences in state UI laws and administration and because of the design of federal UI extension programs during periods of high unemployment.

In addition, the public workforce system provides reemployment services to UI recipients. These services can help UI recipients return

to work before they exhaust entitlement to all UI benefits. Research has shown that more intensive, in-person services make it more likely that UI beneficiaries will return to work before they exhaust their entitlement to UI benefits, making it less likely that they will need SNAP benefits. This chapter examines aspects of the UI program that affect the SNAP program and how the UI program during the study period changed because of public-policy decision making.

The UI program is generally the first public workforce program to serve unemployed workers, and this was certainly true in the Great Recession. Unemployment increased dramatically in 2008, especially for dislocated workers who qualified for UI benefits. Workers usually applied for benefits by telephone or by computer. Nonetheless, in most states, workers applying for UI must register with the Employment Service for referral to jobs or receipt of reemployment services, and they may be asked to report to local workforce offices to have their UI eligibility reviewed or to receive reemployment services.

The UI system pays partial, temporary benefits to unemployed workers who are unemployed through no fault of their own. These workers also must have recent and substantial experience in the labor market, through which they earned wages or salaries. Employers pay taxes into state accounts in the Unemployment Trust Fund in the U.S. Treasury so that balances are available to make future UI benefit payments. The financing system is designed to build up funds during good times so that these funds are available to make payments during future periods of high unemployment. If state accounts become insolvent, the states can borrow from the federal government. Thus, benefits are available to individual workers, and the UI system is designed to be part of the countercyclical fiscal system that leans against the forces of recession.

UI benefits are large compared to SNAP benefits. UI benefit formulas in most states are designed to replace approximately 50 percent of lost weekly wages up to a maximum benefit amount set by each state. UI benefits are paid to individuals based on their past earnings rather than to families based on need. As a result, the relative value

of UI benefits is much greater for a single SNAP recipient than for a larger family.

Table 2.1 shows that in 2009, the monthly value of SNAP benefits was only 15 to 20 percent of the average monthly UI benefit for a one-person family, while the value rose to between 45 and 65 percent for a family of four. It is worth noting that SNAP is relatively less valuable in Maryland and Michigan, states where UI provides for additional dependent allowances. Since SNAP is an antipoverty program, the lower rows of Table 2.1 contrast household SNAP benefits to state minimum UI benefit amounts paid to some UI beneficiaries involved with SNAP. The SNAP benefits are much higher relative to minimum UI benefit amounts, particularly in Missouri, Florida, and Georgia, where UI minimums are very low and no dependent allowances are paid. SNAP is relatively less valuable than minimum UI payments in Michigan because of a relatively high minimum weekly benefit amount (WBA) and a six-dollar-per-dependent additional UI payment per week. Only a small fraction of UI beneficiaries receive the minimum WBA, but joint UI and SNAP receipt is more likely for those at the minimum WBA because of their low recent earnings.

To further contrast UI and SNAP benefit levels, we use program administrative data from Michigan. Table 2.2 shows the average WBAs of UI beneficiaries who applied in Michigan between January and August of 2009.<sup>1</sup> A total of 427,266 applicants started new Michigan UI benefit years in this period. The minimum Michigan UI WBA in 2009 was \$117, but the average WBA among all beneficiaries in this period was \$316, while the state maximum was \$362. The average UI WBA for those who also received SNAP in the 36-month period from 12 months before UI application until 24 months after was \$284, compared to \$329 for those who did not receive SNAP in that period.

The average WBA for the UI-only group is not much higher than the average WBA for the group that also received SNAP, because the maximum WBA in Michigan is relatively low at \$362. In this total sample of UI beneficiaries who applied between January and August

**Table 2.1 Value of SNAP Relative to Average and Minimum UI, by Family Size, 2009**

	Florida	Georgia	Maryland	Michigan	Missouri	Texas
UI AWBA (\$)	238	282	311	304	256	321
UI AMBA (\$)	1,022	1,213	1,373	1,307	1,103	1,380
SNAP, 1 person—\$200	0.196	0.165	0.146	0.153	0.181	0.145
SNAP, 2 people—\$367	0.359	0.303	0.261	0.275	0.333	0.266
SNAP, 3 people—\$526	0.515	0.434	0.365	0.387	0.477	0.381
SNAP, 4 people—\$668	0.654	0.551	0.453	0.483	0.606	0.484
UI min. WBA (\$)	32	44	25	117	30	58
UI monthly min. WBA (\$)	138	189	107	503	129	249
SNAP, 1 person—\$200	1.449	1.058	1.869	0.398	1.550	0.803
SNAP, 2 people—\$367	2.659	1.942	2.595	0.694	2.845	1.474
SNAP, 3 people—\$526	3.812	2.783	2.992	0.948	4.078	2.112
SNAP, 4 people—\$668	4.841	3.534	3.178	1.151	5.178	2.683

NOTE: “AWBA” is the average weekly benefit amount, and “AMBA” is the average monthly benefit amount ( $AWBA \times 4.3$ ). Weekly additional UI allowances of \$8 and \$6 per dependent in Maryland and Michigan, respectively, are figured into the ratios. The monthly SNAP allotments are the maximum amounts by family size, including the 2009 increase provided for by the American Recovery and Reinvestment Act. These maximum SNAP amounts were available to households throughout the United States from April 1, 2009, through September 30, 2009.

SOURCE: USDOL (2010); USDA (2019); authors’ computations.

**Table 2.2 Comparison of Average UI Weekly Benefit Amounts (WBA) among Michigan UI Beneficiaries Involved with SNAP and All Other UI Beneficiaries, January–August 2009**

Time period relative to UI application	Both UI & SNAP receipt		Only UI receipt		UI WBA ratio
	Number of persons	Average UI WBA (\$)	Number of persons	Average UI WBA (\$)	Both UI & SNAP/only UI
12 months prior	59,872	270	367,394	324	0.833
Month of UI application	43,753	270	383,513	321	0.842
12 months after UI	94,593	282	332,673	326	0.866
24 months after UI	118,036	285	309,230	328	0.867
Anytime in 36 months	125,419	284	301,847	329	0.863

SOURCE: Author’s computation from Michigan program administrative data.

2009, fully 60 percent were at the maximum WBA, including 68 percent of those who did not receive SNAP and 40 percent of those who did. This is an impressive indicator of joint program use: 40 percent of UI beneficiaries who applied in the first nine months of 2009 and received SNAP within 36 months of their UI application qualified for the Michigan maximum UI WBA.

The average WBA of \$284 for UI beneficiaries who also received SNAP during the 36-month period around their UI application implies an average level of base period earnings at \$27,707. This average income level was below the SNAP-qualifying level (\$28,665) for a family of four in 2009 (HHS 2009). As a result, unemployed Michigan workers who qualified for a UI WBA much greater than double the state minimum WBA of \$117 would often still qualify for SNAP if they were the only earner in a four-person household. Those who received SNAP before or in the same month as UI application had somewhat lower average WBAs (\$270) than those who received SNAP within one (\$282) or two (\$285) years after application. In terms of understanding the relative importance of SNAP and UI to the household, the Michigan data suggest that contrasting SNAP with the UI average weekly benefit amount is a reasonable approach. This rule of thumb seems appropriate for the group of six states studied. However, it might be misleading in other states paying higher UI benefit amounts, where the average WBA of SNAP-involved UI beneficiaries is significantly lower than that for those not involved in SNAP.

Regular UI benefits generally have been paid for up to 26 weeks so that the program operates as an automatic stabilizer for the U.S. economy. When there is a downturn in the economy, the amount of benefits paid out increases automatically because the UI program is a budgetary entitlement and is not subject to budget appropriations at either the state or federal level. As the U.S. economy moved into the Great Recession, unemployment rates—as measured both by the Bureau of Labor Statistics' Current Population Survey (CPS) and by UI program enumerations—more than doubled in the period between

the cyclical unemployment low in 2007 and the cyclical unemployment highs in 2009 and 2010.

State UI agencies responded quickly to the Great Recession, succeeding in determining program eligibility and making payments to a greatly increased flow of UI claimants. The regular UI program served nearly double the number of unemployed workers receiving first payments in 2009 compared to 2006. Because of longer durations of insured unemployment, the total amount of regular UI benefits paid out increased by 250 percent during this same interval.

However, the severity of the Great Recession is not measured only by the increase in the number of workers falling into unemployment; it is also measured by how long workers remained unemployed. There was media attention on the enormous increase in the number of long-term unemployed—measured in the CPS as workers unemployed for more than 26 weeks. This measure of long-term unemployment corresponds to those insured workers who would have exhausted their entitlement to regular UI benefits. The great increase in durations of unemployment resulted in unprecedented numbers of UI beneficiaries who exhausted their entitlement to regular UI benefits; their numbers rose from 2.6 million in 2007 to 7.0 million in 2010 (Table 2.3).

The basic 26-week regular UI program is considered to be adequate during periods of low unemployment. Starting in the 1950s, however, Congress found regular UI to be inadequate when unemployment rises and more workers exhaust their entitlement to all of their potential weeks of UI benefits. Congress reacted in 1958 and 1961 by enacting temporary extended benefit programs to take care of a temporary need for additional UI benefits during a recession. In 1970, Congress enacted a Permanent Extended Benefit (EB) program designed to eliminate the need for temporary extensions. In fact, the Permanent EB program recently became a second-level (or second-tier) program, and Congress has enacted additional temporary third-tier programs in response to recessions in 1971, 1974, 1982, 1991,

**Table 2.3 Unemployment Insurance First Payments, Exhaustions, and Expenditures, Fiscal Years 2007–2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Unemployment rates (%)										
CPS civilian	4.6	5.3	8.6	9.8	9.2	8.2	7.7	6.5	5.4	4.9
Insured	1.9	2.2	4.1	3.7	3.0	2.7	2.4	2.1	1.7	1.6
Program activity (millions)										
First payments	7.5	8.8	14.4	11.3	9.7	8.7	8.1	7.2	6.6	6.3
Exhaustions of regular benefits	2.6	3.1	6.4	7.0	5.1	4.4	3.8	3.2	2.6	2.4
Benefit payments (\$ billions)										
Regular benefits	31.61	38.14	75.34	63.04	48.52	44.26	39.64	35.88	31.72	31.42
Extended benefits (EB)	0.01	0.02	4.12	8.00	11.92	4.94	0.11	0.00	-0.03	0.04
EUC08	0.00	3.55	32.66	72.09	52.66	39.58	25.43	4.84	-0.23	0.01
Federal additional	0.00	0.00	6.48	11.71	1.92	0.00	0.00	0.00	0.00	0.00
UCFE-UCX/trade	0.93	1.36	1.09	1.52	1.78	1.65	1.32	1.19	1.01	0.76
Total benefit payments (\$ billions)	32.55	43.05	119.69	156.37	116.80	90.43	66.50	41.91	32.46	32.24
State tax collections (\$ billions)	34.90	32.22	31.14	38.28	49.27	59.38	48.95	46.89	42.18	41.46

NOTE: EUC08 is the Emergency Unemployment Compensation program that was first enacted in June 2008. It is called EUC08 to distinguish it from previous temporary emergency programs with the same name. UCFE and UCX are unemployment compensation for federal employees and for ex-service members, respectively.

SOURCE: USDOL (2015c). The sum of individual UI programs may not add up to the total for all programs because of rounding.

2002, and 2008. The temporary recessionary extensions beginning in 1971 resulted in much longer potential duration of benefits, but until 2009 the total potential duration of regular UI, EB, temporary, and emergency extensions was never greater than 72 weeks, and frequently was not greater than 52 weeks (Isaacs and Whittaker 2011; Whittaker and Isaacs 2013).

In 2008, Congress reacted to the enormous increase in long-term unemployment as it normally does in a recession: it created a temporary third-tier UI program—the Emergency Unemployment Compensation program (EUC08). It also took a further unprecedented step—it liberalized the Permanent Extended Benefit program by extending access to the program and the duration of benefits. Congress also transferred EB funding from the Unemployment Trust Fund to general revenue, fully relieving state UI trust fund accounts of any fiscal responsibility for the program.

Just as the Great Recession was unprecedented in its severity, the extension durations also were unprecedented. During the Great Recession, the combination of the three UI programs yielded a maximum potential duration of benefits that reached 99 weeks between November 2009 and September 2012. The EUC program ended in all states on January 1, 2014.

Although state UI accounts in the Unemployment Trust Fund are supposed to build up during nonrecessionary periods so that they can fund state regular UI benefits during recessions, during the 2000s states were frequently unwilling to let their UI tax rates rise, so between 2005 and 2007 state UI tax collections barely exceeded the regular UI benefit payments. As a result, fund balances were not building up for the next recession. When the Great Recession began, regular UI benefit payments exploded, reaching \$75 billion in Fiscal Year (FY) 2009, while state UI tax collections responded slowly. In FY 2011, regular UI benefits payments were two-and-a-half times the amount of state collections.

As a result, between July 2008 and June 2011, 36 states borrowed money from the U.S. Treasury. The Unemployment Trust Fund's pos-

itive net reserves, which had been \$40 billion at the end of June 2008, dropped to  $-\$25$  billion by the end of June 2011, as 29 states plus the Virgin Islands were still in debt to the U.S. Treasury. The problem was particularly acute for seven states that each owed more than \$2 billion, including California, which owed more than \$10 billion (Vroman 2011). On March 18, 2015—almost six years after the end of the recession—10 states still owed a total of \$14.4 billion, but California accounted for more than half of that amount, at \$9.0 billion (USDOL 2018).

The slow recovery of Unemployment Trust Fund account balances calls into question the future financial health of the UI program. State workforce agencies must pay off their debts and build up their account balances through a combination of tax increases and benefit reductions. This effort takes several years to accomplish and will be successful only if the United States does not experience another recession in the near future.

The American Recovery and Reinvestment Act of 2009 (ARRA) included a variety of UI provisions that were designed to ease the problems of both unemployed persons and the financially strapped state UI programs. ARRA provisions went beyond merely extending the EUC08 program through December 26, 2009: the ARRA also funded a temporary increase of \$25 in the weekly UI benefit amounts, called Federal Additional Compensation. This was available to all unemployed workers participating in all UI programs, at a cost of \$20.1 billion, for the period 2009–2011. Permanent Extended Benefits became 100 percent federally funded, and states could temporarily ease EB eligibility requirements to expand the number of unemployed workers eligible for the benefits. These EB provisions cost the federal government \$24.0 billion between 2009 and 2011. The taxation of UI benefits also was partially suspended. State UI agencies were given relief from the repayment and accrual of interest on their outstanding federal loans. Furthermore, state UI agencies received \$500 million in additional UI administrative funds to respond to increased workloads. Finally, the UI modernization provi-

sions, which changed and modernized state UI eligibility provisions, were enacted as part of ARRA (Shelton, Romig, and Whittaker 2009).

## **REGULAR UI PROGRAM**

### **Eligibility for UI**

Each state determines its own UI eligibility conditions, but the process of making a determination is similar among the states. To be eligible for UI, an unemployed worker must meet both monetary and nonmonetary requirements. The nonmonetary requirements relate both to the reasons for job separation and to job search. Workers must have become unemployed through no fault of their own—generally, being laid off because there is insufficient work for them. Once they are initially eligible for UI, in order for them to continue to receive benefits they must be able, available, and actively seeking work, and they cannot refuse suitable work.

Unemployed workers also must have sufficient recent work attachment, which is measured by examining earnings in a UI base period—generally the first four of the last five completed calendar quarters. Many states also provide for a more recent alternative base period, which workers with insufficient wages in the regular base period can use to qualify. In 2017, all of the study states had an alternative base period of the last four completed quarters except for Florida and Texas. The minimum wages needed to qualify for benefits are shown in Table 2.4, with Georgia having the lowest amount and Michigan having the highest.

UI claimants who have sufficient wages in their base period receive a monetary determination of the weekly benefit amount they will receive and the maximum number of weeks for which they can draw benefits, yielding a maximum potential amount of benefits during the benefit year they establish. The generosity of benefits varies greatly across the country. Among the study states, Michigan and

**Table 2.4 State Eligibility Conditions for Participating States, 2017**

State	Minimum wages needed to qualify in base period (\$)	Maximum weekly benefit amount (\$)	Maximum potential benefits (\$)	Minimum potential duration, in weeks	Maximum potential duration, in weeks
Florida	3,400	275	6,325	9	12–23
Georgia	1,760	330	6,600	6	14–20
Maryland	1,800	430	11,180	26	26
Michigan	5,180	362	7,240	14	20
Missouri	2,250	320	6,400	8	20
Texas	2,442	493	12,818	10	26

SOURCE: USDOL (2014).

Florida required the greatest amount of wages to qualify for benefits, while Georgia required the least. Texas had a maximum weekly benefit amount and maximum potential benefits that were nearly 80 percent greater than those in Florida. In addition, the potential duration of benefits in Maryland is uniform at 26 weeks for all beneficiaries. Florida and Georgia have maximum potential duration that depends on the state unemployment rate as measured by the CPS. For the five states excluding Maryland, the actual potential duration depends on base period earnings, with the minimum potential duration varying from a low of 6 weeks in Georgia to a high of 14 weeks in Michigan. Higher weekly benefit amounts and longer durations of benefits increased the likelihood that workers would find jobs before they exhausted their entitlement to UI benefits, and higher amounts and longer durations decreased the likelihood that they would apply for SNAP. Other things being equal, applications for SNAP should have been earlier and greater in Florida than in Maryland or Texas, where UI is more generous.

## **DURATION OF BENEFITS**

### **Maximum Potential Duration**

At the beginning of the study period, all study states had maximum durations of 26 weeks. However, between 2010 and 2012, seven states reduced their weeks of benefit duration, and four of the study states were part of this group: Florida, Georgia, Michigan, and Missouri.<sup>2</sup>

When the UI program began paying benefits in 1938, states generally set the maximum potential duration for regular UI at 15 weeks. The states felt constrained from making it longer because of concerns fostered by early actuarial studies of the program. After World War II, states gradually increased the potential duration, until by 1975 all states had maximum durations of 26 weeks or greater. For over 30 years, all states sustained a consensus that they could afford to pay at least 26 weeks of regular UI benefits.

During periods of high unemployment, if extended benefits are available in states, the reduced potential duration of regular UI benefits in the seven states discussed above is likely to reduce the number of additional weeks of benefits available. Since the potential duration of EB benefits is 13 weeks, or 50 percent of regular duration, an individual eligible for 26 weeks of regular UI would receive 13 weeks of EB, while an individual receiving 20 weeks of regular UI benefits would receive only 10 weeks of EB benefits, resulting in a total reduction of 9 weeks. The exhaustees of the two UI programs, thus, would run out of income support more than two months earlier than individuals in states with longer regular UI benefits.

### **Duration and Exhaustion**

With state legislation providing for different maximum durations of benefits, the average potential duration for individuals will vary in response to the statutory limits, and average actual duration will be

lower than the average potential duration. Average potential duration varies greatly, depending on the maximum potential duration (which was reduced in Florida, Georgia, and Michigan) and whether duration is variable or uniform. As a result, Maryland and Texas have the highest average potential duration, while Florida and Georgia have the lowest. Similarly, Florida and Georgia have the lowest average actual duration (Table 2.5).

### **UI Partial Benefits and SNAP**

Particularly relevant to simultaneous SNAP-UI receipt are the rules for partial weekly UI benefits—that is, payments less than the full UI weekly benefit amount for which entitlement is figured on base period earnings. As stated in the introductory chapter of this book, weekly earnings must be reported on continued claims for UI benefits. All states permit some earnings during UI-compensable weeks. For example, Michigan makes a distinction between unemployed weeks without any earnings from work and underemployed weeks with some low level of earnings. All states compensate a week of underemployment if earnings are less than the full UI weekly benefit amount.<sup>3</sup> Forty-five states have an initial earnings threshold, below which benefits are not reduced. Thirty-nine of these states reduce benefits dollar for dollar beyond the initial disregard, so that UI payments continue until earnings exceed the WBA plus the disregard. Six programs with an initial disregard reduce benefits for earnings beyond the disregard by a rate of less than one, so that in these programs UI payments can continue when earnings are higher than the WBA plus the disregard. Seven states have no initial earnings disregard but reduce benefits by less than 100 percent of weekly earnings. Michigan is in this latter group. A graphical representation of the way that weekly income changes for a UI beneficiary in Michigan with increasing earnings is shown in Appendix Figure 1A.1, following Chapter 1. As discussed in Chapter 1, among the six states studied in this book, Florida, Georgia, Maryland, Missouri, and Texas have

**Table 2.5 UI Wage Replacement and Benefit Duration Measures, 2016**

	AWBA/ AWW	Average potential duration (weeks)	Average actual duration (weeks)	Exhaustion rate	Reciency rate % (rank)
United States	0.337	23.0	15.5	36.9	31
Florida	0.270	12.1	9.8	50.0	12 (50)
Georgia	0.288	13.6	8.5	36.1	15 (47)
Maryland	0.312	26.0	19.1	35.7	35 (19)
Michigan	0.315	19.8	12.3	33.4	31 (28)
Missouri	0.288	16.1	12.0	39.5	24 (33)
Texas	0.383	22.3	16.7	46.7	33 (26)

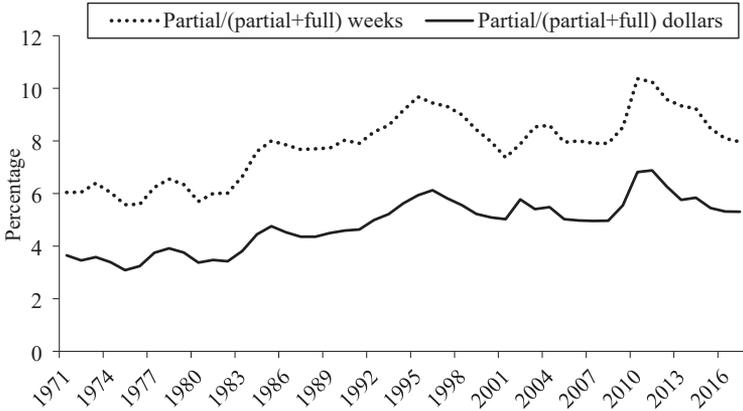
NOTE: Data are for both taxable and reimbursable employers. “AWBA” = average weekly benefit amount; “AWW” = average weekly rate.

SOURCE: USDOL (2016). The total unemployment rate to determine the reciprocity rate is from USDOL (2017b). All data are for 2016.

initial UI disregards, with 100 percent effective marginal tax rates on benefits thereafter.

In 2017, 8 percent of all weekly UI payments were less than the full WBA, and about 5 percent of UI compensation that was paid involved a reduced benefit due to reported weekly earnings (Figure 2.1). These rates of partial UI are less than the peaks of 10 percent of total weeks and 7 percent of dollars of UI in 2011 during the Great Recession. However, the current rates are higher than the 6 percent of weeks and 4 percent of dollars seen in 1971, reflecting a secular increase in the rate of reported earnings during UI benefit receipt. Nonetheless, the rate of earnings during UI receipt is probably higher than shown in these figures. A large field experiment in Washington suggests that UI beneficiaries will report a higher share of earnings on weekly UI claims when partial benefit rules are relaxed, even if earnings do not increase (O’Leary 1997), and the UI Benefits Accuracy Measurement quality control system identifies underreported weekly earnings as the second biggest factor in explaining UI overpayments. In fact, more than 30 percent of UI overpayments in 2016 were due to underreported earnings on weekly continued claims forms (USDOL 2017a).

**Figure 2.1 UI Partial Benefit Payments: Weeks Paid and Dollars Paid as Percentage of U.S. Totals, 1971–2017**



SOURCE: Unpublished data from the U.S. Department of Labor, Employment and Training Administration.

Regarding the relevance of changes in weekly earnings on the interaction between SNAP and UI, in practical terms, changes in earnings immediately affect UI payments, since they must be reported on continued claims, but changes in UI or weekly earnings do not immediately affect monthly SNAP payments. SNAP monthly benefit levels are based on recent and expected income and household circumstances at the time of application, and those computations are usually only validated in most states midway through the SNAP benefit entitlement period. In the SNAP benefit computation, labor earnings are treated more favorably than nonlabor income like transfer payments, which include UI. The SNAP benefit specialist would have to expect the income from UI to be established and likely to continue for it to figure into the SNAP monthly benefit amount. However, it should be noted that applicants for food assistance from SNAP or cash assistance from Temporary Assistance for Needy Families (TANF) are expected to exhaust all available sources of income before benefits are determined. Available sources of income could include UI,

various types of Social Security benefits, and employment income. In fact, SNAP applicants are required to register for work search with the public employment service, accept any offer of suitable work, and take part in an employment and training program to which they are referred by the SNAP office (USDA 2018).

## **WAGE REPLACEMENT RATES**

The extent to which lost wages are replaced by UI benefits is usually measured by dividing the average weekly benefit amount (AWBA) by the average weekly wage in covered employment (AWW), which is derived from the state UI wage records. Thus, the AWBA for UI recipients is compared to a different population—the AWW for all employed workers whose employment is covered by the UI program.

There has been a secular decline in wage replacement rates over time. There also are differences in replacement rates by state. Florida has the lowest replacement rate, at 27.0 percent, among the study states in 2016, while Texas has the highest at 38.3 percent.

## **UI RECIPIENCY RATES**

The reciprocity rate is insured unemployment as a percentage of total unemployment. It is an overall measure of programmatic and economic factors that affect whether unemployed workers receive UI benefits. It encompasses both monetary and nonmonetary eligibility factors that determine whether individuals receive UI and how long they will receive UI benefits.

Nationally, reciprocity rates for the regular UI program have varied from just less than 30 percent up to 50 percent. However, reciprocity rates vary greatly by state, and the differences are closely related to the benefit eligibility conditions and generosity of the state UI pro-

gram. Among the study states, Florida and Georgia had the lowest reciprocity rates, at 12 and 15 percent, respectively, in 2016, while Maryland and Texas had the highest, at 35 and 33 percent.

## BENEFIT FINANCING

Although the UI program is designed to be self-financing and countercyclical, recently many states have not been willing to build up their trust fund balances in good times to be ready to self-finance much higher benefit payments during recessions. Instead, many states have maintained relatively low trust-fund balances and had to borrow from the federal government early in a recession. While the states have mostly paid back their borrowed amounts after the Great Recession, payback has been slow, and UI trust-fund balances have remained low years after the end of the recession.

Table 2.6 shows the benefit-financing situation at the beginning of 2015. Tax rates were low in most states. Missouri had a zero minimum rate, and Georgia and Michigan had near zero minimum tax rates. While all study states have kept their minimum rates low, only Florida and Georgia also have kept their maximum tax rates low: federal law requires that the maximum rate must be no lower than 5.4 percent, and that is the rate these two states have chosen.

**Table 2.6 State Tax Provisions in Study States, 2015**

State	Minimum & maximum tax rates (%)	Taxable wage base (\$)	Reserve ratio	Average high-cost multiple
Florida	0.10/5.40	7,000	1.02	1.00
Georgia	0.0125/5.40	9,500	0.79	0.80
Maryland	0.30/7.50	8,500	0.96	0.80
Michigan	0.00/6.30	9,000	1.86	0.86
Missouri	0.00/9.75	13,000	0.68	0.60
Texas	0.00/6.00	9,000	0.13	0.15

SOURCE: USDOL (2015a,b).

Federal law also requires that the taxable wage base be at least \$7,000. In 2016, the UI base is 6 percent of the Social Security taxable wage base of \$118,500, even though the UI and Social Security wage bases started at the same \$3,000 level in the late 1930s. Florida maintains that low \$7,000 taxable wage base, and other study states have made only limited increases on their own. This is despite research that shows that higher taxable wage bases are related to more solvent state UI trust-fund accounts.

Measures of the adequacy of state reserves in the Unemployment Trust Fund are shown in Table 2.6. The reserve ratio is state trust reserves relative to total covered wages. The high-cost reserve multiple is a measure of current reserves to the reserve needed to fund the state program during a past year of high benefit payments. Reserves are low based on both of these measures. In the past, USDOL has advocated a reserve of 1.5. None of the study states have reserves anywhere near that level.

Interestingly, Florida's UI financial situation is as good as that of most of the other study states. This is despite its particularly low tax rates and a low tax base. Florida has been able to achieve its current benefit finance status by reducing UI benefits, as has been demonstrated by its low maximum potential duration, replacement rate, and reciprocity rate.

The potential for UI tax systems in our six states to respond to changes in benefit charges is summarized in the financing parameters listed in Table 2.6. State tax collection began increasing in FY2010 and continued to increase through FY2012. Starting in FY2011, state tax collections exceeded regular UI benefit payments, but collection declined beginning in FY2012. Thus, there was not a sustained period of building up the depleted trust fund reserves.

Five-and-a-half years after the end of the Great Recession, states were still in a weak financial situation. As of the end of 2014, states' accounts in the Unemployment Trust Fund still owed the federal government \$12.86 billion. Ten states were insolvent. Twenty-six states had estimated funding—based on a measure of highest past cost—

that would last less than one year, which is less than USDOL has determined to be sufficient to weather a future recession. Nevertheless, outstanding loans from the federal government were down substantially from \$42.18 billion at the end of 2010 (USDOL 2015c).

## **PERMANENT EXTENDED BENEFITS**

The permanent Extended Benefits (EB) program has been in place for 35 years. It usually provides up to 13 weeks of benefits over and above the regular UI program when unemployment rates meet certain levels (that is, the EB program “triggers on” at those levels). During the Great Recession, temporary federal legislation enabled states to increase the potential duration of the EB program by seven weeks, raising the total potential duration of benefits under the program to 20 weeks for the period lasting from February 2009 to July 2012.

Normally, the costs of the EB program are split between the states and the federal government, with each entity paying 50 percent from either the state account in the Unemployment Trust Fund or the Extended Unemployment Compensation account. During much of the recession, the federal government paid for 100 percent of EB costs.

All of the study states except Maryland were eligible for 13 weeks of EB for over three years, stretching the total to between 158 and 168 weeks. Because Maryland did not enact an alternate trigger mechanism that used the CPS total unemployment rate instead of the insured unemployment rate, reaching the threshold that would trigger EB was much more difficult in Maryland, and the state qualified for only 29 weeks of EB.

States could opt to have their UI beneficiaries be eligible for an additional seven weeks of EB during the federally legislated “high unemployment period.” Maryland was the only study state that did not choose the high unemployment period option, which would have allowed Maryland beneficiaries to draw 20 weeks rather than 13 weeks of EB benefits.

Once the Emergency Unemployment Compensation 2008 (EUC08) program became effective, EB was paid after EUC, rather than after regular UI benefits. Normally the EB program is considered to be the “second tier” of benefits, paid immediately after regular UI. During and after the Great Recession, however, it became the third tier of UI, following EUC08.

## EMERGENCY UNEMPLOYMENT COMPENSATION

The Emergency Unemployment Compensation 2008 program began paying benefits in July 2008; those benefits terminated on January 1, 2014.<sup>4</sup> The program paid additional benefits to UI beneficiaries who exhausted all their regular UI benefits. At first, EUC provided 13 weeks of benefits, but the program expanded, and eventually there were four tiers of benefits that paid as much as 53 weeks of benefits (Table 2.7). Congress was responding to the Great Recession, as it had to almost all prior recessions, by adding temporary emergency benefits to the permanent regular UI and EB programs. The difference was that the EUC program was longer than any past temporary emergency program, in response to a recession that was more severe than any in the post–World War II period.

For the long-term unemployed, the effect of EUC was to greatly expand the number of weeks of UI receipt and to delay (or elimi-

**Table 2.7 Weeks Payable under Emergency Unemployment Compensation, July 2008 through December 2013**

Effective dates	Weeks payable
7/2008–11/2008	Up to 13
12/2008–10/2009	Up to 20 or 33
11/2009–9/2012	Up to 20, 34, 47, or 53
9/2012–1/2014	Up to 14, 28, 37, or 47

SOURCE: USDOL (2017c); EUC trigger-summary spreadsheet from the team leader for reporting, Tom Stengle of the Office of Unemployment Insurance, U.S. Department of Labor.

nate) the transition of UI recipients to SNAP beneficiaries. The public policy goal of EUC was, by greatly extending benefits, to give UI beneficiaries more time to search for and find work before they exhausted all entitlement to UI benefits. In response to labor market conditions, there were a number of legislative expansions, extensions, and contractions of EUC that paid benefits between June 30, 2008, and January 1, 2014 (see Table 2.8).

The key factors in when UI beneficiaries were likely to apply for SNAP during and after the Great Recession were the number of

**Table 2.8 Extended Benefits Weeks Paid, July 2008 to January 1, 2014**

State	Weeks of extended benefits (EB) (13 Weeks)	Weeks of high unemployment period (HUP) (20 weeks)
Florida	168	161
Georgia	165	158
Maryland	29	0
Michigan	160	145
Missouri	163	153
Texas	158	126

SOURCE: EB trigger-summary spreadsheet from the team leader for reporting, Tom Stengle, Office of Unemployment Insurance, U.S. Department of Labor.

weeks of eligibility for all UI programs and the number of “final” UI payments for workers. The UI program counts “final payments” from each UI program—regular UI, EB, and EUC. However, the final payment of interest from the perspective of potential SNAP applicants is the “final” final payment—the last payment that beneficiaries could receive from all UI programs for which they were eligible.

## **WEEKS OF POTENTIAL BENEFITS FROM THE REGULAR, EB, AND EUC PROGRAMS**

The potential duration of all UI benefits during the study period depended on the sum of the availability of all three UI programs:

- **Regular UI benefits:** The maximum potential duration for regular benefits was 26 weeks in all states during the Great Recession, but among the study states, it declined because of state legislation for Florida, Georgia, Michigan, and Missouri in 2011 and 2012.
- **Extended Benefits:** These benefits were available only when states met the EB trigger thresholds and the maximum payable period was either 13 or 20 weeks.
- **Emergency Unemployment Compensation:** This was available from July 2008 through December 2013. The maximum potential benefits varied between 13 and 53 weeks, depending on the federal legislation in place and on the unemployment rate within individual states.

Thus, the total weeks of potential benefits can be looked at as in Box 2.1, below:

**Box 2.1 Potential Weeks of Benefits, by Individual UI Program, June 2008 through December 2013 for the Study States**

**Extended benefits** (third tier)

Up to 13 weeks of benefits for beneficiaries.

Available in all study states for between 29 and 168 weeks.

**High unemployment period benefits** (third tier)

Increased potential EB benefits up to 20 weeks.

Available in all study states, except Maryland, for 145 to 168 weeks.

**Emergency unemployment compensation** (second tier)

Available in all study states, providing up to between 13 and 53 weeks of benefits, depending on federal legislation and unemployment rate by state from July 2008 through December 2013.

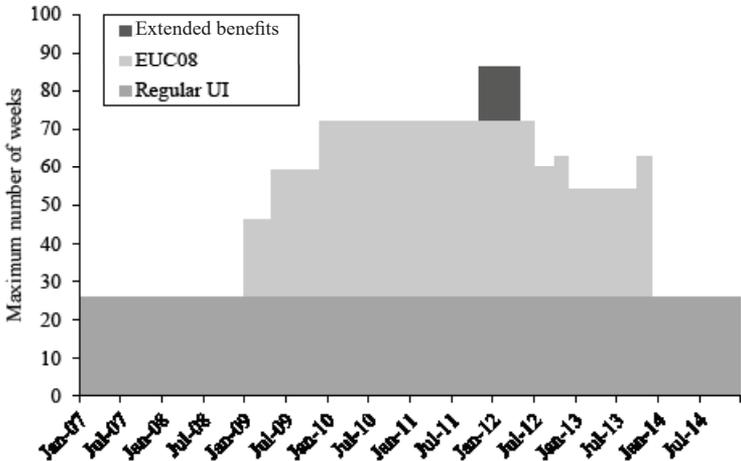
**Regular UI** (first tier)

Twenty-six weeks' maximum potential duration in all states, but reduced in Florida, Georgia, Michigan, and Missouri (2011–2012).

Thus, although maximum benefit entitlement varied between 2008 and 2013, the greatest amount of potential benefits a UI beneficiary could have received was 99 weeks = 26 weeks of regular UI + 20 weeks of EB + 53 weeks of EUC. Given this total potential availability of UI benefits (Regular UI, EB, and EUC), we have constructed charts for the study states. Figure 2.3 presents the results for the state of Maryland for the period from July 2008 through 2013.

Figure 2.2 shows that Maryland had maximum potential benefits of 26 weeks throughout the period. In Maryland, EUC started in January 2009 and increased from one to two to three tiers by January 2010. EUC declined after June 2012, then varied between two and three tiers until EUC ended nationally at the end of December 2013. Maryland had by far the shortest EB duration of any of the study states, with 29 weeks, during which UI beneficiaries could draw an

**Figure 2.2 Maryland: Maximum Weeks of UI Available: Regular, EUC, and EB**



SOURCE: EB and EUC trigger-summary spreadsheets from the team leader for reporting, Tom Stengle, of the Office of Unemployment Insurance, U.S. Department of Labor.

additional 13 weeks of benefits. Maryland did not qualify for the high unemployment period's additional seven weeks of potential EB benefits. In total, Maryland UI recipients received far less in benefits than recipients in the other study states.

### **“Final” Final Payment**

The UI system measures final payments for regular UI, EB, and EUC, including each of the four tiers of EUC that existed between 2009 and 2013, but this study is interested in “final” final payments, which is a count of the number of last UI payments that beneficiaries received by month. These UI beneficiaries could potentially have received all of their regular UI benefits and exhausted them, gone on to receive all of their EUC benefits (including up to four tiers of benefits), and then received all of their eligibility for EB benefits, including the extra high unemployment period of an additional seven weeks of benefits.

Putting together all of these programs and then selecting the final payments from the last program for which the Maryland UI beneficiaries were eligible month by month would allow us to develop a count of those who left the UI program and had no further eligibility for UI benefits.

There are limitations, however, to any measure of individuals who received their “final” final payment, because there are cases in which these payments were not “final.” If any study state in which the individual received a last UI payment subsequently triggered onto a higher EUC tier or triggered onto EB, exhaustees might have been eligible for additional benefits. In that case, these former beneficiaries would have been contacted, asked to contact the UI program if they still were unemployed, received a benefit redetermination, and returned to the UI program.

On the other hand, when a state triggered off EB or triggered down to a lesser number of EUC tiers, beneficiaries could be immediately affected. Once the trigger change occurred, beneficiaries who

had received more than the new maximum number of weeks were immediately cut off from the program.

Despite the fact that redeterminations occurred and individuals counted as “final” final exhaustees could return to the UI program—and be counted again as an exhaustee if they used all of their new entitlement to benefits—the above measure of “final” final payments is a reasonable approximation of the outflow of beneficiaries from the UI program, who were more likely to apply for SNAP at or after the time of their exiting the UI program, when they had lost UI benefits as a form of income support.

## **EMPLOYMENT SERVICES**

Employment and reemployment services are needed by many UI beneficiaries to help them find employment before they exhaust all of their UI benefits. As permanently displaced workers, UI beneficiaries often have been employed at one job for a long time, so they tend to be unfamiliar with how to effectively search for work. Displaced workers are also likely to suffer large wage losses when they become reemployed (Jacobson, LaLonde, and Sullivan 1993). Research has shown that comprehensive, staff-assisted reemployment services hasten their return to work. The key components of reemployment services are assessment, counseling, job matching and referral to job openings, job development, provision of labor market information, job clubs, and job search workshops. Job search workshops are effective if unemployed workers learn how to develop résumés, search for work using formal and informal search methods, and practice how to effectively participate in job interviews. Job search assistance is an employment service that trains workers, providing them with the skills to seek and obtain jobs. One review of publicly funded training found that reemployment services are the most effective form of short-term training (LaLonde 1995).

Most reemployment services are provided by the Employment Service, which routinely provides reemployment services to UI claimants. The budget for the Employment Service has remained stagnant for many years and had declined in real terms to half of what it was in the mid-1980s. In addition, Reemployment Service Grants, which supplemented the Employment Service budget, were provided in the early 2000s but then lapsed. The American Recovery and Reinvestment Act of 2009 provided \$400 million for reemployment services, of which \$250 million went to Reemployment Services Grants and Reemployment and Eligibility Assessments, while \$150 million went to the provision of other services by the Employment Service. This added funding was made available because of the great increase in the number of unemployed workers who needed assistance finding jobs during the Great Recession. As a result, many more displaced workers were served during the second half of 2009 and through 2010, by which time the funds were exhausted. Those funds have not been replaced.

## **GETTING READY FOR THE NEXT RECESSION**

The flow of UI recipients into SNAP is likely to be limited in the immediate future, but it could increase greatly during the next recession.

Current state UI policy has an important bearing on how much UI funding will be available during the next recession. Low UI tax rates and low taxable wage bases make it less likely that states will have enough funds in their unemployment trust fund accounts to fully fund regular UI benefits or the state portion of EB. Inadequate funding would encourage states to reduce benefit payments, which can be accomplished by making it harder for potential beneficiaries to initially qualify for benefits. This can be done by holding down maximum weekly benefit levels and maximum potential durations of ben-

efits. Seven states already reduced maximum potential durations in 2011–2012, and similar pressure could lead to a repeat effort to hold down benefits, especially if states' trust fund accounts again become insolvent.

What things could be altered in the UI program that would reduce or delay the flow of UI recipients into SNAP during the next recession? Here is a list:

### **State Benefit Financing**

- Higher taxable wage base
- More responsive tax schedule

### **State Benefit Payments**

- Less restrictive qualifications for benefits
- Fewer disqualifications after initial benefit receipt
- Higher maximum benefits
- Maximum potential regular UI durations of 26 weeks or more
- Uniform potential duration
- Enacting or improving short-time compensation programs

### **Federal Policy**

- Enactment of an indexed, higher UI-taxable wage base
- Enactment of standards for regular UI eligibility, duration, and benefit levels
- Prompt enactment of new EUC programs early in recessions
- EUC durations that are appropriate to the severity of the recession
- Increased funding for reemployment services grants
- Improving funding of the Employment Service

## Notes

The opinions expressed herein are solely the authors' and should not be attributed to the W.E. Upjohn Institute for Employment Research or the Urban Institute.

1. Since available administrative data end in August 2011, we can examine SNAP-UI involvement two years after UI application and one year before.
2. The effective dates for the reductions in regular benefits were as follows: Florida, January 1, 2012; Georgia, July 1, 2012; Michigan, January 15, 2012; and Missouri, April 17, 2011. Maximum potential eligibility in Florida and Georgia vary with the state unemployment rate (Robert Johnston of the Office of Unemployment Insurance, telephone conversation with the author, March 30, 2015).
3. Munts (1970) and Decker (1997) describe the workings of state UI partial benefit systems. McCall (1996) estimates the effects of differing state rules on unemployment durations.
4. Emergency Unemployment Compensation 2008 paid benefits to exhaustees of regular state UI with benefit years ending on or after May 1, 2007.

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