Notes and Brief Reports

Extension of Emergency Unemployment Compensation Act*

As the result of Public Law 92–329, signed by President Nixon on June 30, 1972, the Emergency Unemployment Compensation Act of 1971 was extended for 6 months. Under the original legislation, enacted December 29, 1971, the Secretary of Labor was authorized to enter into agreements with any State having at least a 6.5-percent unemployment rate over a 13-week period. The agreements would insure payment of up to 13 additional weeks of emergency unemployment compensation to persons who had exhausted all rights to both regular and extended unemployment insurance benefits under the Federal-State program.[1] Nineteen States have participated in the program since the week of January 30, 1972, when payments were first made.

The original law provided that an emergency period, once triggered, would remain in effect for at least 26 weeks but that no benefits would be payable for any week of unemployment ending after June 30, 1972, unless the individual had already qualified for at least 1 compensable week's benefit before July 1. In the latter case, an individual could continue to collect benefits after June 30 (provided the emergency period in his State continued in effect), but no payments would be made for any week ending after September 30, 1972.

The new legislation extends each of these termination dates by 6 months, so that new beneficiaries will be eligible for benefits until December 31, 1972. The final cut-off date is March 31, 1973.

With respect to benefit amounts, the emergency program provides compensation (including dependents' allowances) at the same weekly rate paid by the regular State program. The total amount of emergency benefits payable is limited to one-half of a worker's total regular compensation but is not to exceed 13 times his weekly benefit. The 6.5-percent unemployment rate that triggers the emergency program on and off is calculated by taking into account both the rate of insured unemployment for a 13-week period (not seasonally adjusted) and the rate of exhaustion of regular benefits. The latter rate is arrived at by dividing one-fourth of all exhaustions for the most recent 12-month period by the average monthly covered employment in a State. The new legislation does not change these provisions.

Public Law 92–329 does, however, provide a different method of financing the benefits paid under the extension of the program. The original provision called for repayable advances from the general revenues of the Treasury to the extended unemployment compensation account in the unemployment trust fund. These advances were to be recovered in the future by withholding from participating States the distribution, authorized by the Reed Act, of excess Federal unemployment tax collections, if any.

The new law, in contrast, provides that benefits paid under the program for weeks ending after June 30, 1972, will be financed from the extended unemployment compensation account by a temporary 0.08-percent increase in the Federal unemployment tax rate (from 3.2 percent to 3.28 percent of taxable wages—the first $4,200 of a worker's covered wages in a year). Since the tax offset allowed to employers in the States remains at 2.7 percent, the new law in effect raises the net Federal rate from 0.5 percent to 0.58 percent, 13/58 of which will be transferred to the extended unemployment compensation account. (The previous law provided for a transfer of one-tenth of net receipts to that account.) The increase is effective for calendar year 1973 only but applies to employers in all States, regardless of whether the State is eligible to participate in the emergency unemployment compensation program.

* Prepared in the Interprogram Studies Branch, Division of Economic and Long-Range Studies.

[1] A permanent program of extended benefits had been authorized under the Employment Security Amendments of 1970, which put an overall limitation of 39 weeks on regular and extended benefits.

Veterans' Compensation Program Amended*

Public Law 92–328 (signed June 30, 1972) provides for an average increase of 10 percent in

* Prepared in the Interprogram Studies Branch, Division of Economic and Long-Range Studies.