Unemployment Insurance: New Emergency Benefits Extension

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A new extension of emergency unemployment compensation (EUC) benefits was signed into law by the President on March 4, 1993—the same day that Congress passed it; H.R. 920 became P.L. 103-6, the Emergency Unemployment Compensation Amendments of 1993. Prior legislation was due to expire on March 6. In less than 16 months, four laws were enacted that provided Federal EUC benefits after exhaustion of State benefits. In addition, two pieces of legislation in August and October of 1991 did not go into effect.

P.L. 103-6 provides an additional 20 or 26 weeks of emergency benefits for most workers exhausting their regular State benefits by extending authorization for new claims from March 6 through October 2, 1993, with a phaseout of the program over a 3-month period ending January 15, 1994. The law also provides for the development of an automated system for identifying dislocated workers and referring them to reemployment services. The unemployment insurance program covers workers in the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

Extension of Benefits

Although the unemployment rate fell from 7.3 percent in December 1992 to 7.1 percent in January 1993, and to 7.0 percent in February, long-term unemployment has persisted. Over 1.9 million workers have been unemployed for more than 6 months, and 1.5 million of these workers were receiving emergency benefits. As of April 17, 1993, workers in 12 State programs—Alaska, California, Idaho, Maine, Montana, New Jersey, Oregon, Pennsylvania, Puerto Rico, Rhode Island, Washington, and West Virginia—were eligible for 26 weeks of EUC benefits. Workers under the other 41 State programs were eligible for 20 weeks of emergency benefits.

In the past four recessions, an estimated 44 percent of unemployed workers were on temporary layoffs; in the current recession, however, only 14 percent are expected to be recalled by their previous employer. In addition, the rate at which workers were exhausting their regular State benefits in November 1992 was nearly 40 percent, substantially above the 25-30 percent rate in nonrecessionary periods. Consequently, the number of workers exhausting regular benefits and claiming emergency benefits remained high, around 300,000 workers per month. It was estimated that about 2 million workers would receive assistance from extension of the EUC program.[1]

Prior Legislation

Between the summer of 1991 when the unemployment insurance extension legislation was first proposed and before enactment of P.L. 103-6, the following legislation was considered:[2]

- P.L. 102-107 (H.R. 3201), The Emergency Unemployment Compensation Act of 1991, was signed into law on August 17, 1991. The law did not go into effect, however, because the President did not sign a separate declaration of an emergency to permit off-budget financing. The Act would have provided 20, 13, 7, or 4 additional weeks of benefits, depending on a State's total unemployment rate, and would have been effective from October 6, 1991, through July 4, 1992.
- S. 1722, the Emergency Unemployment Compensation Act of 1991, was vetoed by the President on October 11, 1991, (and sustained by the Senate) because the bill automatically declared an emergency upon the President's signature. It was essentially the same as H.R. 3201.
- P.L. 102-164 (H.R. 3575), the Emergency Unemployment Compensation Act of 1991, was approved by the President on November 15, 1991. It also provided 20, 13, or 6 additional weeks of benefits depending on either a State's total unemployment rate or its adjusted insured unemployment rate. The program was authorized from November 17, 1991, through July 4, 1992, and provided for direct financing through increased revenues.
- P.L. 102-182 amended P.L. 102-164 by eliminating the 6-week benefit tier and providing for 20 or 13 additional weeks of benefits. The amending provision was financed by moving the expiration date from July 4, 1992, to June 13, 1992, along with residual pay-as-you-go offsets in H.R. 3575.
- P.L. 102-244 (H.R. 4095), the Emergency Unemployment Compensation Extension Act of 1992, was signed into law on February 7, 1992. An additional 13 weeks of benefits for all EUC claimants was provided so that a maximum of 33 or 26 weeks of benefits was available through June 13, 1992. It also provided 20 or 13 weeks of benefits through July 3, 1992, and was funded by carryover pay-as-you-go financing from earlier legislation and an increase in corporate estimated tax deposits.

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- P.L. 102-318 (H.R. 5250), the Unemployment Compensation Amendments of 1992, approved on July 3, 1992, extended the EUC program to March 6, 1993, and provided 26 or 20 weeks of benefits to new EUC claimants beginning June 13, 1992. Benefits were phased down to 15 or 10 and 13 or 7 weeks depending on whether the seasonally adjusted national total unemployment rate fell below 7.0 percent or 6.8 percent, respectively, for 2 consecutive months. This legislation was financed by acceleration of estimated tax liability for large corporations, tax withholding for certain pension plan distributions, and a delay in the expiration of the phaseout of personal exemptions for higher income individuals.

Changes in the permanent Extended Benefits program were also enacted, including an optional total unemployment rate trigger. The EUC program is financed entirely with Federal funds, while the Extended Benefits program is funded equally by the Federal Government and the States.

Provisions of P.L. 103-6

The Federal Emergency Unemployment Compensation (EUC) program was first enacted in November 1991 (P.L. 102-164, as amended) and was extended most recently by P.L. 103-6. Depending on unemployment rates in their States, the EUC program provides workers who exhaust their regular State unemployment benefits with 26 additional weeks of benefits in States with the highest unemployment (a total of 52 weeks), and 20 weeks of additional benefits in all other States (a total of 46 weeks). Workers in States with adjusted insured unemployment rates (the average of the current week and the preceding 12 weeks) of at least 5.0 percent or total unemployment rates (during the past 6 months) of at least 9.0 percent may receive the higher number of weeks of benefits. This schedule of EUC benefits remains in effect so long as the seasonally adjusted total national unemployment rate stays at 7.0 percent or higher (the rate for January 1993 was 7.1 percent and for February it was 7.0 percent). Should the national unemployment rate fall below 7.0 percent for 2 consecutive months, the law provides that the number of weeks of benefits will be reduced to 15 in high unemployment States and to 10 in all other States. Similarly, if the national unemployment rate falls below 6.8 percent for 2 consecutive months, the number of weeks of benefits will be reduced to 13 and 7 weeks.

As stated above, authorization for new EUC benefit claims would have expired on March 6, 1993. Those in the program before this date could have continued to claim EUC benefits until June 19, 1993, when the program expired.

The new law extends authorization of new EUC claims through October 2, 1993. Workers who exhaust their regular State benefits after that date will not be eligible for EUC benefits. Workers who began receiving EUC benefits before that date will be entitled to the full number of weeks of benefits for which they were found eligible; however, no EUC benefits will be payable after January 15, 1994. If an extended benefit period is activated in a State between the October 2 expiration date of the EUC program and the January 15 termination date of all EUC benefits, an eligible worker will be entitled to receive EUC benefits or Extended Benefits, whichever are greater.

A major provision of P.L. 103-6 authorizes appropriations to State Unemployment Insurance agencies for development of an automated system for identifying and referring dislocated workers to reemployment services. Using information already obtained during the claims process, screens will be developed to identify whether the worker is dislocated and likely to exhaust his or her regular State unemployment benefits. If the worker is dislocated, the system will generate referrals to the appropriate service providers. In addition, the Secretary of Labor will provide technical assistance to the States in the development of model profiling systems. Within 30 months after enactment, the Secretary is required to report to Congress on the operation and effectiveness of the profiling system adopted by the States, along with recommendations for continuation of the system and any appropriate legislation.

Under P.L. 103-6, eligible railroad workers will continue to receive the additional benefits provided under the previous EUC law. Under present law, workers in the railroad industry receive unemployment compensation under a separate program that provides benefits basically equivalent to those provided under regular State unemployment compensation programs.

Benefit payments under EUC for the period November-December 1991 were $770 million, and for calendar year 1992 they were $13.5 billion. Under the regular unemployment insurance program, benefits totaled $26 billion in 1992.

The cost of unemployment benefits and administrative costs under P.L. 103-6 is estimated to be about $5.8 billion. All direct spending and authorized appropriations under the legislation are designated as emergency requirements within the meaning of the Balanced Budget and Emergency Deficit Control Act of 1985. Since an emergency was declared, no pay-as-you-go financing is required as under previous legislation, and discretionary spending caps do not apply.

Notes

[1] House Report 103-17 of the Committee on Ways and Means, U.S. House of Representatives, February 23, 1993, to accompany H.R. 920, a bill to extend the Emergency Unemployment Compensation Amendments of 1993, pp. 2-8.

[2] For an overview of the unemployment insurance program, see "Social Security Progams in the United States," *Social Security Bulletin*, September 1991, Vol. 55, No. 9, pp. 20-28; for a more extensive explanation of legislation enacted between 1991 and 1993, see "Unemployment Insurance: Recent Legislation," *Social Security Bulletin*, Spring 1992, Vol. 55, No. 1, pp. 47-50 and "Unemployment Insurance: Emergency Benefits Extended," *Social Security Bulletin*, Fall 1992, Vol. 55, No. 3, pp. 67-68.