THE UNEMPLOYMENT INSURANCE PROGRAM**

I. BACKGROUND INFORMATION AND PROPOSALS FOR ACTION


A comprehensive review of facts and issues which covers the historical background and legislative developments of the present system, questions of coverage, benefits, and financing, and problems in federal-state relations and in coordination with social insurance programs.


The focus of this study is on the problem of extended unemployment benefits for long-term unemployed workers especially in periods of economic recession. The author traces the development of regular benefits payable under state laws, reviews recent experience with extended benefits and analyzes the policy questions involved. Particular attention is paid to the financing of extended benefits and the reliability of the trigger mechanism.


A spokesman for organized labor discusses the inadequacies of the present system of unemployment insurance in times of high unemployment and rising inflation. He calls for higher weekly benefits, expansion of coverage, and equity in applying disqualification standards. He finds that the trigger mechanism related to unemployment levels has been unresponsive in activating the extended benefit program for the long-term unemployed.


Using Ohio data on earnings and dependency status of eligible claimants, this study analyzes the effects of various proposals to raise the

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**Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.
ceilings on maximum weekly unemployment benefits. The author concludes that the proposals would not have achieved their goals and suggests alternative standards.


The author reviews the complicated mass of state statutes, regulations, court decisions, and administrative practices to show how the various states determine who among the unemployed will be compensated for their wage loss. Insured status depends on a combination of previous employment and earnings and disqualification can result from a variety of separation issues and refusal of suitable work.


The Administration’s unemployment compensation bill (H.R. 8600) was opposed by both labor and business witnesses. Labor representatives wanted a higher benefit formula, coverage of all farm workers, eligibility of strikers to receive unemployment benefits, and a ban on “unreasonable” disqualifications. Some representatives from business were opposed to federal standards. Both groups agreed that changes were necessary in the trigger provisions of the extended benefit program. Included in the Hearings is an 84-page background document prepared by the Committee on Information relating to federal-state unemployment compensation laws.


A summary of the experience, through 1972, of the 19 participating states under the Federally financed emergency unemployment compensation program.

2. *Questions of Economic Impact and Tax Policy*


This evaluation of experience rating in unemployment insurance considers such issues as the solvency of state funds, the allocation of costs, effects on the business cycle and the economy, internal company management, and employer participation in legislation and management. On balance, the author concludes that experience rating is a desirable method of allocating the tax burden among employers despite some
adverse effects on small, new and seasonal firms. He concludes that
effects of experience rating on the business cycle are small and uncertain
and that the individual firm has limited control over employment
fluctuations.

Edgell, David L. and Stephen A. Wanderer. "Unemployment insur-
ance: its economic performance." Monthly Labor Review (Superin-
tendent of Documents, Government Printing Office, Washington,

An examination of the effectiveness of the unemployment insurance
program in replacing lost wages for the individual worker and as an
economic stabilizer. While benefit levels have kept pace with wages,
unemployment benefits replace only one-fifth of total wages. The au-
thors find that both the benefits paid and the state taxes collected have
a countercyclical effect.

Feldstein, Martin S. Lowering the permanent rate of unemploy-
ment. A study prepared for the Joint Economic Committee. Washing-
ton, D.C. 20402. Superintendent of Documents, Government Printing

In part V, "Improving the incentive effects of unemployment compen-
sation," the author concludes that the present unemployment compen-
sation program provides a negative incentive for the unemployed
worker to find work and increases the seasonal and cyclical fluctuations
in the demand for labor. To reduce the disincentives he proposes that
unemployment benefits be taxed as any other income, that the limits on
the experience rated employer tax be removed and that part of the ex-
perience rated contribution be shifted from employer to employee.

——. "Unemployment compensation: adverse incentives and distribu-
tional anomalies." National Tax Journal (National Tax Associ-
ation, 21 East State St., Columbus, Ohio 43215), June, 1974. pp.
231-244. $1.50.

This study finds that, nation-wide, unemployment benefits replace
more than 60 per cent of lost net income. However, most of the benefits
go to middle and upper income families with only a small per cent going
to low income families.

Lester, Richard A. The economics of unemployment compensation.
Princeton, N.J. 08540. Industrial Relations Section, Princeton Uni-

An analysis of the experience with unemployment insurance from 1948
to 1961 which discusses the adequacy of benefits both from the indi-
vidual viewpoint and their impact on the economy. The incidence and
economic effects of the unemployment payroll tax are discussed with
emphasis on the experience rating features and the location of industry.

Munts, Raymond and Irwin Garfinkel. The work disincentive effects
of unemployment insurance. Kalamazo0, Mich. 49007. W.E. Upjohn
Institute for Employment Research (300 South Westnedge Ave.).
1974. 65 pp. $1.50.

This study examines the available empirical evidence on the relation-
ship between the reward for working and work effort. The authors
conclude that the weight of the evidence indicates that the unemployment insurance program does have some disincentive effects. However they believe that the unavoidable cost of providing adequate income replacement for unemployed workers is offset in the long run by increased job stability, higher labor productivity and lower rates of unemployment because of the suitable employment provisions of the program.


The author uses a variance measure to examine the stabilizing effect of the unemployment insurance program with emphasis on the experience rating feature. For the period 1948-1964, unemployment tax collections were found to be stabilizing while unemployment benefits were destabilizing for two of the four business cycles.

3. OTHER BENEFIT PROGRAMS FOR THE UNEMPLOYED


A study of the origin, development and operation of private Supplemental Unemployment Benefit plans from 1955-1965. The plans negotiated by the auto, steel, rubber and cement workers are given detailed consideration in this assessment of the effectiveness and impact of such programs. (For a brief statement on the current status of the auto workers SUB funds see *Business Week*, February 3, 1975, p. 20).


A description of other public benefit programs such as trade assistance allowances, disaster unemployment assistance, manpower training allowances, poverty and public assistance programs which is concerned with the inconsistencies and lack of coordination among the aid programs.

4. RECENT LEGISLATION

On December 19, 1974 Congress passed the Emergency Unemployment Compensation Act of 1974 (Public Law 93-572) which provided for an additional 13 weeks of unemployment benefits to those workers who have exhausted their regular and extended benefits. The program will be wholly financed by Federal funds. At the same time the Emergency Jobs and Unemployment Assistance Act of 1974 (Public Law 93-567) was enacted which provides cash benefits to workers not currently eligible for unemployment insurance benefits. The one-year program, which is Federally financed, covers farm workers, domestic workers, and state and local government employees. (Congressional Quarterly Weekly Report, December 21, 1974, pp. 3365-3369).