Unemployment insurance: measuring who receives it

A range of measures of receipt of unemployment benefits is presented; depending on one's objectives in examining the unemployment insurance program, a different measure should be utilized

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Over the past few years, in any given month, approximately one-third of the unemployed workers who are counted as part of the total unemployed by the Current Population Survey (CPS) file for regular unemployment benefits. These individuals are termed the insured unemployed. The proportion of the total unemployed filing for or collecting unemployment insurance is generally known as the recipiency rate. There are alternative forms of recipiency rates, involving different measures of the total unemployed and the insured unemployed and with different meanings and divergent policy connotations. The purpose of this article is to present the various rates and discuss their implications and uses.

The CPS presents a global measure of unemployment. Based on a sample survey of households, it identifies all persons out of work who are seeking jobs during a particular week of the month. All jobseekers, regardless of whether they lost or left previous jobs, whether they were reentering the labor force or entering it for the first time, whether their labor force attachment could be described as strong or tenuous, and whether their period of unemployment was 1 week or several years, are included in the CPS definition.

By contrast, insured unemployment is a much more restricted concept based on a totally different source of information. The insured unemployed are all persons who enter into the unemployment insurance system. They have met the tests of initial eligibility for benefits and are (depending on the measure used) either claiming or actually receiving benefits for a week of unemployment. Because of what it means to be within the unemployment insurance system, they are generally workers with strong recent attachment to the labor force who are involuntarily separated from their jobs and are able, as well as available for and actively seeking work. In contrast to the CPS definition, they may have some wages and still be counted as unemployed, but because the duration of the period in which they receive unemployment insurance is limited, most will have been unemployed less than 6 months. The number of insured unemployed is counted weekly, from administrative records.

Recipiency rates are of interest for both analytical and policy purposes. Analytically, the relationship between the insured unemployed and the total unemployed is important, especially if it is stable or predictable. The CPS is widely used for making national estimates of employment and unemployment for all workers and for subgroups, and the CPS unemployment measures have a known relationship to many macroeconomic variables. Because of its sample size and design, however, the CPS is of limited use for estimating many State or lower level unemployment rates. Estimates for States and local areas are thus frequently made using data on the insured unemployed—derived from universe counts and available for areas as small as local office service areas—as a base. One such use is for the Local Area Unemployment Statistics program of the Bureau of Labor Statistics. The reverse relationship is of great interest to the unemployment insurance program. For budgetary and program-planning purposes, estimates of future volumes and costs associated with the unemployment insurance program are necessarily derived from estimates of total unemployment, because this is the measure used in macroeconomic forecasting models.

Recipiency rates are also key measures of the program. The focus can be either microeconomic or macroeconomic, derived from the fact that the unemployment insurance system has interrelated goals embracing both dimensions. Its narrower, insurance-based microeconomic goal is to provide income support to individual unemployed workers who meet specified criteria. Macroeconomically, the program is intended to embrace enough of the unemployed and provide sufficient replacement for lost wages, such that its aggregate benefits help stabilize economic activity.

The emphasis on these two dimensions varies with the business cycle, as does the corresponding twist put on the recipiency rate measure. During periods of economic expansion, when the regular-program recipiency rate reaches its cyclical low point, measures of recipiency are examined from the standpoint of the adequacy of the unemployment insurance program. A frequently asked question is why more of the total unemployed do not collect benefits from the basic 26-weeks' program. Policymakers are likely to call for improvement in the provision of benefits by broadening eligibility conditions.

During recessions, concern usually shifts away from the issue of regular-program recipiency, because the mix of the unemployed changes with the influx of job losers and recipiency rises, automatically assuaging concern about the adequacy of the regular program. However, at these same times, entitlements from the regular program are exhausted at a higher rate, and worries turn to how many unemployed workers are leaving the program without further income support. The policy issue that arises now is whether unemployment insurance benefits are of adequate duration to prevent excessively high rates of exhaustion and whether, how, and for how long the Congress should provide extended benefits.

This article argues that recipiency rates have different meanings, and because they are the ratio of two different measures, forces underlying movements in both need to be understood to understand the rates properly. Recipiency rates also affect any discussion of the adequacy of the unemployment insurance program and, as a result, need to be selected carefully in any policy decision. The article also argues that the inability to use recipiency rates as a policy analysis tool during recessions is due, in part, to a failure to develop additional measures of recipiency. Addressing this issue, we present a series of alternative measures of recipiency and suggest how they might be used in the future.

Customary measures of recipiency

The recipiency rate is typically defined as the proportion of the total unemployed receiving unemployment insurance benefits. While the denominator—the level of total unemployment—used in the construction of this measure has always been the total unemployed as measured by the CPS, either of two numerators denoting the insured unemployed has been used. The more common measure is those receiving benefits in the regular unemployment insurance program, which pays up to 26 weeks of benefits in nearly all States. Less commonly, the measure is the insured unemployed for all programs, which includes the regular program, programs for Federal employees and ex-military personnel, and extended benefit programs.[1]

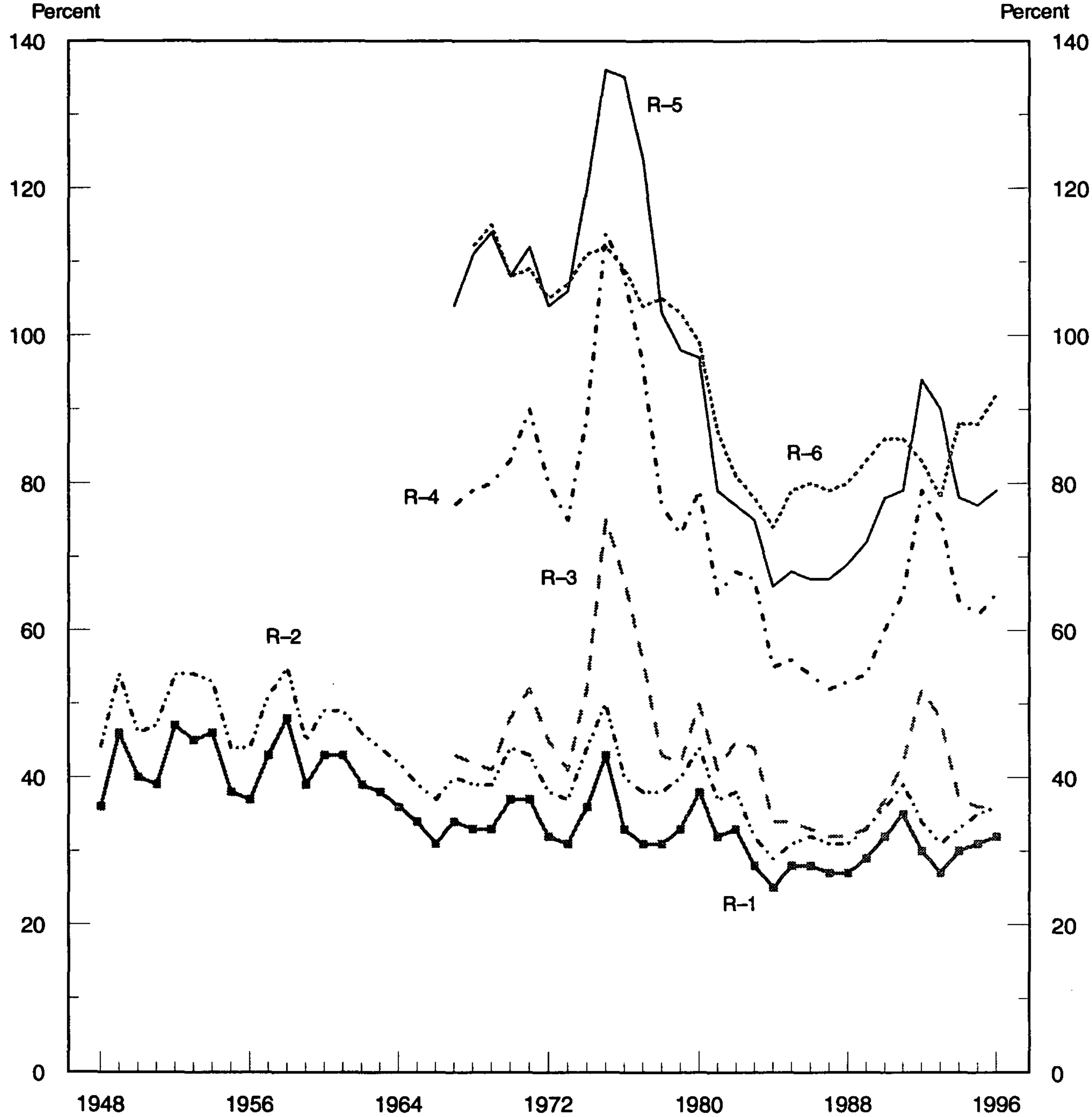
Most analytic work has used the regular-program recipiency rate. This rate is easier to use because it relates to a permanent program that changes its rules only very slowly, with the occasional enactment of State or Federal legislation. The all-program recipiency rate, on the other hand, is affected by cyclical and episodic changes in extended benefit programs. The Permanent Extended Benefit program becomes available in a small number of States during recessions, based on certain triggers associated with the insured unemployment rate; temporary emergency extended benefit programs also are usually enacted by the Congress after the onset of a recession.

Chart 1 shows the recipiency rate for the regular program (R–2) from 1948 through 1996 and for all programs (R–3) from 1967 through 1996.[2] The chart reveals that the regular-program recipiency rate has a gradual downward trend over the entire period since 1948. It also exhibits a sharp decline in the early 1980s. There has been widespread interest in explaining both the downward trend over the post-World War II period and the discontinuity that occurred in the early eighties.[3]

The range of the national unemployment insurance recipiency rates over the postwar period has been very wide. The regular-program recipiency rate has been as high as 58 percent (1946) and as low as 29 percent (1984). The all-program recipiency rate has been as high as 75 percent (1975) and as low as 32 percent (1987 and 1988). More recently, the 1996 regular-program recipiency rate was 36 percent; because very few States paid any extended benefits during the year, the all-programs recipiency rate was the same.

We see from chart 1 that recipiency rates move *cyclically*, rising during economic recessions and declining during expansions. For the regular-program recipiency rate (R–2), the upward movement is largely due to increases in the number of job losers because of layoffs during recessions. For the all-program recipiency rate (R–3), adding the insured unemployed from the permanent and temporary extended benefit

Chart 1. **Unemployment insurance benefit recipiency rates, 1948–96**



NOTE: R–1 = number of weeks compensated for regular-program unemployment insurance benefits, as a proportion of all unemployed workers, as counted by the Current Population Survey (CPS); R–2 = number of weeks claimed for regular-program unemployment insurance benefits, as a proportion of all unemployed workers, as counted by the CPS; R–3 = number of weeks claimed for all-program (regular, extended, and Federal) unemployment insurance benefits, as a proportion of all unemployed workers, as counted by the CPS; R–4 = number of weeks claimed for all-program unemployment insurance benefits, as a proportion of job losers plus job leavers, as counted by the CPS; R–5 = number of weeks claimed for all-program unemployment insurance benefits, as a proportion of job losers, as counted by the CPS; and R–6 = number of weeks claimed for regular-program unemployment insurance benefits, as a proportion of job losers unemployed less than 27 weeks, as counted by the CPS.

programs to the insured unemployed for the regular program raises replacement results dramatically during recessions. The rise stems largely from providing substantial increases in the duration of benefits to covered unemployed workers who would otherwise have exhausted their entitlement to benefits.

Normally, the all-program recipiency rate exhibits cyclical movements similar to those of the regular-program recipiency rate. The other programs simply amplify the cyclical increase in the regular-program recipiency rates during recessions. However, a highly unusual relationship was exhibited during the 1992–94 period, when the regular-program recipiency rate went down, while the all-program rate went up substantially. This occurred because of a legislative provision that temporarily allowed certain unemployment insurance claimants to file directly for benefits under the temporary Federal Emergency Unemployment Compensation program *prior* to collecting their regular-program entitlement. A substantial portion of the benefits that otherwise would have been paid out of the regular program were instead paid by the emergency program. This legislative quirk had the effect of suppressing the regular-program recipiency rate during 1992–94.[4] During calendar year 1995, with the termination of the emergency program, both recipiency rates returned to their more normal behavior.

Table 1 shows that there are wide differences in the regular-program recipiency rates across States. Using average rates over the 10-year period from 1987 to 1996, we calculated the percent of the unemployed claiming unemployment insurance; the rates varied from 55 percent in Rhode Island to 19 percent in South Dakota and Virginia. The rates also varied systematically by region of the country. Despite some annual variation among States, the table exhibits clear long-term patterns in recipiency: rates tend to be highest in New England and the Middle Atlantic and Pacific regions and lowest in the South and in much of the Mountain region. The wide variation in recipiency rates by State and region is evidence that State policy choices regarding regular-program legislation and administration have a greater impact on recipiency levels than do either current Federal policy or economic and demographic factors. Accordingly, improving recipiency is, to a considerable extent, an issue of the tightness or looseness of State unemployment insurance policy. Thus, shifts in the incidence of unemployment among States with different recipiency rates have affected the observed range of aggregate recipiency rates over time.

Table 1. Regular unemployment insurance program recipiency rates, unweighted averages, 1987–96

Census Bureau region	Percent
Northeast	
New England	44
Connecticut	45
Maine	41
Massachusetts	47
New Hampshire	24
Rhode Island	55
Vermont	49
Middle Atlantic	43
New Jersey	43
New York	41
Pennsylvania	46
South	
South Atlantic	29
Delaware	35
District of Columbia	40
Florida	22
Georgia	24
Maryland	32
North Carolina	32
South Carolina	28
Virginia	19
West Virginia	26
East South Central	28
Alabama	26
Kentucky	27
Mississippi	26
Tennessee	33
West South Central	25
Arkansas	36
Louisiana	23
Oklahoma	21
Texas	21

Census Bureau region	Percent
Midwest	
East North Central	32
Illinois	33
Indiana	22
Michigan	34
Ohio	30
Wisconsin	43
West North Central	31
Iowa	32
Kansas	33
Minnesota	35
Missouri	34
Nebraska	32
North Dakota	32
South Dakota	19
West	
Mountain	29
Arizona	25
Colorado	25
Idaho	41
Montana	33
Nevada	37
New Mexico	22
Utah	24
Wyoming	28
Pacific	45
Alaska	53
California	40
Hawaii	42
Oregon	45
Washington	45

Labor force trends and recipiency rates

The long-term downtrend in recipiency observed in chart 1 is related to changes in the labor force that have occurred since the enactment of the Social Security Act in 1935. The unemployment insurance program was developed during the Great Depression to deal with unemployment during temporary downturns in the economy. The original program was directed principally at adult males who headed households in which they were the sole wage earner, the most common form of labor market participation at the time. It was assumed that unemployment benefits would be the primary source of income for these households during periods of unemployment. With the changing nature of the U.S. labor force over the intervening decades, this assumption is no longer valid. For example, labor force participation by women and youths has increased greatly, as has the number of households with multiple wage earners. As a result, there are now far more workers with insufficient labor force attachment to qualify for benefits when they become unemployed. By the same token, unemployed workers frequently are no longer the sole support of their families, decreasing the necessity of filing for and receiving unemployment benefits.

In addition, during the 1930s, the United States economy was heavily dependent on manufacturing, and that sector was the most important user of the unemployment insurance program. By contrast, in the 1990s, manufacturing has become a much smaller portion of the economy, while the service sector has grown. Unemployment insurance payments correspondingly have shifted toward the service sector, and this shift has contributed to the decline in recipiency rates, as service sector workers are far less likely to apply for benefits than are manufacturing workers.[5]

Whom does the system serve? The customary measures of unemployment insurance recipiency rates relate the number of unemployment insurance claimants (the numerator of the fraction) to the total unemployed within the civilian labor force (the denominator). While such measures are useful for some purposes, they may be inadequate for others. For example, there is a need to supplement these traditional measures with measures that deal more closely with the target populations that Federal and State policymakers had in mind when they enacted unemployment insurance legislation and made administrative determinations about how to carry out the program. Thus, it is worthwhile to examine Federal and State legislative provisions and their implications for unemployment insurance recipiency.

The unemployment insurance system has an important, but prescribed and limited, mission: to provide *temporary* income support to *experienced* unemployed workers who are unemployed through *no fault of their own.* Under this definition, unemployed workers should receive benefits only if they were previously strongly attached to the labor force and were involuntarily separated from their employer. They would receive benefits for a limited time, ordinarily up to 26 weeks. The way this definition is implemented by the States determines who actually receives benefits; receipt of benefits depends on individual State provisions relating to coverage, eligibility, duration of the benefits, and benefit levels.

Under the original Social Security Act of 1935, the coverage of the unemployment insurance program was limited. It then gradually expanded and became nearly universal for all wage and salary workers with the enactment of the Federal Unemployment Compensation Amendments of 1976. Coverage beyond Federal requirements varies, but there are wage and salary workers who are not covered, for example, some farm and household workers and some employees of religious organizations. The biggest exclusion in the civilian labor force is the self-employed: because of the moral hazard involved—it is virtually impossible to verify when a self-employed worker becomes involuntarily unemployed—there is no coverage, except in limited and rarely used situations in California.

Eligibility provisions determine who is initially eligible for benefits, based on earnings requirements and appropriate reasons for separation. Monetary eligibility conditions vary among States. Unemployed workers who are eligible for benefits tend to be restricted to those who are subject to layoff; individuals who voluntarily leave their job and labor force reentrants generally do not receive benefits. Once workers begin receiving benefits, they must be able to, and available for, work, and they usually need to demonstrate that they are actively seeking work.

Regular unemployment insurance benefits are available for up to 26 weeks (30 weeks in Massachusetts and Washington State). While the level of benefits payable each week does not determine unemployed workers' eligibility for benefits, it can affect their incentive to apply for benefits; some unemployed workers delay filing, and others never file at all.[6]

Relationship of the population served to reasons for unemployment. The CPS categorizes unemployed workers according to their reason for unemployment. The categories, based on the reasons, are fourfold: job losers, job leavers, reentrants to the labor force, and new entrants to the labor force. Job losers are unemployed workers whose employment ended involuntarily, or who are on temporary layoff but have been given a date, or expect, to return to work within 6 months. Job leavers are persons who quit or otherwise terminated their employment voluntarily. Reentrants are those who had been working at some time in the past, but who are not currently active members of the labor force and who have decided to seek employment again. Many reentrants have *recent* work experience; about half have been found to have worked in the past 12 months.[7] New entrants have never worked before and are entering the labor force for the first time.

The foregoing analysis suggests that the target population for currently operating State unemployment insurance programs relates most closely to job losers unemployed less than 27 weeks. An exception is during recessions, when extended benefit programs are widely available. Job leavers are generally found to be ineligible for benefits for the duration of their unemployment in almost all States, because of their reason for separation. Reentrants and new entrants are usually not eligible to receive benefits; some reentrants, however, may be eligible, depending on the length of time they are out of the labor force and the circumstances surrounding their departure from their previous employer.[8]

Another way to look at unemployment insurance recipiency is to relate aggregate unemployment insurance to CPS data. Starting with total unemployment for a month, this figure can be stepped down to approximate a reasonable target population for the receipt of benefits. The following tabulation shows the breakdown of total unemployment in 1996 into the four BLS categories mentioned above:

	Thousands
Total unemployed	7,236
New entrants	580
Reentrants	2,512
Job leavers	774
Job losers	3,370
Unemployed less than 27 weeks	2,817
Insured unemployed (regular State program)	2,595
As a percent of job losers unemployed less than 27 weeks	92

Because 1996 was a year of low unemployment, the unemployment insurance program could be expected to cover job losers for the duration of the regular program, but not beyond that point. Fifty-three percent of the 7.2 million unemployed workers were from categories of unemployment other than job losers. Another 8 percent were job losers unemployed for 27 or more weeks. Thus, more than 60 percent of total unemployment in 1996 was from segments of the labor force normally not covered by the regular unemployment insurance program, and it is reasonable to assume that the target population which should be expected to be served under current unemployment insurance law is less than half of the total unemployed.[9]

The great majority of job losers unemployed less than 27 weeks receive unemployment insurance—92 percent in 1996, according to the preceding tabulation. Of the remaining 8 percent who did not receive benefits, the major reasons they did not are likely to be that they did not file a claim, that they exhausted their benefits prior to being unemployed 26 weeks, or that they were found ineligible to receive benefits. As we will see later, the level of recipiency is at it highest since 1980, although it is considerably lower than it was during the 1970s.

Job leavers and the unemployment insurance program. Under the Social Security Act of 1935, unemployment insurance benefits were intended to be payable only to involuntarily unemployed workers who were able to work and were available for work. Workers were expected not to have quit their previous job, but room was left for "good cause" for leaving a job. Originally, State law provisions regarding good cause were written broadly and were interpreted to mean both personal good cause and good cause related to the employer in connection with work. Nearly all States followed Federal guidance about what involuntary unemployment meant, with guidelines provided first by the Social Security Board and later by the Department of Labor.[10]

By 1940, however, a small group of States developed more restrictive provisions. Five States imposed disqualifications for the entire duration of unemployment for voluntarily quitting, and seven States narrowed the exceptions to voluntarily quitting to good cause related only to employment.

Shortly after World War II, the great majority of States were still imposing only temporary disqualifications on the receipt of unemployment insurance for voluntarily quitting; unemployed workers could, in general, file for benefits and eventually get them. This approach gradually gave way to much stricter State legal requirements: over the years, penalties for voluntarily quitting have become tighter, so that by 1990, nearly every State had imposed a disqualification for the entire duration of unemployment for voluntarily leaving work without good cause.[11] The acceptable reasons that are considered good cause for voluntarily leaving also have been narrowed.

States continue to retain provisions allowing leavers who voluntarily quit for "good cause," for either job-related or personal reasons, to receive unemployment insurance benefits. However, these provisions are limited in scope and affect only a small percentage of job leavers. Research has shown that less than one-tenth of job leavers file for benefits, and slightly more than 1 in 20 actually collect benefits.[12] Thus, despite Federal Government encouragement of payment of benefits to a large portion of voluntary leavers, State policy has evolved such that a very small portion of these unemployed workers ever receives benefits.

Alternative measures of recipiency

In this section, we discuss six measures of recipiency. First, using a more traditional approach, we analyze three rates that vary the measure of the insured unemployed by selecting three different measures of recipiency and comparing them with the sum of the total unemployed. Then, in another approach, we introduce three alternative measures of total unemployment for the denominators of three alternative recipiency rates.

Measures that vary the number of insured unemployed. The usual measures of unemployment insurance recipiency rates utilize some measure of the extent that unemployed workers claim or receive benefits, compared with the number of unemployed workers, as measured by the CPS. These measures use three factors to measure recipiency: the number of weeks of unemployment for which the recipient is compensated, the number of claims for regular unemployment insurance benefits, and the number of claims for all benefits, including both regular and extended benefits. (See chart 1.)

(1) Number of weeks compensated (recipiency rate R-1). This is the narrowest measure of recipiency. It takes into consideration only unemployed workers who actually collect benefits. The rationale for this rarely used measure is that the unemployment insurance program should be judged by whom it pays; it should exclude from recipiency the approximately 10 percent

to 15 percent of all claimants who do not receive payments. In the past, this measure has been implemented only in the regular program; it could also be implemented in the extended benefit program.

(2) Number of claims in the regular program (recipiency rate R–2). This measure, the most commonly used of the measures that vary the number of insured unemployed, utilizes the number of weeks claimed in the regular program as the numerator. It has the major analytic advantage of making use of the only ongoing permanent unemployment insurance program. Because it is continuously available, it has been a better measure of trends in recipiency than recipiency rate R–3. (See next.) Its use, however, has depended on the assumption that unemployment insurance recipients would always receive regular-program benefits before they received any extended benefits.

(3) Number of claims for all benefits (recipiency rate R–3). This measure also has been widely used. It gives a better picture of the overall impact of benefits on unemployed workers, particularly during recessions, because it covers the full duration of receipt of unemployment insurance.[13] Also, because it combines the effect of the regular and extended programs, this rate is not bound by the assumption that regular benefits are received prior to extended benefits. Therefore, it gives a clearer picture of recipiency in the 1990s, given the experience of the emergency program.

All three of the preceding measures use total unemployment for the civilian labor force as their denominator. The use of such a denominator makes sense for number of reasons, both analytical and for policy purposes. The three measures are not just affected by changes in the generosity of the unemployment insurance program; they also are related to, and affected by, changes in demographics and in labor force participation of the civilian labor force. Yet the unemployment insurance program was given a very specific task back in 1935, and that task has not changed markedly in the intervening years. Meanwhile, the U.S. economy has changed greatly with respect to factors that have had a direct impact on the proportion of unemployed workers who are likely to collect unemployment insurance benefits.

Nevertheless, these measures of recipiency relate well to the macroeconomic purpose of the unemployment insurance program: to act as an automatic stabilizer of the U.S. economy. The extent to which such stabilization is provided depends on what proportion of the wage income of all unemployed workers is replaced. Thus, the stabilizing effect of unemployment insurance is directly related to the proportion of the total unemployed that receives benefits.

Measures that vary total unemployment. While there has been a great deal of concern about the effect of Federal and State public policy on the receipt of unemployment insurance, much of the change in recipiency is related to economic and demographic transformations. This fact suggests that it would be useful to look at unemployment insurance recipiency in relation to alternative measures of total unemployment that attempt to remove some of these factors. Three such measures suggest themselves. (See chart 1.)

(1) Loser-plus-leaver recipiency rate (recipiency rate R–4). This rate measures the number of unemployment insurance claimants in all programs as a percent of job losers plus job leavers. It is of interest because it relates to an early period when the unemployment insurance program tended to serve both job losers and a large proportion of job leavers. It also relates to the Federal Government's policy guidance that was given to the State employment security agencies early in the history of the program. The measure gives us a sense of the declining recipiency rates for job leavers over the length of the unemployment insurance program.

The recipiency rate using job losers plus job leavers has not been used in the past. It could be useful in examining recipiency during the earlier history of the unemployment insurance program, when job leavers had a greater likelihood of receiving benefits. It might be of greater interest today if policy were to change so as to encourage or require States to serve job leavers after some waiting period.

(2) Job losers recipiency rate (recipiency rate R–5). This rate measures unemployment insurance claimants in all programs, as a percent of job losers. It considers all job losers for the entire duration of their unemployment and includes periods of unemployment that exceed 26 weeks. Such a measure can be useful in determining how effective the unemployment insurance program has been during recessions, when one or more extended benefit programs may have been in effect.

The job-loser recipiency rate has been used analytically because of the close association between unemployment insurance and job losers. The rate was at least 97 percent throughout the 1970s, reaching a high point of 136 percent in 1975. However, the rate dropped off sharply beginning in 1981 and reached a low of 66 percent in 1984. In 1985, R–5 began to increase gradually, and today it is 79 percent. The use of R–5 is appropriate during recessions, when extended benefits are available for durations exceeding the regular program's 26 weeks. R–5 still has the shortcoming that all extended benefit programs are truncated at some maximum duration, while total unemployment measures have no such limit. Table 2 indicates that measure R–5 exhibits a regional geographic pattern similar to that of R–2, particularly with respect to the regions with the highest and the lowest recipiency rates.

Recipiency rate for job losers unemployed less than 27 weeks (recipiency rate R–6). This rate measures regular program claimants as a percent of job losers unemployed less than 27 weeks. It should relate to overall program performance during periods other than recessions. By contrast, during recessions, this measure would give a sense of the performance of the regular unemployment insurance program only.

The recipiency rate for job losers unemployed less than 27 weeks has not been used in the past. Indeed, the corresponding data series has not been generally available, but can be derived by obtaining the number of job losers unemployed 27 or more weeks and subtracting that number from the total number of job losers. The measure is appropriate for analyzing the current regular unemployment insurance program when one is evaluating State programs, given their current laws and procedures. R–6 is best used during economic expansions, when unemployment insurance tends to serve only job losers and only for up to 26 weeks. The use of the measure also becomes more appropriate for analyzing program behavior after the early 1980s, with the enactment of restrictive Federal legislation and the resulting decline in availability of the Permanent Extended Benefit program. Unemployment insurance is now effectively a 26-week program, except when the Congress takes legislative action to create a temporary emergency program.

Prior to the 1980s, R–6 consistently exceeded 100 percent. (Rates in excess of 100 percent are a result of factors such as paying benefits to some job leavers and reentrants, and paying some individuals for more than 26 weeks.) As with the other recipiency rates, this rate declined sharply in the early 1980s, before bottoming out in 1984 and trending upward afterwards. In 1996, R–6 reached its highest point since 1980.

R–6 also may be useful for policy purposes. Using the approach it embodies, one can have a reasonable expectation that, beginning in the 1980s, the unemployment insurance program has served the great majority of job losers who are unemployed less than 27 weeks during economic expansions. Chart 1 shows that this expectation has been realized: since the early 1980s, the program has served more than four-fifths of that population during most years.

It remains an open question what R-6 *should* have been in the past and what it should be in the future. Have the recent levels been sufficiently high? Should they have been as high as 100, such that all job losers unemployed less than 27 weeks claimed unemployment insurance benefits? The close logical relationship between the numerator and the denominator of this recipiency rate could foster discussion about whether any proposed legislative reform package relating to unemployment insurance is appropriate, both in and of itself and on the basis of whether it would close or widen the gap between the current rate and future rates.[14]

The narrower measures of total unemployment—especially R–5 and R–6—are also better measures of how well the unemployment insurance program meets its microeconomic purpose: to provide income support to eligible unemployed workers for temporary periods of unemployment. Narrowly tailored measures can deal better with the fact that many workers are not eligible for unemployment insurance, either because of insufficient attachment to the labor force or because of their reason for separation from their job—for example, they quit voluntarily. In addition, R–6 deals with the temporary nature of unemployment insurance—the fact that it is generally available only for up to 26 weeks. As a result, analyzing R–6 over time should give a better sense of the adequacy of unemployment insurance as a temporary income support program.

Table 2. Unemployment insurance recipiency rates, Census Bureau regions, unweighted average, 1986–95

Region	Regular-program recipiency rate	Job-loser recipiency rate
Pacific	45	105
New England	44	87
Middle Atlantic	43	90
East North Central	32	71
West North Central	31	78
Mountain	29	72
South Atlantic	29	71
East South Central	28	67
West South Central	25	64

THE UNEMPLOYMENT INSURANCE RECIPIENCY RATE has been widely analyzed and discussed, primarily in terms of its twin goals of providing temporary income maintenance to unemployed workers and stabilizing the economy during a recession. In this analysis and discussion, the usual measure of recipiency has been the regular-program recipiency rate (R–2). It appears, however, that this measure is not appropriate in many situations; instead, a wide variety of rates can be used, and different measures are appropriate for different uses.

For measuring the stability of the economy, a recipiency rate should consider the total contribution of unemployment insurance to the stabilization process. It should therefore examine the contribution of *all* unemployment insurance programs to economic stabilization. The most appropriate measure for this purpose would appear to be the recipiency rate for all unemployment insurance programs in relation to total employment (R–3).

For income maintenance purposes, the unemployment insurance program should be assessed with regard to those individuals to whom it is providing income maintenance relative to the universe of potentially eligible unemployed workers. We need to know what the extent of recipiency is, given the nature of the current program under current Federal and State law. For this purpose, there is good reason for making greater use of the recipiency rate for job losers unemployed less than 27 weeks

(R–6) during economic expansions, while using the recipiency rate for all job losers (R–5) during recessions.

Beyond these two aims, the policy analyst seeks a recipiency rate that depends on the goals or outcomes that he or she desires for the unemployment insurance program. The appropriate measure to use would then depend on how much or how little income maintenance or economic stabilization is sought.

In view of these disparate aims and purposes, it is logical to conclude that there is not just one appropriate unemployment insurance recipiency rate, but a series of alternative rates that can be used for different ends. In much the same manner, then, as the Bureau of Labor Statistics encourages the use of a range of unemployment rates, we suggest that the unemployment insurance program could fruitfully make use of a range of recipiency rates, which we have presented in this article. Chart 1 shows how the various measures compare with one another from 1948, 1967, or 1968 to 1996. □

Footnotes

[1] The Advisory Council on Unemployment Compensation has recommended using a measure of weeks *compensated* under the regular unemployment insurance program, rather than using weeks *claimed*, as only about 85 percent of unemployed workers initially claiming benefits eventually receive them. The Council believes that the actual benefit payment is the best measure of recipiency. (See *Unemployment Insurance in the United States: Benefits, Financing, Coverage* (Advisory Council on Unemployment Compensation, 1995), p. 15.) We call this measure the *weeks-compensated recipiency rate* and denote it R–1.

[2] Data are not available for constructing an all-program recipiency rate prior to 1967. While the Permanent Extended Benefit program was not enacted until 1970, Unemployment Compensation for Federal Employees (1954), Unemployment Compensation for Ex-servicemembers (1958), and two temporary emergency programs—the Temporary Unemployment Compensation (1958) and Temporary Extended Unemployment Compensation (1961) programs—were all effective during this earlier period.

[3] See, for example, Gary Burtless and Daniel Saks, *The Decline in Insured Unemployment During the 1980s* (Washington, Brookings Institution, 1984); Walter Corson and Walter Nicholson, *An Examination of Declining UI Claims During the 1980s*, Unemployment Insurance Occasional Paper 88–3 (U.S. Department of Labor, 1988); Rebecca M. Blank and David E. Card, "Recent Trends in Insured and Uninsured Unemployment: Is There an Explanation?" *Quarterly Journal of Economics*, November 1991, pp. 1157–89; and Wayne Vroman, *The Decline in Unemployment Insurance Claims Activities in the 1980s*, Unemployment Insurance Occasional Paper 91–2 (U.S. Department of Labor, 1991).

[4] This option is unique in the history of temporary emergency programs. It was introduced as part of an extension of the Emergency Unemployment Compensation Act. The resulting suppression of the regular unemployment insurance program recipiency rate has been called a "fundamental shift away from the dynamic trends that had marked the . . . program since its inception" (*Report and Recommendations* (Advisory Council on Unemployment Compensation, February 1994), p. 37). In fact, this decline in regular program recipiency was simply an administrative shift of weeks of insured unemployment from the regular program to the emergency program.

[5] See Corson and Nicolson, *An Examination of Declining UI Claims.*

[6] Based on CPS data, one study found that only about one-third of all unemployed workers apply for unemployment insurance benefits. Even among job losers, who are the prime potential recipient population, only a little over one-half apply. (See Vroman, *Decline in Unemployment Insurance Claims Activities*, pp. 22–25.)

[7] Tabulation from the May 1976 Survey of Job Seeking Activities. (See Carl Rosenfeld, "Job search of the unemployed, May 1976," *Monthly Labor Review*, November 1977, pp. 39–43.)

[8] Less than one-tenth of reentrants collect unemployment insurance. (See Vroman, *Decline in Unemployment Insurance Claims Activities*, p. 25.)

[9] Our analysis does not take into consideration the fact that some reentrants and job leavers collect unemployment insurance. Taking this into consideration, and using Vroman's estimates that 9 percent of reentrants and 6 percent of leavers collect benefits, the recipiency rate of job losers unemployed for less than 27 weeks would decline to 80 percent. (See Vroman, *Decline in Unemployment Insurance Claims Activities*, p. 25.) Our analysis also does not take into account the fact that some of the insured unemployed are working part time.

[10] In 1940, the Social Security Board proposed narrowly constructed legislative language for the States regarding voluntary leaving: "An individual shall be disqualified for benefits...[f]or the week in which he has left his work voluntarily without good cause and for not more than [number to be filled in] consecutive weeks of unemployment which follow such week, as determined according to the circumstances in each case." The maximum number of weeks of disqualification was not specified. Several employment-related examples of good cause were cited for inclusion in State laws; no personal reasons were cited. (See *Proposed State Legislation for Unemployment Compensation and Public Employment Offices* (Social Security Board, November 1940).) By 1950, recommendations had become more specific: in the case of leaving "suitable work voluntarily without good cause," the worker "shall be disqualified for the week in which he left work and the four weeks of continuous unemployment immediately following such week," because "[a]fter a period, the continued unemployment of a claimant who is able to work and available for work is attributable to economic factors rather than to his voluntarily leaving work." Both personal and employer-related reasons for good-cause exceptions were advocated and specified. (See *Manual of State Employment Security Legislation* (U.S. Department of Labor, September 1950), pp. 35, C–57.) The 1950 recommendations were reiterated in 1962 with one change: the period of disqualification was lengthened from 4 weeks to 6 weeks because "national data on duration of insured unemployment reveal that 6 weeks is the average number of weeks claimed per spell of unemployment" (*Unemployment Insurance Legislative Policy: Recommendations for State Legislation* (U.S. Department of Labor, 1962), pp. 61–62, 65–66). There has been no subsequent guidance from the Labor Department.

[11] The evolution of State policy with respect to disqualification for voluntarily leaving a job is discussed in Saul Blaustein, *Unemployment Insurance in the United States: The First Half Century* (Kalamazoo, MI, W. E. Upjohn Institute for Employment Research, 1993), pp. 166–67, 282–85. See also William Haber and Merrill J. Murray, *Unemployment Insurance in the American Economy* (Homewood, IL, Richard D. Irwin, Inc., 1966), pp. 292–97. Edwin E. Witte, "Development of Unemployment Compensation," *Yale Law Journal*, December 1945, decries these more restrictive disqualification provisions (p. 41).

[12] In all States, a worker must have good cause for voluntarily leaving a job in order to avoid disqualification. In many States, good cause is restricted to that connected with work, or else it must be attributable to the employer. The States do not report on the number or proportion of job leavers who receive unemployment insurance for good cause, but the proportion is small.

[13] Since 1958, Congress has enacted six temporary emergency pro-

grams during recessions. All but two of them have been "third-tier" programs designed to provide benefits in addition to the regular and Permanent Extended Benefit programs. Despite their "third-tier" designation, these temporary emergency programs now rest on an essentially moribund Permanent Extended Benefit program. This can be seen by examining payments from that program as a percent of regular benefit payments in past recessions: for the years 1974–75, 1980–82, and 1990–91, the percentages were 17.7 percent, 7.4 percent, and 0.5 percent, respectively. (See Christopher J. O'Leary and Stephen A. Wandner, *Unemployment Insurance in the United States: Analysis of Policy Options* (Kalamazoo, MI, W. E. Upjohn Institute for Employment Research, forthcoming), chapter 15.

[14] For example, the Advisory Council on Unemployment Compensation has recommended a series of changes in the conditions for eligibility for unemployment insurance. Taken together, these proposals would expand eligibility by 10 to 20 percent. Thus, if they were implemented, they would have a big impact on closing the gap—from a current recipiency rate for job losers unemployed less than 27 weeks of less than 90 percent to a rate in the vicinity of 100 percent. (See *Unemployment Insurance in the United States: Benefits, Financing, Coverage* (Advisory Council on Unemployment Compensation, 1995), pp. 16–19.)