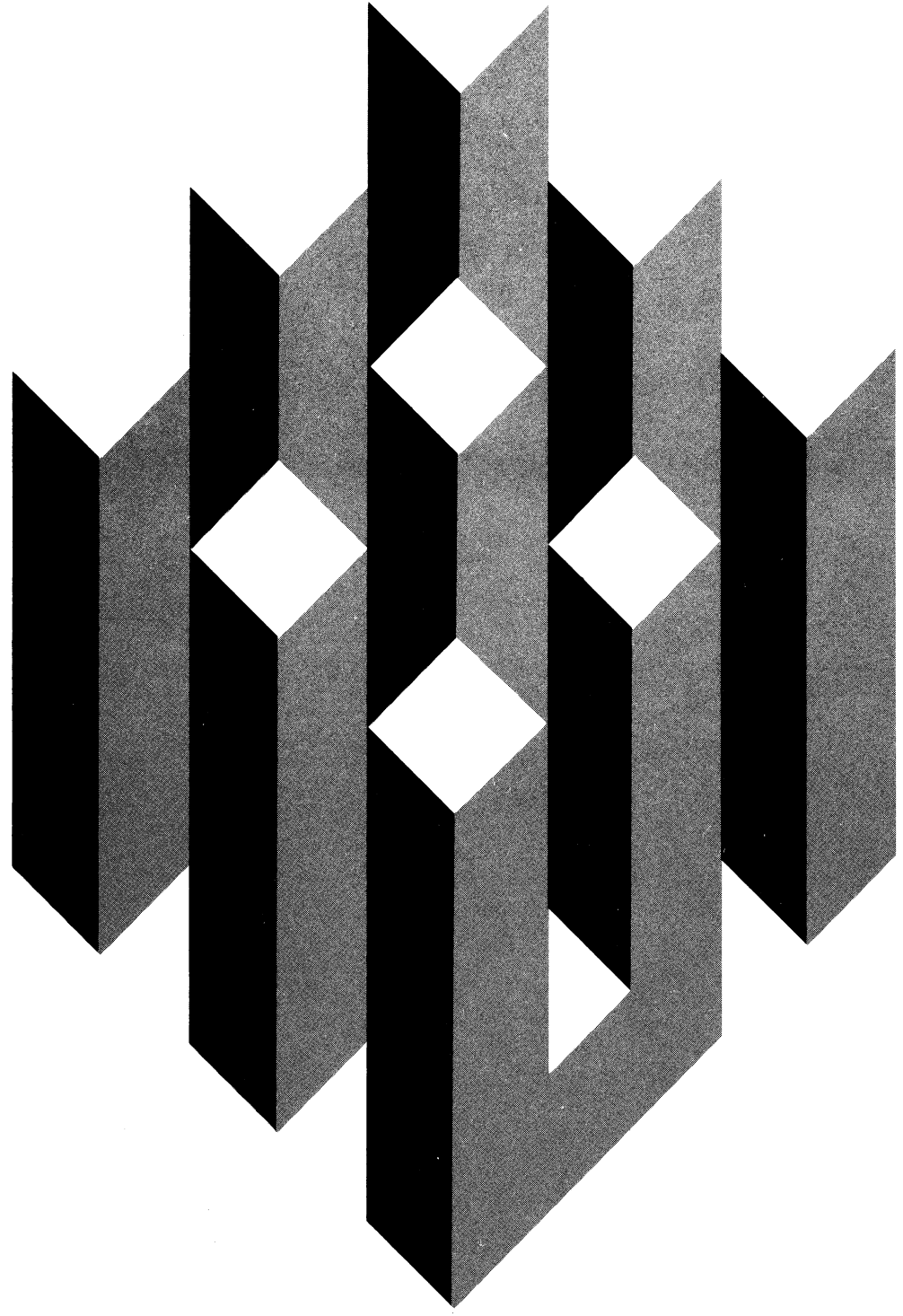




The Federal Supplemental Benefits Program: National Experience and the Impact of PL 95-19

U. S. Department of Labor
Employment and Training Administration



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I INTRODUCTION

Public Law (PL) 95-19, which was enacted April 12, 1977, continues until January 31, 1978 the Federally financed system of emergency unemployment compensation to eligible individuals in States with unemployment levels exceeding prescribed levels. PL 95-19 was the third in a series of amendments to PL 93-572, known as the "Emergency Compensation Act of 1974," the law that created the Federal Supplemental Benefits (FSB) program.

The significance of PL 95-19 is that it introduced Federal eligibility and disqualification provisions that States must incorporate into their programs if individuals are to receive FSB payments. Prior to the enactment of the law, eligibility and disqualification provisions for those who received FSB payments were defined by each State legislature. Under the provisions of PL 95-19, the individual who filed for FSB payments must meet certain job search and job acceptance requirements, or benefits would be denied to that individual for at least the duration of the unemployment spell. These provisions superseded any State job search and job acceptance requirements that applied to FSB recipients. PL 95-19 also reduced the maximum amount of FSB entitlement from 26 weeks to 13 weeks.

The consequences of this law are expected to be reflected in changes in the behavior of the individual and in changes in the aggregate statistics of the FSB program. For the individual, PL 95-19 will increase the likelihood that he will exhaust FSB entitlement. The job search and job acceptance requirements will increase the probability that the individual will return to work before FSB payments are exhausted, or that he will be denied benefits because of failure to comply with these requirements. For some individuals the reduction in entitlement will mean that alternative sources of income will have to be found. It is to address the issues of how PL 95-19 affects FSB recipients that this report and a follow-up report are being written.

The impact of PL 95-19 on the individual will be reflected in the overall FSB statistics. For example, as individuals exhaust FSB entitlement, the sum, or aggregate, of all FSB recipients is expected to decline (if all other aspects of the economic environment remain approximately the same). Accordingly, in this first report, published and unpublished aggregate data about FSB recipients is used to evaluate the impact of the law. In the second report, data about FSB recipients that have been collected from the Unemployment Insurance Service and Employment Service (ES) files of four States will be used to present a more detailed evaluation of the impact of the law on the individual.

The objectives of this report are to:

- Provide a background to the enactment of PL 95-19.
- Summarize the major aspects of PL 95-19 and to relate it to the Emergency Compensation Act of 1974, which established the FSB program.
- Describe the national experience under the FSB program.
- Describe the characteristics of FSB recipients.
- Evaluate the impact of PL 95-19 on various aspects of the FSB program, in particular, the number of claimants, the benefits paid, and the number of denials.

This report is divided into six sections. In Section II, the principle findings of this report are summarized. In Section III, the legislative history of PL 95-19 and its relationship to the Emergency Compensation Act of 1974 is discussed. In Section IV, a summary of the history and costs of the FSB program from its inception through August 1977 is presented. In Section V, the characteristics of FSB recipients in a selected number of states are described. Finally, in Section VI, the empirical evidence of the impact of PL 95-19 is identified.

II SUMMARY

National Experience on FSB

The FSB program was enacted on December 31, 1974 and is scheduled to continue until January 31, 1978. This report evaluates various aspects of the program from its inception through August 31, 1977. During that time, approximately \$5.8 billion was paid to more than 5.7 million beneficiaries. Over 3.3 million FSB claims were exhausted and almost one-half million claims were denied.

Payments per month for FSB increased dramatically during 1975, reaching a peak level of \$355 million during December 1975. Benefit payments fell during 1976 to a low of \$147 million during September, rose slightly in the early months of 1977, and reached a level of \$74 million during July 1977, their lowest monthly total since the early months of the program.

The number of people who received a first payment during a given month closely followed the pattern for the monthly FSB expenditures. Except for a few months, the vast majority (over 80%) of all people who filed an initial claim received a first payment. For most of the life of the program more than 25% of all FSB recipients were entitled to the maximum weekly benefit amount and between 30% and 60% of all who received a first payment exhausted their entitlement.

Throughout the life of the program the number of total denials was very small. Denials were made in instances when individuals were not able to or available for work, refused suitable work, or for other reasons. Total denials reached their peak following the enactment of PL 95-19 but declined along with the decrease in total beneficiaries toward the later part of 1977.

