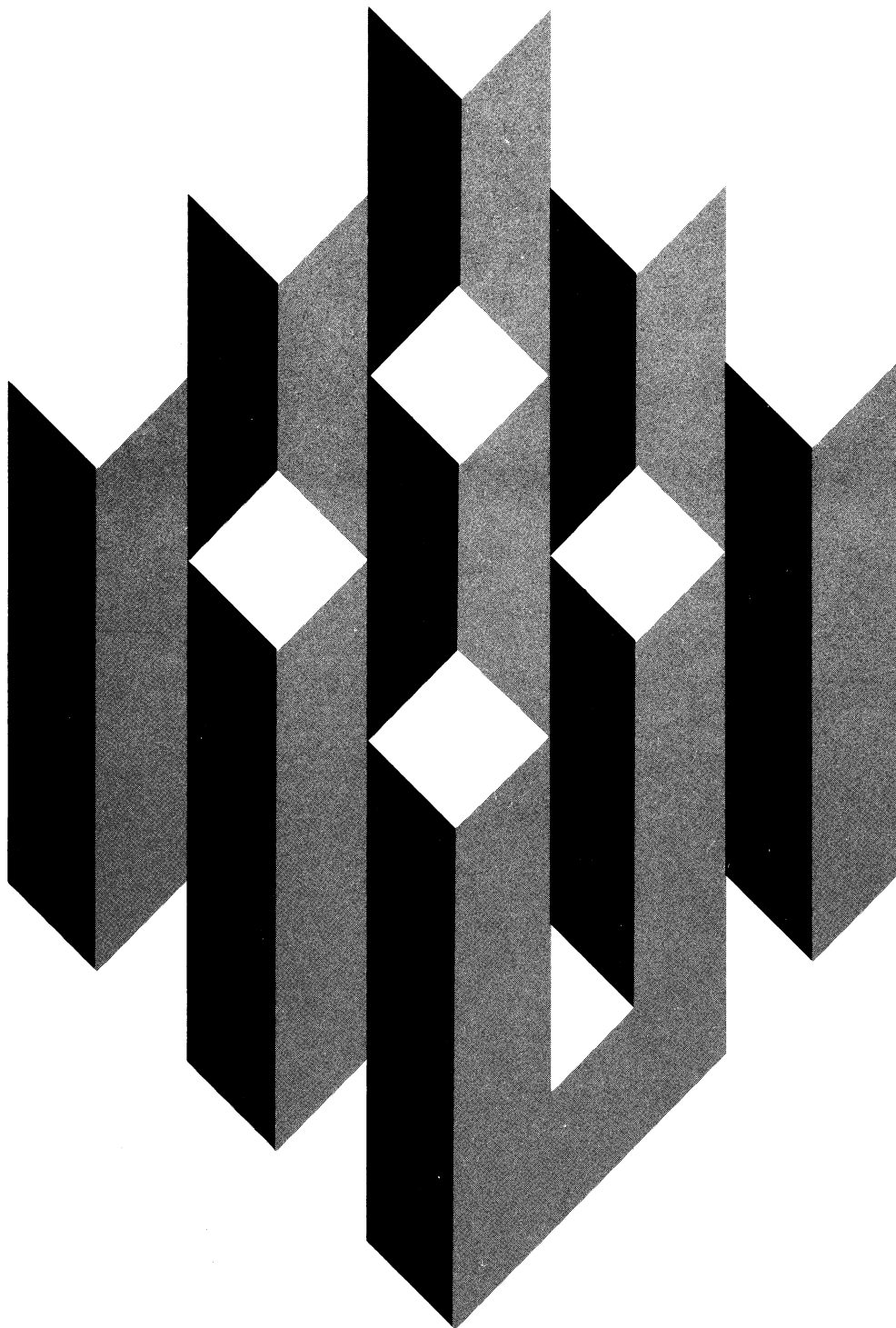


# The Federal Supplemental Benefits Program: National Experience and the Impact of PL 95-19

78-1



U. S. Department of Labor  
Employment and Training Administration



Material contained in this publication is in the public domain and may be reproduced, fully or partially, without permission of the Federal Government. Source credit is requested but not required. Permission is required only to reproduce any copyrighted material contained herein.

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

---



U.S. Department of Labor  
Ray Marshall, Secretary  
Employment and Training Administration  
Ernest G. Green  
Assistant Secretary for Employment and Training  
Unemployment Insurance Service  
1978

This report was prepared by Henry E. Felder and Richard W. West of SRI International under contract no. 99-6-834-04-38 with the Unemployment Insurance Service of the Employment and Training Administration, U.S. Department of Labor. Because researchers are encouraged to express their own viewpoints, the opinions offered in this document do not necessarily represent the official position or policy of the Department of Labor.



## ACKNOWLEDGMENTS

A work of this type required the assistance of many people. We wish to acknowledge the support and input of Roger Rossi of the Division of Research Services, Unemployment Insurance Service, whose counsel did much to shape the scope of the report. Cindy Ambler, also from the Division, provided most of the data that were used in the report and assisted with many administrative problems. They, along with Mamoru Ishikawa, of the Division, and Christine Austermann, of Stamford Research Institute, commented extensively and helpfully on the first draft.

The data handling was supervised by Gretchen Wolfe. Ms. Wolfe, Jana Miller, Victoria Wooding, and Craig Williams compiled the tables and assisted in the computer manipulations necessary for the report. Finally, we wish to thank Barbara Stevens and Judy Davis for editing and preparing the final drafts.

Any errors in the content are the responsibility of the authors.



## CONTENTS

ACKNOWLEDGMENTS . . . . .	iii
LIST OF ILLUSTRATIONS . . . . .	vii
LIST OF TABLES . . . . .	ix
I INTRODUCTION . . . . .	1
II SUMMARY . . . . .	3
National Experience on FSB . . . . .	3
FSB Claimant Characteristics . . . . .	4
Impact of PL 95-19 . . . . .	4
Decline in Beneficiaries and Benefits Paid . . . . .	4
No Change in Initial Claims or First Payments . . . . .	5
Increase of the Number of Exhaustees . . . . .	5
Denials Increased . . . . .	5
Impact Varied Across States . . . . .	6
III PUBLIC LAW 95-19 . . . . .	7
Background . . . . .	7
Emergency Unemployment Compensation Act of 1974 . . . . .	9
Entitlement and Funding of Payments . . . . .	9
Amendments to PL 93-572 . . . . .	10
Provisions of PL 95-19 . . . . .	11
Thirteen-Week Maximum . . . . .	11
Financing of FSB from General Funds . . . . .	12
Eligibility Requirements . . . . .	12
Disqualification Provisions . . . . .	13
Definition of Suitable Work . . . . .	13
IV THE FSB PROGRAM . . . . .	19
Introduction . . . . .	19
Costs . . . . .	20
Description of FSB Program on National Level . . . . .	23
Payment Series . . . . .	23
Claimants Series . . . . .	27
Experience of a Selected Number of States . . . . .	36

V	CHARACTERISTICS OF 1977 FSB CLAIMANTS . . . . .	43
	Demographic Distribution . . . . .	43
	Sex Differences . . . . .	43
	Race Differences . . . . .	47
	Age Differences . . . . .	48
	Occupational Distribution . . . . .	48
	Industrial Distribution . . . . .	51
VI	EMPIRICAL EVIDENCE OF THE IMPACT OF PL 95-19 . . . . .	55
	Introduction . . . . .	55
	Short-Run Analysis . . . . .	57
	Program Characteristics Index . . . . .	57
	Interpreting the Index . . . . .	60
	Claimant and Benefit Payments Indices . . . . .	60
	Exhaustees . . . . .	64
	Denials . . . . .	67
	Time Series Analysis . . . . .	70
	Initial Claimants and First Payments . . . . .	71
	Redetermination and Denials . . . . .	73
	Determinations . . . . .	78
	Total Denials . . . . .	79
	Denials for Not Able to or Available for Work . . . . .	80
	Denials for Refusal of Suitable Work . . . . .	80
	Summary . . . . .	81



## ILLUSTRATIONS

1	Comparison of Unemployment Compensation Programs . . . . .	17
2	Total FSB Benefits Paid . . . . .	24
3	Combined Costs of Regular, EB, and FSB Programs . . . . .	26
4	FSB Initial Claims and First Payments . . . . .	28
5	FSB Claimants Entitled to the Maximum WBA as a Percent of Initial FSB Claims . . . . .	30
6	FSB Exhaustees as a Percent of Lagged First Payments . . . . .	32
7	FSB Denials as a Percent of Weeks of Unemployment Claimed . . . . .	34
8	FSB Denials as a Percent of Average Weekly Number of Beneficiaries . . . . .	35



TABLES

1	Selected National Economic Activity During the Years 1972-1976 . . . . .	8
2	Comparison of Changes in FSB Provisions . . . . .	15
3	Summary of Unemployment Insurance Activity During the Calendar Years 1972-1977 . . . . .	21
4	Selected Economic Activity for FSB States, April 1977 . . .	37
5	Percent of Employees on Nonagricultural Payrolls by State, April 1977 . . . . .	38
6	Selected Unemployment Insurance Activity During January - August 1977 (Regular UI) . . . . .	40
7	Summary of Selected FSB Data, January - December 1975 . . .	41
8	Summary of Selected FSB Data, January - December 1976 . . .	42
9	FSB Claimant Characteristics of First Payments, January - August 1977 . . . . .	44
10	FSB Claimant Characteristics of Exhaustees, January - August 1977 . . . . .	45
11	Distribution of Demographic Characteristics of the Civilian Labor Force, Regular UI Recipients, and FSB Recipients, January - August 1977 . . . . .	46
12	FSB Claimant Characteristics of First Payments by Selected Occupation, January - August 1977 . . . . .	49
13	FSB Claimant Characteristics of Exhaustees by Selected Occupation, January - August 1977 . . . . .	50
14	FSB Claimant Characteristics of First Payments by Industry, January - August 1977 . . . . .	52
15	FSB Claimant Characteristics of Exhaustees by Industry, January - August 1977 . . . . .	53
16	Industrial Distribution of the Civilian Labor Force, Regular UI Recipients, and FSB Recipients, January - August 1977 . . . . .	54
17	Selected FSB Activities for Study States for January - July 1977 . . . . .	58
18	Indices of Program Characteristics Before and After PL 95-19 . . . . .	61
19	Indices of Final Payments Before and After PL 95-19 . . . . .	65

20	Indices of Denials Before and After PL 95-19 . . . . .	69
21	The Effects of PL 95-19 on Initial Claims and First Payments for FSB . . . . .	72
22	Estimated Effects of PL 95-19 on Nonmonetary Determinations and Redeterminations . . . . .	74
23	Estimated Effects of PL 95-19 on Total Denials . . . . .	75
24	Estimated Effects of PL 95-19 on Denials, Not Available . .	76
25	Estimated Effects of PL 95-19 on Denials, Refused Suitable Work . . . . .	77

## 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.

