

ARE FEDERAL U. I. BENEFIT STANDARDS APPROPRIATE FOR ALASKA?

This is a highlight of views of the Alaska Department of Labor staff that were shared with the Committee on Ways and Means of the U. S. House of Representatives.

National concern regarding the Federal-State Unemployment Insurance System has led to the creation of the National Commission on Unemployment Compensation. This commission will be looking at both the tax and benefit provisions of the system. The most controversial topic to be discussed could be the establishment of national benefit standards. The U.S. Department of Labor currently advocates that unemployment benefits should be at least 50 percent or no more than 66 2/3 percent of a state's average weekly wage. A program such as this could potentially put an extreme burden on Alaska's unemployment insurance fund.

At the outset, it is most appropriate to list the critical conditions pertinent to the Unemployment Insurance program and the State of Alaska today.

- (1) Alaska currently has the highest effective UI tax in the nation.
- (2) Using the U.S. Department of Labor's measurement criteria, Alaska has the least adequate benefits in the nation. Alaska's replacement of income through UI benefits now averages approximately 17 percent. In a period of time when the Congress is considering the imposition of National Benefit standards, the financial condition of Alaska's U.I. fund is in jeopardy.
- (3) Alaska has the highest average weekly wage in the nation—\$502.00 for calendar year 1976. Coupled with the high seasonality of the state's industries, a minimum federal benefit standard which is computed as a fixed percent of a state's average weekly wage would cause significant problems which should be addressed.
- (4) 50 percent of Alaska's U.I. benefits, which are designed to stabilize Alaska's economy, are currently going outside of this state.

- (5) With Alaska's oil and gas development forthcoming, we anticipate a continuation of these conditions at least through the mid-1980's.

With regard to Alaska's U.I. program, the major problem with Federal Benefit Standards results from laws regulating the payment of Interstate benefits. The current level of benefits the state now pays is terribly inadequate for anyone living in Alaska and yet they are quite adequate in relation to the benefits paid in other states when an individual is filing an Interstate claim.

If Alaska were to raise its maximum benefit amount to \$250.00 per week instead of the current \$90 per week, under current laws those who monetarily qualify for this amount must be paid equally regardless of whether they file in Alaska or from the lower '48'. As a result, 50 percent of our benefits would go out of state. These high Interstate benefits would serve as a disincentive for those outside the state to return to full-time work. If Alaska paid adequate benefits to residents and the same benefits to those outside the state, we would have to triple U.I. taxes and support a tremendous drain on the U.I. trust fund.

In the past, Alaska approached this problem by establishing a maximum Interstate payment of \$20.00 per week. Congress acted in 1972 to say that no state could reduce benefit payments to a claimant filing from another state solely because of their place of residence. The State of Alaska then began paying all claimants the same amount of benefits given the same wage conditions.

The U.S. Department of Labor has been encouraging all states to pay benefits of no less than 50 percent and no more than 66 2/3 percent of the state's average weekly wage. Doing this would satisfy the individuals that are concerned about adequate benefits but it would also make Alaska's program financially impractical.

An alternative approach would be to pay benefits as a percent of the average weekly wage in the State in which the claimant is filing.

This method of paying unemployment benefits would:

- (1) pay adequate benefits relative to the purchasing power in the area in which the claimant is living;
- (2) maintain a sound financial program for the State of Alaska; and
- (3) maintain equity so that all claimants will be receiving the same parity of benefits.

U. S. Department of Labor has stated that the above would be in violation of the current law. However, this opinion may be open to question, and the legality of such a program may have to be argued in court. In the meantime, the state is stymied in its efforts to bring about an adequate tax situation as well as equitable benefits consistent with U.I. program intent in the State of Alaska.

Although National U.I. benefit standards may be necessary to insure that all states maintain adequate benefits, it is most important that such standards take into account differences in the cost of living between each state. Without such a provision inequities in the program are certain to arise. Rigid benefit standards that cannot be adjusted for differences in cost of living would put an undue hardship on the unemployed in high cost areas, and would be more than adequate in areas where the cost of living is low. Foremore, such a program would be certain to increase the tax burden on employers in order to keep the program financially sound.

For those interested in further information about Alaska's Unemployment Insurance program, please contact the Research and Analysis Section of the Department of Labor and ask for the booklet, Unemployment Insurance Theory in Alaska: A Layperson's Guide.

ALASKA'S LABOR MARKET IN MAY

Employment and Unemployment: The employment and unemployment picture for Alaska's labor force during the month of May improved slightly over the previous month. Total employment increased less than one percent during the month. When compared to the same period one year ago, total employment has declined almost 13 percent. The primary factor behind this drop in employment, as well as the slow recovery of seasonal employment this summer, is completion of the Trans-Alaska Pipeline construction project.

Currently Alaska's unemployment rate is approximately 13.9 percent, slightly improved from April's revised figure of 14.2 percent. Although activity within the state should not reach levels experienced last year, summer expansion of the economy should be significant enough to have a positive effect on the economy and employment. The summer employment season should help to stabilize any impact of layoffs along the Trans-Alaska Pipeline.

Mining: The mining industry is currently in its normal spring time transition from winter activities to more warm weather operations. Employment in the oil industry is now declining slightly as most oil drilling operations are done during the winter months. On the other hand, hardrock mining is on the increase. Gold dredging and gravel quarrying operations generally operate during the summer months in order to avoid freeze-up conditions.

Construction: Though employment in the construction industry only dropped slightly during the month of May, this is a rather atypical trend when compared to previous years. In recent years pipeline construction has dominated the construction industry and at this time of year employment was usually rising rapidly as pipeline contractors geared up for the summer season.

Manufacturing: A five percent decline in employment in manufacturing was mainly caused by a decline in employment in the food processing sector. Employment declines are mainly among employers engaged in shellfish processing. Employment in the lumber industry remained steady during the month of May and the number of people in this industry continued to be greater than one year ago due to the warmer than normal weather conditions experienced this year.

Transportation, Communications & Utilities: With the exception of the trucking industry, which experienced a slight decline during the month of May, the transportation industry is showing signs of normal spring activity. Improved weather conditions have allowed firms in the air and water transportation industries to increase their activities.

Trade: When compared to previous years, employment in the trade industry this spring has remained somewhat suppressed. Normally at this time of year employment in this industry tends to pick up as Alaska's economy expands during the summer months. In May employment in the retail