

Unemployment Compensation: Where Does the Money Go?

By Veronica Clark

During the 12 months ending September 30, 1985, the federal fiscal year (FFY 1985), Alaska paid \$135.6 million in unemployment compensation. This figure is about 2% of the total nonagricultural wage and salary payroll. The purpose of these payments is to help workers maintain purchasing power during periods of involuntary unemployment and thereby stabilize the economy. This article examines the payment of unemployment compensation benefits to both in-state and out-of-state recipients.

Intrastate/Interstate Time Series

Table 1 is a time series for calendar years 1970 through 1984 and FFY 1985. It compares intrastate (in-state) and interstate (out-of-state) data for five conventional measures of unemployment insurance activity: the number of persons receiving an initial payment during the year (First Payments), the number of weekly payments made (Weeks Paid), the total amount of payments made, the average weekly benefit amount (Amount of Payments divided by the Number of Weeks Paid), and the average duration of benefits (Number of Weeks Paid divided by the Number of First Payments). The data in Table 1 pertain only to regular benefits disbursed under the state unemployment insurance program. State regular benefits accounted for 83% of all benefit payments in FFY 1985.

Prior to 1972, state law entitled out-of-state claimants to less than half the weekly benefit amount of in-state claimants. By 1972, this form of discrimination ended. In that year, interstate claimants received 21.2% of all payments. The proportion of interstate payments peaked at 43% in 1977 and has been on a downward trend since then. In FFY 1985, interstate payments were 21.4% of the total, the lowest proportion since 1972.

Most interstate benefits are sent to claimants in Washington, Oregon, or California. Together, these three states account for about 50% of all interstate payments. Interstate claimants are 18.5% of the number of persons receiving first payments in FFY 1985. This is the lowest proportion since 1971.

From 1975 to 1979, the average weekly benefit amount for interstate claimants exceeded that for intrastate claimants. Between 1980 and 1984, the situation was reversed, with intrastate average weekly benefit

amount exceeding the benefit amount paid to interstate claimants. However, in FFY 1985, the relationship reversed again.

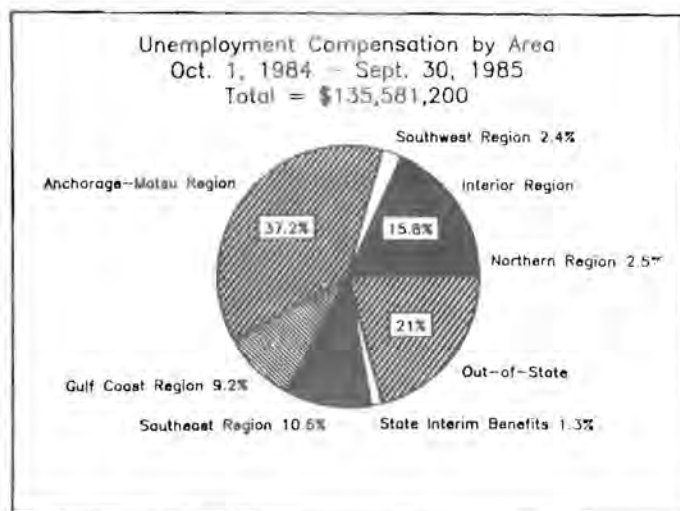
Since 1975, the average duration of benefits for interstate claimants has been consistently greater than that for intrastate claimants. Interstate claimants receive benefits for about three more weeks than intrastate claimants.

Unemployment Compensation by Area

Table 2 presents unemployment compensation data for each of Alaska's census areas as well as out-of-state claimants for the most recent 12 month period, FFY 1985. The data in Table 2 represent all unemployment compensation, including state and federal programs and regular and supplemental benefits. A claimant's location is the place from which the most recent claim was filed.

In FFY 1985, Alaska paid \$135.6 million in unemployment benefits to 72,317 persons. The amount of benefits paid in FFY 1985 was 18.4% more than in FFY 1984. The increase was due in part to an increase in benefit payments which went into effect on October 1, 1984, and in part to a 6.1% increase in the number of claimants. The average duration of benefits was the same in both years, 12.3 weeks.

Between FFY 1984 and FFY 1985, regular benefits disbursed under the state program increased from \$89.9 million to \$112.1 million. Regular benefits paid to former federal civilian employees (UCFE) and military employees (UCX) were unchanged at \$4.3 million. Supplemen-



tal benefits (Extended Benefits, Federal Supplemental Compensation, Supplemental State Benefits, and State Interim Benefits) declined from \$20.3 million to \$18.9 million.

About 91% of the total amount paid, \$122 million, was drawn from Alaska's economy through payroll taxes and reimbursements from state or local governments. The remainder was reimbursed by the federal government. Alaska employers paid an additional \$12 million in federal unemployment insurance tax (FUTA) to contribute to the cost of administering the program.

Out-of-state payments dropped from \$30.1 million, or 26.2% of total payments, in FFY 1984 to \$28.5 million (21.4%) in FFY 1985. The decline was due mainly to an 11.8% drop in the number of interstate claimants and in small part to the termination of the Federal Supplemental Compensation program on March 31, 1985.

The decline in the interstate proportion of payments was offset by a huge increase in benefit payments to the Anchorage-MatSu region. Payments to this region increased by 42.2% from \$35.5 million in FFY 1984 to \$50.5 million in FFY 1985. These increases boosted the Anchorage-MatSu region's proportion of total payments from 31% to 37.3%. A 21.1% increase in claimants was undoubtedly a major factor contributing to the increase in payments, in addition to a change in the benefit schedule and a slight increase in duration of benefits.

The Gulf Coast region and the Southeast region posted the smallest gains in payments and claimants while the other three regions showed moderate increases in both categories. In FFY 1985, the Northern region received \$3.4 million in unemployment benefits, or 2.5% of the total; the Interior region received \$21.4 million (15.8%); the Southwest region \$3.2 million (2.4%); the Gulf Coast region \$12.5 million (9.2%); and the Southeast region \$14.4 million (10.6%).

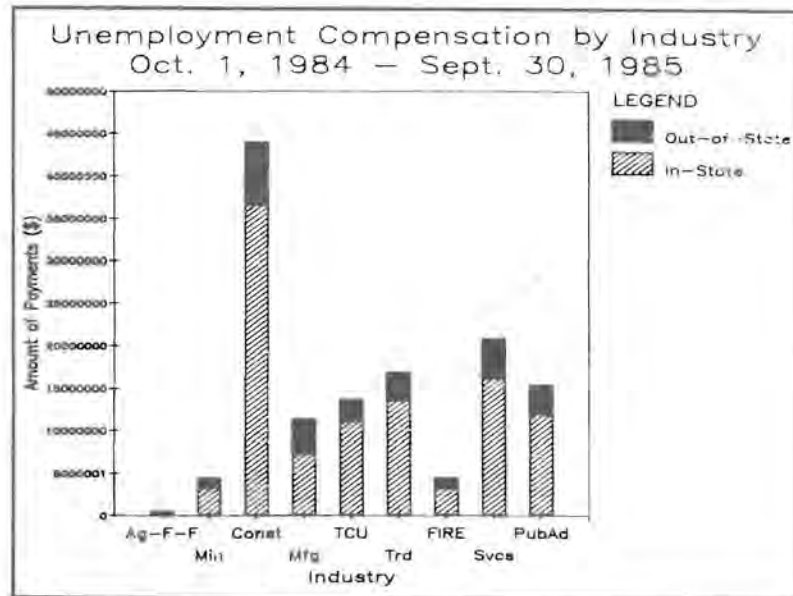
In all the regions, there were dramatic changes in some individual census areas which were masked at the regional level. For example, benefit payments to the Wrangell-Petersburg Census Area declined by 21% while those to Juneau increased by a similar percentage. Payments to claimants in the North Slope Borough, Dillingham Census Area, and Kodiak Island Borough increased by over 40%.

Unemployment Compensation by Industry

About a third of all payments, \$44.1 million, went to former employees of the construction industry (Table 3). In-state claimants received 83.2% of this amount and out-of-state claimants 16.8%.

The service industry was a distant second in the amount of unemployment compensation with \$21 million, or 15.5% of all payments. In-state claimants received 77.6% of this amount and out-of-state claimants 22.4%.

Anchorage had the largest proportion of benefit payments for all industry groups except manufacturing. Former employees in manufacturing industries received only 8.5% of all payments, \$11.5 million. However, 35.5% of these payments were sent to out-of-state claimants, making manufacturing the industry with the largest proportion of interstate payments. The out-of-state proportion jumped to 49.3% for food products, primarily seafood processing. Claimants in the Southeast region received 28.8% of all manufacturing payments, \$3.3 million. Three-quarters of manufacturing benefits in the region were paid to claimants who had worked in the depressed lumber and pulp industries.



The distribution of unemployment compensation in-state varied from region to region, with the leading industries being various combinations of five industries: construction, services, public administration, trade, and manufacturing. Two-thirds to three quarters of all unemployment compensation disbursed to the Northern, Interior, and Southwest regions were sent to former employees in construction, services and public administration. Two-thirds of the benefits sent to claimants

in the Anchorage-MatSu region were directed to former employees in construction, services, and trade. Three-quarters of all unemployment benefits distributed to the Gulf Coast region went to former employees in construction, services, manufacturing, and trade. Finally, most of the payments in the Southeast region were sent to former employees in manufacturing, construction, and public administration.

Summary

Two major trends emerge from analyses of unemployment compensation data. First out-of-state payments are diminishing in relative importance. In FFY 1985, they accounted for 21.4% of nonfederal regular benefit payments, the lowest proportion since 1972. Nonetheless, they were a \$24 million leakage from the state's economy (\$26 million when other federal program benefits are included), an increase over previous years.

Second the Anchorage-MatSu region is increasing in importance. In FFY 1985, 37.2% of all payments were sent to claimants in the Anchorage-MatSu region compared to 31% in FFY 1984. The region's proportion of beneficiaries increased from 30.8% of the total number of recipients in FFY 1984 to 35.2 percent in FFY 1985.

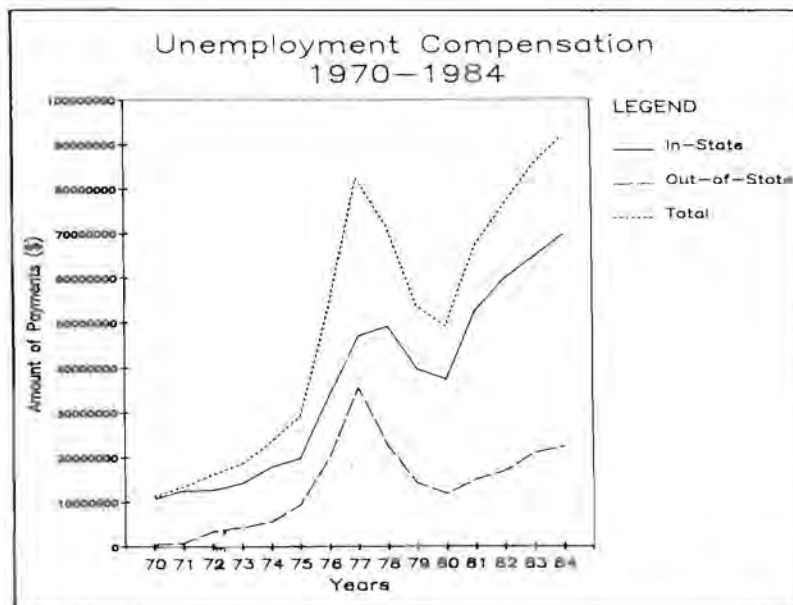


Table 1
Unemployment Compensation (Regular Benefits, Excluding Federal)
1970-1977

	1970	1971	1972	1973	1974	1975	1976	1977
No. of First Payments								
In-State	13,328	13,870	14,552	15,556	15,322	18,905	28,500	31,570
Out-of-State	1,814	2,320	4,103	4,423	4,420	7,717	15,821	18,843
Total	15,142	16,390	18,655	19,979	19,742	26,622	44,321	50,413
No. of Weeks Paid								
In-State	205,253	239,840	241,474	254,156	255,081	266,785	422,575	557,496
Out-of-State	23,667	39,209	70,503	78,993	82,369	125,465	237,085	399,469
Total	228,920	279,049	311,977	333,149	337,450	392,250	659,660	956,965
Amount of Payment (In Millions)								
In-State	10,708	12,533	12,882	14,163	17,717	19,630	33,788	45,950
Out-of-State	.473	.788	3.404	4.277	5.538	9.328	19,768	38,459
Total	11,181	13,322	16,067	18,441	23,256	28,958	53,556	82,410
Avg. Weekly Benefit Amount								
In-State	\$52.17	\$52.26	\$52.44	\$55.73	\$69.46	\$73.58	\$79.96	\$84.22
Out-of-State	\$20.01	\$20.12	\$48.29	\$54.15	\$67.24	\$74.35	\$83.38	\$88.77
Total	\$48.85	\$47.74	\$51.50	\$55.35	\$68.92	\$73.83	\$81.19	\$86.17
Avg. Duration in Weeks								
In-State	15.4	17.3	16.6	16.3	16.9	14.1	14.8	17.7
Out-of-State	13.0	15.6	17.2	17.9	18.6	16.3	15.0	21.2
Total	15.1	17.0	16.7	16.7	17.1	14.7	14.9	19.0

Percent Distribution

No. of First Payments								
In-State	88.0%	84.6%	78.0%	77.9%	77.6%	71.0%	64.3%	62.6%
Out-of-State	12.0%	15.4%	22.0%	22.1%	22.4%	29.0%	35.7%	37.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
No. of Weeks Paid								
In-State	89.7%	85.3%	77.4%	76.3%	75.6%	68.0%	64.1%	58.3%
Out-of-State	10.3%	14.1%	22.6%	23.7%	24.4%	32.0%	35.9%	41.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Amount of Payment								
In-State	95.8%	94.1%	78.8%	76.8%	76.2%	67.8%	63.1%	57.0%
Out-of-State	4.2%	5.9%	21.2%	23.2%	23.8%	32.2%	36.8%	43.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Alaska Department of Labor, 1970-1988, UC 217 report, Benefit Payments by Industry and Area.

Note: These data represent regular benefits disbursed under the state unemployment insurance program. State regular benefits accounted for 83% of all benefit payments in FFY 1985.

Table 1
Unemployment Compensation (Regular Benefits, Excluding Federal)
1978-1985
(Continued)

	1978	1979	1980	1981	1982	1983	1984	FFY 1985
No. of First Payments								
In-State	31,535	27,205	25,511	28,540	31,922	33,397	36,063	39,386
Out-of-State	11,844	7,794	8,699	7,069	7,887	9,440	9,370	8,912
Total	43,079	34,999	32,210	35,609	39,809	42,837	45,433	48,298
No. of Weeks Paid								
In-State	587,479	485,350	439,050	426,171	458,423	479,853	502,333	582,982
Out-of-State	259,074	169,043	137,856	124,346	132,245	159,862	160,336	158,242
Total	846,553	655,393	576,906	550,517	590,668	639,815	662,669	741,224
Am't of Payment (In Millions)								
In-State	49,061	39,685	37,299	52,340	59,787	64,574	69,624	88,135
Out-of-State	22,412	14,038	11,884	14,922	16,787	20,917	22,194	23,992
Total	71,474	53,724	49,183	67,262	76,574	85,491	91,818	112,128
Average Weekly Benefit Amount								
In-State	\$83.51	\$81.39	\$84.95	\$122.82	\$130.42	\$134.54	\$138.60	\$151.18
Out-of-State	\$85.51	\$83.05	\$84.76	\$120.01	\$126.94	\$130.22	\$138.42	\$151.62
Total	\$84.43	\$81.82	\$84.91	\$122.18	\$129.64	\$133.46	\$138.56	\$151.27
Average Duration in Weeks								
In-State	18.6	17.9	17.2	14.9	14.4	14.4	13.9	14.8
Out-of-State	22.4	21.7	20.6	17.6	18.8	16.9	17.1	17.8
Total	19.7	18.7	17.9	15.5	14.8	14.9	14.6	15.3
Percent Distribution								
No. of First Payments								
In-State	73.2%	77.7%	79.2%	80.1%	80.2%	78.0%	79.4%	81.5%
Out-of-State	26.8%	22.3%	20.8%	19.9%	19.8%	22.0%	20.6%	18.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
No. of Weeks Paid								
In-State	69.4%	74.2%	76.1%	77.4%	77.6%	75.0%	75.8%	78.7%
Out-of-State	30.6%	25.8%	23.9%	22.6%	22.4%	25.0%	24.2%	21.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Amount of Payment								
In-State	69.6%	73.8%	76.1%	77.8%	78.1%	75.8%	75.8%	78.6%
Out-of-State	31.4%	26.2%	23.9%	22.2%	21.9%	24.4%	24.2%	21.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 2
Unemployment Compensation by Area

	Amount of Payments			Number of Payees			Avg. Duration		Average Weekly Benefit Amount FFY 1985
	FFY 1985 No.	FFY 1985 %	% Chg. FFY 84-85	FFY 1985 No.	FFY 1985 %	% Chg. FFY 84-85	FFY 1985 (Wks.)	Change (Wks.)	
Northern Region	3,366,187	2.5%	15.4%	1,711	2.4%	6.7%	13.1	-0.3	\$150.37
01 North Slope Borough	925,952	0.7%	42.4%	429	0.6%	25.1%	11.9	-0.5	\$101.77
02 Kobuk Census Area	1,018,255	3.8%	-4.8%	540	0.7%	-5.1%	13.1	-1.0	\$143.70
03 Nome Census Area	1,421,980	1.0%	18.8%	742	1.0%	5.0%	13.8	0.4	\$139.33
Interior Region	21,421,031	15.8%	21.5%	10,983	15.2%	10.0%	12.6	0.0	\$154.68
04 Yukon-Koyukuk C.A.	2,234,878	1.6%	17.5%	1,188	1.6%	10.1%	13.8	-0.4	\$135.95
05 Fairbanks North Star Borough	17,246,097	12.7%	22.4%	8,747	12.1%	9.7%	12.3	0.1	\$160.50
06 Southeast Fairbanks Census Area	1,940,056	1.4%	17.9%	1,048	1.4%	12.9%	13.9	-0.1	\$132.91
Southwest Region	3,226,085	2.4%	23.6%	1,851	2.6%	9.3%	13.9	0.5	\$125.79
07 Wade Hampton C.A.	710,770	0.5%	21.8%	418	0.6%	6.4%	14.2	0.8	\$120.16
08 Bethel Census Area	1,613,573	1.2%	30.3%	920	1.3%	13.4%	14.0	0.7	\$124.85
09 Dillingham C.A.	554,466	0.4%	44.8%	290	0.4%	29.5%	14.2	0.3	\$134.45
10 Bristol Bay Borough	134,938	0.1%	36.2%	78	0.1%	11.4%	13.0	0.4	\$132.68
11 Aleutian Islands C.A.	212,341	0.2%	-30.8%	145	0.2%	-25.6%	11.5	-1.6	\$127.46
Anchorage-MatSu Region	50,459,886	37.2%	42.2%	25,421	35.2%	21.1%	12.6	0.6	\$157.29
12 MatSu Borough	11,402,962	8.4%	55.4%	5,437	7.5%	30.7%	13.3	0.8	\$157.34
12 Municipality of Anch.	39,056,924	28.8%	38.7%	19,984	27.6%	18.7%	12.4	0.5	\$157.27

Gu	ast Region	12,489,046	9.2%	12.1%	7,145	9%	1.1%	12.6	0.1	\$140.17
14	Kenai Peninsula Bor.	8,611,947	6.4%	7.9%	4,781	6.6%	-0.4%	12.5	-0.2	\$144.85
15	Kodiak Island Bor.	2,035,777	1.5%	45.9%	1,407	1.9%	10.0%	11.9	1.7	\$122.01
16	Valdez-Cordova C.A.	1,841,324	1.4%	4.4%	957	1.3%	-2.8%	13.5	-0.2	\$142.99
	Southeast Region	14,379,033	10.6%	8.0%	8,939	12.4%	1.9%	11.5	-0.3	\$139.56
17	Skagway-Yakutat-Angoon Census Area	1,172,489	0.9%	36.0%	719	1.0%	20.6%	13.3	0.1	\$122.90
18	Haines Borough	553,779	0.4%	8.8%	294	0.4%	-4.5%	13.4	1.0	\$140.70
19	City and Borough of Juneau	4,432,379	3.3%	21.5%	2,692	3.7%	7.1%	11.4	0.2	\$144.67
20	City and Borough of Sitka	1,548,170	1.1%	16.9%	1,054	1.5%	11.8%	10.1	-1.1	\$145.68
21	Wrangell-Petersburg Census Area	1,836,017	1.4%	-20.6%	1,209	1.7%	-10.2%	10.9	-1.7	\$138.79
22	Prince of Wales-Outer Ketchikan C.A.	1,484,363	1.1%	12.3%	894	1.2%	7.8%	12.6	-0.5	\$131.33
23	Ketchikan Gateway Borough	3,351,816	2.5%	0.6%	2,077	2.9%	-7.0%	11.4	0.1	\$141.08
	State Interim Benefits Program	1,751,361	1.3%	34.3%	1,552	2.1%	16.9%			
	In-State Total	107,092,631	79.0%	26.9%	57,602	79.7%	11.9%	12.1	0.3	\$150.60
	Out-of-State Total	28,488,569	21.0%	-5.2%	14,715	20.3%	-11.8%	12.8	-0.5	\$151.14
	Grand Total	135,581,200	100.0%	18.4%	72,317	100.0%	6.1%	12.3	.0	\$150.72

Source: Alaska Department of Labor, 1983-1985, RESP 8003, Claimant Characteristics Tape.

Note: These data represent all unemployment compensation, including state and federal (UCFE, UCX) programs and regular and supplemental benefits (Extended Benefits, Federal Supplemental Compensation, Supplemental State Benefits, and State Interim Benefits).

Table 3
Unemployment Compensation by Industry and Area
FFY 1985

	Northern Region	Interior Region	Southwest Region	Anch.-MatSu Region	Gulf Coast Region	Southeast Region
Ag., For. and Fisheries	16,331	37,041	1,241	146,653	90,426	136,587
Mining	218,602	414,825	28,518	1,918,395	799,536	111,176
Oil and Gas	51,121	210,330	21,598	1,637,078	748,391	51,605
Other Mining	167,481	204,495	6,920	281,317	51,145	59,571
Construction	882,609	10,050,421	512,785	17,787,062	4,410,321	3,081,871
Manufacturing	18,249	449,949	309,201	1,753,904	1,569,599	3,313,075
Food Products	5,094	115,892	291,753	474,472	1,346,095	725,314
Lumber and Wood	6,371	68,982	7,332	356,649	67,243	1,473,506
Paper Products	0	12,906	0	40,363	26,902	1,018,887
Other Mfg	6,784	252,169	10,116	882,420	129,359	95,368
Trans., Comm. and Utilities	260,006	1,989,687	369,878	5,942,089	1,003,134	1,597,803
Trade	205,266	2,306,785	213,814	7,798,257	1,566,587	1,582,090
Finance-Ins. and R.E.	92,934	373,899	157,940	2,019,055	317,248	378,695
Services	653,784	3,134,494	818,061	8,222,425	1,730,624	1,718,374
Public Administration	993,093	2,522,112	787,043	4,405,881	896,758	2,343,445
Unclassified	25,312	141,818	27,604	466,165	104,815	117,917
Total	3,366,187	21,421,031	3,226,085	50,459,886	12,489,048	14,379,033

Table 3
Unemployment Compensation by Industry and Area
FFY 1985
(Continued)

	In-State Total		Out-of-State Total		Grand Total		% In-State	% Out-of-State
	No.	%	No.	%	No.	%		
Ag., For. and Fisheries	428,279	0.4%	111,305	0.4%	539,584	0.4%	79.4%	20.6%
Mining	3,491,052	3.3%	1,101,532	3.9%	4,592,584	3.4%	76.0%	24.0%
Oil and Gas	2,720,123	2.5%	766,171	2.7%	3,486,294	2.6%	78.0%	22.0%
Other Mining	770,929	0.7%	335,361	1.2%	1,106,290	0.8%	69.7%	30.3%
Construction	36,725,069	34.3%	7,393,482	26.0%	44,118,551	32.5%	83.2%	16.8%
Manufacturing	7,413,977	6.9%	4,082,930	14.3%	11,496,907	8.5%	64.5%	35.5%
Food Products	2,958,620	2.8%	2,872,620	10.1%	5,831,240	4.3%	50.7%	49.3%
Lumber and Wood	1,980,083	1.8%	784,189	2.8%	2,764,272	2.0%	71.6%	28.4%
Paper Products	1,099,058	1.0%	154,162	0.5%	1,253,220	0.9%	67.7%	12.3%
Other Mfg.	1,376,216	1.3%	271,959	1.0%	1,648,175	1.2%	83.5%	16.5%
Trans., Comm. and Utilities	11,162,597	10.4%	2,640,334	9.3%	13,802,931	10.2%	80.9%	19.1%
Trade	13,672,799	12.8%	3,363,928	11.8%	17,036,727	12.6%	80.3%	19.7%
Finance-Ins. and R.E. Services	3,337,772	3.1%	1,247,514	4.4%	4,585,286	3.4%	72.8%	27.2%
Public Administration	16,277,762	15.2%	4,705,069	16.5%	20,982,831	15.5%	77.6%	22.4%
Unclassified	11,948,332	11.2%	3,589,801	12.6%	15,538,133	11.5%	76.9%	23.1%
State Interim Benefits	883,631	0.8%	252,674	0.9%	1,136,305	0.8%	77.8%	22.2%
State Interim Benefits	1,751,361	1.6%			1,751,361	1.3%	100.0%	0.0%
Total	107,092,631	100.0%	28,485,569	100.0%	135,578,201	100.0%	79.0%	21.0%

Source: Alaska Department of Labor, 1984-1985, RESP 8003, Claimant Characteristics Tape.