

Unemployment Claims and the Insured Unemployment Rate

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What are they saying about Alaska's economy?

As Harry Truman once famously remarked, "It's a recession when your neighbor loses his job; it's a depression when you lose yours." Whatever you call it, it's been a difficult period for the U.S. economy and Alaska hasn't been immune either. Claims for unemployment insurance are way up and a variety of special programs have been created to extend benefits and help workers get by until they find new jobs.

The unemployment insurance program is similar to other types of insurance in that it protects against a loss due to a specific risk in exchange for regular payments into a collective fund. The risk being insured against is the loss of a job and if the risk becomes a reality, unemployed work-

ers make claims on the system and receive unemployment insurance benefit checks.

Similar to what insurance companies do, states manage the unemployment insurance system by depositing the money that employers and employees are required to pay in unemployment insurance taxes into a trust fund so that there will be enough to pay the claims of qualified unemployed workers. Over the last few years, there's been a sizeable increase in claims.

Nearly every industry has seen increases

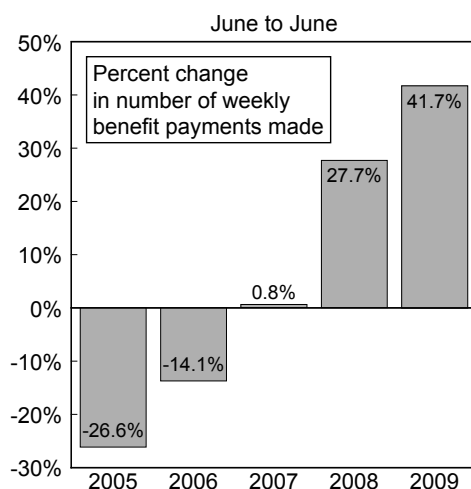
Claims and benefit payments¹ began rising in 2008 and have continued to climb in 2009. (See Exhibit 1.) In June, the number of weekly payments made to claimants² was 42 percent higher than a year earlier. (See Exhibit 2.)

The largest percentage increase – more than 200 percent – came from the industry category that includes the oil and gas and mining industries. That's a bit of a mystery because although mining employment has fallen a little, the total number of oil and gas jobs in Alaska hasn't changed much during the national recession.

¹ Claims aren't exactly the same thing as benefit payments because some claims are denied. The virtue of claims as a data set is that they can be counted as soon as they're made and provide important information about the current state of the labor force and economy. Actual unemployment insurance payments are more important to managing the program for obvious reasons. Because the dominant majority of claims become payments, the two terms are used somewhat interchangeably in this article.

² Unless stated otherwise, all references to claimants in the text of this article are to Alaska's in-state claimants only, with the exception of the sections on the insured unemployment rate, where references to claimants are to all Alaska's claimants – in-state and those who file from outside the state. An example of the latter would be a construction worker who works in Alaska for six months, then moves to Washington and collects Alaska unemployment insurance benefits. Typically, Alaska's out-of-state claimants make up roughly 15 percent to 20 percent of total claimants.

1 Weeks Paid Up in 2008 and 2009 Over-the-year percent change, 2005 to 2009



Note:

This exhibit shows the number of unemployment insurance benefit weeks paid to Alaska's in-state regular claimants only.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

More data and a closer look at the numbers will be required to figure out why weeks paid have gone up so much in these industries.

Other major categories with large increases include construction, and wholesale and retail trade. The increase in payments to nearly every industry is most likely a reflection of the national economic situation.

Is there enough money to pay the extra claims?

Keeping the trust fund sufficiently funded is one of the most important jobs of any unemployment insurance system. Occasionally, a recession may be severe enough that money taken out of the fund to pay benefits exceeds revenues and, in extreme cases, total fund reserves. If a state's fund runs out of money, that state may borrow from the federal government. Alaska was the first state to borrow money – it did so in the late 1950s – but it hasn't had to borrow more since the 1960s.

During the current recession, 22 states have had to borrow money from the federal government to keep their trust funds afloat. As of Sept. 28, the federal government has loaned \$16.7 billion to those states, including \$3.9 billion to California alone.

Alaska has managed to keep its trust fund in good shape despite higher claims in 2008 and 2009. (See Exhibit 3.) Its trust fund has decreased roughly 3 percent, or \$11 million, in the current recession.

Alaska's trust fund is managed conservatively. That includes statutory and regulatory protec-

Number of Weeks Paid, by Industry **2** Alaska's unemployment insurance benefits,¹ 2008 to 2009

	June 2009	Change from May 2009 to June 2009	Change from June 2008 to June 2009	Percent Change from June 2008 to June 2009
Mining, Quarrying, and Oil and Gas Extraction	3,591	686	2,454	215.8%
Information	819	143	418	104.2%
Arts, Entertainment and Recreation	693	78	304	78.1%
Wholesale and Retail Trade	6,789	764	2,450	56.5%
Professional, Scientific and Technical Services	1,743	212	629	56.5%
Unclassified	1,010	72	359	55.1%
Construction	8,288	-1,883	2,687	48.0%
Administrative, Support, Waste Management and Remediation Services	3,134	232	990	46.2%
Accommodations, Food Services and Drinking Places	4,449	101	1,292	40.9%
Real Estate, Rental and Leasing	1,423	141	394	38.3%
Other Services (except Public Administration)	2,373	829	657	38.3%
Transportation and Warehousing	3,929	1,106	1,075	37.7%
Finance and Insurance	1,135	197	287	33.8%
Health Care and Social Assistance	5,048	1,292	1,145	29.3%
Educational ² Services	1,380	299	285	26.0%
Agriculture, Forestry, Fishing and Hunting ³	165	-56	24	17.0%
Public Administration ⁴	4,934	405	496	11.2%
Manufacturing ⁵	4,026	44	305	8.2%
Utilities	207	-27	0	0.0%
Management of Companies and Enterprises	29	6	-24	-45.3%
Total	55,165	4,641	16,227	41.7%

Notes:

This exhibit shows the number of weeks paid to Alaska's in-state regular claimants only. The number of weeks paid to claimants who file from out-of-state are excluded.

The industry categories are the two-digit level from the North American Industry Classification System, or NAICS. For more information, on the Web go to www.census.gov/naics.

The numbers for a specific month are as of the last day of the month.

¹ The majority of Alaska workers who are paid wages are covered by the state's unemployment insurance laws. Those who aren't covered include the self-employed, business owners, fishermen, unpaid volunteers or family workers and private household workers. Federal workers are also not covered.

² Includes public and private education

³ This category tends to be mostly loggers.

⁴ Local (except teachers), state and federal government

⁵ Includes seafood processing

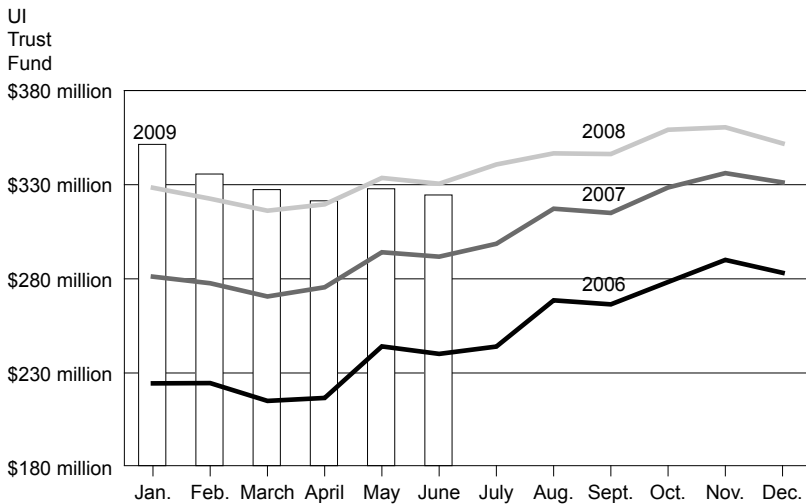
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

tions that limit changes to both the employee and employer tax rates and share of the total tax burden. Changes to tax rates are made once a year and are also subject to limits on a year-to-year basis. Changes to benefit amounts are changed even less frequently.

The insured unemployment rate – a management tool and an economic indicator

Unlike the total unemployment rate, which is used to assess the health of the economy and distribute billions of dollars in federal assistance, the "insured unemployment rate" was created as a management tool to signify the level of

3 The UI Trust Fund Balance Alaska, 2006 to 2009



Note:
The numbers for each month are as of the last day of the month.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

demand on unemployment insurance benefits. Federal lawmakers determined that a 6 percent IUR showed sufficient demand on the system to warrant extending benefits; it's known as the 6 percent trigger mechanism. Alaska's IUR, at 4.2 percent as of Sept. 12, might reach 6 percent by the end the year, but the state's extended benefits are already in place due to other trigger mechanisms.

A secondary use of the IUR is as an economic indicator. Both the rate itself and the inputs that allow it to be calculated can tell us quite a bit about what's been happening in the state's economy. (See Exhibit 4.)

Alaska's IUR has been on a downward long-term trend since the early 1990s. The average annual IUR, which was at 6.5 percent in 1992, has fallen in 11 of the last 17 years. In fact, the average annual rate has been below 5 percent for eight of the past 10 years.

The downward trend in the IUR is one indication that Alaska's job market has become more diversified and less dependent on seasonal jobs.

Since 1988, covered employment has increased consistently every year while the claimant population has stagnated and even fallen in the past

six years. Industries such as retail trade, health care and other services have grown substantially. As a result, seasonal industries such as construction and seafood processing have come to represent a smaller share of total employment in recent years. That phenomenon has worked to consistently lower the IUR over time.

However, after the beginning of the year, the IUR increased by nearly two percentage points from 3.8 percent in January to 5.8 percent in late April – almost a full percentage point higher than the 2008 IUR peak of 4.8 percent. (See Exhibit 5.) Since hitting 5.8 percent, the rate has been declining, as is normal, through late spring and into summer. Given the current trend, the average IUR for 2009 will most likely end up being around a full percentage point higher than the average 2008 rate of 3.7 percent.

Special extension programs expand benefits

As with other types of insurance, the unemployment insurance program limits the amount that can be claimed in benefits. In addition to the limit on how much claimants are paid for each week they're unemployed, there's also a limit on how many weeks they can collect benefits.

Extended benefits are federally funded programs³ to extend the normal number of weeks someone can collect unemployment. Some types of extended benefits programs are triggered automatically when certain conditions are met and others are specifically enacted when there's a special need.

The federal government, in light of the current recession, has expanded the extended programs. Alaska claimants can normally collect up to 26 weeks of regular unemployment insurance benefits. Yet, under the extended benefits in place now, that 26 weeks can increase to as much as 79 weeks.

³ The extended benefit programs currently in place have been available in one form or another beginning in June 2008. Traditionally, the federal government pays the full cost of Congressionally approved emergency extended benefit programs, with the exception of the standard extended benefit program. For that one, the federal government and each state usually split the cost 50-50, but with the current recession, the federal government has picked up the entire tab.

Extension programs' effect on the insured unemployment rate

As a management issue, extended benefits don't have a direct effect on the IUR. The IUR is calculated using regular claims and it excludes extended benefits.⁴ But as an economic indicator, considering extended benefits as part of the IUR is useful for what it says about the economy.

For analytical purposes, we calculated a hypothetical IUR that includes the weeks claimed under all the current extension programs. (See Exhibit 5.) That makes the IUR substantially higher – 7.3 percent for 2009's peak rate. For the week of April 25, the difference between the hypothetical IUR with the extended benefits and the IUR without extended benefits is 1.6 percent.

While the purpose of the unemployment insurance program is to help Alaskans between jobs, it's important to note that a growing number of people are continuing to collect benefits through each of the extension programs. For example, in June 2009, 30 percent of the total in-state weeks paid fell under one of the extension programs. (See Exhibit 6.) Of the total 54,743 people who had filed a claim during the 2009 state fiscal year,⁵ 10,126 people went on to collect extended benefits.

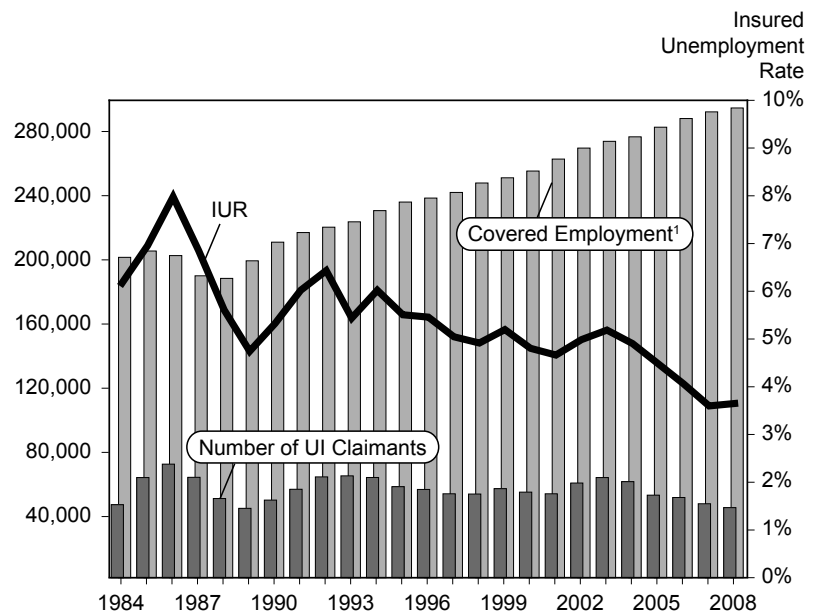
If vast numbers of claimants continue to collect benefits well into the extension programs, many will simply not have qualifying wages in the near term and so won't be eligible during the normal claim cycle. The result would be a substantially lower IUR in the coming year that would be misleading if interpreted to mean the economy had improved.

Just as the total unemployment rate sometimes drops even though economic conditions have worsened – for instance, when people who had been counted as unemployed drop out of the

⁴ Once claimants have moved on to collecting benefits under an extension program, they're not counted in the IUR calculation. The main justification is to maintain comparability in the rate over time, as extended programs are triggered sporadically. And, as mentioned earlier, the federal government pays for the extended benefits (at least for now) so no money is coming out of Alaska's trust fund.

⁵ From July 1, 2008, to June 30, 2009

Alaska's Average Annual IUR Insured unemployment rate, 1984 to 2008



Notes:

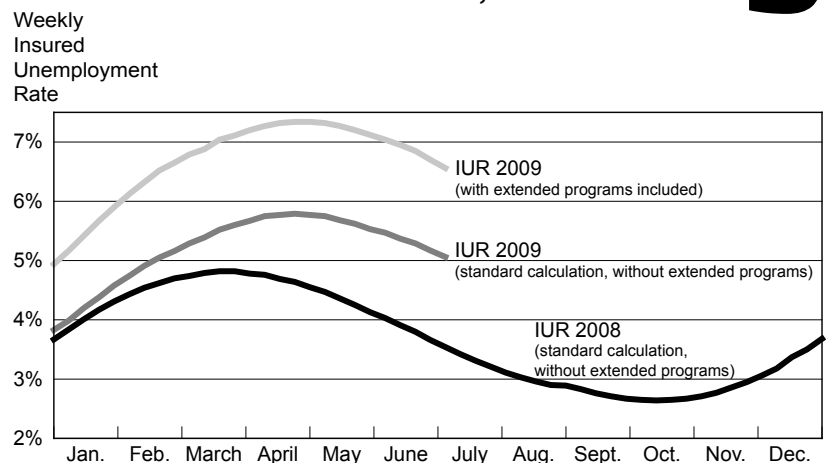
The average annual insured unemployment rate, or IUR, is the sum of all weekly IUR values divided by the number of weeks in the year (52 or 53).

This exhibit shows all Alaska's claimants: in-state claimants and claimants who file from out of state.

¹ The majority of Alaska workers who are paid wages are covered by the state's unemployment insurance laws. Those who aren't covered include the self-employed, business owners, fishermen, unpaid volunteers or family workers and private household workers. Federal workers are also not covered.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The Insured Unemployment Rate Alaska, 2008 and 2009



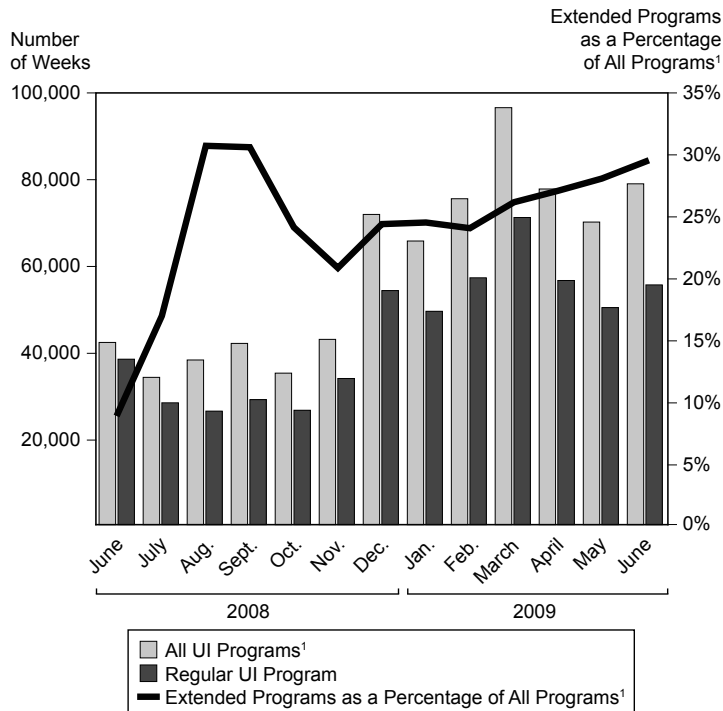
Notes:

The insured unemployment rates, or IURs, for 2009 reflect data through the week ending July 4, 2009, to capture the moving 13-week average showing the end of the state fiscal year (June 30).

This exhibit shows all Alaska's claimants: in-state claimants and claimants who file from out of state.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

6 Benefit Weeks Paid to Claimants June 2008 to June 2009



labor force because they decide it's pointless to continue looking for work – the IUR could drop because fewer people had worked enough to become eligible for benefits. Therefore, it will be important in the coming year or two not to oversimplify what indicators like the IUR are saying about the state's economy and the unemployment insurance program.

Notes for Exhibit 6:
This exhibit shows only Alaska's in-state claimants. The numbers for each month are as of the last day of the month.
¹ "All Programs" refers to both the regular unemployment insurance program and extended benefit programs.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

A Safety Minute

Employers: H1N1 Awareness

In spring of 2009, a novel influenza virus first caused illness in Mexico and then in the United States. It wasn't long before the swine flu – named that because it was related to a respiratory disease in pigs – was reported around the country. The virus, later renamed the H1N1 flu, was so prolific in its spread that by June the World Health Organization signaled a global pandemic was underway.

The President's Council of Advisors on Science and Technology recently said a plausible scenario is that an H1N1 flu epidemic this fall and winter could send 1.8 million Americans to the hospital and cause 30,000 to 90,000 deaths, many of those children and young adults.

The people who are considered at risk for complications from the flu are pregnant women, children under age 5, adults 65 or older, infants under six months, residents of nursing homes and other chronic-care facilities, anyone under age 19 on aspirin therapy, and anyone with a chronic medical condition such as asthma, heart disease, diabetes or any immune-compromising condition.

A link on the Centers for Disease Control and Prevention Web site gives information about the progress of the pandemic at cdc.gov/h1n1flu/update.htm.

The Alaska Department of Health and Social Services has an Internet link that contains a lot of practical information about how to respond to the virus at pandemicflu.alaska.gov.

Vaccination with a strain-specific pandemic vaccine is considered one of the most effective countermeasures for protecting people in the event of a pandemic. However, H1N1 vaccines won't be available all at once, delivery from manufacturers will be staggered, and there will be difficulties in distribution. So, people in the risk groups will be given the shots first.

If an employee becomes sick with the flu, he or she should stay home. Everyone should practice good hygiene. Employers can help by providing employees with hand sanitizer and facial tissues. On the HSS link, click on "Facts and Guidelines" on the left, then "Questions and Answers: 2009 H1N1 (Swine Flu) and You."