



# EXECUTIVE SUMMARY

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*November 5, 2003*

## **Looking Forward to Changes in the “Look Back” Rule: Tens of Thousands of Unemployed Oregonians Will Lose Benefits Unless the “Look Back” Rule is Eliminated in Federal Extended Benefits Programs**

By Jeff Thompson

Long-term unemployment continues plague workers in Oregon and around the country. Tens of thousands of unemployed workers in states with high unemployment, such as Oregon and Washington, are currently eligible for federal extended Unemployment Insurance benefits under the Temporary Extended Unemployment Compensation (TEUC) and the Extended Benefits (EB) programs.

These extended benefit programs provide a vital support for families of workers who have lost their jobs and are unable to find work because of the depressed economy. In September more than 195,000 federal extended benefit payments were made to unemployed Oregonians. Since March 2002, payments to unemployed Oregonians from these programs have totaled nearly \$650 million.

These extended benefits are in danger of disappearing for tens of thousands of unemployed Oregonians – even if unemployment remains high and even if Congress extends the TEUC program, which is slated to expire in December 2003.

To be eligible for the EB program and the full 26 weeks of benefits under the TEUC program, a state must have a three-month average unemployment rate that is above 6.5 percent and is 10 percent higher than the same period in either of the two previous years. This second requirement, known as the “look back” rule, threatens to eliminate federal extended benefits for tens of thousands of unemployed Oregonians. Oregon’s unemployment rate has been high for over two years, but the “look back” rule requires that unemployment continue to rise indefinitely for states to remain eligible for benefits.

If Oregon’s unemployment rate declines even slightly over the next few months, it will fall below levels required to maintain “high unemployment” extended benefits under the “look back” rule. Oregon’s unemployment rate was 8.1 percent in September and it is expected to decline slowly in the coming months. Under the “look back” rule, the average unemployment rate for the three-month period ending in March 2004, would have to rise to 8.3 percent; if it doesn’t the program will end in March. Unless this obscure provision of both the TEUC and the EB programs is changed, long-term unemployed Oregonians will be left without any assistance.

Congressional action is needed to prevent Oregon’s long-term unemployed from losing benefits before the job market recovers. Simply extending the TEUC program, as is being considered in several bills, is not enough. To continue receiving benefits, the long-term unemployed in Oregon need the “look back” rule to be eliminated from the TEUC and the EB programs. Oregon’s Congressional delegation should work to eliminate or change the “look back” rule so that states with chronically high unemployment will still be able to tap these important benefits for their long-term unemployed workers.



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## **Looking Forward to Changes in the “Look Back” Rule: Tens of Thousands of Unemployed Oregonians Will Lose Benefits Unless the “Look Back” Rule is Eliminated in Federal Extended Benefits Programs**

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In an economic recovery that continues to see jobs disappear, millions of workers nationwide are experiencing long-term unemployment. Unemployed workers in states with particularly high unemployment rates, including Oregon and Washington, are eligible for extended federal Unemployment Insurance (UI) benefits. This vital support, however, is in danger of disappearing. Unless it is changed, an obscure eligibility rule for federal extended UI benefits threatens to leave tens of thousands of unemployed Oregonians without benefits in just a few months.

The federal/state Extended Benefits (EB) program and the full 26 weeks of the federal Temporary Extended Unemployment Compensation (TEUC) program are only made available if the state's unemployment rate is above 6.5 percent and is 10 percent higher than the same 3-month period in either of the two previous years. This requirement that eligibility for the programs be calculated by looking back to prior years' unemployment rates is called the “look back” rule.<sup>1</sup> The rule hurts states such as Oregon and Washington with chronically high unemployment.

The “look back” provision makes it almost certain that Oregon will lose federal extended benefits in coming months. The programs will be lost even if federal legislation under consideration in Congress extends the life of TEUC beyond December and even if unemployment in Oregon remains high. Long-term unemployed workers in Oregon will only be able to continue receiving federal extended benefits if the “look back” provision is eliminated or substantially altered. Extending the number of weeks that unemployed workers can receive benefits is also crucial for tens of thousands of the long-term unemployed throughout the Northwest. Oregon's Congressional delegation should work to eliminate or change the “look back” rule so that states with chronically high unemployment will still be able to tap these important benefits for their unemployed workers.

### **Losing TEUC-X and EB**

Unemployed workers in Oregon have been eligible for TEUC benefits since March 2002. The TEUC program provides 13 basic weeks of benefits for workers who have exhausted their regular UI program benefits. It also provides 13 additional weeks for workers in “high unemployment” states, referred to as TEUC-X. Under a provision of federal law, the entire TEUC program is scheduled to end on December 31, 2003.

Oregon can safely expect to remain eligible for extended benefits for several more months. If the unemployment rate drops, however, unemployed workers could lose these benefits as early as January 2004, when the unemployment figures for December 2003 are released, even if the TEUC program is extended (Table 1).<sup>2</sup> Unemployed workers in Oregon will lose access to the TEUC-X benefits due to the "look back" provision. Oregon's unemployment rate was 8.1 percent in September, and current economic forecasts expect employment to grow and unemployment to fall slowly. If the unemployment rate declines by just a few tenths of a percent, Oregon will trigger off of TEUC-X benefits. To remain eligible for TEUC-X, Oregon's three-month average unemployment rate would have to rise to 8.3 percent in March 2004.

UNDER THE EB PROGRAM, STATES WITH UNEMPLOYMENT ABOVE 8 PERCENT ARE ALSO ELIGIBLE FOR 7 ADDITIONAL WEEKS OF BENEFITS.

<b>Table 1. Oregon's Unemployment Rate and "Look Back" Trigger</b>	
3-Month Average Rate of Unemployment Needed for TEUC-X and EB to Continue in Oregon	
Oct-03	7.7%
Nov-03	8.0%
Dec-03	8.0%
Jan-04	8.1%
Feb-04	8.1%
Mar-04	8.3%

Source: OCPP analysis of OED data

After exhausting their regular UI benefits, unemployed workers in "high unemployment" states are also able to receive 13 weeks of benefits under the Federal Extended Benefits program (EB). Unlike TEUC, the permanent EB program does not expire. The definition of "high unemployment," though, is the same for both the TEUC and EB programs, including the "look back" rule.<sup>3</sup> Under the EB program, states with unemployment above 8 percent are also eligible for 7 additional weeks of benefits.

Oregon's unemployment rate is currently above 8 percent, but because of the "look back" rule, the state will lose EB benefits (the standard 13 weeks and the 7 additional weeks) at the same time as it loses eligibility for the TEUC-X benefits. Unless the "look back" is eliminated, Oregon will likely lose eligibility for EB benefits sometime in early 2004.

### Federal Legislation to Extend TEUC

With the December end-date fast approaching, federal lawmakers are once again discussing extending the TEUC program. Some of the proposals would do little or nothing for unemployed workers in Oregon, and none currently address the problem that the "look back" rule poses for Oregon.

#### *HR 3270 - The Dunn Bill*

The "Dunn Bill" (HR 3270), co-sponsored by Oregon's U.S. Representative Greg Walden, would extend the TEUC program for six more months, through June 2004. But long-term unemployed Oregonians will lose TEUC-X and EB benefits unless the "look back" provision is eliminated. Unemployed Oregonians exhausting their regular state UI benefits would be eligible for the basic 13 weeks of TEUC benefits, but the thousands of long-term unemployed workers that have already exhausted this benefit would be left without any unemployment insurance benefits.

#### *HR 3156 – A better, but deficient, alternative*

Several competing measures being discussed in Congress would not only extend the life of TEUC, but would allow for additional weeks of basic and "high-unemployment" benefits under TEUC. HR 3156, co-sponsored by Oregon

Representatives Darlene Hooley and Peter DeFazio, would double the number of weeks of basic TEUC unemployment benefits available to workers in all states, raising it to 26 weeks. The number of weeks of high unemployment TEUC-X benefits would remain unchanged, at 13 weeks.

Because HR 3156 does not alter the “look back” provision in the definition of “high-unemployment,” the bill would not enable unemployed Oregonians to continue to receive benefits under the TEUC-X or EB programs. Once workers exhausted their 26 weeks of TEUC benefits, they would get nothing else, even if they were in high unemployment states like Oregon. The additional 13 basic weeks would, however, be available to unemployed Oregonians. Unemployed workers that had used the original 13 weeks of basic benefits would be able to use the added 13 weeks.

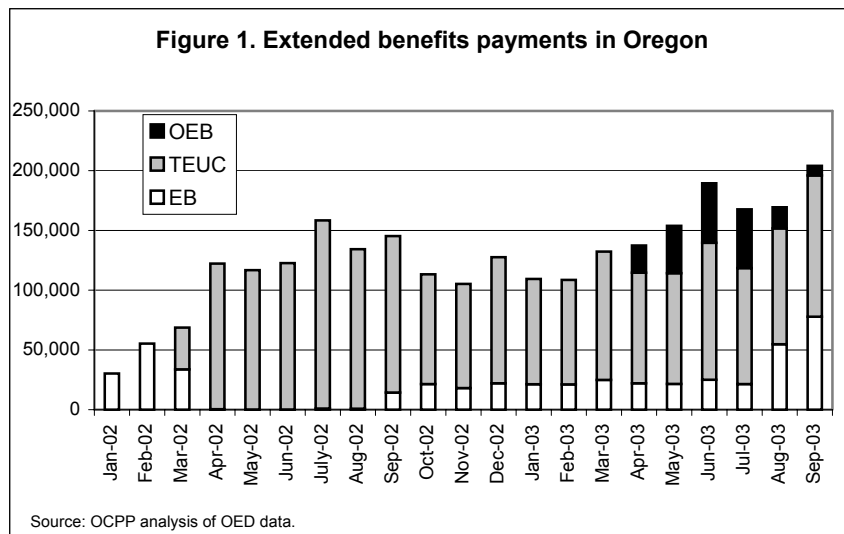
**HR 3244 and SR 1708 – Getting Closer to Meeting Oregon’s Needs**

HR 3244 and its companion legislation in the Senate, SR 1708, would change the definition of "high-unemployment", extend the life of the TEUC program, and add more weeks of benefits for unemployed workers.<sup>4</sup> In the House, the legislation is co-sponsored by Oregon Representatives Earl Blumenauer, Darlene Hooley, and David Wu. In the Senate, it is co-sponsored by Oregon Senator Ron Wyden. Both the House and Senate bills extend the life of the program by twelve months, and add 13 weeks of basic and 7 weeks of “high unemployment” benefits. The House version of the bill also lowers the definition of “high unemployment” to six percent, from 6.5 percent. However, it retains the “look back” provision. Oregon would soon be ineligible for extended benefits even if the level of unemployment required for TEUC-X benefits were dropped, since Oregon would still not meet the “look back” requirement.

Neither the House nor the Senate version of the bill currently responds to the predicament of states like Oregon and Washington by eliminating the “look back” provision from the TEUC-X and EB programs. Altering the definition of “high unemployment” is a step in the right direction, but for the long-term unemployed in states like Oregon and Washington to truly benefit from a federal extension, the “look back” provision must be eliminated.

**The Impact of Losing TEUC and EB**

In September 2003, more than 195,000 weekly EB and TEUC payments were received in Oregon (Figure 1). Oregon created a state-funded extended benefits program called Oregon Emergency Benefits (OEB), but that program has ended. The EB and TEUC



IN SEPTEMBER 2003, MORE THAN 195,000 WEEKLY EB AND TEUC PAYMENTS WERE RECEIVED IN OREGON.

programs, however, remain vital supports to the tens of thousands of long-term unemployed workers, their families, and their hard-hit communities. Since March 2002, these two federal extended benefits programs have provided nearly \$650 million in benefits to unemployed workers in Oregon, with weekly benefits averaging \$260.

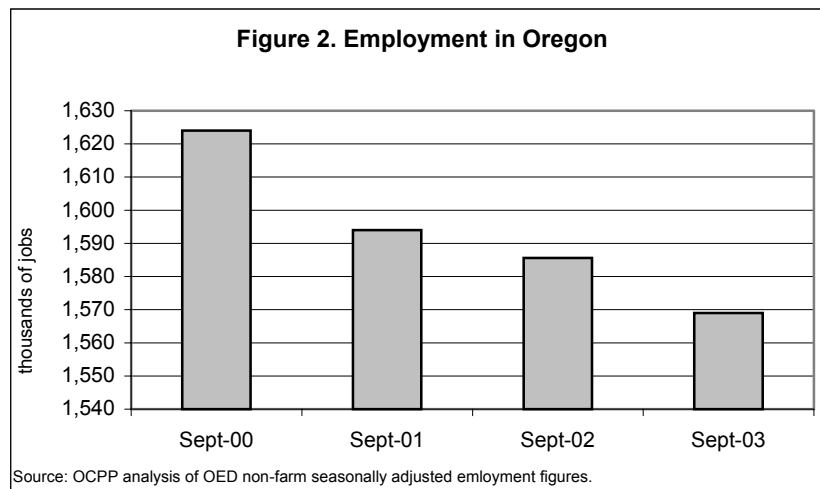
If the "look back" provision is not changed these payments will almost certainly disappear by February 2004. For Oregon to remain eligible after February 2004, the unemployment rate would have to begin climbing again. If the TEUC program is not extended, no additional unemployed people will become eligible for payments after December 2003.

### Additional State TAB Program Unlikely to Buy Much Time

The same legislation that created the temporary OEB program also established up to 6.5 weeks of Temporary Additional Benefits (TAB) in Oregon. The TAB program would be triggered if Oregon becomes ineligible for the federal EB program.

The TAB program may give unemployed workers in Oregon a few more weeks of benefits, but it will not last long enough for the job market to recover. Like most other states, Oregon has far fewer jobs than before the 2001 recession, and has continued to lose jobs in the "recovery." Oregon has lost 22,000 jobs since the official end of the recession in November 2001 - 16,000 since September 2002 (Figure 2). Oregon has 50,000 fewer jobs than it had just before the 2001 recession.

OREGON HAS LOST 22,000 JOBS SINCE THE OFFICIAL END OF THE RECESSION IN NOVEMBER 2001 - 16,000 SINCE SEPTEMBER 2002.



Unemployed workers are competing for fewer jobs with a larger population, as Oregon's population has increased steadily since 2001.

The additional weeks of benefits from the TAB program would help many unemployed

workers, but the potential usefulness of the program is limited by its February 2004 end-date. The TAB program would begin paying benefits three weeks following the loss of EB benefits. If Oregon loses EB after February 14, 2004, the TAB program will pay no benefits. For the full 6.5 weeks of TAB benefits to be accessible to Oregon workers, EB would have to end in mid-December, 2003. Unemployed Oregonians would receive few or no weeks of benefits under the TAB program.

### Congressional Action Needed

The "look back" rule in two federal programs providing for extended benefits will prevent chronically unemployed Oregonians who lost their jobs through no fault of their own and who continue to search for work from receiving benefits. While

Congress is properly looking to extend the sunset on the Temporary Extended Unemployment Compensation (TEUC) program, none of the proposals under consideration would revisit the “look back” rule. Oregon’s Congressional delegation should work to eliminate or change the “look back” rule so that states with chronically high unemployment will still be able to tap these important benefits for their unemployed workers.

Oregon’s delegation should be able to garner support from their colleagues to the north. Washington also faces the similar predicament as a result of the “look back” rule.

Families and businesses in communities throughout Oregon and Washington are looking to Congress to repeal the “look back” rule. If not repealed, the “look back” rule will punish the chronically unemployed and businesses suffering in high unemployment regions.

## Endnotes

<sup>1</sup> The TEUC program is entirely financed by the federal government, but states and the federal government jointly finance the EB program.

<sup>2</sup> Because of a lag time in the collection of unemployment data, unemployed workers would continue to be eligible for extended benefits for weeks after the calendar month for which a state “triggers off” of extended benefits. If Oregon’s November unemployment figures were low enough to cause the state to trigger off (for the three-months including September, October, and November), workers would continue to be eligible for benefits up through December, because the November unemployment data are not available until December.

<sup>3</sup> States can choose to qualify for federal extended benefits under several different formulas. Oregon (and Washington) opted to qualify under a formula that includes the “total unemployment rate.” This formula is the easiest to qualify under, and it uses the definition of unemployment familiar to most people. The other formulas, which some other states have selected, use the “insured unemployment rate” and are more difficult to qualify under.

<sup>4</sup> HR 3244 and S1708 also adopt language regarding “alternative base periods” for unemployed workers to qualify for Unemployment Insurance benefits.

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