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MEMORANDUM

TO: Michel Smyth

FROM: Karen Needels, Heinrich Hock and Pat Nemeth

DATE: 9/10/2012
UCP-089

SUBJECT: Two Responses to OMB Questions about the OMB Supporting Statement for the Evaluation of the Unemployment Compensation Provisions of the American Recovery and Reinvestment Act of 2009

During a September 5, 2012, discussion, OMB staff requested additional information about four topics related to the OMB Supporting Statement for the Evaluation of the Unemployment Compensation Provisions of the American Recovery and Reinvestment Act of 2009 ("the UCP study"). The four topics are as follows:

1. Additional information about the policies for which estimates of quasi-experimental impacts will be generated.
2. Comparison between the UCP study and the Rothstein (2011) study.
3. Examples of reports including the use of legislators and lobbyists as sources of data.
4. Information about the use in prior studies of a differential in the incentives provided to respondents based on whether they complete the UCP study's recipient survey through the Internet or by telephone.

As was agreed during the telephone call on September 5th, the information that was requested is being provided as it becomes available. Therefore, the information included in this memo pertains to the first and second topics only. Information on the other topics will be provided separately at a later point.

A. ADDITIONAL INFORMATION ABOUT THE POLICIES FOR WHICH ESTIMATES OF QUASI-EXPERIMENTAL IMPACTS WILL BE GENERATED

As discussed by telephone on September 5, 2012, recent federal legislation related to the unemployment compensation (UC) system has been wide-sweeping. Among the many UC-related provisions that will be examined through the UCP evaluation, the quasi-experimental impact analysis component of the evaluation will focus on two types of provisions that were targeted toward benefit recipients. Generally speaking, one type offered additional weeks of unemployment benefits, while the other increased the after-tax value of benefits, either as an explicit increase in payment amounts or as an elimination of the taxation of a portion of benefits. In this discussion, additional information is presented about the policies that will be part of the quasi-experimental analysis and how those policies influence the analytical methods to be used for the UCP study.

1. The Policies to Be Examined through the Quasi-Experimental Impacts Analysis

The American Recovery and Reinvestment Act of 2009 (ARRA) contained three provisions that will be examined through the quasi-experimental impact analysis. One, called Federal Additional Compensation, was an overall increase of $25 per week in weekly benefit amounts for all UC recipients. The Federal Additional Compensation was in effect for all states for the same time, from February 2009 to December 2010. A second provision was a reduction by $2,400 in the amount of UC benefits that were subject to federal income taxation for calendar year 2009. This also was available for all states for the same time, but for calendar year 2009 only. The third provision arose because DOL provided incentive funds to states to undertake a variety of modernization amendments to their basic UC laws; our impact analysis will focus on the provision that increased UC durations for persons enrolled in approved training programs.[1] Under this provision, benefits are extended for 26 weeks for UC recipients who have exhausted their benefits (known as "exhaustees") and who are enrolled in and making satisfactory progress in certain training programs, such as state-approved programs and those authorized by the Workforce Investment Act.

Other provisions to be examined through the quasi-experimental analysis are part of the Emergency Unemployment Compensation Act of 2008 (EUC08). (Key pieces of legislation related to EUC08 are shown in Table 1.) As a result of the recent economic downturn, Congress established the EUC08 program to provide an extension of benefits beyond what UC recipients are normally entitled to through the regular UC program. Established in June 2008, this program initially offered up to 13 weeks of extra benefits for benefit recipients through June 2009, in addition to the other weeks of benefits that recipients are entitled to. However, subsequent pieces of legislation modified EUC08 as more information about the strength and severity of the downturn became apparent. Generally speaking, the additional legislation expanded the number of weeks of benefits and extended the duration of the program. In November 2008, a second tier of benefits was added for states with high unemployment rates. Following this, the second tier was expanded slightly and made no longer contingent upon a state's economic conditions, while

[1] These other modernization provisions pertain to the calculation of eligibility for UI based on an unemployed worker's recent prior earnings, whether he or she can qualify for benefits by seeking only part-time work, whether he or she can qualify for benefits after quitting a job due to family-related responsibilities or situations related to domestic violence, and the amount of benefits paid to UI recipients with dependents. The impacts of these provisions will not be examined because few of the states selected for the study adopted the provisions during the time period covered by the study or because it is expected to be infeasible to isolate the effects of adoption of the provisions for other reasons.

TABLE 1. TIMING OF EUC08 CHANGES IN ENTITLEMENTS

				Weeks Available Through:[b]				
Public Law Number for the Legislation[a]	Date Signed into Law	Last Date of EUC08 Claim Start Date	Last Date of Any EUC08 Payment	First Tier	Second Tier	Third Tier	Fourth Tier	Notes
110-252	6/30/2008	Cannot occur for a week of unemployment ending after 3/31/2009	No payment for a week beginning after 6/30/2009	13	n.a.	n.a.	n.a.	Effective for weeks beginning 7/6/2008 and ending 7/12/2008 (in most states); claimants must have exhausted benefit year on or after 5/1/2007
110-449	11/21/2008	Cannot occur for a week beginning after 3/31/2009	Last week for benefit collection is the week including 8/27/2009	20	13, for states with at least a 6% TUR	n.a.	n.a.	Additional weeks of benefits cannot be collected for weeks before date legislation signed into law (11/21/2008); second tier added for high unemployment states
111-5	2/17/2009	Cannot occur for a week beginning after 12/31/2009	No payment for a week beginning after 5/31/2010	20	13, for states with at least a 6% TUR	n.a.	n.a.	No change to the first and second tiers
111-92	11/6/2009	Cannot occur for a week beginning after 12/31/2009	No payments could be made for weeks beginning after 5/31/2010	20	14	13, for states with at least a 6% TUR	6, for states with at least an 8.5% TUR	Second tier increased, made available to all; third and fourth tiers added
Various	Various	Various	Various	20	14	13, for states with at least a 6% TUR	6, for states with at least an 8.5% TUR	Several pieces of legislation extended the time period for which benefits would be available, but no changes were made to the tiers
111-312	12/17/2010	Cannot occur for a week beginning after 1/3/2012	No payments could be made for weeks beginning after 6/9/2012	20	14	13, for states with at least a 6% TUR	6, for states with at least an 8.5% TUR	No change to the tiers; EB trigger look-back period increased from two years to three years

Public Law Number for the Legislation[a]	Date Signed into Law	Last Date of EUC08 Claim Start Date	Last Date of Any EUC08 Payment	Weeks Available Through:[b] First Tier	Second Tier	Third Tier	Fourth Tier	Notes
112-78	12/23/2011	Cannot occur for a week beginning after 3/6/2012	No payments could be made for weeks beginning after 8/15/2012	20	14	13, for high unemployment states with at least a 6% TUR	6, for states with at least an 8.5% TUR	No change to the tiers; EB trigger look-back period increased from two years to three years[c]
112-96	2/22/2012	Cannot occur for a week beginning after 1/2/2013	No payments could be made for weeks beginning after 1/2/2013	20 for weeks ending 9/2/2012 or earlier 14 for weeks ending 9/3/2012 through 12/29/2012	14 for all states for weeks ending 6/1/2012 or earlier 14 weeks for states with at least a 6% TUR for weeks ending between 6/2/2012 and 12/30/2012	13, for states with at least a 6% TUR for weeks ending 6/1/2012 or earlier 13, for states with at least a 7% TUR for weeks ending between 6/2/2012 and 9/2/2012 9, for states with at least a 7% TUR for weeks ending between 9/3/2012 and 12/30/2012	6 in states on EB or 16 in states not on EB, for states with at least an 8.5% TUR for weeks ending 6/1/2012 or earlier 6 weeks for states with at least a 9% TUR for weeks ending between 6/2/2012 and 9/2/2012 10 weeks for states with at least a 9% TUR for weeks ending between 9/3/2012 and 12/30/2012	EB trigger look-back period to end on 12/31/2012[c]

Note: For simplicity, the table shows only the TUR thresholds for states to become entitled to different tiers of benefits. The table does not show thresholds based on the insured unemployment rate through which states may become eligible for a tier of benefits.

[a]P.L. 110-252 = The Supplemental Appropriations Act, 2008, Title IV—Emergency Unemployment Compensation; P.L. 110-449 = The Unemployment Compensation Extension Act; P.L. 111-5 = The Assistance for Unemployed Workers and Struggling Families Act, of the American Recovery and Reinvestment Act of 2009, Section 2001 of Division B, Title II; P.L. 111-92 = The Worker, Homeownership, and Business Assistance Act of 2009 (Worker Assistance Act); P.L. 111-118 = Department of Defense Appropriations Act, 2010; P.L. 111-312 = Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010; P.L. 112-78 = Temporary Payroll Tax Cut Continuation Act of 2011; P.L. 112-96 = Middle Class Tax Relief and Job Creation Act of 2012.

[b]Technically, the calculation of the EUC08 maximum benefit amount (MBA) is the lesser of (1) a certain percentage of regular compensation and (2) a certain number of weeks times the regular average weekly benefit amount (WBA). The calculations to determine EUC08 entitlements are conducted before disqualifications, wage reductions, and other penalties are imposed upon regular benefits. Dependents' allowances are included in the calculation, but additional compensation (compensation totally financed by a state and payable under a state law by reason of high unemployment or other special factors) is not. When the table indicates 13 weeks of benefits, the EUC08 MBA is the lesser of 50 percent of regular compensation and 13 weeks times the average of the regular WBAs. When the table indicates 6, 14, or 20 weeks of benefits, the EUC08 MBA is the lesser of (1) 24, 54, or 80 percent of regular compensation, respectively, and (2) 6, 14, or 20 weeks times the average of the regular WBAs, respectively. If the claimant's regular WBA varies over the course of the benefit collection period, it is possible that the claimant would get fewer than the full potential number of weeks, because the EUC08 WBA is set to the most recent regular WBA (which could be higher or lower than the average of the regular WBAs).

[c]P.L. 111-312 amended how states can compute if they qualify for EB (or must trigger off EB) by allowing them to use a greater number of prior years as their reference point for their historical experience. This period is called the "look-back period." Because of the sustained high unemployment rates in recent years, the legislation allowed states to remain on the EB program for longer than would otherwise be the case. Although this is a significant portion of the legislation, it will not be examined through a quasi-experimental analysis.

EUC08 = Emergency Unemployment Compensation Act of 2008. n.a. = not applicable. TUR = total unemployment rate.

third and fourth tiers—which are contingent upon a state's economic conditions—were added. As of November 2009, these four tiers together provided up to 53 total weeks of emergency benefits (up to 20, 14, 13, and 6 weeks, respectively, for each tier). The structure of the four tiers of EUC08 benefits remained stable from November 2009 through spring 2012. The program currently is undergoing a phase-down period and is set to expire at the end of 2012 unless additional legislation extends it.

In addition to EUC08 benefits, the quasi-experimental analysis will examine the impacts of recent changes to a permanent standby program called Extended Benefits (EB), which has existed since 1970 to provide extra weeks of benefits automatically during economic downturns. Although some of the details of the program have changed since its creation, it has most recently provided either 13 or 20 weeks of extra benefits. As with some of the EUC08 tiers, the EB program specifies thresholds of the unemployment rate for benefits to be triggered on. Historically, the EB program has been financed jointly by the federal government and the states on a 50-50 basis, and legislators in some states were reluctant to incur the costs associated with the program. A combination of two recent provisions—which have provided temporary federal financing for 100 percent of the program and encouraged states to use a supplemental method for triggering onto the program—greatly increased the number of states that triggered onto the program than would have otherwise.[2] This, in turn, increased the total number of weeks of benefits that UC recipients could be entitled to. In combination with a regular UI entitlement of up to 26 weeks and a EUC08 entitlement of up to 53 weeks, a maximum EB entitlement of up to 20 weeks has meant that, in principle, UC recipients could collect up to 99 weeks of benefits.

2. Rationale for Different Estimation Methods for Different Policies

Table 2 shows the specific provisions that will be examined.[3] It also summarizes the sources of variation for each of the UC policies considered in the impact analysis using data from the

[2] The unemployment rate that leads to the triggering on or off of EB benefits could be measured by either the insured unemployment rate or, if states enacted legislation, the total unemployment rate (TUR). The latter provision encouraged states that did not previously use the TUR trigger to determine EB eligibility to enact temporary laws to provide EB benefits if they would qualify for EB through the TUR trigger. Therefore, states that did not already have the optional TUR trigger on their books could expand the ways in which they could trigger and remain on EB. Regardless of whether the state already had the TUR trigger on its books, adopted it as a result of ARRA, or chose not to adopt it, 100 percent of EB benefits were paid by the federal government.

[3] Table 2 is very similar to Table B.3 in the submission for OMB clearance. For expository reasons, however, the table reorders the rows in Table B.3. In addition, Table 2 differs from Table B.3 given that Table 2 does not show analysis plans of the estimation of impacts of EUC08 Tier 1. The previously planned analysis would have allowed estimation of the effects of this tier through a comparison of the experiences of (1) recipients who could have made a smooth transition from regular UI benefits to EUC08 Tier 1 to (2) those who collected all of their regular UI benefits prior to the enactment of the tier and, therefore, who would have become available for the extra

unemployment insurance (UI) recipient survey, which will be administered to a nationally representative random sample of 2,400 UC recipients. Based on the data, it will be possible to measure important outcomes, such as recipients' likelihoods of reemployment, benefit exhaustion, or participation in training, and the number of weeks of UC benefits collected.

TABLE 2. ESTIMATION OF IMPACTS

Unemployment Compensation Policy	Source of Variation	Method Used
Federal Additional Compensation Tax exemption on first $2,400 of UI benefits	Timing of availability	ITS
Training-specific 26-week extension	Jurisdiction-by-time variation in availability	DD
EUC08 Tier 3	UI jurisdiction benefit formulas; timing of availability	ITS
EUC08 Tier 2 and 4; Extended Benefits	UI jurisdiction benefit formulas; jurisdiction-by-time variation in availability; IUR/TUR triggers	DD/RD

DD = differences in differences; EUC08 = Emergency Unemployment Compensation Act of 2008; ITS = interrupted time series; IUR = insured unemployment rate; RD = regression discontinuity; TUR = total unemployment rate; UI = unemployment insurance.

As seen in the table, the specific methods used to estimate the impact of a given policy change on outcomes will depend on the details of how the policy became available across states and over time periods. Changes that occurred across the whole nation at the same time must be analyzed using an interrupted time series (ITS) design. This is the case for the Federal Additional Compensation and tax exemption on the first $2,400 of UC benefits, which became available at the same time for all states. The effects of these policies will be measured as the average deviation of outcomes from state-specific trends at the moment that the policy was enacted. Hence, estimated impacts will be interpreted very cautiously because changes in the policy variables might be capturing common unmeasured characteristics of a cohort or unmeasured economic shocks faced by the cohort between job loss and the time of observation. In contrast, because the 26-week extension for UC recipients in approved training programs was adopted by different states at different times, the differences in differences (DD) analysis for this policy will be able to take advantage of variation across states over time.

There will be some variation in the analysis approaches used for the different tiers of EUC08 and EB. When the legislation creating EUC08 Tier 2 was enacted, the extra weeks of benefits

(continued)

benefits only after a gap in benefit collection. However, because of concerns about access of administrative data prior to 2008, the data collection plans were modified to include the collection of administrative and survey data starting with claimants who had benefit-year-begin dates on January 1, 2008. Thus, an examination of the impacts of Tier 1 benefits became infeasible.

from this tier became available only if a state met specific unemployment rate thresholds. Thus, some states triggered onto this tier at different points in time, whereas other states did not trigger on at all. This also is the case for Tier 4. And, in a similar way, states adopted the TUR triggers for EB benefits at different points in time. Therefore, analysis using either differences in differences (DD) or an regression discontinuity (RD) approach could be feasible of EUC08 Tiers 2 and 4 and EB.[4] However, although the legislation that created EUC08 Tier 3 also specified an unemployment rate threshold—above which states would qualify for Tier 3 benefits and below which they would not—an analysis using a DD or RD approach is not expected to be feasible. This is because, in practice, all except three states triggered onto Tier 3 immediately. In essence, the unemployment rate threshold for triggering onto Tier 3 was set very low given the economic conditions that were pervasive in the U.S. at that time, such that there is not meaningful variation across states in when they triggered onto the tier.

B. COMPARISON BETWEEN THE UCP STUDY AND THE ROTHSTEIN (2011) STUDY

As requested by OMB, additional information is being provided about comparisons between the UCP study and the 2011 paper by Jesse Rothstein, in which he examines the consequences of the recent UC benefit extensions through the EUC08 and EB programs on the unemployment rate.[5] Rothstein draws on data from the Current Population Survey (CPS) and applies quasi-experimental methods; similar to those described in Part B of the OMB clearance package for the UCP study, to estimate impacts of benefit extensions. Across a variety of empirical specifications, he finds a small, negative, and statistically significant effect of benefit extensions on the rate of exit from unemployment. Additional investigations in the study suggest that this effect was driven by both decreases in the rate of exit from the labor force and reductions in the reemployment rate.

Although Rothstein's findings using CPS data add to the body of knowledge about potential effects of UC policy on outcomes for unemployed workers, the UCP evaluation's recipient survey will allow DOL to expand on this previous research in two critical ways:

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[4] If feasible, the RD approach would rely on the continuous nature of the unemployment rate. In contrast, analysis of the training-related extension would need to use a DD approach because states either did or did not adopt the extension.

[5] The paper can be found at http://www.brookings.edu/about/projects/bpea/editions/~/media/Projects/BPEA/Fall%202011/2011b_bpea_rothstein.PDF. Henry Farber and Rob Valletta have written a similar paper, which is available online at http://www.frbsf.org/economics/economists/rvalletta/uiext.pdf. In this response to OMB, the focus is on the Rothstein study because it is more thorough, relies on a more rigorous empirical strategy, and concentrates more sharply on the UC extensions of the recent recession.

1. The UCP study's recipient survey will provide longitudinal information about individuals who collected UC benefits, DOL's target population for the evaluation, which will allow us to avoid the potential bias associated with Rothstein's use of the CPS data. As explained more fully in Section A.4 of the OMB clearance package, the CPS data do not allow job losers who enter into the UC system to be clearly identified and tracked over their claims spell, because the basic monthly CPS do not contain information about UC benefit receipt. Therefore, longitudinal analysis of job losers using the CPS must generally include both UC recipients and nonrecipients. This implies that the data cannot be used to cleanly estimate the effects of policy changes on UC recipients—an important limitation that Rothstein points out in his paper. The impacts of interest to DOL would be diluted across a broader group that includes nonrecipient job losers, and the extent of this dilution cannot be reliably calculated. The UCP evaluation will avoid this downward bias by fielding the survey to individuals identified in states' administrative records as having received UC benefits.[6]

2. The survey will collect data on outcomes that are not measured (or are not well measured) in the CPS. Although the rates of exit out of unemployment examined by Rothstein (and to be examined in the UCP study) are of substantial policy interest, DOL seeks to learn about other important outcomes such as participation in job search and training services, financial hardships, and access to health care. Further, as Rothstein points out, the retrospective information in the CPS about the duration of unemployment appears likely to be subject to various recall biases. As discussed in the September 5th conference call with OMB, the UCP survey instrument was developed to minimize such recall biases by, for example, anchoring respondents on specific events and memorable time periods.

Hence, the fielding of the recipient survey will ensure that DOL has more reliable and complete information about how UC policies affected the economic well-being of the individuals directly affected by the UC system.

cc: Jonathan Simonetta

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[6] The survey data will also be more valuable by being linked to administrative data about individuals' UC entitlements. It is necessary to assume for CPS data analysis that all job losers are entitled to collect benefits for the maximum allowable duration in a state. However, in addition to the sharp difference in the availability of benefits to UC-eligible and non-eligible individuals, the number of weeks of benefits available through the regular UC, EUC08, and EB programs to eligible individuals within a state can vary, and such differences are related to earnings prior to a job loss. Failing to account for variation in entitlements represents measurement error in the policy measure of interest; thus, relying on CPS data may bias estimated impacts of benefit extensions in unknown ways. The UCP study will overcome this limitation to prior research by taking into account individual differences in entitlements.