How long the unemployed collect

Alaska's benefit duration over time and how it's set

By LENNON WELLER

In the few years before the pandemic, the average length of time a claimant collected regular unemployment benefits was relatively stable. From 2016 to 2019, Alaska's number of average weeks collected declined from 12.1 to 11. In 2020, the average duration increased to 13.5 weeks.

Claimants don't all qualify to collect for the same number of weeks. Alaska sets the minimum qualifying duration at 16 weeks and the maximum at 26 weeks, based on the stability of claimants' earnings before they became unemployed. (See the next section for more on how Alaska determines the duration.)

Alaska allows claimants to collect for a minimum of 16 weeks to a maximum of 26.

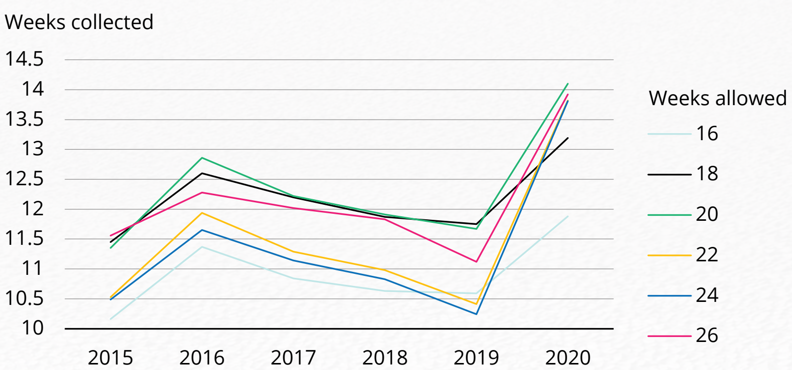
While a longer eligible duration did correlate with a longer period of collecting in recent years, it was by less time than one might expect. In any given year since 2015, the difference in the actual duration paid varied by less than a week between the minimum and maximum. For example, in 2019, someone who qualified for 16 weeks of benefits collected 10.6 weeks on average. A claimant eligible for 26 weeks collected for 11.2.

While it would be reasonable to assume those who qualify to collect longer would do so — and remain out of work longer — that hasn't been the case on a large scale for Alaska.

If claimants were all the same and acted only to maximize their eligible payout, they would be equally likely to use up their allowed benefit weeks — called the exhaustion rate — regardless of their eligible length. But the data show that the longer the eligibility, the *less* likely claimants were to exhaust their allowed benefits.

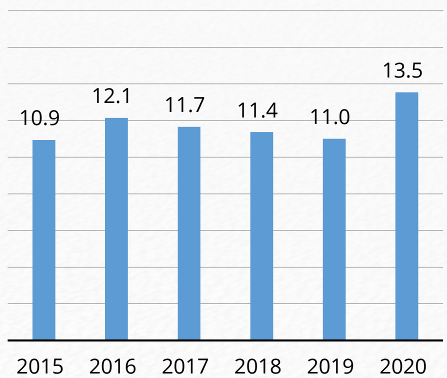
Between 2015 and 2019, a claimant allowed to collect for 16 weeks ran out of benefits 29 percent of the time. At the other end of the spectrum, those

How long claimants collect, by their allowed maximum duration



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

Average number of weeks collected went up in 2020



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section who qualified for 26 weeks reached their maximum just 9 percent of the time.

The numbers suggest that on its own, allowing people to collect longer doesn't necessarily lead to extended spells of unemployment. Several other factors have at least as much to do with how long people draw benefits, including the weekly benefit amount and how much of the lost wages it replaces. (For more on weekly benefit amounts and wage replacement percentages, see the December 2018 issue.)

How Alaska calculates the length of time a claimant can collect

While the weekly benefit amount is a crucial part of a state's unemployment insurance system, how long to make those benefits available is just as important to its ability to replace a meaningful percentage of lost wages and pay long enough to cover the anticipated employment gap.

Every state has its own method of determining how long to pay unemployment benefits. The number of weeks Alaska allows someone to collect depends on base period wages: what the claimant earned during the first four of the most recent five quarters before filing the initial claim. Essentially, it's based on a year's worth of wages.

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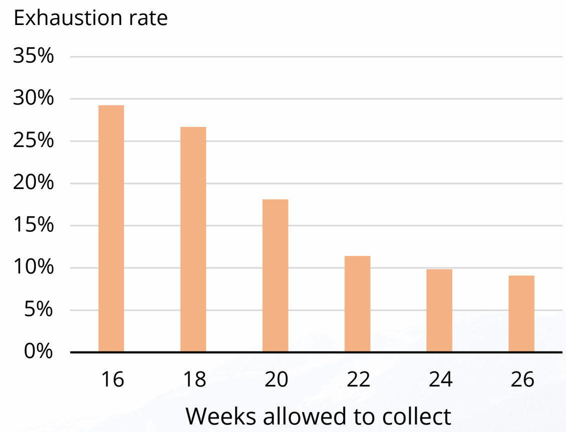
The duration is determined by the earnings ratio, which is a claimant's base period wages divided by the quarter with the highest earnings. The higher the ratio, the longer the eligible duration:

Earnings ratio	Weeks allowed
less than 1.50	16
1.50-1.99	18
2.00-2.49	20
2.50-2.99	22
3.00-3.49	24
3.50 or more	26

Why Alaska uses wage pattern to determine benefit duration

Tying the eligible duration to a claimant's wage pattern helps Alaska balance competing goals. The first is providing an adequate period of coverage. The second is ensuring that those who worked steadily before filing receive an extended period of eligibility. That's based on the assumption they paid more into the system because they hadn't collected in a while.

Percent who ran out of benefits in 2020 by their qualifying duration



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

The wage pattern method doesn't take the condition of the labor market into account. Some states do that by factoring their unemployment rate into the calculation, usually by creating a maximum duration that can float with unemployment rates.

This method assumes that as unemployment rates increase, more people are both out of work and competing for available jobs, increasing the time it will take to find work. It also assumes the amount of time someone will collect is tied to the unemployment rate and job availability.

Using the unemployment rate also assumes there are few differences between claimants and the circumstances they face in their job searches. A high unemployment rate doesn't necessarily mean fewer job opportunities across all industries and occupations; conversely, some people will struggle to find work even when overall unemployment is low because of their training, experience, age, or other factors. The pandemic is a good example, as its effects on workers varied widely.

How states' benefit durations differ

Thirty-six states consider only wage patterns when setting benefit duration, and six factor in wage patterns *and* the unemployment rate. Eleven states set a uniform duration that disregards both of these.

While states' minimum durations for regular benefits vary significantly, 42 states and territories set the same maximum of 26 weeks. That's because the federal government makes extended benefits available if economic conditions allow, and under a 1970 federal law, a maximum of 26 weeks ensures a state can maximize its potential duration of extended benefits when they become available.

Ten of the 11 states with a uniform duration use 26 weeks. Among the states with a range, the most common minimum duration is 10 weeks. For maximum durations, the second-most frequent maximum after 26 weeks is 20 weeks, used by six states.

On average, states provide a minimum of 15.5 weeks of benefits.

Note: Average duration for this article uses claimant microdata, so the duration is calculated at the claimant level. This method differs from the one the U.S. Department of Labor's Employment Training Administration uses for comparisons across states.

The Employment Training Administration's method uses a 12-month moving average of weeks compensated divided by the same 12-month moving average of first pays. While these administrative data are publicly available and a fair comparison from one state to another, this is not the most accurate measure of actual duration paid on a per-claimant basis.

Lennon Weller is an economist in Juneau. Reach him at (907) 465-4507 or lennon.weller@alaska.gov.

MISSING WORKERS

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moving here in recent years is one clue. Another is the child care availability problem discussed in the article on page 4.

Women were slightly overrepresented among the missing workers, at 51.4 percent (49.4 percent before COVID). On average, women shoulder more of the burden for child care and senior care. Women are also a disproportionate share of some of the hardest-hit industries (restaurants, bars, hotels, schools, and nonemergency health care facilities).

An interesting side note on the missing workers is that only a third filed for unemployment insurance benefits at any point during the pandemic. Among those who stopped working and then resumed, about half collected benefits.

The share of missing workers who filed for benefits during the pandemic was nearly twice as high as normal — the $600 weekly federal supplement and the temporary suspension of work search requirements both played a role. But what's illuminating is that even though more missing workers filed, two-thirds of them were unaffected by the availability of unemployment benefits. Also, the higher percentage of people who drew benefits and then returned to work confirms the system worked as designed: to temporarily boost those looking to go back to work when market conditions allowed.

Demographics suggest shortage will persist

Interest in the missing workers is more than academic. Employers need to know whether their trouble finding workers will dissipate as the pandemic wanes, and the short answer is no. They will face smaller applicant pools well beyond the pandemic, for two reasons.

First, most older workers who left the workforce retired and are unlikely to return. While some people over 60 start working again, they are far less likely than younger workers to resume. Those who do start working again tend not to return full-time to the same types of jobs they left.

Second, Alaska's working-age population was shrinking well before the pandemic hit. In the decade before COVID, the number of Alaskans ages 15 to 64 peaked in 2013 at about 509,000, then fell by nearly 30,000 over the next seven years as the large baby boomer cohort aged out of their typical working years.

We will publish more details from this study on our website in late spring or early summer. In the meantime, what the initial numbers make clear is the balance has shifted between the number of positions employers want to fill and the supply of available, interested applicants. Employers who adapt fastest to the changing labor market — one that favors job seekers and those currently working — will have the advantage in the competition to recruit and retain workers.

Dan Robinson is the chief of Research and Analysis. Reach him in Juneau at (907) 465-6040 or dan.robinson@alaska.gov.