EXECUTIVE SUMMARY

The average duration of insured unemployment has remained high since the end of the most recent recession, despite lower unemployment rates generally. Overall, the estimates presented in this report suggest that average durations increased by between 1.1 and 1.4 weeks in the post-1992 period relative to what might have been predicted based on historical data. This figure represents approximately a nine percent increase in the average duration for which unemployment insurance (UI) benefits are paid.

Increased average UI durations may be of concern to policymakers, for several reasons. To the extent that they represent increasing labor market difficulties that specific types of workers are facing, increasing average durations may suggest the need for new labor market initiatives to help those workers find new jobs. The increases may also reflect hardships that certain categories of unemployed workers are facing, even in the current "full-employment" economy. Policymakers may wish to consider ways in which UI policy (or, possibly, other income maintenance policy) might be adjusted to meet these needs. Finally, because increases in average UI durations imply increased aggregate levels of benefit payment under the program, these findings may raise concern about the adequacy of current UI trust fund levels. The present report, however, focuses primarily on identifying the reasons that average UI durations have increased relative to historical norms without explicitly addressing these larger policy concerns.

The review of the literature on UI durations presented in this report suggests several potential reasons for the recent increases, including (1) changes in UI laws that affect duration, (2) changes in the geographic distribution of claimants among the states, and (3) changes in the composition of the unemployed population that tend to favor longer durations. To assess the relative importance of these effects, the report contains a detailed analysis of aggregate data at both the national and state levels. It also includes an examination of claimant-level data, from four states, that seek to identify possible effects that may have been obscured in the aggregate statistics. The general conclusion of the analysis is that most of the increase in average UI durations is coming from the labor market itself (most notably from the increased average length of workers' unemployment spells), not from changes in UI policy. Specifically, the analysis presented here concludes that:

- ***Several factors related to the labor market appear to be the most likely explanations for the observed increase in average UI durations:***

  - Recent trends in the average duration of unemployment play an important role in explaining why average UI durations are higher than might have been expected. As measured by the total unemployment rate, labor markets appeared to be quite healthy in the post-1992 period. However, the lengths of unemployment spells were longer than have usually been associated with such low unemployment rates; these longer lengths explain a large portion of the increase in average UI duration compared to historical patterns.

- Increases in the fraction of claimants in demographic groups who are likely to experience long unemployment spells (older workers, females, African Americans) have played an important role in lengthening average UI durations. This trend is especially visible in the claimant-level data.

- Changes in the industrial composition of the labor force, most notably the decline in manufacturing jobs, also seem to have played an important role in increasing average UI durations. This effect probably arises because manufacturing unemployment itself is usually associated with higher recall probabilities and shorter associated spells of compensated unemployment than other types of layoffs.

C ***Several other factors do not appear to explain increases in average UI durations:***

- The aggregate analysis concludes that changes in weekly benefit amounts or in average potential durations at the state level cannot explain the increase in average UI durations relative to historical patterns.

- Changing rates of UI recipiency (as measured by the ratio of the insured to the total unemployment rate) do not explain increasing average UI durations. Indeed, the estimates reported here suggest that average UI durations should have *decreased* in response to recent declines in the average rate of UI recipiency.

- Changes in the relative share of UI caseloads among the states do not explain recent increases in average UI durations relative to historical experience.

In addition (although examining other sources of income for claimants' households was not an explicit focus of this report), the literature review suggests that UI claimants do not easily increase other family income rapidly in response to unemployment. Only small percentages of claimants collect other government transfers during UI benefit receipt, and there is no evidence that spouses' employment rates or earnings increased after the claimants became unemployed. Therefore, UI benefits are a major source of short-term income support for workers who collect them.