Center for American Progress

Unemployment Insurance Trigger 101

Is the Trigger System Working?

How does the unemployment insurance system work?

The unemployment insurance, or UI system, is designed for times like this where unemployment is high and workers have trouble finding new employment. Workers who lose their jobs through no fault of their own can typically receive 26 weeks of unemployment benefits. This system helps families just when they need it while providing much-needed economic stimulus to local economies.

What is the unemployment insurance trigger system?

Sometimes the economy is so bad that 26 weeks of unemployment benefits is not enough. To deal with this, current law activated an "automatic trigger" system when a state's unemployment rate rises especially sharply or to a very high level and jobs become harder to find. This trigger provides extended weeks of UI benefits to those still without work after six months. States set aside money in good times to pay for these extra benefits when tough times come.

Is the trigger system working?

The unemployment insurance trigger system is not working as well as it could. There are two problems. First, the triggers are set too high, which prevents many states from activating the program for extra weeks of benefits above and beyond the standard 26 weeks. Second, the trigger requires ever increasing unemployment rates in order to remain on, which means that many states cycle out of the system too early. In short, the extended benefits program does not trigger "on" and "off" in a timely fashion, which leaves states unable to provide benefits to their long-term unemployed.

The only way states can extend benefits outside of the trigger is when Congress acts to extend the duration of unemployment benefits, which it has done four times since the start of the recession.

But relying on Congress to extend benefits episodically to the long-term unemployed is not a good policy solution. The United States is a large nation with a variety of different local labor markets, and Congress may not have the political will to act when only a few states are in dire straits. In future recessions, there may not be the votes in Congress to help the few trailing states such as Michigan, Nevada, and Rhode Island.

How can we improve the trigger system?

We need a trigger system that is more sensitive to state labor markets—it should turn on when unemployment rises and off when it returns to normal. This would more effectively allocate scarce government resources to the places that continue to need extended benefits. There are three steps Congress can take to accomplish this:

1. Change the trigger so that it turns on extended benefits—adds an additional 20 weeks to the 26 typically allowed—when a state's unemployment rate rises to an average of 6.5 percent or more over a three-month period or when the number of people claiming unemployment insurance rises by 20 percent or more. This extension would be fully funded by the federal government. The trigger should turn off when a state's unemployment rate falls below an average of 6.5 percent over a three-month period and when the number of people claiming UI falls back to the prerecession level.

2. Establish a second tier of triggers to address extremely high unemployment. This new trigger would initiate an additional 13 weeks of unemployment benefits—on top of the typical 26 weeks and the additional 20 weeks from the first tier—in states with an unemployment rate above an average of 8.5 percent or more over a three-month period. This will turn off when unemployment falls below an average of 8.5 percent over a three-month period.

3. Refund to states the amount needed to administer the UI system. States currently must pay half of the extended program benefits, but this financing system is broken since most states' trust funds for this program are in deficit.

Read also:

Triggers that Work by Jeffrey B. Wenger and Heather Boushey.