1. What determines UI benefits?
   A. UI is basically a state program; much variation across states in most provisions; for NJ, see http://lwd.dol.state.nj.us/labor/ui/ui_index.html
   B. eligibility:
      -- “monetary standard”: must have done enough work of the right kind during some base period (thus, new labor force entrants not covered; some types of jobs aren’t covered; seasonal/self-employed/low earners may not be covered; etc.)
      -- “nonmonetary standard”: must have lost job “through no fault of their own” (so, quits and dismissals for cause not covered)
      -- “continuing eligibility standard”: must stay available for work and continue to search for work; can’t turn down a suitable job offer (but don’t have to take a job not suited to own skills); sometimes states require training as condition for receiving UI
   C. benefits paid: usually some % of past earnings (beyond a “disregard”), up to some ceiling (e.g., max is usually 50-70% of average weekly wage)
      -- the “replacement ratio”
   D. duration varies by state; sometimes max period is 26 weeks; sometimes max benefit period depends on prior earnings history; Federal Gov’t has extended benefits in each recession since ’71 (including 2008-10)
   E. NB: UI benefits are taxable
2. Optimal UI benefits – some basic ideas
   
   A. UI is an *insurance* program, *not* a transfer or anti-poverty program
   
   B. key problem (as with any insurance program): *moral hazard* – UI benefits may induce people to stay unemployed longer; may also induce *employed* people to shirk, since they’re insured against job loss! (may even act so as to be fired!)
   
   C. so, there’s a tradeoff between reduced risk (via mandatory insurance), replacement of lost pay and longer benefits vs. welfare cost of added unemployment
e.g., Baily used estimates of effect of UI on job search, calculated that optimal wage “replacement ratio” is about 0.65; lump sum “redundancy payment” might be best
   
   D. Allow benefits to vary as time unemployed changes, e.g., better at first, lower later on (to encourage job-taking)?
   
   E. How to handle heterogeneity of firms? “experience rating” is not complete, so high-layoff firms don’t pay sufficiently high rates, so are effectively subsidized by other firms
   
   F. compensating wage differentials theory: jobs with lots of unemployment pay higher wages anyway, so no need for UI?
3. Empirical evidence on UI: replacement ratio and duration of benefits
   A. Replacement ratio (% of earnings provided by UI):
      each 10 percentage point increase in replacement ratio
      is associated with 0.5 to 1.0 extra weeks of unemployment
   B. Duration: here, estimates are less clear – different states have different policies; effect may vary with macro conditions; etc. etc. – consensus estimate: elasticity of actual duration of unemployment w.r.t. potential UI duration is approx. 0.2 (what does that mean??)

4. Policy questions
   A. declining recipiency rate (total weeks of UI collected/total weeks of unemployment); now, only 1/3 of unemployed workers get benefits
   B. duration of receipt of UI has gone up
   C. what accounts for declining recipiency, longer duration of receipt?
      -- decline of manufacturing jobs and unionization, more temp jobs and outsourcing (so, fewer workers now qualify for UI)
      -- greater importance of permanent layoffs (so, longer durations)
      -- taxation of UI benefits (introduced 1979-86) – UI worth less (so, fewer people apply)