The U.S. Unemployment Insurance (UI) program, launched by the Social Security Act of 1935, gives monetary assistance to the unemployed. The program is also a countercyclical tool that helps sustain income levels in difficult economic times.

As a byproduct, the UI program furnishes statistics on the number of insured unemployed people. The number differs from the total unemployed for several reasons: The program excludes certain groups such as the self-employed; it also excludes workers who do not qualify for the program for various reasons, including misconduct and exhaustion of benefits.

The number of initial claims is a timely (weekly) statistic that provides national or statewide information on the number of people laid off during the week. Although initial claims do not exactly equal jobs lost, the number of initial claims provides insight into future labor market fundamentals such as the unemployment rate.

After peaking in November 2001, the month the most recent recession ended, the number of initial claims has continued to trend downward. The number of initial claims improved over the past year, although the four-week moving average—for which a value greater than 400,000 is considered a sign of recession—increased by 16,000 over the past two months to 323,000. Compared to last year, the percent change in initial claims for Fourth District states has been similar.

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to the nation’s—with the exception of Kentucky, which has 5.3% more initial claims than a year ago.

Trends for continued claims usually follow those of initial claims but are slower to fall during a recovery. The four-week moving average for the number of continued claims reached its most recent postrecession peak in June 2003 and has trended downward since then. The change in continued claims for Fourth District states has followed the U.S., where every state’s continued claims were less than 90% of the number a year ago.

UI statistics are also used to calculate the insured unemployment rate, which counts the number of people claiming regular unemployment benefits divided by the number who are covered by the unemployment system. One difference between the insured unemployment rate and the regular unemployment rate (the number of unemployed divided by the labor force) is that UI data are the raw data of total claims rather than a survey sample. Because eligible unemployed people do not always file a UI claim and because claims in most states end after 26 weeks, the insured unemployment rate is lower than the regular unemployment rate.

The insured unemployment rate varies by state because of economic conditions and differences in state policies such as benefits levels and qualification rules. In 2004, the rates for Ohio, Kentucky, and West Virginia were close to the U.S. average of 2.3%; Pennsylvania, at 3.4%, exceeded it.