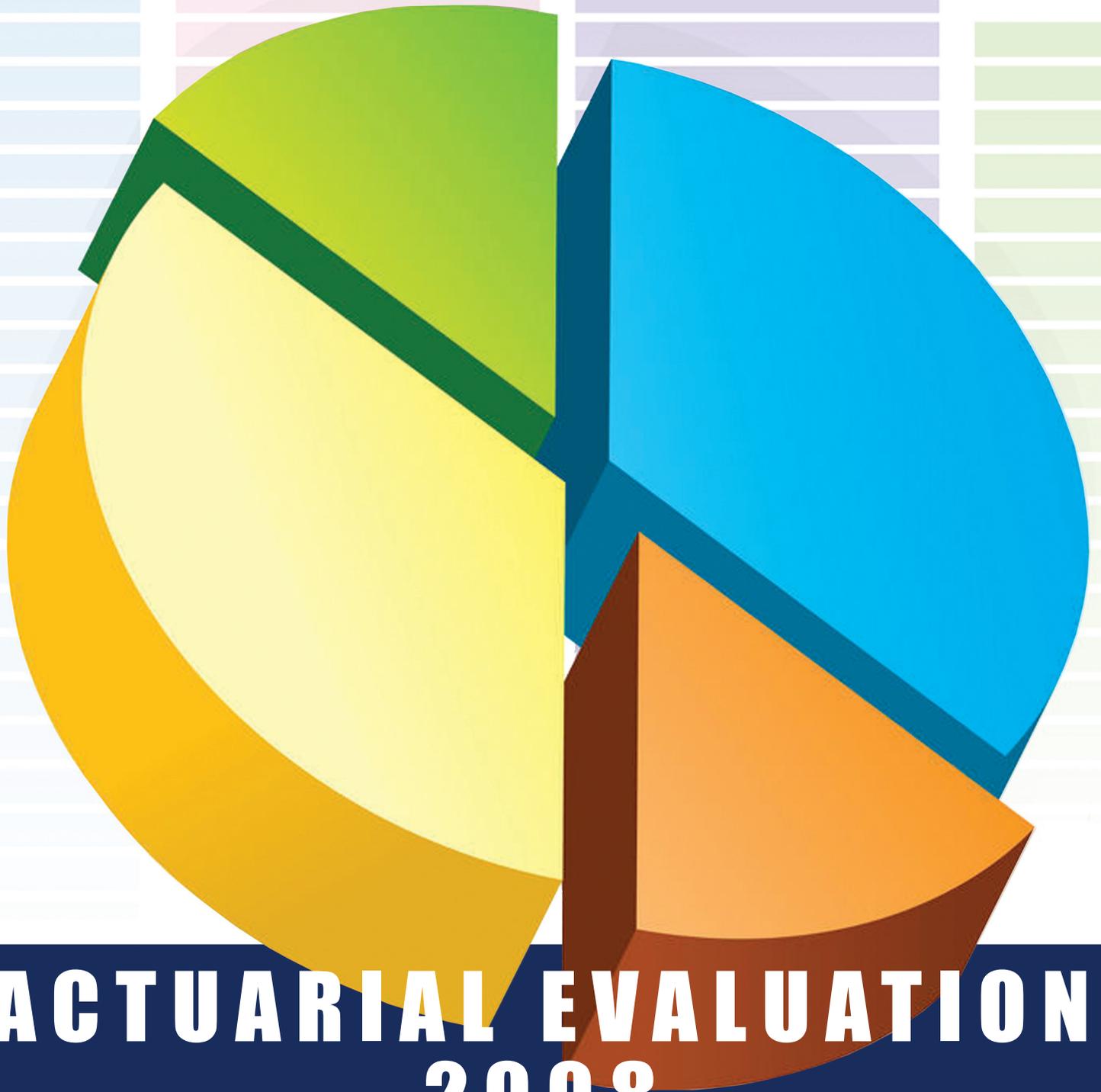




pennsylvania
DEPARTMENT OF LABOR & INDUSTRY



ACTUARIAL EVALUATION 2008

**FINANCIAL OPERATIONS OF THE
PENNSYLVANIA UNEMPLOYMENT COMPENSATION PROGRAM**

COMMONWEALTH OF PENNSYLVANIA
EDWARD G. RENDELL, GOVERNOR

DEPARTMENT OF LABOR & INDUSTRY
SANDI VITO, SECRETARY

Published By:

Center for Workforce Information & Analysis
Pennsylvania Department of Labor & Industry
651 Boas Street, Room 220
Harrisburg, PA 17121-0750

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INTRODUCTION

The 2008 Actuarial Evaluation of the Financial Operations of the Pennsylvania Unemployment Compensation (UC) Program is issued pursuant to Section 204.1 of the Pennsylvania Unemployment Compensation Law as amended July 1985. The projections contained in this report are based on the January 2009 Global Insight Baseline Forecast of economic activity.

The report provides analyses of Pennsylvania's unemployment compensation system regarding the Unemployment Compensation Trust Fund activity for 2008 and a forecast for 2009 through 2011. The forecast incorporates the unemployment compensation solvency mechanism provided for by the 1988 Unemployment Compensation Law Amendments and an impact analysis of the mechanism on the Unemployment Compensation Trust Fund cash flow. Highlights of the analyses and an overview of the economic forecasts and methodologies used to estimate unemployment compensation activity are provided in the report.

The Technical Appendix of this report provides detailed information and data on the January 2009 Global Insight Baseline Forecast used to forecast Unemployment Compensation Trust Fund activity. The Statistical Appendix contains tables pertinent to Pennsylvania's unemployment compensation program. Definitions of terms used on the tables in the Statistical Appendix appear on the page preceding each table.

FINANCIAL ANALYSIS AND OUTLOOK HIGHLIGHTS

- The UC Trust Fund cash balance at the end of 2008 was \$1.0 billion, which represents a reserve of 2.7 months of payments based on 1982 UC benefit costs (the year the number of weeks paid reached a record high) adjusted to 2008 dollars. The Trust Fund balance is projected to be \$0 at the end of 2009.
- Annual UC benefit costs are forecast to rise to \$3.8 billion in 2009.
- The estimated average UC tax rate for employers in 2009 is forecast to remain at 4.7 percent. It is projected to rise to 5.4 percent in 2010 and to 5.6 percent in 2011.
- UC employer contributions deposited into the Trust Fund are projected to drop to \$2.0 billion in 2009 and then rise to \$2.3 billion in 2010.
- Employers will pay a .25 percent additional tax and a 5.8 percent surcharge contributions totaling an estimated \$187 million for 2009.
- An employee solvency tax of .06 percent will be in effect in 2009. In 2010 and 2011, the employee tax is forecast to rise to 0.08 percent. The amount of contributions due from employees is forecast to be \$148 million in 2009, \$202 million in 2010, and \$210 million in 2011.
- In 2008, the UC Trust Fund earned \$69 million in interest on its cash reserves. Interest earnings deposited in the Trust Fund are forecast to drop to \$14 million in 2009.
- The maximum weekly benefit rate for 2009 is \$558 with forecasts of \$579 for 2010 and \$593 for 2011.

FINANCIAL ANALYSIS

BASIS OF ANALYSIS

2009-2011 Economic Data

The Department of Labor and Industry uses Global Insight's forecasts for Pennsylvania and the nation to develop a forecast of Unemployment Compensation Trust Fund activity. The key Global Insight economic forecast indicators used to determine Unemployment Compensation (UC) benefit costs are Pennsylvania's Industrial Production Index (IPI) by sector, Total Unemployment Rate (TUR), and nonagricultural wage and salary employment. Pennsylvania's nonagricultural wages and employment are used to forecast UC revenue activity.

The outlook for 2009-2011 contained in this report is based on the January 2009 Global Insight Baseline Forecast for the nation and Pennsylvania (referred to as the January 2009 Global Insight Forecast). The Technical Appendix at the end of this report provides a comparison of the January 2009 Global Insight Forecast with the December 2007 Global Insight Forecast used for the 2007 Actuarial Evaluation of the Unemployment Compensation Trust Fund.

The January 2009 Global Insight Forecast projects that the economic recession, that began in the second half of 2008 will continue through 2009. The pace of the recession will slow during the year with recovery more evident in the latter half of 2009 into 2010. Employment growth is forecast to decrease by 2.4 percent in 2009 before increasing slightly through 2011. The jobless rate, which was 5.5 percent in 2008, will jump to 7.8 percent in 2009, 8.23 percent in 2010, and drop to 7.1 percent in 2011. The forecast of UC activity will reflect this economic outlook. A thorough analysis of the impact of the January 2009 Global

Insight forecast on UC data appears in the outlook.

In *BusinessWeek's* annual economic outlook survey for 2009, the December 2008 Global Insight forecast placed near the midpoint among the forecasts of 45 economists as ranked by fourth-quarter to fourth-quarter growth in real gross domestic product (GDP). The Global Insight forecast of average annual growth in GDP for 2009 is -0.6 percent compared to the consensus of all forecasts of -0.2 percent. Also, the Global Insight forecast for the fourth quarter 2009 jobless rate for the nation of 8.6 percent was higher than the consensus of 8.1 percent.

2008 IN REVIEW

Economic Performance

In 2008, Pennsylvania's economy entered a recession in the second half of the year leading to over 1.5 million more weeks claimed compared to 2007. Average annual nonagricultural jobs in the state increased for the fifth consecutive year, showing a gain of 3,000 jobs to 5,800,900. This increase was due to an increase in jobs in the service sector, while the goods-producing sector experienced another decrease in jobs in 2008. Service-producing jobs rose by 23,300 in 2008, while goods-producing jobs fell by 20,300 making this the eighth consecutive year the goods-producing industries have seen declines.

The U.S. Department of Labor's Current Population Survey (CPS) showed a marked rise in Pennsylvania's unemployment rate in 2008. The CPS provides monthly and annual estimates of the labor force for the nation and states. As measured by the CPS, Pennsylvania's average total unemployment rate (TUR) rose from 4.4 percent to 5.4 percent in 2008. The rise

in the TUR in 2008 resulted from an increase in the unemployment rolls, which rose by 70,000 to 344,000; however, there was also an increase in the civilian labor force, which rose by 98,000 to 6,395,000.

The number of individuals receiving state and/or federal UC payments in 2008 increased to 687,753, up 15.7 percent from 579,557 in 2007. The increase in claimants contributed to the increasing amount of benefits disbursed under federal and state UC programs. UC benefits increased in 2008 to \$2,755 million from \$2,152 million in 2007. There was no benefit reduction for 2008.

The state regular benefit cost of \$2,755 million in 2008 was up by \$605 million from \$2,150 million in 2007. Pennsylvania's UC Trust Fund balance fell this year, ending at \$980 million. The brief recovery in the previous years, 2006 and 2007, ended in 2008 with the UC Trust Fund balance declining by almost 37 percent. Based on UC benefit costs for 1982 (the year with the highest number of UC weeks paid) adjusted to 2008 dollars, the 2008 balance reflects reserves equal to 2.7 months of benefits.

Unemployment Compensation Trust Fund Solvency Percentage

The solvency percentage calculated each July 1 determines the solvency status of the UC Trust Fund in relation to the average benefit cost for the three-year period ending June 30 of the same year. Decreases or increases in Trust Fund contributions and benefit payments for the subsequent calendar year may be activated depending on the solvency percentage. A solvency percentage of 85 percent was calculated on July 1, 2007. In 2008, an employer surcharge was adjusted to 5.8 percent, which yielded \$97 million in revenue, as well as a 0.25 percent employer additional tax, which yielded \$94 million in revenue.

An employee tax of 0.06 percent was also in effect during 2008, generating \$148 million in revenue.

The solvency percentage on July 1, 2008 was 80 percent, a decrease of 5 percentage points from 2007. The solvency percentage is the June 30, 2008 Trust Fund balance of \$1,726 million divided by the \$2,139 million three-year average benefit cost as of June 30, 2007. The decrease in the solvency percentage is attributed to a decrease in the Trust Fund balance of \$56 million and a rise in the average benefit cost of \$64 million. In 2009, the employer surcharge will remain at 5.8 percent, and the employer additional tax will remain at 0.25 percent. The employee tax will also stay at 0.06 percent. There was no benefit reduction in effect for 2007 or 2008, and it will remain off for 2009.

UC Benefit Costs

Benefit costs increased to \$2.8 billion in 2008 from \$2.2 billion in 2007. There was no benefit reduction in 2007 or 2008. The number of weeks paid increased by 1,576,754, boosting it to 9,035,608 for 2008. There was an increase in the average payment from \$288.22 in 2007 to \$304.86 in 2008. The increase in weeks paid combined with the increase in the average payment amount contributed to the rise in benefit costs.

The number of individuals receiving regular UC benefits in 2008 was 658,629 or 88,538 more than the 570,091 who received benefits in 2007. First payments increased from 461,807 in 2007 to 562,343 in 2008. Claimants who received UC first payments in 2008 had an estimated average duration of 16.1 weeks, a slight decrease from the 2007 average duration of 16.2 weeks.

Insured Unemployment Rate

The 2008 annual average IUR rose to 3.5 percent compared to the 3.0 percent in 2007. This was the first time in the last five

years that the IUR has increased. The IUR is an unemployment measure that reflects the percent ratio of regular UC claims to covered employment. In 2008, the number of weeks claimed increased while covered employment was relatively constant at 5,549,000. Weeks claimed for 2008 were 10,102,236 (an average of 194,274 per week), compared to 8,535,079 (an average of 164,136 per week) for 2007, which is an increase of 1,567,157 weeks claimed.

Contributions

During 2008, deposits into the UC Trust Fund from employer contributions totaled \$2.0 billion. Employee contributions deposited into the UC Trust Fund totaled \$166 million. Contributory employers, whose contributions are determined from an assigned tax rate based on their UC experience, remitted \$1.9 billion in taxes. Deposits to the UC Trust Fund from reimbursable employer contributions totaled \$141 million. Reimbursable employers are employers who reimburse the Trust Fund dollar-for-dollar for benefits paid to their employees. The decrease of \$130 million in contributory deposits combined with the decrease of \$46 million in the employee tax and the constant reimbursable deposits yielded a net decrease in deposits of \$176 million from 2007.

After taking into account the 5.8 percent positive employer surcharge and 0.25 percent employer additional tax rate that was in effect during the year, the average tax rate for employers in 2008 decreased to 4.7 percent from 5.0 percent in 2007. Taxable wages rose an estimated \$0.1 billion from \$39.6 billion in 2007 to \$39.7 billion in 2008.

Unemployment Compensation Trust Fund Summary

The UC Trust Fund ended calendar year 2008 with a balance of \$1.0 billion, a decrease of \$575 million from the 2007 ending balance of \$1.6 billion. The cash flow leading to the ending balance consisted of employer and employee contribution deposits of \$2.2 billion, interest earnings on the Trust Fund's cash reserves of \$69 million, Reed Act withdrawals of \$59 million and benefit disbursements of \$2.8 billion. As of the end of the third quarter 2008, Pennsylvania's Trust Fund balance ranked eighth highest among all states in the nation. The 2008 interest earnings of \$69 million were \$7 million less than in 2007. The average daily cash balance in 2008 on which interest was received was \$207 million.

December 2007 Forecast Compared to Actual Data
 Calendar Year 2008
 (Dollars in Millions)

	Forecast	Actual	Difference
Beginning UC Trust Fund Balance	\$1,555	\$1,555	\$0
Ending UC Trust Fund Balance	\$1,221	\$872	-\$349
UC Trust Fund Balance as of June 30	\$1,729	\$1,726	-\$3
Three Year Average Benefit Cost as of June 30	\$2,135	\$2,139	\$4
Solvency Percentage as of June 30 a/	80%	80%	0%
Revenue	\$2,249	\$2,238	-\$11
Employer Contributions	\$1,866	\$1,863	-\$3
Reimbursable Contributions	\$143	\$141	-\$2
Employee Contributions	\$164	\$166	\$2
Interest	\$76	\$69	-\$7
Disbursements	\$2,475	\$2,814	\$339
Regular Benefits	\$2,416	\$2,755	\$339
Extended Benefits	\$0	\$0	\$0
Reed Act b/	\$59	\$59	\$0
Weeks Paid for 2008	8,000,000	9,035,608	1,035,608
Average Weekly Payment	\$302	\$305	\$3

a/ The solvency percentage is calculated by dividing the UC Trust Fund balance by the three year average benefit cost.

b/ Reflects Reed Act expenditures for administrative costs.

Note: Detail may not add to totals due to rounding.

GLOBAL INSIGHT FORECAST COMPARISON
DECEMBER 2007 AND JANUARY 2009

January 2009 GLOBAL INSIGHT Forecast a/				
GLOBAL INSIGHT Variables				
Nation	2008	2009	2010	2011
Gross Domestic Product (Bil. 2000\$'s)	\$11,657.7	\$11,364.4	\$11,616.8	11,985.6
Percent Change	1.2%	-2.5%	2.2%	3.2%
National Total Unemployment Rate	5.8%	8.5%	9.1%	8.5%
Pennsylvania				
Industrial Production Index (2002=100)	103.5	96.6	97.1	99.5
Percent Change	-1.8%	-6.7%	0.5%	2.5%
Nonag. Employment (Thousands)	5,792.0	5,651.9	5,649.8	5,722.7
Growth Rate	-0.1%	-2.4%	-0.0%	1.3%
Wage and Salaries (Billions)	\$264.6	\$265.4	\$271.4	\$282.0
Annual Average Wage Growth Rate b/	3.7%	2.8%	2.3%	2.6%
Total Unemployment Rate	5.5%	7.8%	8.2%	7.1%

December 2007 GLOBAL INSIGHT Forecast c/

GLOBAL INSIGHT Variables				
Nation	2008	2009	2010	2011 d/
Gross Domestic Product (Bil. 2000\$'s)	\$11,778.7	\$12,118.5	\$12,468.6	
Percent Change	1.9%	2.9%	2.9%	
National Total Unemployment Rate	5.1%	5.1%	4.9%	
Pennsylvania				
Industrial Production Index (2002=100)	112.1	115.5	119.2	
Percent Change	1.9%	3.1%	3.2%	
Nonag. Employment (Thousands)	5,830.7	5,873.4	5,918.0	
Growth Rate	0.5%	0.7%	0.8%	
Wage and Salaries (Billions)	\$268.5	\$279.3	\$291.3	
Annual Average Wage Growth Rate b/	3.6%	3.2%	3.5%	
Total Unemployment Rate	4.7%	4.7%	4.6%	

- a/ Based on: GLOBAL INSIGHT U.S. Baseline Forecast of January 2009
GLOBAL INSIGHT Pennsylvania Short Term Forecast of January 2009
- b/ Reflects the wage growth for UC covered employment, which is based on a forecast model using Pennsylvania total nonagriculture employment and wages from the Global Insight Pennsylvania forecast. The January 2009 forecast growth rate for 2008 is based on actual state covered employment data for the first six months of the year.
- c/ Based on: GLOBAL INSIGHT U.S. Baseline Forecast of December 2007
GLOBAL INSIGHT Pennsylvania Short-Term Forecast for December 2007
- d/ Projected data for calendar year 2011 were not included in the 2007 Actuarial Evaluation.

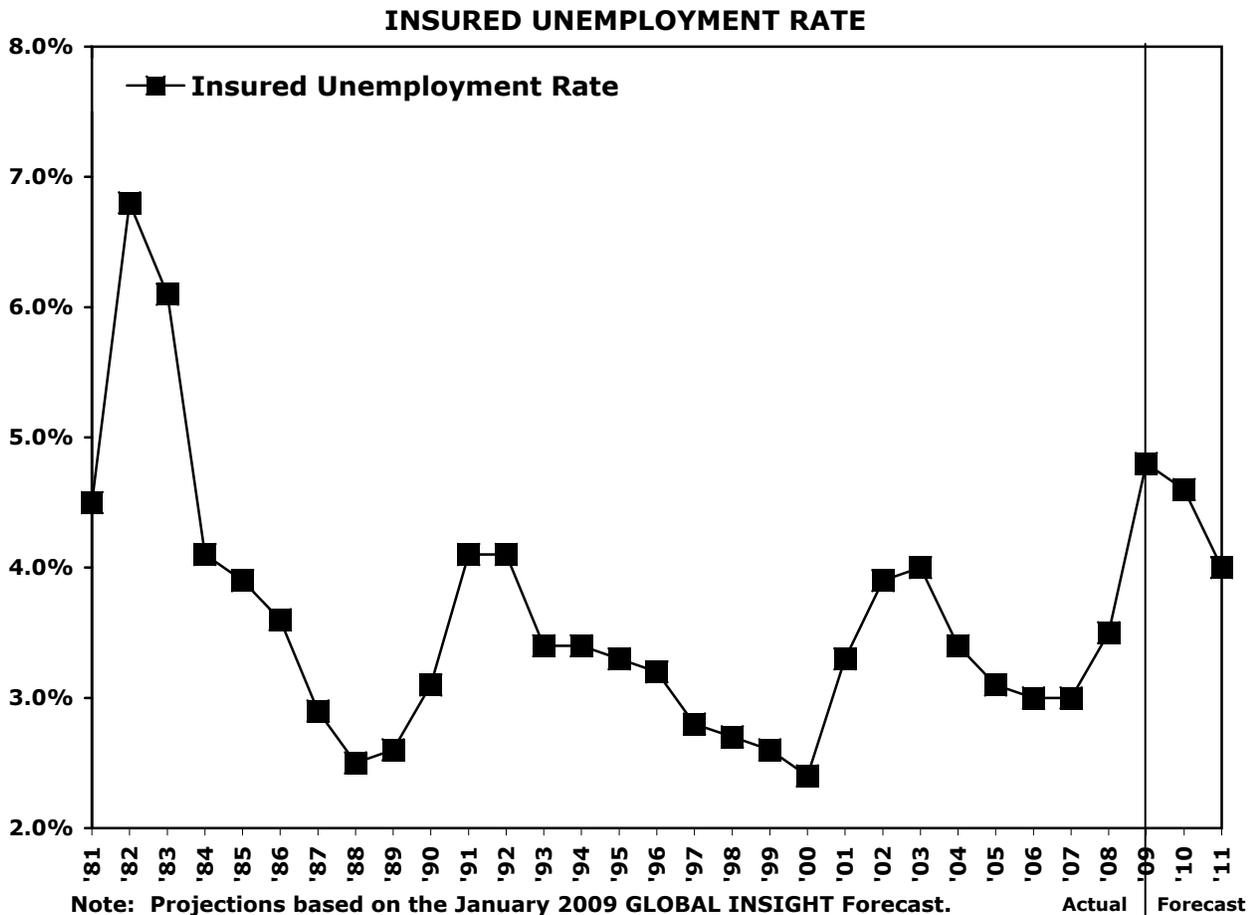
OUTLOOK FOR 2009-2011

The outlook for Pennsylvania's Unemployment Compensation (UC) program for 2009 through 2011 is based on Global Insight's January 2009 Baseline Forecast. According to the forecast, the severe economic recession which began in 2008 will be evident through the first half of 2009. In the latter half of 2009, modest economic growth will be detected as the change in the GDP will be positive in the third and fourth quarters, following declines in the previous four quarters, and employment losses will slow. In 2010 and 2011 the rebound in the economy will accelerate. In response, UC benefit costs are forecast to soar from the current historical high of \$2.8 billion in 2008 to \$3.8 billion in 2009. Although abating to \$3.5 billion in 2010 and \$3.2 billion in 2011, UC benefit costs will remain above the \$3.0 billion

level and are projected to do so in the years following 2011 (based on estimates through 2016). By contrast, contributions from employers and employees deposited into the UC Trust Fund (UCTF) for 2009 are forecast to be \$2.2 billion, the same as in 2008. UCTF deposits will increase to \$2.5 in 2010 and \$2.6 billion in 2011 (long term projections show deposits falling short of \$3.0 billion through 2016). With costs far exceeding revenues, UCTF will be insolvent by the latter half of 2009 and remain in this status through 2011. It will be necessary to obtain federal loans in order for the state to meet benefit obligations through this period.

Insured Unemployment Rate (IUR)

The IUR is a percentage ratio of a 12-month average number of claimants requesting UC benefits (weeks claimed) to a 12-month average level of employment



covered under the state’s UC law. The forecast projects a sharp upturn in the IUR for 2009, from 3.5 percent in 2008 to 4.8 percent, followed by rates of 4.6 percent in 2010 and 4.0 percent in 2011. The 2009 IUR is the highest in 26 years, since 1983’s 6.1 percent.

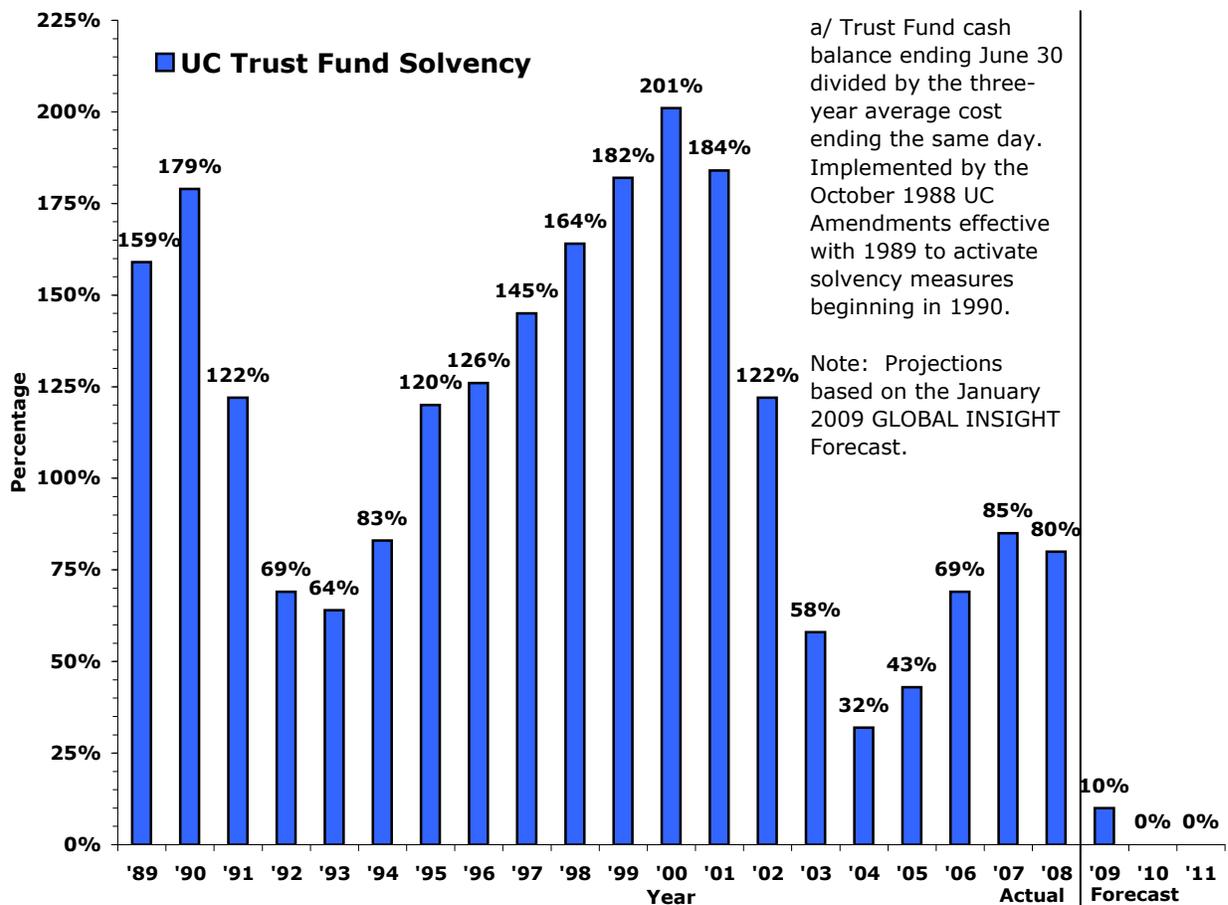
The trend in the IUR reflects a recession-induced jump in the level of weeks claimed coupled with little or negative annual growth in UC covered employment forecast for 2009-2011. The number of weeks claimed forecast during the period will be well above 2008’s total of 10.1 million with 13.6 million in 2009, 12.9 million in 2010 and 11.5 million in 2011. UC covered employment is forecast to drop from an annual average of 5,549,000 in 2008 to 5,410,000 in 2009 and 5,404,000 in 2010. In 2011, average UC covered employment will

rebound to 5,470,000, well short of the 2008 average.

Unemployment Compensation Trust Fund Solvency Trigger Mechanism

The solvency trigger mechanism was made a part of the state’s UC Law in order to prevent a recurrence of an almost three billion-dollar debt and accompanying interest charges that the Trust Fund incurred during the 1970’s and 1980’s. The mechanism is designed to keep Trust Fund reserves from building more than necessary or becoming depleted through a series of solvency measures activated by a solvency percentage.

The level of the solvency percentage determines what solvency measures are activated. The solvency percentage is defined as the June 30 Trust Fund balance



divided by the average three-year benefit cost as of that day. The calculated solvency percentage establishes the solvency measures for the following calendar year.

The 1988 UC Amendments, which provided for the solvency mechanism, require that the rates applicable to each solvency measure be recalculated every five years. The rate recalculations are intended to maintain the monetary impact of each solvency measure at a level comparable to what would be derived by the original rates at the time of the solvency mechanism's adoption. The latest recalculation occurred in 2007 based on UC activity for calendar year 2006, and the resulting rates are used during the period from 2008 through 2012. A detailed explanation of the solvency trigger mechanism and the recalculated solvency measures is found on pages 25-27.

The solvency measures for 2009 are based on a solvency percentage of 80 percent calculated in 2008. The 2008 solvency percentage is down from 2007's 85 percent, but remains in the same trigger level, "75% but less than 95%". As a result, the same solvency measures are in effect during 2009 as in 2008: a positive employer surcharge of 5.8 percent, an employer additional contribution rate of 0.25 percent, an employee tax of 0.06 percent. The benefit reduction will not be activated.

As UC Trust Fund reserves shrink in the midst of a severe economic downturn, the solvency percentage calculation is forecast to descend below 50 percent in 2009 (10 percent), 2010 (0 percent) and 2011 (0 percent). Consequently, the solvency measures will be at their peak level for the years 2010 through 2012. The employer additional tax rate will reach 0.65 percent and the employee tax 0.08 percent. The employer surcharge is unchanged at 5.8 percent. The benefit reduction will be reactivated after a 3-year hiatus with a 2.3

percent reduction. Each solvency measure and its effect on the Trust Fund is described below:

Employer contribution surcharge:

A 5.8 percent positive surcharge on employer contributions due will be in effect for the entire 2009-2011 period. This is the maximum that the surcharge can be after the recalculation of the solvency measures for 2008-2012. Employer contributions due will be increased by \$95 million in 2009, \$102 million in 2010 and \$108 million in 2011 as a result of the surcharge. This will be near the requirement that employers' contributions due be increased by at least \$100 million at the applicable trigger level.

Employer additional contribution tax:

An additional contribution tax rate, which is applied to taxable wages, has been in effect since 2004 and is forecast to remain triggered on through 2011. The rate for 2009 will be 0.25 percent, but it is forecast to increase to 0.65 percent in 2010 and 2011. The additional contribution tax rate will yield contributions due totaling \$92 million in 2009, \$240 million in 2010 and \$243 million in 2011. The revenue generated exceeds the trigger level's minimum requirement of \$75 million for 2009 and \$225 million for 2010 and 2011.

Employee tax contributions:

For the seventh successive year, an employee tax will be levied in 2009 and is forecast to remain in effect through 2011. For 2009, the employee tax rate will be 0.06 percent, but is forecast to rise to 0.08 percent for 2010 and 2011. Tax revenues due from this measure will total \$148 million in 2009, \$202 million in 2010 and \$210 million in 2011. This exceeds the minimum trigger level requirements for this measure of \$116 2/3 million for 2009 and \$166 2/3 million for 2010 and 2011.

Benefit reduction:

Since the solvency trigger mechanism was introduced in 1989, the benefit reduction has only been in effect in 2005 and 2006. In 2009, the benefit reduction will remain deactivated. According to the forecast, the benefit reduction will once again be in effect for 2010 and 2011. A rate of 2.3 percent will yield benefit reductions totaling \$91 million in 2010 and \$82 million in 2011, which far exceeds the target amount of \$52 million.

Benefit Costs

The sharp plunge in the economy is forecast to push UC benefit costs to a record level of \$3.8 billion in 2009, rising above the 2003's previous high of \$2.7 billion. A slow recovery will mean UC benefit costs will remain high with forecasts of \$3.5 billion in 2010 and \$3.2 billion in 2011. Benefit costs are a product of the number of UC claims that result in payments (weeks paid) and the average weekly UC benefit check.

The forecast for weeks paid, reflecting the severity of economic downturn, shows an increase from 9.0 million in 2008 to 12.1 million in 2009. Weeks paid are forecast to fall to 11.2 million in 2010 and 9.9 million in 2011. By comparison, weeks paid peaked at 10.0 million during 2003 in the aftermath of the last recession. The all-time high for weeks paid is 14.1 million in 1982.

The average weekly benefit check is forecast to increase each year in response to rising wages and the UC Law's provision for annually computing the maximum weekly benefit rate as two-thirds of the average weekly wage in covered employment. The average weekly payment forecast for 2009 is \$318, an increase of \$13 from 2008. The average weekly payments for 2010, \$317, and 2011, \$322, reflect a benefit reduction of 2.3 percent. The maximum weekly benefit rate for 2009 is \$558 and the maximums

forecast for 2009 and 2010 are \$579 and \$593, respectively.

Extended Benefits

The federal/state Extended Benefits (EB) program provides an additional 13 weeks of benefits beyond the state's entitlement period of 26 full weeks, when activated. EB has not been paid in Pennsylvania since 1983. According to the forecast, EB will "trigger on" in 2009 and again in 2010. The state's share of EB will total \$93 million in 2009 and \$108 in 2010 (Under the recently enacted federal stimulus package virtually all of the state share of EB will be waived in 2009).

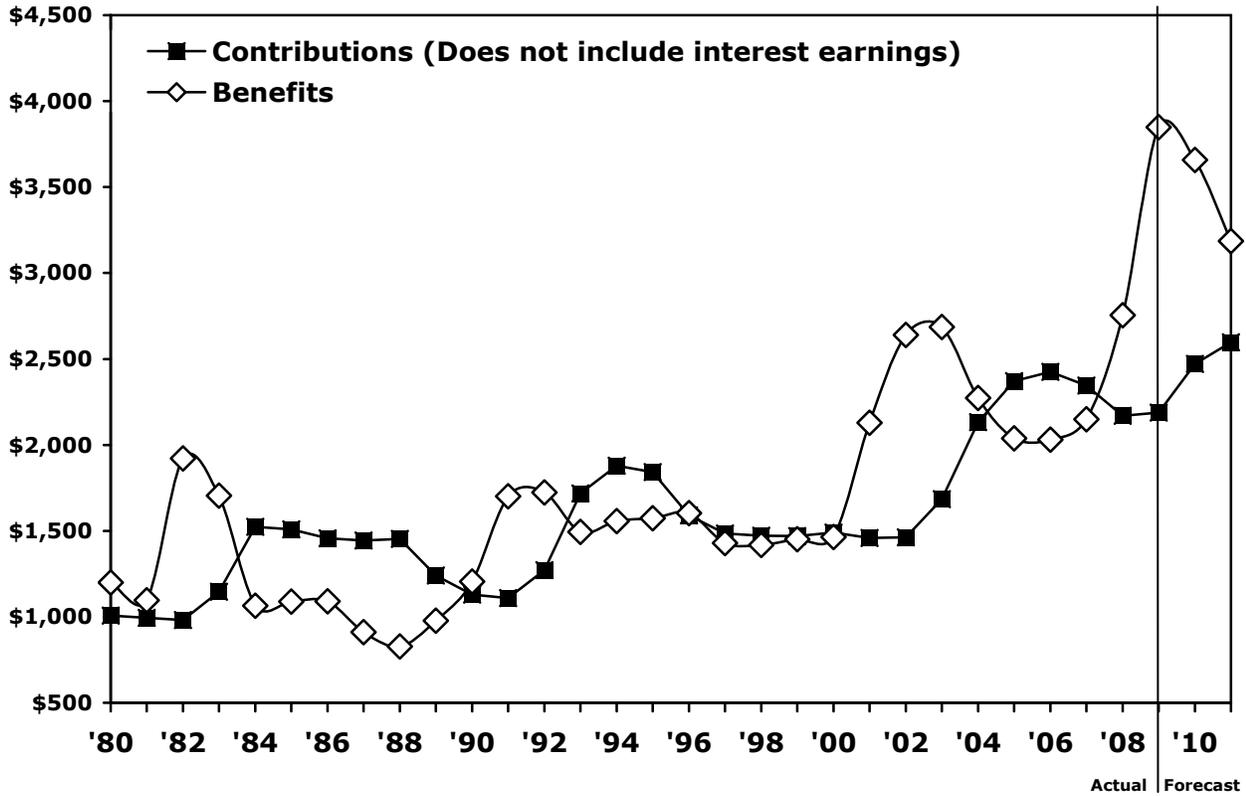
Contributions

Unemployment Compensation (UC) contributions deposited in the Trust Fund during 2009 are forecast to total \$2.2 billion, a minimal increase of \$18 million from total UC deposits in 2008. As forecast, the amount of contributions deposited will jump to \$2.5 billion in 2010 and \$2.6 billion in 2011 in response to soaring benefit costs.

Most employers are assigned a UC tax rate each year, which is based on the employer's UC experience (benefits charged versus taxes paid) and the employer solvency measures in effect. The assigned tax rate is applied to the employer's taxable wages to generate the amount of contributions due from that employer.

The average UC employer tax rate forecast for 2009 will be unchanged from 2008 at 4.7 percent. The tax rate will rise to a forecast of 5.4 percent in 2010 and 5.6 percent in 2011. The higher tax rates in 2010 and 2011 reflect the solvency status of experience rated employers during an economic downturn, i.e., a sharp increase in benefits paid relative to taxes generated. Also, of the two solvency measures that impact the tax rate, the employer additional

**UNEMPLOYMENT COMPENSATION TRUST FUND
BENEFIT AND CONTRIBUTION CASH FLOW
(In Millions)**



tax will rise from 0.25 percent in 2009 to 0.65 percent in 2010 and 2011. The employer surcharge will stay at 5.8 percent from 2009 to 2011.

Taxable wages, which are all wages up to \$8,000 earned by each employee, will be lower than 2008's total of \$39.7 billion throughout the forecast period; totaling \$38.9 billion in 2009, \$39.0 billion in 2010 and \$39.6 billion in 2011. The underlying factors in the drop in taxable wages are: the \$8,000 taxable wage base cap, a decline in covered employment from 2008 and anemic growth in annual average covered wages. The \$8,000 taxable wage base has been unchanged since 1984, when it represented 45.1 percent of covered annual average wages, but by 2011 it will have fallen to only 16.7 percent of average wages. As discussed on pages 14 & 15, annual average UC covered employment is forecast to drop in 2009

and 2010 and recover in 2011. The covered annual average wage is forecast to grow by 2.6 percent per year from 2009 through 2011, compared to a 4.2 percent average annual increase for the three previous years.

A few employers, designated reimbursable, repay the UC Trust Fund dollar-for-dollar for benefits paid to former employees. These employers consist of non-profits and government entities that have opted to be reimbursable. Contributions deposited from reimbursable employers are projected to reach \$210 million in 2009, \$208 million in 2010 and \$185 million in 2011.

The final component from which the contributions deposited total is derived is the employee tax. Employee tax contributions are generated by applying the employee tax rate against all employee wages. Under the forecast, the employee tax will account for \$148 million of the

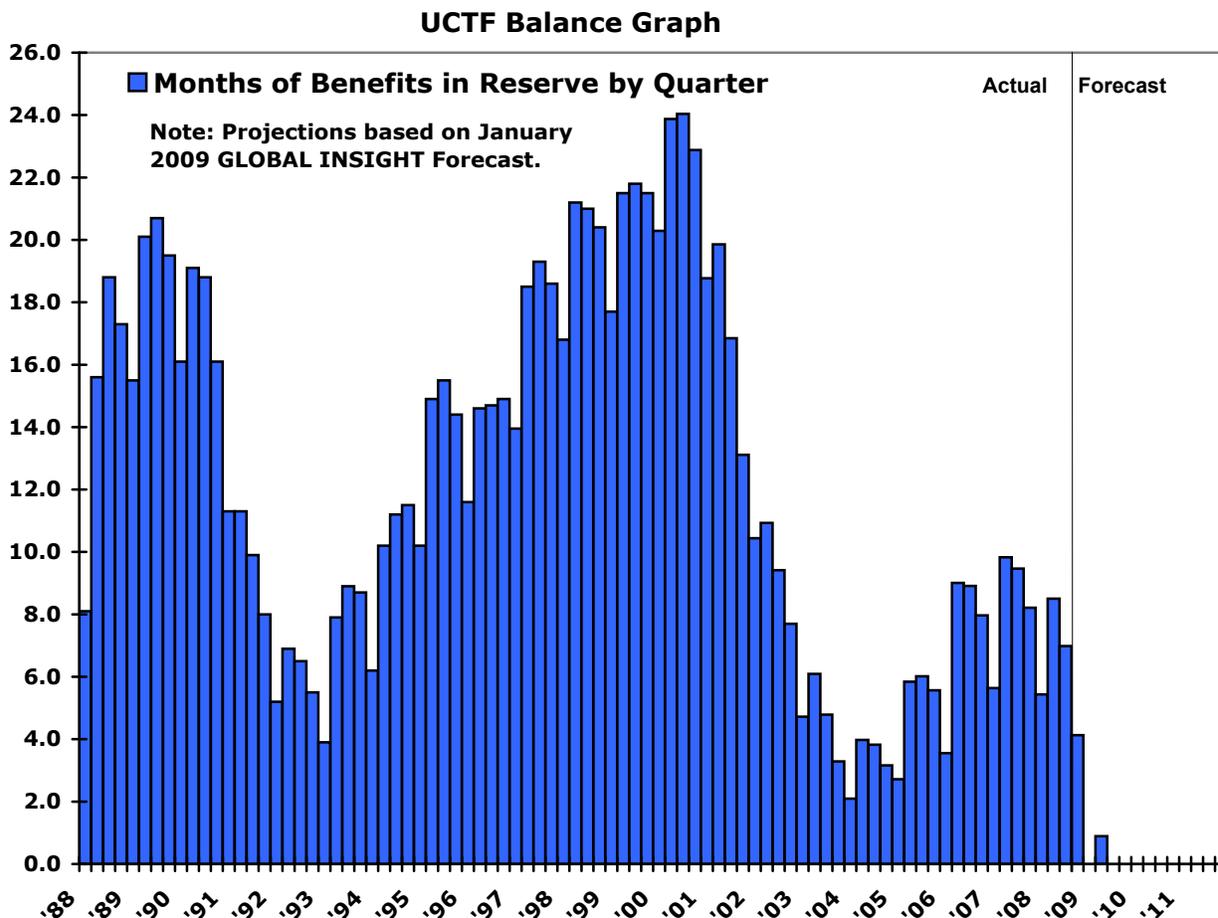
contributions deposited in 2009, \$202 million in 2010 and \$210 million in 2011, reflecting an increase in the rate from 0.06 percent in 2009 to 0.08 percent in 2010 and 2011.

Unemployment Compensation Trust Fund Summary

As a result of a drop of nearly \$600 million over the year, the amount of reserves in the state’s Unemployment Compensation Trust Fund (UCTF) was slightly less than one billion dollars at the end of the 2008. The forecast projects that the UCTF will become insolvent during 2009 and remain insolvent through 2011, as expenditures far outpace revenues. In order to meet UC benefit obligations the state will need to borrow a total of \$6.3 billion from the federal government for the years 2009 to 2011. The first loans will occur in March

2009. The state will be able to make federal loan repayments of \$3.8 billion from the UCTF during the three-year period, leaving an outstanding loan balance of \$2.5 billion at the end of 2011.

Since the state will be unable to repay the federal loans in a timely manner; i.e. there will be outstanding loans at the end of each year from 2009 to 2011; the state will be charged interest for the loans. In order to pay the interest on the loans, employers will be assessed an interest factor. An employer’s rate of contribution will be increased by the rate of the interest factor. All monies generated via the interest factor will be deposited in the Interest Fund which is separate from the UCTF. A total of \$105 million in interest will accumulate on the loans forecast for 2009 to 2011. The interest factor will be implemented in

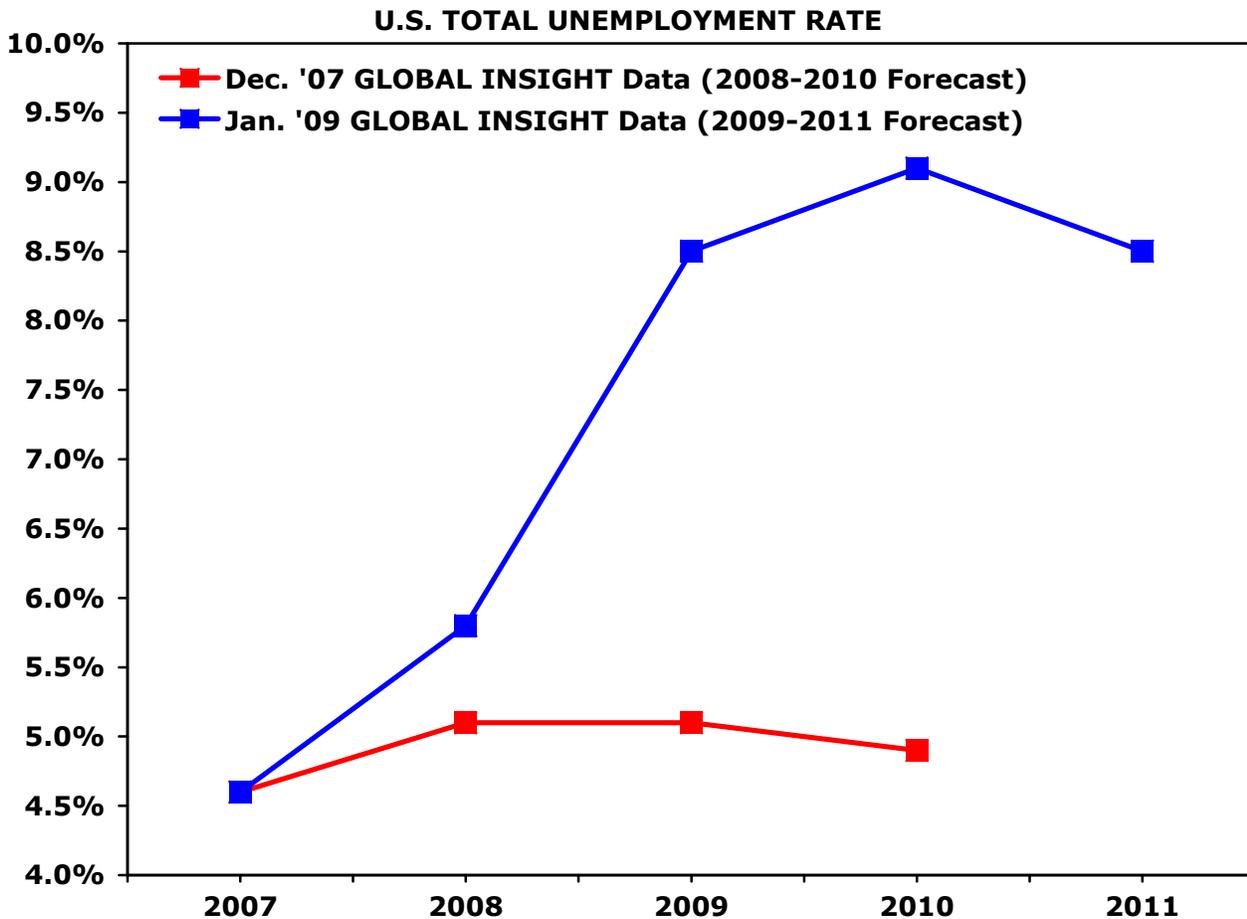


2010, at a rate of 0.18 percent, and 2011, at a rate of 0.28 percent. Interest tax revenues due from applying the rate of the interest factor against taxable wages are \$68 million in 2010 and \$105 million in 2011. New employers are exempted from paying interest taxes.

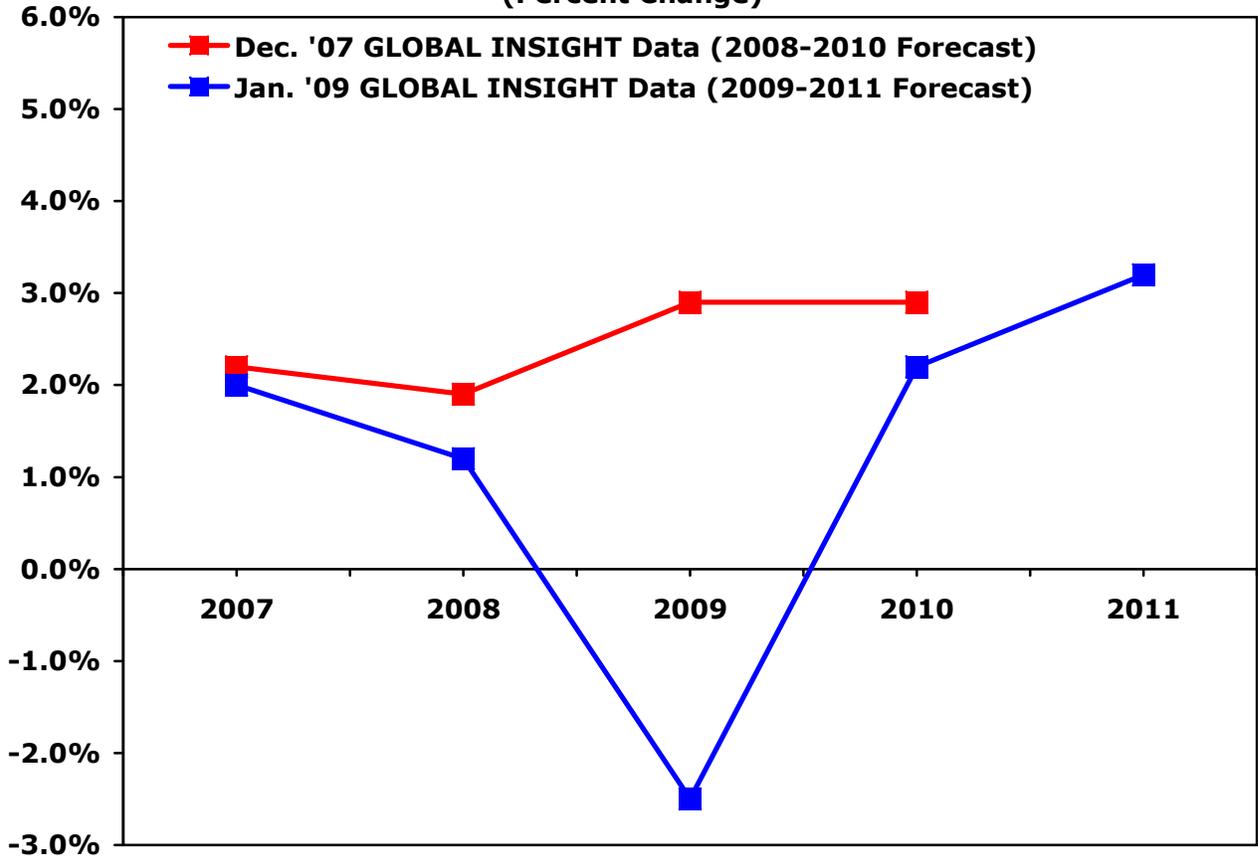
According to the Federal Unemployment Tax Act (FUTA), employers are taxed at a rate of 6.2 percent each year but are given a credit under certain conditions of 5.4 percent, which reduces the FUTA rate to 0.8 percent. FUTA revenues are used to pay for states' UC administrative costs, loans to states and UC extended benefits. However, if a state has an outstanding federal loan balance at the end of a third successive year, employers will have their credit reduced for that year. This is forecast to occur in Pennsylvania in 2011 and the FUTA loss-of-credit for that year will be 0.3 percent.

The additional funds resulting from the loss of credit are used to repay the outstanding loans. The amount due in 2011 is forecast to be \$107 million, which will be collected in 2012 to repay loans.

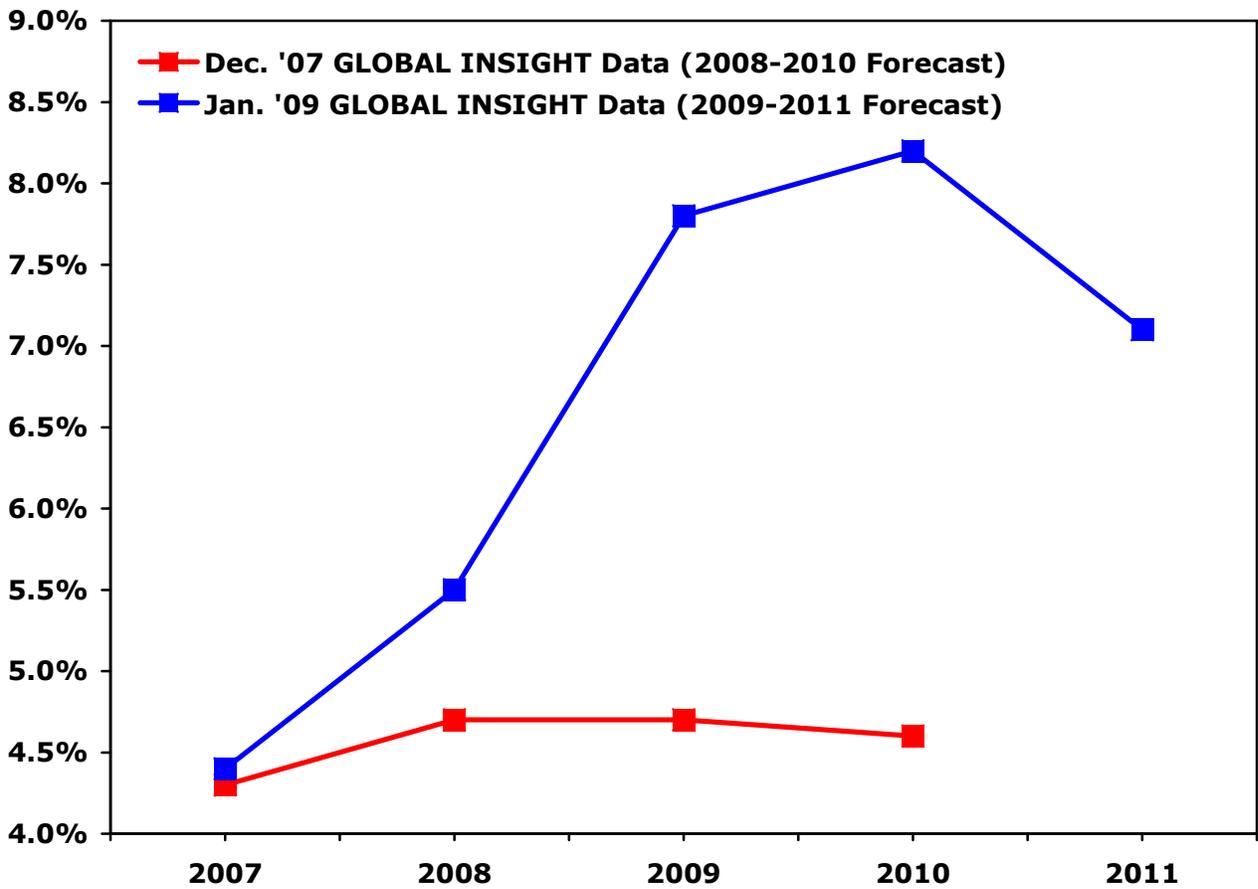
In January 2009, the remaining Reed Act monies, \$126 million, will be placed in a sub-account within the UCTF. A stipulation of this sub-account is that the monies in the sub-account can only be used for administrative purposes and not used to pay UC benefits. As such, the Reed Act monies will no longer be reflected in the UCTF balance. This action was necessary prior to obtaining a federal loan, since federal law mandates that a loan can not be received until all monies in the UCTF have been expended on UC benefits. Almost all of the Reed Act monies are being used to improve both UC and Employment Service (ES) administrative program operations.



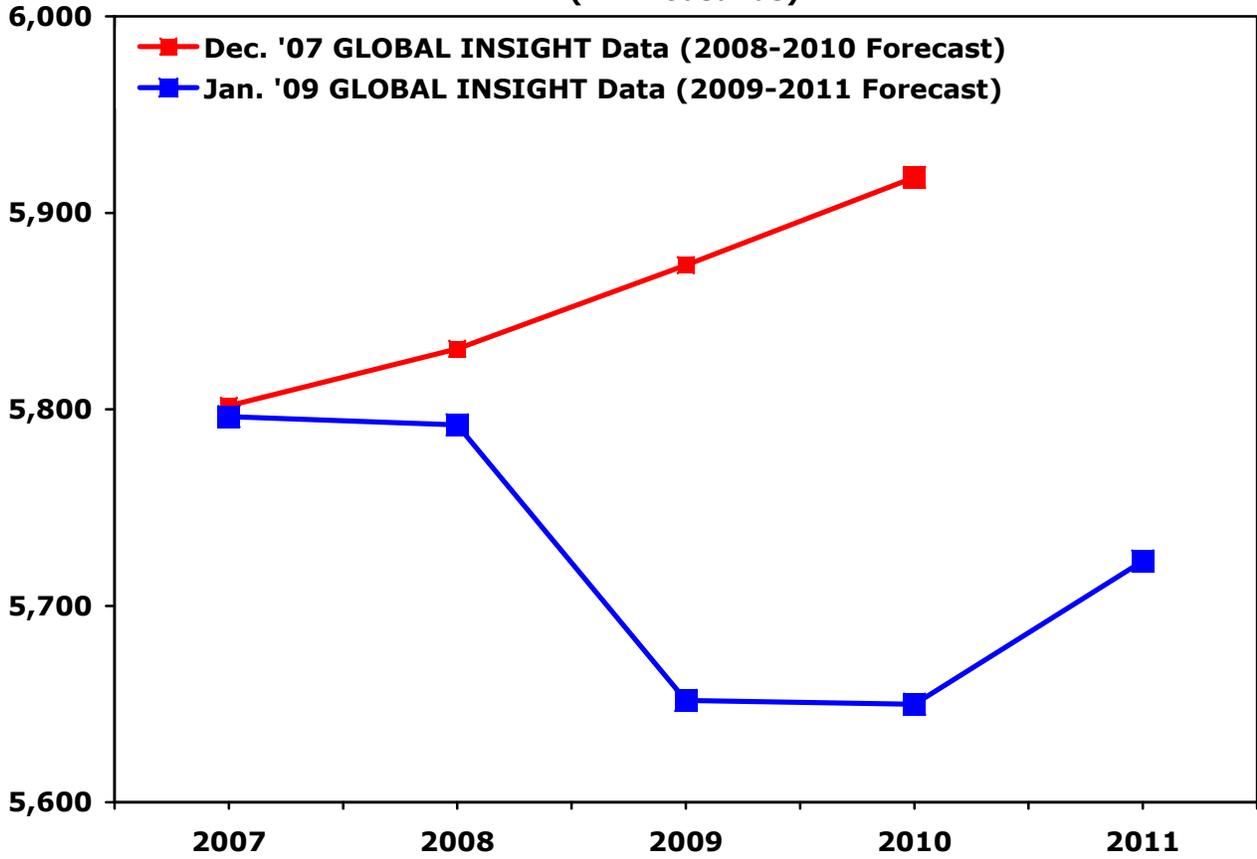
**U.S. GROSS DOMESTIC PRODUCT
(Percent Change)**



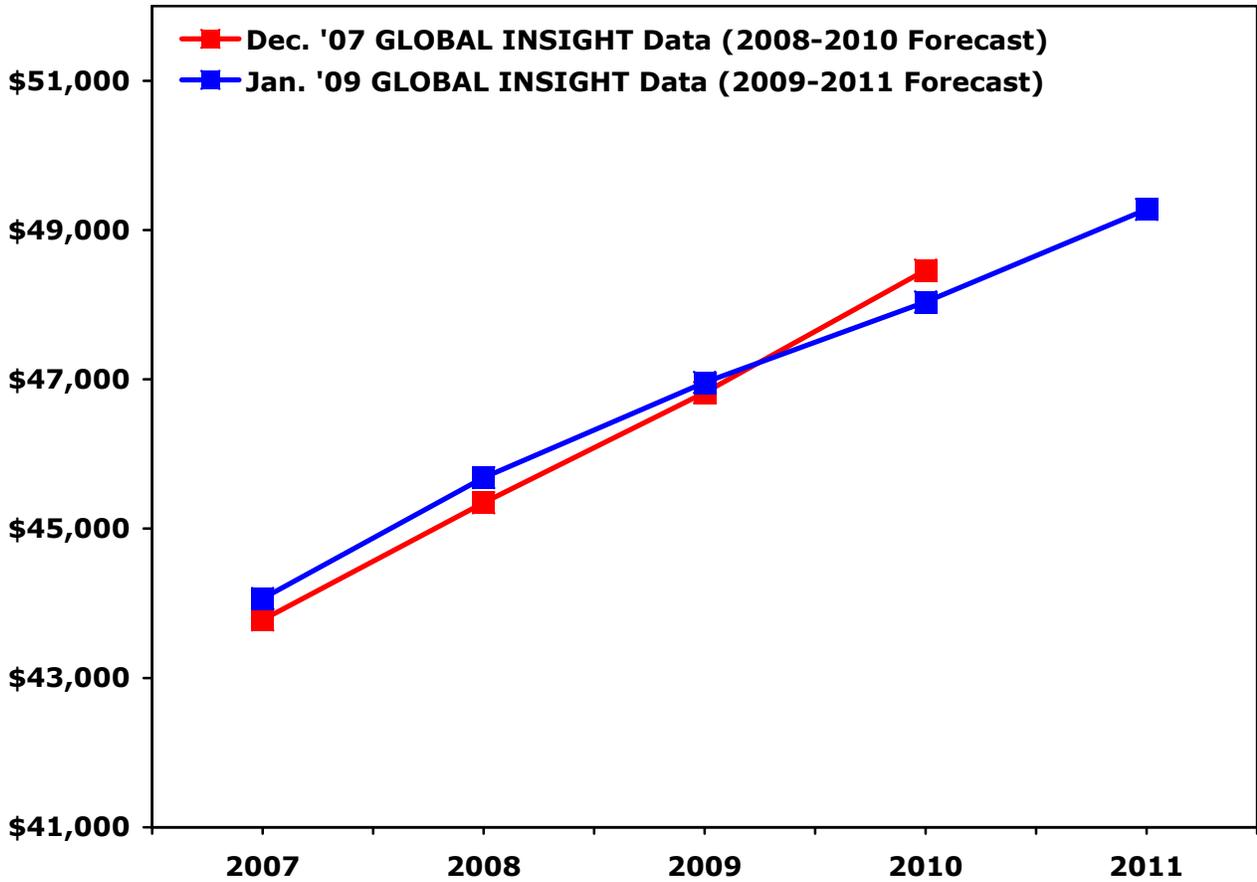
PA TOTAL UNEMPLOYMENT RATE



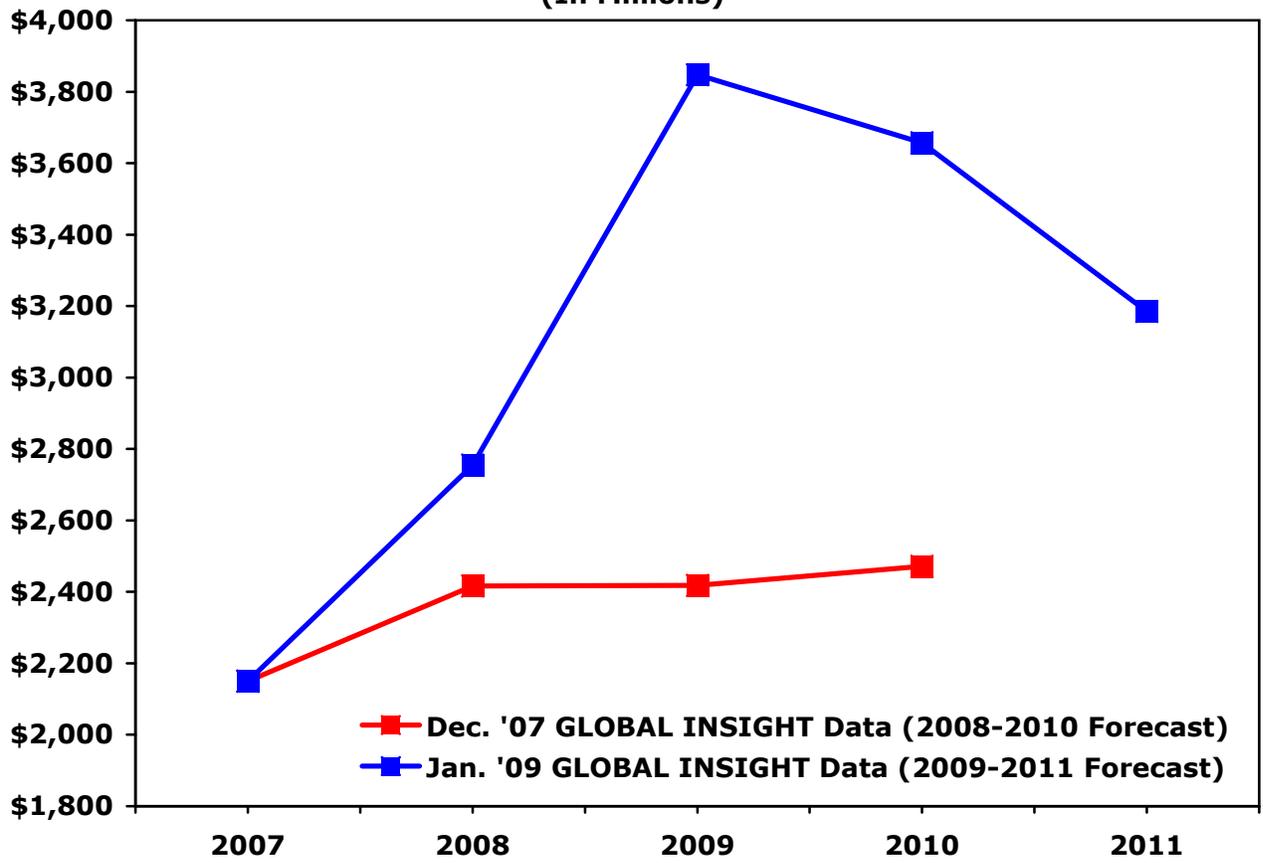
**PA NONAGRICULTURAL EMPLOYMENT
(In Thousands)**



PA AVERAGE ANNUAL WAGES



**NET REGULAR BENEFIT COST
(In Millions)**



UNEMPLOYMENT COMPENSATION TRUST FUND
 CASH FLOW STATEMENT 2008-2011
 JANUARY 2009 GLOBAL INSIGHT FORECAST
 (DOLLARS IN MILLIONS)

	Actual		Forecast	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Beginning Balance	\$1,555	\$872	\$1	\$0
Revenue	2,238	3,391	5,271	4,912
Employer and Employee a/	2,169	2,188	2,472	2,597
Other Income	69	1,203	2,799	2,314
UC Trust Fund Interest	69	14	3	2
Special Administration Fund	0	0	0	0
Reed Act	0	0	0	0
Net Loan Amount	0	1,189	2,796	2,312
Disbursements	2,814	4,263	5,272	4,912
Regular Benefits	2,755	3,848	3,549	3,185
Extended Benefits	0	0	108	0
Reed Act b/	59	37	29	23
Loan Repayment	0	414	1,615	1,726
Ending Balance	\$872	\$1	\$0	\$0
UC Trust Fund Solvency Percentage				
Trust Fund Balance as of June 30	\$1,726	\$278	\$2	\$2
Three Year Average Benefit Cost as of June 30	\$2,139	\$2,643	\$3,214	\$3,556
Trust Fund Solvency Percentage as of June 30 (Balance/Cost)	80%	10%	0%	0%

a/ Employee contributions were deposited in 2008 and are forecast to be deposited through 2011.

b/ Reflects Reed Act expenditures for administrative costs.

Note: Detail may not add to totals due to rounding.

UNEMPLOYMENT COMPENSATION TRUST FUND
 SOLVENCY TRIGGER MECHANISM
 2008-2011
 JANUARY 2009 GLOBAL INSIGHT FORECAST

	Actual		Forecast	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Solvency Percentage a/ Trigger <u>Level a/</u>	80%	10%	0%	0%
	75% but less than 95%	Less than 25%	Less than 25%	Less than 25%
Solvency Measures Implemented b/ Employer Additional Tax:				
	<u>2008-2012</u>			
None				
0.25%	0.25%	0.25%		
0.45%				
0.65%			0.65%	0.65%
Contributions Due (in millions)	\$94	\$92	\$240	\$243
Employer Surcharge:				
	<u>2008-2012</u>			
-1.10%				
None				
2.90%				
5.80%	5.8%	5.8%	5.8%	5.8%
Contributions Due (in millions)	\$97	\$95	\$102	\$108
Employee Tax:				
	<u>2008-2012</u>			
None				
0.02%				
0.03%				
0.06%	0.60%	0.60%		
0.08%			0.80%	0.80%
Contributions Due (in millions)	\$148	\$148	\$202	\$210
Benefit Reduction:				
	<u>2008-2012</u>			
None	None	None		
2.30%			2.3%	2.3%
Benefit Reduction (in millions)	\$0	\$0	\$91	\$82
UC Trigger Reserve Account Transfer:				
No	No			
Yes		Yes	Yes	Yes

- a/ Solvency percentages are calculated as of June 30 and determine the trigger levels which yield the solvency measures for the following calendar year.
- b/ Solvency measures are applicable to year shown but are activated by the prior year solvency percentage. Solvency measure rates were recalculated in 2002 (for 2003-2007) and again in 2007 (for 2008-2012) required by Unemployment Compensation Law. The solvency measure rates shown for 2008-2012 are based on actual data for 2006.

**UNEMPLOYMENT COMPENSATION TRUST FUND
SOLVENCY TRIGGER MECHANISM**

The Unemployment Compensation Law was amended in October 1988 to include an unemployment compensation (UC) trigger mechanism. The amendment provided that a solvency measurement, in the form of a solvency percentage, be taken each July 1, starting in 1989. The solvency percentage determines the trigger level, which in turn activates in the subsequent calendar year specified tax measures for both employers and employees and triggers “on” or “off” a reduction to UC benefits. The mechanism includes an Unemployment Compensation Trigger Reserve Account. Deposits into the account, if any, would be transferred to the Unemployment Compensation Trust Fund if the solvency percentage fell below 25 percent.

The solvency percentage is calculated on July 1 according to the following formula:

$$\text{Solvency Percentage} = \frac{\text{Unemployment Compensation Trust Fund balance (June 30)}}{\text{Average of benefit costs for last three fiscal years (June 30)}} \times 100$$

Effective in 1992 and each fifth year thereafter, the UC Law requires the solvency measure rates to be redetermined to derive a targeted annual monetary impact for each solvency measure as listed in the following table. The rates are to be redetermined based on the prior calendar year’s benefit and contribution activity and are effective in the following calendar year. The rate redeterminations are intended to maintain the monetary impact of each solvency measure at a level comparable to what would be derived by the original rates at the time of the solvency trigger’s adoption.

**Solvency Measures Targeted
Dollar Amounts
(Dollars in Millions)**

Benefit Trigger Level	Employer Additional		Employer Employee	
	Contributions b/	Surcharge c/	Tax d/	Reduction
150% or more	\$0	\$-18	\$0	\$0
125% but less than 150%	0	0	0	0
110% but less than 125%	0	50	33 1/3	0
95% but less than 110%	0	100	66 2/3	0
75% but less than 95%	75	100	116 2/3	0
50% but less than 75%	150	100	166 2/3	0
Less than 50%	225	100	166 2/3	52
Less than 25%	Prior trigger level solvency measures and transfer (if any) from Unemployment Compensation Trigger Reserve Account.			

In 1992, 1997, 2002 and 2007 the rates were recalculated to meet the targeted dollar amounts based on the previous calendar year contribution and benefit activity. The following tables show the solvency measure rates that were recalculated for use in 2003 through 2007 and 2008 through 2012.

Solvency Measures a/ 2003-2007

Trigger Level	Employer Additional Contributions b/	Employer Surcharge c/	Employee Tax d/	Benefit Reduction
150% or more	None	-1.3%	None	None
125% but less than 150%	None	None	None	None
110% but less than 125%	None	3.6%	.02%	None
95% but less than 110%	None	7.2	.04	None
75% but less than 95%	.20%	7.2	.07	None
50% but less than 75%	.40	7.2	.09	None
Less than 50%	.60	7.2	.09	2.3%
Less than 25%	Prior trigger level solvency measures and transfer (if any) from Unemployment Compensation Trigger Reserve Account.			

Solvency Measures e/ 2008-2012

Trigger Level	Employer Additional Contributions b/	Employer Surcharge c/	Employee Tax d/	Benefit Reduction
150% or more	None	-1.1%	None	None
125% but less than 150%	None	None	None	None
110% but less than 125%	None	2.9%	.02%	None
95% but less than 110%	None	5.8	.03	None
75% but less than 95%	.25%	5.8	.06	None
50% but less than 75%	.45	5.8	.08	None
Less than 50%	.65	5.8	.08	2.3%
Less than 25%	Prior trigger level solvency measures and transfer (if any) from Unemployment Compensation Trigger Reserve Account.			

a/Solvency measures for 2003-2007 were redetermined based on contribution and benefit activity for calendar year 2001.

b/ Added on to an employer's assigned rate and excludes new and reimbursable employers. The measure is not subject to the solvency surcharge on contributions due.

c/ Assessed on employer contributions due and excludes reimbursable employers. The surcharge is not assessed on solvency additional contributions.

d/ Assessed on all employee gross wages for a calendar year.

e/Solvency measures for 2008-2012 are based on contribution and benefit activity for calendar year 2006.

STATUS OF UC PROGRAMS AND INITIATIVES

Self-Employment Assistance

Self Employment Assistance (SEA) is a program developed in 1997 that allows profiled unemployed individuals to receive payments from the unemployment compensation fund for the purpose of establishing a business and becoming self employed. For 2008, the SEA program had 80 participants with 46 business start-ups (58 percent start-up rate). \$14.2 million in business income was generated by these new businesses as well as those SEA businesses that reported for the three year follow up. These businesses employed 365 workers earning \$3.9 million in wages.

Unemployment Compensation Tax Services (UCTS) Accomplishments and Customer Focus

Below are some highlights of activity completed by UCTS during calendar year 2008:

- Completed 3,057 tax compliance audits on gross payroll of \$1,577,115,773.31.
- Processed 53,329 employer registrations.
- Collected \$61,145,982.14 in delinquent taxes.
- Established 1,014 payment plans.
- Completed 13,686 block benefit claim investigations.
- Processed 7,294 UC tax rate appeals.

The UCTS continues to participate in seminars and outreach programs to educate employers, accountants and payroll services on their rights and responsibilities under the Pennsylvania UC Law. This included participating in nine seminars jointly with the Pennsylvania Department of Revenue and one with the PA Chamber of Commerce. Topics discussed were:

- Misclassified Workers
- Experience Rating Avoidance (SUTA Dumping)

- Professional Employer Organizations (PEO)
- Limited Liability Corporations (LLC)
- Contribution Rates
- Rate Appeal Deadlines
- Civil Penalties
- Taxability of Corporate Officer Wages
- Unemployment Compensation Modernization System (UCMS)

Upcoming Improvements for Employers: Employers will have a more efficient means of filing quarterly UC reports and paying taxes online when the UCMS replaces those functions of the e-TIDES system, anticipated next year. Employers and their representatives will continue to file and pay business taxes, other than UC, on e-TIDES. In addition, employers and employer representatives (aka Third Party Administrators or TPAs) will be able to do the following:

- File quarterly wage report (UC-2A) information online. UCMS will use the wage information to calculate the employer's quarterly tax report (UC-2) information: gross and taxable wages and the amounts due for employee withholding, employer contributions, and interest and penalty if applicable.
- Upload a file containing quarterly wage report and tax report information. Acceptable file formats will be Interstate Conference of Employment Security Agencies, or ICESA, and Comma Delimited.
- Send a file containing quarterly wage report information via File Transfer Protocol (FTP). FTP allows the transfer of files over the Internet. Acceptable file formats will be ICESA and Social Security Administration.
- Send a file containing quarterly tax report information via FTP using a tab delimited file format.
- Amend previously filed quarterly wage and tax reports. Through UCMS, this

can be done online by uploading files or by sending files via FTP using the ICESA format.

- Pay all quarterly amounts due online by ACH debit and credit card (including a PIN-less debit card). Employers can also print a mailable payment voucher.

With the arrival of UCMS, TPAs representing more than one employer can file wage and tax report information for multiple clients by FTP. Filing quarterly wage reports via magnetic tapes, cartridges or diskettes will be discontinued.

e-Tides/UC-Tides

“e-TIDES” is an application jointly developed by the Pennsylvania Department of Labor & Industry (L&I) and the Department of Revenue that allows employers to file and pay Pennsylvania business taxes via the Internet. The part of the application administered by L&I (called “UC-Tides”) allows for electronic filing and payment of quarterly UC tax and wage reports.

The usage of UC-Tides continued to grow in 2006, as indicated below:

	2006	2007	2008
UC-2 Tax Reports filed	145,820	190,491	192,611
UC-2A Wage Reports filed	121,588	151,519	221,786
Individual Wage Details	3,655,068	4,116,043	5,269,171
UC Payments (millions)	\$295.4	\$379.5	\$395.1

Misclassified Workers

Studies have estimated that up to 25 percent of workers are misclassified as independent contractors when in fact an employer/employee relationship exists. Misclassified workers have become an important education and auditing initiative for the UCTS.

The federal government and other states have also encountered problems

with the misclassification of employees as “independent contractors”, and the subsequent under-reporting of taxable wages. In order to address this issue, the UCTS is conducting audits of registered and unregistered employers in industries where historically workers have been misclassified. During 2008 we discovered 6,425 misclassified workers and \$5,977,766 in underreported contributions. This effort will continue in 2009.

Currently, the PA Unemployment Compensation Law, Section 4(l)(2)(B) has a two-part test to determine whether or not an individual is an independent contractor. The department has drafted proposed legislation to more clearly define the definition of an independent contractor. This will make it easier for employer’s to understand the law so that they can properly classify their workers.

State Unemployment Tax Act (SUTA) Dumping Update

Like all states, Pennsylvania uses an “experience rating” system to compute the yearly UC tax rates that are assigned to covered employers. The experience rating system bases the yearly tax rate assigned to an employer on the employer’s history of taxable wages, contributions paid into the UC Trust fund, and benefits payments to former employees.

“SUTA Dumping” is the term applied to schemes by which employers artificially reduce state UC tax obligations by evading unfavorable experience records. When employers engage in SUTA Dumping and receive artificially low tax rates, any UC benefits that are not recovered by the lower rates must be underwritten by the general employer population, tending to raise the tax rates that must be paid by all employers in order the keep the UC Trust Fund solvent.

For several years, L&I has been systematically targeting and investigating suspected cases of SUTA Dumping. As of the end of 2008, the department has undertaken 225 investigations and has identified \$27 million in additional contributions payable to the PA UC Trust Fund. This effort will continue in 2009.

Unemployment Compensation Service Centers (UCSC) Accomplishments and Customer Focus

In 2008, Pennsylvania's eight UCSC completed over 2.9 million telephone calls. The UCSC processed 872,193 new initial claims, 730,017 additional claims and more than 10.3 million continued claims (including over 3.9 million Internet UC claims). Since the Emergency Unemployment Compensation (EUC) program began in July 2008 through December 31, 2008, there have been 207,198 EUC claims filed, and 1,654,759 EUC payments issued. Additionally, the UCSC issued over 280,000 non-monetary determinations for UC eligibility.

Technology continues to play a major role in providing quality customer service to unemployed individuals and to Pennsylvania employers. The use of workforce management software to schedule staff for daily work assignments helps to provide a more consistent level of service. Also, the use of a call recording system allows for the continuous monitoring of all customer calls. The monitoring and playback of calls aids managers in identifying staff training issues.

In June 2008, the Office of Unemployment Compensation Benefits, or OUCB, conducted its first, electronic customer satisfaction survey of approximately 18,000 claimants who provided e-mail addresses when filing a claim during the month of March 2008. The results are as follows:

- 95 percent of claimants surveyed reported a satisfactory to excellent overall experience.
- 90 percent of claimants surveyed reported having a positive experience with the UC representatives.
- 96 percent of claimants surveyed reported satisfaction with the use of Internet services.
- 85 percent of claimants surveyed reported a satisfactory to excellent experience with wait times on the telephone until connected to a UC representative.
- 87 percent of claimants surveyed reported a satisfactory to excellent experience comparing our wait times with other organizations.

Services for Limited English Proficiency (LEP) Customers

The UC program recognizes the importance of providing services based on the individual needs of the customers. Pennsylvania's UCSC provide translation services in 150 different languages through Language Line Services® for customers who are limited English or non-English speaking. When a claimant or other individual contacts a UCSC by telephone, and the individual has difficulty communicating in English, UCSC representatives utilize Language Line Services® to assist in determining the customer's language need before providing further service. Additionally, there are 15 bilingual staff throughout the eight UCSC.

In Pennsylvania, Spanish is the most requested language for interpretation/translation services (93 percent of all requests in 2008) as documented by Language Line Services® statistics. Over 17,037 continued claims were filed via the Spanish Internet continued claims site during 2008 as compared to 9,100 in 2007. In addition, there is a paper claim form in

Spanish for individuals who have difficulty using the Internet or telephone systems. As the need is determined, paper claim forms will be provided in other languages.

In addition to UCSC telephone services, a claimant can file both initial and continued claims via the Internet at www.uc.pa.gov. There were 1,496 Spanish Internet initial claims in 2008 as compared to 561 in 2007.

Important claims information is provided in Spanish on posters and pamphlets distributed through Pennsylvania CareerLink and other workforce development agencies. Labor & Industry continues to expand the number of publications and marketing tools available in Spanish and other languages.

Workforce Development Initiatives

UC-funded personal computers (PC) are installed in all 67 PA CareerLink centers to facilitate UC claimant access to automated UC application and PA CareerLink enrollment processes. Also, Spanish centers, Nueva Esperanza and Calle Americana in Philadelphia, each have a UC-funded PC to allow access to UC services in Spanish over the Internet. This initiative was designed to allow direct access to both UC and reemployment services in a single location, thereby returning customers to gainful employment as soon as possible. It also means more claimants can take advantage of the wide variety of Internet UC services available.

UCSC Workforce Development (WD) field staff continues to participate with PA CareerLink partners in reemployment services for UC claimants. For example, in 2008, WD field staff assisted at 641 rapid response informational presentations and trade benefit rights interviews that impacted 23,461 workers. The field staff also participated in chairing 19 regional workforce development meetings. These

meetings brought together workforce development partners for discussions regarding UC reemployment programs.

UC Program Reaches Out to Employers

The UC deputate sponsored 16 seminars for employers across the state in 2008. The purpose of these seminars was to educate employers about the provisions of the UC Law and UC procedures. Topics included separation issues and appeal hearings. Feedback was very positive from employers who attended the seminars.

WD staff supported the UC Speaker's Bureau by educating employers with 31 speaking engagements at the Employers Advisory Council, Chamber of Commerce, Workforce Investment Board and other employer group meetings regarding UC program benefit changes and initiatives.

Claimant Identity Verification

On July 31, 2006, Labor & Industry implemented a new computer cross match to confirm claimant information provided on an application for UC benefits. Specifically, the cross match verifies the name, date of birth, and social security number. This cross match helps eliminate benefit fraud and overpayments.

As of December 31, 2008, a total of 714,851 claimant identity verification requests were generated. Of these, 695,387, or 97.3 percent, were either immediately verified through the cross match or verified through manual procedures such as telephone interviews. The UCSC staff investigates any unverified claims in order to bring them to a resolution.

Internet Claims

In 2008, a total of 384,939 new claims were processed over the Internet, accounting for 50 percent of new claims filed, up from 245,860 (39 percent) a year

ago. Also, Internet usage for filing biweekly claims continues to grow with current continued claims processed through the Internet accounting for about 44 percent of all continued claims, up from 38 percent in 2007.

Pennsylvania New Hires Program

Under the New Hires program, employers must report, within 20 days, any new employees and employees who return to work after a leave of absence of 30 days or more to the State Directory of New Hires. Reports from the New Hires Directory are cross matched with records from the departments of Public Welfare and Labor & Industry to identify and locate people owing child support, as well as individuals who may have been overpaid public assistance, unemployment, and/or worker's compensation. Through the Department of Labor & Industry's cross-matching with both the State Directory of New Hires and the National Directory of New Hires, the department detected 3,193 overpayments in UC benefits, totaling \$2.8 million, during 2008. Almost \$2.3 million in overpayments was recovered in 2008.

Trade Adjustment Assistance

The Trade Adjustment Assistance Reform Act of 2002 (TAA Reform Act) reauthorized the Trade Adjustment Assistance (TAA) program for workers, amending and adding two additional provisions: Health Coverage Tax Credit (HCTC) and Alternative Trade Adjustment Assistance (ATAA) for Older Workers Program.

In 2008, 172 TAA petitions were certified covering 15,777 workers who were notified of their eligibility to apply for Trade Adjustment Assistance. There were 1,874 Trade Readjustment Allowance (TRA) initial claims established for calendar year 2008.

In addition, more than \$22.3 million of TRA benefits were processed.

The Health Coverage Tax Credit (HCTC) is a tax credit that covers 65 percent of the premium amount paid by eligible individuals who are receiving TAA and individuals receiving benefits from the Pension Benefit Guaranty Corporation for qualified health insurance coverage. From October 1, 2007 until September 30, 2008, the department transmitted a monthly average of 4,207 potentially eligible TRA recipients to the program administrator for the Internal Revenue Service (IRS). Of these individuals, an average of 1,876 were enrolled per month and received a payment for the tax credit.

As a supplemental wage demonstration project, the ATAA for Older Workers (over 50 years old) Program permits workers to receive up to \$10,000 over a two-year period in addition to earnings from a full-time job instead of enrolling in training. In 2008, 171 Trade Act petitions were approved for ATAA and 414 claimants were paid benefits totaling \$1,128,000.

Federal Emergency Unemployment Compensation (EUC)

On June 30, 2008, President Bush signed into federal law the Supplemental Appropriations Act of 2008, Public Law 110-252 (H.R. 2642). This legislation provides up to 13 weeks of EUC benefits in all states. The first payable week is week ending July 12, 2008. On November 21, 2008, President Bush signed into federal law the "Unemployment Compensation Emergency Act of 2008," Public Law 110-449 (H.R. 6867). This legislation amended the Supplemental Appropriations Act of 2008 to provide that the maximum EUC entitlement would be increased to now equal the lesser of 80 percent of the regular UC entitlement (instead of 50 percent) or 20 weeks (instead

of 13 weeks). This entitled Pennsylvania's 16-week UC exhaustees to a maximum of 12.8 weeks of EUC, instead of eight weeks, and 26-week UC exhaustees to a maximum of 20 weeks of EUC, instead of 13 weeks. The provisions of this federal law applied retroactively, as if included in original EUC Law. For EUC claimants who had qualified for eight weeks under the original EUC Law, their EUC claims qualified to be revised upward by an additional 4.8 weeks of EUC. For EUC claimants previously only eligible for 13 weeks, their EUC claims qualified to be revised upward by an additional seven weeks of EUC. The first payable week of the extended EUC benefits

was the week ending November 29, 2008 (the first full week following the date of enactment). In 2008, Pennsylvania paid a total of \$528,380,468 in EUC benefits.

The Supplemental Appropriations Act of 2008, Public Law 110-252, also provides for a second tier of up to 13 more weeks of EUC benefits that would become available to unemployed Pennsylvanians who had exhausted their entire first tier of EUC entitlement if a period of very high unemployment, as defined in EUC Law, "triggered on" in Pennsylvania. As of December 2008, Pennsylvania had not yet reached this Tier 2 EUC trigger level.

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**DEFINITIONS FOR
WEEKLY BENEFIT RATES
AND EARNING REQUIREMENTS**

- | | |
|-----------------------------------|--|
| Minimum Weekly Benefit Rate | - Lowest amount of weekly unemployment compensation (UC) benefits available under Pennsylvania's UC Law before deductions (e.g., for pensions) |
| Maximum Weekly Benefit Rate | - Highest amount of weekly UC benefits established by Pennsylvania's UC Law before deductions (e.g., for pensions) or supplements (e.g., for dependent allowance) |
| Earning Requirement, High Quarter | - Amount of an individual's highest quarterly wages needed to qualify for a particular weekly benefit rate - used in combination with the base year earning requirement to determine benefit eligibility |
| Earning Requirement, Base Year | - Amount of wages during a four quarter period needed to qualify for benefits - used in conjunction with the high quarter earning requirement to determine the weekly benefit rate |

Weekly Benefit Rates And Earning Requirements

		Minimum		Maximum		
		Earning Requirement		Earning Requirement		
Year	Weekly Benefit Rate a/	High Quarter	Base Year	Weekly Benefit Rate a/	High Quarter	Base Year
1989	\$35	\$800-812	\$1,320	\$266	\$6,588	\$10,560
1990	35	800-812	1,320	280	6,938	11,120
1991	35	800-812	1,320	291	7,213	11,560
1992	35	800-812	1,320	304	7,538	12,080
1993	35	800-812	1,320	317	7,863	12,600
1994	35	800-812	1,320	329	8,163	13,080
1995	35	800-812	1,320	340	8,438	13,520
1996	35	800-812	1,320	352	8,738	14,000
1997	35	800-812	1,320	362	8,988	14,400
1998	35	800-812	1,320	375	9,313	14,920
1999	35	800-812	1,320	393	9,763	15,640
2000	35	800-812	1,320	408	10,138	16,240
2001	35	800-812	1,320	430	10,688	17,120
2002	35	800-812	1,320	442	10,988	17,600
2003	35	800-812	1,320	451	11,213	17,960
2004	35	800-812	1,320	461	11,463	18,360
2005	35	800-812	1,320	478 b/	11,888	19,040
2006	35	800-812	1,320	497 b/	12,363	19,800
2007	35	800-812	1,320	520	12,938	20,720
2008	35	800-812	1,320	539	13,413	21,480

a/ Does not include \$5 for first dependent and \$3 for second dependent which became effective October 1, 1971.

b/ Beginning January 1, 2005 and continuing in 2006, all weekly benefit checks were subject to a 2.3 percent reduction. For example, a \$252 weekly benefit rate was reduced to \$246.

DEFINITIONS FOR UC CLAIM ACTIVITIES

- | | |
|---------------------------------|--|
| Insured Unemployment Rate (IUR) | - Ratio of the average annual weekly number of persons claiming UC benefits to average annual covered employment - calculated by dividing average annual weekly continued weeks claimed by average annual covered employment |
| Initial Claims | - Notices of unemployment filed to request a determination of entitlement to and eligibility for compensation in a new benefit year (period of eligibility) following a period of employment or to begin a second or subsequent period of eligibility within the benefit year following interim employment - included are transitional claims which provide another period of eligibility (benefit year) based on a second determination of entitlement without a period of employment separating the end of the first benefit year from the beginning of the second |
| New Claims | - Type of initial claim representing an individual's first separation from employment for which a determination of benefit eligibility is requested |
| Weeks Claimed | - Requests for benefits filed by claimants which certify to the fact the claimants experienced total, partial, or part-total unemployment for given weeks (includes waiting weeks claimed and requests subsequently denied) |
| Waiting Weeks Claimed | - First week of unemployment in a benefit year for which individuals do not receive benefits but must meet UC eligibility requirements in order to qualify for benefits for subsequent weeks of unemployment |

Unemployment Compensation Claim Activities

Year	IUR	Initial Claims	New Claims	Weeks Claimed	Waiting Weeks Claimed
1989	2.6	1,090,828	542,331	6,598,609	469,494
1990	3.1	1,237,759	618,790	7,805,567	537,185
1991	4.1	1,428,291	721,327	10,360,347	628,668
1992	4.1	1,309,961	678,298	10,167,050	577,118
1993	3.4	1,072,969	595,600	8,525,718	492,604
1994	3.4	1,136,370	619,189	8,807,115	538,926
1995	3.3	1,229,122	628,771	8,617,578	549,288
1996	3.2	1,218,496	618,255	8,711,731	497,917
1997	2.8	1,101,409	569,514	7,615,908	502,559
1998	2.7	1,138,641	567,585	7,312,502	493,259
1999	2.6	1,036,558	535,309	7,099,459	494,849
2000	2.4	983,951	538,767	6,882,190	495,799
2001	3.3	1,309,511	707,974	9,269,080	664,459
2002	3.9	1,314,267	716,947	10,843,412	709,960
2003	4.0	1,341,118	726,556	11,205,336	697,212
2004	3.4	1,177,499	640,967	9,515,424	605,155
2005	3.1	1,148,256	614,444	8,728,555	570,225
2006	3.0	1,176,669	596,054	8,496,746	574,111
2007	3.0	1,250,506	621,639	8,535,079	590,835
2008	3.5 a/	1,445,344	747,708	10,102,236	702,410

a/ Preliminary rate based on actual 2008 claims activity and a 2008 covered employment estimate based on the first six months of the year due to a six-month lag in reporting covered employment.

DEFINITIONS FOR UC PAYMENT ACTIVITIES

- | | |
|---------------------------|--|
| First Payment | - First benefit payment a claimant receives for a week of unemployment in a benefit year |
| Final Payment | - The last benefit check received for a week of unemployment which exhausts a claimant's benefit entitlement in a benefit year |
| Weeks Paid | - Weeks claimed which were paid to eligible claimants upon certification that UC qualifying unemployment was experienced during given weeks |
| Net Benefit Amount | - Amount of regular UC benefits paid to claimant after adjusting for returned and redeposited benefit payments |
| Average Payment | - Average amount of regular UC benefits paid for a week of unemployment - calculated by dividing the net benefit amount by the number of weeks paid |
| Average Duration | - Average number of regular UC weeks paid per claimant for a given time period - calculated by dividing the number of weeks paid by the number of first payments |

Unemployment Compensation Payment Activities

Year	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Payment	Average Duration In Weeks
1989	406,243	88,757	5,844,611	\$977,506,937	\$167.25	14.4
1990	472,039	108,398	6,977,668	1,205,707,889	172.80	14.8
1991	559,992	169,162	9,351,835	1,700,501,551	181.84	16.7
1992	517,810	194,509	9,329,271	1,723,937,512	184.79	18.0
1993	434,761	166,111	7,751,530	1,493,692,501	192.70	17.8
1994	470,271	154,824	8,008,853	1,556,279,567	194.32	17.0
1995	479,269	133,540	7,832,627	1,573,785,055	200.93	16.3
1996	467,434	135,550	7,830,542	1,602,333,137	204.63	16.8
1997	429,874	111,217	6,881,145	1,429,863,613	207.79	16.0
1998	418,539	104,690	6,516,313	1,417,967,995	217.60	15.6
1999	402,078	102,613	6,328,215	1,450,835,558	229.26	15.7
2000	396,227	96,622	6,019,988	1,463,845,836	243.16	15.2
2001	545,596	128,679	8,178,922	2,128,214,504	260.21	15.0
2002	560,623	197,968	9,788,237	2,639,702,689	269.68	17.5
2003	566,022	212,711	9,987,914	2,686,940,192	269.02	17.6
2004	486,975	165,590	8,429,492	2,272,460,045	269.58	17.3
2005 a/	461,257	139,872	7,671,548	2,039,147,620	265.81	16.6
2006 a/	447,066	133,827	7,346,051	2,030,680,946	276.43	16.4
2007	461,807	131,934	7,458,854	2,149,766,257	288.22	16.2
2008	562,343	166,330	9,035,608	2,754,579,009	304.86	16.1

a/ The net benefit amount and average payment include the benefit reduction that was in effect that year.

**DEFINITIONS FOR
UC NONMONETARY DETERMINATIONS**

Nonmonetary
Determinations

- Decisions relative to a claimant's nonfinancial eligibility for UC benefits - includes such issues as voluntary quit, fired for misconduct, and able and available for work. Employers or claimants may appeal adverse determinations.

Unemployment Compensation Nonmonetary Determinations

Year	Total	Ineligible	Eligible
1989	325,884	91,940	233,944
1990	360,406	100,469	259,937
1991	421,256	110,367	310,889
1992	402,679	105,534	297,145
1993	362,225	95,459	266,766
1994	388,006	104,127	283,879
1995	396,162	109,715	286,447
1996 a/	507,641	179,673	327,968
1997 a/	624,074	281,634	342,440
1998 a/	546,432	249,510	296,922
1999 a/	470,807	219,703	251,104
2000 a/	389,187	194,454	194,733
2001	375,761	167,541	208,220
2002	382,176	214,937	167,239
2003	410,574	232,727	177,847
2004	436,097	251,112	184,985
2005	331,430	155,630	175,800
2006	319,658	134,318	185,340
2007	308,011	124,349	183,662
2008	280,859	115,229	165,630

a/ Includes additional categories of nonmonetary determinations pertaining primarily to the establishment of overpayments and penalty weeks not counted in other years. The majority of these determinations are ineligible.

DEFINITIONS FOR CONTRIBUTION AND TRUST FUND DATA

- | | |
|--|---|
| Contributions Deposited | - Payments made to the state's UC Trust Fund by employers and employees subject to Pennsylvania's UC Law |
| Contributory Employers | - Employers who submit quarterly contributions to the UC Trust Fund based on their tax rate and taxable wages - included are all businesses for profit, and all nonprofit associations or local governments who do not elect to be reimbursable employers |
| Reimbursable Employers | - Employers who repay the UC Trust Fund dollar-for-dollar for benefits paid to former employees - included are state government agencies, nonprofit associations and local governments who elect this method of financing their UC costs |
| Employees | - Employees who meet the definition of employment as provided in the UC Law - included are employees of contributory and reimbursable employers |
| Unemployment Compensation Trust Fund Balance | - Net cash balance in the UC Trust Fund at the end of the day on December 31 - balance includes disbursements and deposits that may not have cleared the Federal UC Trust Fund account as of December 31 |

Contribution and Trust Fund Data

Year	Contributions Deposited				Unemployment Compensation Trust Fund Balance b/
	Total	By Contributory Employers	By Reimbursable Employers	By Employees a/	
1989	\$1,240,927,686	\$1,176,967,446	\$35,502,025	\$28,458,215	\$1,550,006,772
1990	1,130,121,574	1,089,637,710	40,547,995	-64,131	1,620,917,309
1991	1,109,475,631	1,052,388,256	57,116,713	-29,338	1,148,379,564
1992	1,271,401,947	1,158,540,022	68,585,214	44,276,711	783,474,066
1993	1,718,388,314	1,484,639,991	79,082,925	154,665,398	1,071,403,817
1994	1,879,617,857	1,588,417,169	93,688,056	197,512,632	1,491,260,789
1995	1,842,668,659	1,582,310,644	93,707,351	166,650,664	1,879,920,482
1996	1,589,414,015	1,416,545,546	98,881,634	73,986,836	2,002,263,313
1997	1,483,977,344	1,381,560,863	90,606,855	11,809,626	2,199,307,745
1998	1,471,415,809	1,381,393,678	90,274,965	-252,834	2,410,054,922
1999	1,469,814,120	1,393,713,774	76,083,109	17,237	2,596,411,846
2000	1,490,359,478	1,403,267,537	87,403,396	-311,455	2,802,479,410
2001	1,458,548,267	1,373,067,624	85,503,748	-23,105	2,314,312,551
2002	1,463,303,615	1,350,822,273	112,463,637	17,705	1,649,871,832
2003	1,685,366,186	1,515,649,323	140,643,143	29,073,720	710,294,047
2004	2,132,139,797	1,850,251,335	136,257,090	145,631,372	596,829,329
2005	2,371,040,690	2,053,781,504	124,715,871	192,543,315	963,775,487
2006	2,424,898,998	2,097,051,656	126,806,564	201,040,778	1,371,398,827
2007	2,345,830,766	1,992,543,159	141,143,163	212,144,444	1,554,915,869
2008	2,169,441,194	1,862,750,090	140,665,138	166,025,966	979,744,079

a/ Liability for employee contributions occurred from January 1984 through 1988, January 1992 through 1996 and January 2003 through 2007. Revenue received from 1989-1991 and from 1997-2002 pertains to residual activity from prior years in which liability was effective.

b/ As of December 31, and includes Trust Fund debt.

DEFINITIONS FOR UC SOLVENCY TRIGGER MEASURES

- Solvency Percentage - The solvency percentage is calculated on July 1 of each year and is defined as the UC Trust Fund balance ending June 30 divided by the average benefit cost for the three fiscal years ending the same date multiplied times one-hundred. The solvency percentage determines the trigger level that in turn establishes the solvency measures to be used in the following calendar year.
- Employer Surcharge - Assessed on an employer's contributions due for a calendar year at a rate established by the solvency trigger level - the surcharge is not assessed on employer reimbursable contributions due and employer solvency additional contributions
- Employer Additional Contribution Tax - Added on to an employer's assigned calendar year tax rate at a rate established by the solvency trigger level - the additional tax is not assigned to new contributory employers and reimbursable employers-the tax is not subject to the employer surcharge solvency measure.
- Employee Tax - Assessed on the calendar year gross wages of all employees covered under the state's Unemployment Compensation Law at a rate established by the solvency trigger level
- Benefit Reduction - All weekly benefit rates during a calendar year are reduced at a rate established by the solvency trigger level

UC Solvency Trigger Measures

(Dollars in Millions)		Employer SurchARGE		Employer Additional Tax		Employee Tax		Benefit Reduction	
Year a/	Solvency Percentage b/	Rate	Amount Due c/	Rate	Amount Due c/	Rate	Amount Due c/	Rate	Reduction
1989	159%	None	\$0	None	\$0	None	\$0	None	\$0
1990	179	-1.5%	-17	None	0	None	0	None	0
1991	122	-1.5	-16	None	0	None	0	None	0
1992	69	4.0	46	None	0	0.05%	62	None	0
1993	64	9.3	116	0.50%	156	0.15	190	None	0
1994	83	9.3	124	0.50	160	0.15	197	None	0
1995	120	9.3	127	0.25	81	0.11	152	None	0
1996	126	4.7	63	None	0	0.03	43	None	0
1997	145	None	0	None	0	None	0	None	0
1998	164	None	0	None	0	None	0	None	0
1999	182	-1.4	-20	None	0	None	0	None	0
2000	201	-1.4	-20	None	0	None	0	None	0
2001	184	-1.4	-20	None	0	None	0	None	0
2002	122	-1.4	-20	None	0	None	0	None	0
2003	58	3.6	55	None	0	0.02	39	None	0
2004	32	7.2	119	0.40	142	0.09	186	None	0
2005	43	7.2	125	0.60	215	0.09	193	2.3	51
2006	69	7.2	126	0.60	219	0.09	203	2.3	52
2007	85	7.2	123	0.40	149	0.09	212	None	0
2008	80	5.8	96	0.25	93	0.06	165	None	0

- a/ The Unemployment Compensation (UC) Law was amended in 1988 to include an UC solvency trigger mechanism. The first solvency percentage calculation occurred in 1989.
- b/ Solvency percentage activates solvency measures for the following calendar year. The 1989 solvency measures were fixed by the Unemployment Compensation Law.
- c/ Amount of contributions due for the calendar year. Actual receipts during the year may differ as a result of contributions due for a quarter being received in the subsequent quarter.

**DEFINITIONS FOR
COVERED EMPLOYMENT AND WAGES**

- | | |
|----------------------------|---|
| Active Employers | - Employers who either are subject to or voluntarily elect to be covered under the provisions of the Pennsylvania UC Law |
| Average Covered Employment | - Twelve-month average number of employees working for employers covered under the Pennsylvania UC Law |
| Total Wages | - Amount of annual wages paid to all employees in covered employment |
| Taxable Wages | - Amount of wages subject to UC taxes - these are wages paid by contributory employers, up to the taxable wage base for each employee. Since 1984, the taxable wage base has been \$8,000 |

Covered Employment and Wages

Year	Active Employers a/	Average Covered Employment	Total Wages	Taxable Wages
1989	230,947	4,875,400	\$108,000,446,952	\$31,644,561,431
1990	233,679	4,906,044	114,126,673,936	31,888,155,792
1991	234,321	4,820,473	116,536,044,622	31,239,431,933
1992	234,355	4,819,071	123,163,218,565	31,285,680,530
1993	233,948	4,858,713	126,453,677,063	31,574,695,981
1994	234,182	4,923,717	131,501,351,196	32,326,625,150
1995	236,746	4,986,418	137,994,113,987	32,839,723,690
1996	236,726	5,046,174	144,910,231,319	33,664,898,315
1997	238,308	5,158,118	154,383,264,744	34,854,248,991
1998	246,154	5,253,652	164,800,517,598	36,290,518,613
1999	250,367	5,345,921	173,807,881,592	37,343,375,939
2000	259,492	5,443,618	184,042,135,560	38,648,909,731
2001	265,451	5,442,944	189,076,552,680	38,418,404,791
2002	268,723	5,396,047	191,748,701,071	37,612,959,443
2003	271,459	5,363,633	196,855,782,892	37,239,888,704
2004	275,853	5,390,750	206,119,193,715	37,766,495,406
2005	280,394	5,446,514	214,210,346,697	38,291,369,630
2006	284,770	5,502,645	225,612,061,577	38,839,810,726
2007	289,289	5,549,120	237,997,366,760	39,556,490,436
2008	287,417	5,549,229 b\	121,297,290,461 b\	31,879,757,699 b\

a/ As of December 31 of each year.

b/ Reflect only the actual numbers from January through June.

**DEFINITIONS FOR
EMPLOYER CONTRIBUTION FACTORS**

- | | |
|------------------------------|---|
| Taxable Wage Base | - Maximum amount of an employee's annual wages subject to employer state UC taxes - the wage base must be no less than the federal minimum tax base (FUTA) of \$7,000 effective with 1983 |
| Average Tax Rate | - Average rate at which UC taxes are payable. Calculated by dividing total UC contributions due by taxable wages - excludes contributions from employees and reimbursable employers |
| Portion Experience Rated | - Portion of employer taxes that is based on the employer's experience with unemployment. Calculated as the ratio of the average tax rate minus any flat tax to the average tax rate |
| Portion Not Experience Rated | - Portion of employer taxes that is not based on the employer's experience with unemployment. Calculated as the ratio of any flat tax to the average tax rate |

Employer Contribution Factors

Year	Taxable Wage Base	Average Tax Rate	Breakdown of Average Tax Rate	
			Portion Experience Rated	Portion Not Experience Rated
1989	8,000	3.67	59	41
1990	8,000	3.42 a/	58	42
1991	8,000	3.35 a/	57	43
1992	8,000	3.81 b/	57	43
1993	8,000	4.83 c/	51	49
1994	8,000	4.99 c/	52	48
1995	8,000	4.78 c/	55	45
1996	8,000	4.16 d/	59	41
1997	8,000	3.95	62	38
1998	8,000	3.84	61	39
1999	8,000	3.78 e/	62	38
2000	8,000	3.72 e/	61	39
2001	8,000	3.66 e/	60	40
2002	8,000	3.70 e/	61	39
2003	8,000	4.22 f/	61	39
2004	8,000	5.07 g/	57	43
2005	8,000	5.43 h/	56	44
2006	8,000	5.39 h/	56	44
2007	8,000	5.01 g/	56	44
2008	8,000	4.67 i/	58	42

a/ Tax rates for 1990 and 1991 include a negative 1.5 percent surcharge.

b/ Tax rate for 1992 includes a positive 4.0 percent surcharge.

c/ Tax rates for 1993, 1994, and 1995 include a positive 9.3 percent surcharge. The additional tax for 1993 and 1994 is 0.5 percent and for 1995 is 0.25 percent.

d/ Tax rate for 1996 includes a positive 4.7 percent surcharge.

e/ The tax rate for 1999, 2000, 2001 and 2002 includes a negative 1.4 percent surcharge.

f/ The tax rate for 2003 includes a positive 3.6 percent surcharge.

g/ The tax rate for 2004 and 2007 includes a positive 7.2 percent surcharge and 0.4 additional tax.

h/ The tax rate for 2005 and 2006 includes a positive 7.2 percent surcharge and 0.6 additional tax.

i/ The tax rate for 2008 includes a positive 5.8 percent surcharge and a 0.25 additional tax. The 2008 tax rate is based on estimated 2008 taxable payrolls.

DEFINITIONS FOR SUMMARY OF TAX RATES BY INDUSTRY

- | | |
|----------------------------------|--|
| Major Sector | - Primary activity of covered employers based on the grouping according to the 2002 edition of the "North American Industry Classification System" |
| Number of Contributory Employers | - Contributory employers subject to the Pennsylvania UC Law at the beginning of each year - not included are contributory employers who become liable later in the year |
| Average Tax Rate | - Average of all UC contribution rates assigned at the beginning of the year, based on prior fiscal year taxable payrolls |
| Total Payroll | - Amount of wages paid by all contributory employers who are subject to the Pennsylvania UC Law at the beginning of the year |
| Taxable Payroll | - Amount of wages subject to UC taxes paid by contributory employers who are subject to the Pennsylvania UC Law at the beginning of the year |
| Reserve Balance | - Sum of reserve account balances of all contributory employers who are subject to the Pennsylvania UC Law at the beginning of the year - the reserve balance reflects the difference between the amount of lifetime contributions each employer pays into the UC Trust Fund and the amount of lifetime benefits paid to the employer's former employees that are charged to the employer's account- not included are the reserve account balances of employers who have gone out of business in prior years |

Summary of Tax Rates by Industry 2008

Major Sector	Number Contributory Employers a/	Average Tax Rate b/	(Dollars in Millions)		
			Total Payroll c/	Taxable Payroll c/	Reserve Balance c/
Natural Resources and Mining	16,632	5.06%	\$3,655	\$586	\$39
Construction	30,278	7.93%	\$13,163	\$2,870	-\$2,218
Manufacturing	14,540	5.42%	\$35,472	\$6,236	\$1,316
Trade	49,689	4.35%	\$31,092	\$7,970	\$2,459
Transportation and Warehousing	7,124	5.76%	\$10,324	\$1,932	\$442
Information	3,142	5.58%	\$5,986	\$939	\$331
Financial Activities	18,675	4.63%	\$21,315	\$3,022	\$1,006
Professional and Business Services	47,087	5.30%	\$35,976	\$6,270	\$1,146
Education and Health Services	39,041	4.24%	\$17,453	\$4,079	\$973
Leisure and Hospitality	25,600	4.33%	\$8,204	\$3,936	\$819
Other Services	27,331	4.10%	\$4,494	\$1,319	\$364
Local Government	961	3.54%	\$248	\$70	\$23
TOTAL	280,252	5.04%	\$187,387	\$39,231	\$6,699

a/ Contributory employers who were covered by the Pennsylvania Unemployment Compensation Law at the beginning of the year.

b/ Reflects the tax rate assigned at the beginning of the year to employers based on fiscal year 2005 (July 2005-June 2006) taxable payroll. The assigned tax rate is higher than the net end of year tax rate shown on page 51.

c/ Data for the fiscal year ending June 30, 2007 used to compute 2008 tax rates. Fiscal year 2007 (July 2007-June 2008) payroll data and the June 30, 2008 reserve balance will not be available until 2009

NOTE: Industry details may not add to totals due to rounding. In addition, information regarding the industry classification of some employers was not available.

**DEFINITIONS FOR
EXTENDED BENEFITS, TEMPORARY EXTENDED AND
EMERGENCY UNEMPLOYMENT COMPENSATION CLAIM ACTIVITIES
AND NONMONETARY DETERMINATIONS**

- | | |
|----------------------------|--|
| Initial Claims | - Notices of continued unemployment or separation from employment filed in the state's local offices by individuals who have received their maximum benefit entitlement for UC |
| New Claims | - Type of initial claim representing an individual's first request for extended benefits, EUC, or TEUC from which a determination of eligibility results |
| Weeks Claimed | - Requests for benefits filed by claimants which certify to the fact the claimants experienced total, partial, or part-total unemployment for given weeks (includes waiting weeks claimed and requests subsequently denied) |
| Nonmonetary Determinations | - Decisions relative to a claimant's non-financial eligibility for UC benefits - includes such issues as voluntary quit, fired for misconduct, and able and available for work- employers or claimants may appeal adverse determinations |

Extended Benefits Claim Activities And Nonmonetary Determinations

Year	Initial Claims	New Claims	Weeks Claimed	Nonmonetary Determinations:		
				Total	Ineligible	Eligible
1976	180,907	164,411	1,643,925	20,523	8,462	12,061
1977	152,788	141,704	1,307,267	20,681	8,765	11,916
1978	64,572	60,431	534,031	10,062	4,034	6,028
1979	47,247	43,534	263,430	2,825	1,244	1,581
1980	151,439	135,583	1,050,569	10,452	4,217	6,235
1981	77,043	69,550	618,792	7,134	2,360	4,774
1982	246,409	220,588	1,587,375	20,691	8,263	12,428
1983	189,961	163,242	1,514,247	21,068	5,107	15,961
1984-07 a/	124	110	1,922	1,417	294	1,123

a/ Data for 1984-2007 represent residual activity from the extended benefits period which ended July 16, 1983.

Emergency Unemployment Compensation Claim Activities and Nonmonetary Determinations

Year a/	Initial Claims b/	New Claims b/	Weeks Claimed	Nonmonetary Determinations:		
				Total	Ineligible	Eligible
1991	76,930	76,930	330,630 b/	1,351	432	919
1992	412,192	322,314	5,192,764	64,156	15,637	48,519
1993	541,866	337,311	5,152,268	106,238	24,326	81,912
1994	85,273	28,769	680,658	33,951	6,725	27,226
1995-07 c/	690	461	822	784 d/	317 d/	467 d/
2008	152,265	151,911	1,793,587	11,928	5,722	6,206

a/ Emergency unemployment compensation period began during week of November 23, 1991. Another period began during the week of July 12, 2008. Data include UC, UCFE, & UCX claims and determinations.

b/ Estimated

c/ Data for 1995-2007 represent residual activity from the first emergency unemployment compensation period, which ended during 1994.

d/ Effective for 1997 these data are no longer collected for the first emergency unemployment compensation period.

Temporary Extended Unemployment Compensation Claim Activities and Nonmonetary Determinations

Year a/	Initial Claims	New Claims	Weeks Claimed	Nonmonetary Determinations:		
				Total	Ineligible	Eligible
2002	314,921	278,559	2,784,923	20,375	9,477	10,898
2003	329,190	286,850	3,031,335	44,709	30,414	14,014
2004	11,621	5,277	338,969	23,428	16,579	6,849
2005	2,101	2,005	141	498	354	144
2006	42	0	1	79	51	28
2007	57	0	0	29	20	9

a/ Temporary Extended Unemployment Compensation period began during week of March 17, 2002 and ended April 3, 2004. TEUC for displaced airline and related industry workers ended January 1, 2005. Data include UC, UCFE, and UCX claims and determinations.

**DEFINITIONS FOR
EXTENDED BENEFITS, TEMPORARY EXTENDED AND
EMERGENCY UNEMPLOYMENT COMPENSATION PAYMENT
ACTIVITIES**

- | | |
|--------------------|--|
| First Payment | - First extended benefit, EUC, or TEUC check claimants receive for a week of unemployment |
| Final Payment | - Last extended benefit, EUC, or TEUC check claimants receive for a week of unemployment, which exhausts their extended benefit or EUC entitlement |
| Weeks Paid | - Extended benefit, EUC, or TEUC weeks claimed which were paid to eligible claimants upon certification that UC qualifying unemployment was experienced during given weeks |
| Net Benefit Amount | - Amount of extended benefits, EUC, or TEUC paid to claimants, after adjusting for returned and redeposited benefit payments |
| Average Payment | - Average amount of extended benefits, EUC, or TEUC paid for a week of unemployment - calculated by dividing the net benefit amount by the number of weeks paid |
| Average Duration | - Average number of weeks of extended benefits, EUC, or TEUC paid per claimant - calculated by dividing the number of weeks paid by the number of first payments |

Extended Benefit Payment Activities

Year	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Payment	Average Duration In Weeks
1975	211,508	136,876	1,619,403	\$123,084,739	\$76.01	7.7
1976	181,822	149,119	1,514,624	123,030,374	81.23	8.3
1977	148,374	112,373	1,215,962	103,330,656	84.98	8.2
1978	67,342	48,347	546,049	49,160,010	90.03	8.1
1979	43,513	19,018	282,534	23,464,540	83.05	6.5
1980	151,703	84,134	1,087,327	107,944,703	99.28	7.2
1981	85,022	62,108	685,250	73,993,522	107.98	8.1
1982	209,086	112,218	1,520,268	203,795,251	134.05	7.3
1983	182,509	136,164	1,466,376	214,790,880	146.48	8.0
1984-08 a/	192	218	1,315	(2,476,462)	n/a	n/a

a/ Data for 1984-2007 include residual activity from the extended benefits period which ended July 16, 1983 (payments ended August 6, 1983). Net benefit amount is negative due to refunds and redeposits of previously issued checks.

Emergency Unemployment Compensation Payment Activities

Year a/	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Payment	Average Duration In Weeks
1991	75,371	0	271,949	\$52,049,733	\$191.40	3.6
1992	232,412	72,307	5,167,281	986,242,398	190.86	22.2
1993	259,655	169,533	5,250,899	1,014,625,298	193.23	20.2
1994	27,465	62,362	719,399	129,990,652	180.69	26.2
1995-07 b/	48	159	866	(5,025,420)	n/a	n/a
2008	143,551	0	1,683,196	531,265,717	315.63	11.7

a/ Emergency unemployment compensation period began during the week of November 23, 1991. Another period began during the week of July 12, 2008. Data include payments for UC, UCFE, and UCX.

b/ Data for 1995-2007 represent residual activity from the emergency unemployment compensation period which ended during 1994. Net benefit amount is negative due to refunds and redeposits of previously issued checks.

Temporary Extended Unemployment Compensation Payment Activities

Year a/	First Payments	Final Payments	Weeks Paid	Net Benefit Amount	Average Payment	Average Duration In Weeks
2002	214,001	110,219	2,755,681	\$779,026,456	\$282.70	12.9
2003	200,904	171,819	3,015,761	\$845,002,582	\$280.20	15.0
2004	6,380	36,866	348,266	\$95,512,355	\$274.25	n/a
2005 b/	6	125	902	(\$672,422)	n/a	n/a
2006 b/	0	82	500	(\$376,582)	n/a	n/a
2007 b/	0	31	180	(\$28,911)	n/a	n/a
2008	0	0	0	(\$43,493)	n/a	n/a

a/ Temporary Extended Unemployment Compensation period began during week of March 17, 2002 and ended April 3, 2004. TEUC for displaced airline and related industry workers ended January 1, 2005. Data include UC, UCFE, and UCX claims and determinations.

b/ Net benefit amount is negative due to refunds and redeposits of previously issued payments.

DEFINITIONS FOR POPULATION AND LABOR FORCE DATA

- | | |
|-------------------------------|--|
| Total Population | - Total number of Pennsylvania residents |
| Civilian Labor Force | - Twelve-month average number of Pennsylvania residents who are classified by the U.S. Bureau of the Census as either employed or unemployed |
| Total Resident Employment | - Twelve-month average number of civilian Pennsylvania residents, 16 years old and older, who are either working or on a paid absence from work - resident employment is derived from a monthly survey of a sample of Pennsylvania households by the U.S. Bureau of the Census |
| Total Unemployment | - Twelve-month average number of Pennsylvania residents, 16 years old and older, who are not working but are looking for work or are waiting to report to a new job within 30 days - total unemployment is derived from a monthly survey of a sample of Pennsylvania households by the U.S. Bureau of the Census |
| Total Unemployment Rate (TUR) | - The percentage of individuals unemployed in the civilian labor force defined as the number of individuals 16 years of age or older who do not have a job but are available for work and actively seeking work including individuals on layoff and waiting to report to a new job within 30 days, divided by the number of persons in the civilian labor force - the civilian labor force is the sum of the number of individuals who are either employed or unemployed |

Population and Labor Force Data (in Thousands)

Year	Total Population a/	Labor Force b/	Resident Employment b/	Resident Unemployment b/	Unemployment Rate b/
1989	11,866	5,807	5,534	273	4.7
1990	11,883	5,827	5,510	317	5.4
1991	11,982	5,842	5,437	405	6.9
1992	12,049	5,910	5,455	454	7.7
1993	12,120	5,923	5,504	419	7.1
1994	12,166	5,903	5,530	373	6.3
1995	12,198	5,900	5,554	346	5.9
1996	12,220	5,988	5,662	326	5.4
1997	12,228	6,086	5,775	311	5.1
1998	12,246	6,068	5,788	281	4.6
1999	12,264	6,078	5,810	268	4.4
2000	12,287	6,086	5,832	254	4.2
2001	12,296	6,163	5,870	293	4.7
2002	12,322	6,247	5,897	350	5.6
2003	12,351	6,186	5,835	351	5.7
2004	12,377	6,249	5,909	341	5.4
2005	12,405	6,257	5,946	311	5.0
2006	12,441	6,290	6,003	287	4.6
2007	12,433	6,287	6,013	274	4.4
2008	12,448	6,394	6,044	350	5.5

2008					
JAN	N/A	6,315	5,968	347	5.5
FEB	N/A	6,277	5,926	351	5.6
MAR	N/A	6,278	5,947	331	5.3
APR	N/A	6,308	6,010	298	4.7
MAY	N/A	6,387	6,065	322	5.0
JUN	N/A	6,459	6,114	345	5.3
JUL	N/A	6,481	6,128	353	5.4
AUG	N/A	6,489	6,111	378	5.8
SEP	N/A	6,430	6,093	337	5.2
OCT	N/A	6,446	6,098	348	5.4
NOV	N/A	6,429	6,049	380	5.9
DEC	N/A	6,428	6,018	410	6.4

a/ The 1980, 1990 and 2000 data reflect actual U.S. Bureau of the Census counts. For all other years, data reflect mid-year statistics provided by the U.S. Bureau of the Census.

b/ Monthly data are not seasonally adjusted. Annual data are twelve-month averages while monthly data are mid-month estimates. Data may not add to totals due to rounding. Pennsylvania labor force statistics reflect January 23, 2008 revision.



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