

1997

Initial Eligibility for Unemployment Compensation

Walter Nicholson
Amherst College

Citation

Nicholson, Walter. 1997. "Initial Eligibility for Unemployment Compensation." In *Unemployment Insurance in the United States: Analysis of Policy Issues*, Christopher J. O'Leary, and Stephen A. Wandner, eds. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, pp. 91–123. <http://dx.doi.org/10.17848/9780585338408.ch3>

This title is brought to you by the Upjohn Institute. For more information, please contact ir@upjohn.org.

CHAPTER 3

Initial Eligibility for Unemployment Compensation

Walter Nicholson

Amherst College

Mathematica Policy Research

States impose initial eligibility requirements to define which workers who lose jobs in covered employment may actually begin to draw regular unemployment insurance (UI) benefits.¹ These requirements serve two general purposes: (1) to insure that the worker has had sufficient employment experience to qualify for UI benefits (so called “monetary” provisions), and (2) to test whether the worker is not responsible for his or her job loss (“nonmonetary” provisions). Implicit in these objectives is the philosophy that UI benefits are intended as wage loss insurance against the risk of involuntary unemployment. Other causes of unemployment are not compensated through the UI system in the United States, although they often are in other countries.

This discussion of eligibility provisions begins with a description of the general concerns that have motivated policy developments. Then a brief survey of existing state laws is provided. Because state provisions regarding initial eligibility are quite varied, the research on the effects of these differences is also surveyed. Finally, there is a brief outline of some of the remaining unanswered questions about initial eligibility provisions and a description of how further research might inform the development of UI policy.

Some Conceptual Issues

Monetary eligibility provisions are employed by the states to ensure that workers have a sufficient employment history to qualify for UI benefit receipt. Frequently such provisions are justified as arising from the need to assure workers' "attachment to the labor force" (Haber and Murray 1966; U.S. Department of Labor 1994). Strictly speaking, however, existing monetary requirements do not do that: state requirements are not concerned with the UI recipient's current labor market status, but rather with his or her employment history. Of course, it may be true that, in many cases, employment history is a reasonably good predictor of current labor force status, especially in making the distinction between those workers who are unemployed and those who are not in the labor force. However, there are important circumstances where history is not a good proxy for current labor force status. For example, retirees may have significant employment histories but may have no intention of taking a new job, even if one is readily available. Alternatively, new entrants to the labor force may be actively seeking work but have no employment history with which to establish an entitlement to benefits. The distinction between current labor force status and employment history has at times led to considerable controversy over UI regulations, such as those related to the treatment of pension income.²

A somewhat different rationale for monetary eligibility provisions derives from the notion of an "earned right" to UI benefits as insurance. Under this conception, a worker's employment history creates an increasing right to benefits should a layoff occur. Provisions that tie UI entitlements to earnings history tend to reflect this insurance-like view of eligibility provisions. The fact that eligibility also depends on the conditions of the worker's separation from employment and on his or her continuing availability for work might be regarded as similar to other types of insurance provisions that seek to reduce the moral hazard associated with insurance coverage.

Measuring employment history to assess monetary eligibility poses a variety of conceptual problems, and the states have taken a wide variety of approaches to this matter. Some of the major issues include the following: (1) the length of time over which the employment history is

to be measured; (2) whether “employment” is to be measured by weeks, hours, earnings, or by some combination of these variables; (3) whether the specific time pattern of employment matters, or whether individuals with identical totals (such as total weeks worked, or total earnings during the “base” period) are to be treated identically; and (4) whether some types of employment (for example, seasonal or informal employment) are to be excluded from the history for purposes of eligibility calculations. Decisions made about each of these issues will obviously affect the eligibility of specific types of workers for benefits. In addition, such seemingly inconsequential definitional questions may also build adverse incentives into the affected labor markets. For example, there has been a long-standing concern that UI coverage of seasonal employment may effectively provide a subsidy to such jobs (Murray 1972). More recently, concern about displaced workers has raised the issue of using relatively long labor market histories as a way of targeting benefits to those for whom unemployment entails a significant loss of job-specific human capital.³ Adoption of such special provisions might reduce the risks associated with long-term employment, creating a variety of unpredictable labor market effects. Even decisions on more mundane matters, such as whether employment is to be measured by earnings or weeks, can create adverse incentive effects: an earnings-based criterion would favor short-term, highly paid jobs whereas a weeks-based criterion would favor part-time employment. Often states attempt to mitigate these effects by coupling their basic eligibility provisions with subsidiary requirements that seek to soften such incentives.

Nonmonetary provisions that relate to initial eligibility for UI are concerned solely with the claimant’s job separation. Other nonmonetary provisions that focus on continuing eligibility (such as the claimant’s continuing attachment to the labor force while collecting UI) are discussed separately in chapter 4. With regard to separation, the primary concerns of UI legislation have been to address the issue of “fault.” The notion that UI benefits are intended for workers who lose their jobs through “no fault of their own” is deeply ingrained in the philosophy of the system,⁴ and virtually all policy interest has been in applying the concept of “no fault.” Before examining such operational issues, it may be useful to ask why the determination of fault has been of such concern. After all, other forms of social insurance, such as

workers' compensation or Aid to Families with Dependent Children (AFDC), pay only modest attention to the question. Part of the explanation may lie in the nature of the moral hazard being addressed. With workers' compensation or AFDC, there may be less concern that clients become eligible through their own conscious actions (although the vast literature on disincentive effects associated with these programs suggests otherwise). In the case of UI, voluntary job separations are common, so it is possible that availability of UI may have a major impact on workers' choices.

A more important explanation for the focus by legislators on fault, however, may be that UI is financed through an experience-rated system of employer taxes. Under such a system, many employers (that is, those who are not at a state minimum or maximum tax rate and therefore are "effectively experience rated") have a direct interest in assuring that they are not charged for benefit payments for which they are "not responsible." Only by so doing can they assure that their premium payments accurately reflect the labor market risks that their operations actually entail. Employers may therefore be quite active in pressing for the adoption of various fault provisions into UI statutes.

Determination of fault in the job separation process has tended to focus on three types of issues: (1) voluntary separations; (2) discharges, especially for employee misconduct; and (3) involvement in labor disputes. Complex eligibility criteria have been developed for each of these topics, often with little coordination among the states. These varying provisions have probably had some differential impact on the types of job separations that actually occur.

Before reviewing the relatively slim amount of empirical literature on the possible size of the labor market impacts of differing UI provisions, a summary of actual state laws that pertain to initial eligibility will be provided. Since this treatment must be brief, the interested reader is directed to the invaluable "Comparison of State Unemployment Insurance Laws," which is updated periodically by the U.S. Department of Labor.⁵

State Requirements for Monetary Eligibility

All states utilize a one year “base period” for measuring employment history.⁶ The definition of this period varies from state to state, however. In some cases the period consists of the 52-week period immediately prior to layoff, whereas in others there may be a substantial lag between the end of the base period and the layoff date (or, more properly, the date at which the worker first files for benefits). All states require that an individual must have earned a specified amount of wages or must have worked for a specified number of weeks during the base period to qualify for benefits.

Recently, a few states have experimented with “alternative” base periods for workers who fail to meet their usual eligibility standards.⁷ The purpose of using such an alternative is to allow the states to focus on more recent earnings history so that workers with irregular employment patterns are more likely to be eligible. In his review of these provisions, Vroman (1995a) finds that they do indeed increase eligibility for low-wage, part-time, and intermittent workers. Adoption of the provisions tends to raise the number of UI recipients by 6-8 percent and to increase annual benefit payments by 4-6 percent.

The states have adopted a wide variety of formulas for defining monetary eligibility.⁸ A brief summary of these requirements is provided in table 3.1. Four types of qualifying requirements are currently used: (1) multiple of high quarter wages (twenty-four states), (2) multiple of weekly benefit amount (fourteen states), (3) a flat earnings requirement (six states), and (4) weeks or hours of work requirements (seven states). Many states also use alternative qualifying requirements for those workers who do not meet the primary requirements. A brief description of each of the primary requirements indicates how they operate in practice.

- **Multiple of High-Quarter Wages.** Workers are required to earn a certain dollar amount in the highest quarter of their base period. To qualify for benefits, they must then have total base-period earnings that are a multiple of this amount. Typically states require a multiple of 1.5 times high-quarter earnings, that is, one-third of total base-period earnings must be outside the high quarter.

Table 3.1 Monetary Eligibility Requirements in 1994

State	Formula	Earnings for minimum weekly benefit	Earnings for maximum potential benefit	Distribution requirement ^a	Seasonal restriction
Alabama	1.5 HQ ^b	\$1,032	\$12,869	2Q	-
Alaska	Flat	1,000	22,250	2Q	-
Arizona	1.5 HQ ^c	1,500	14,429	2Q	-
Arkansas	27 wba ^d	1,215	19,812	2Q	X ^e
California	1.25 HQ ^c	1,125	11,958	-	-
Colorado	40 wba	1,000	27,144	-	X
Connecticut	40 wba	600	12,680	2Q	-
Delaware	36 wba ^c	966	12,190	-	X
District of Columbia	1.5 HQ	1,950	17,420	2Q	-
Florida	20 weeks	400	26,000	2Q	-
Georgia	1.5 HQ	1,350	19,238	2Q	-
Hawaii	26 wba	130	8,762	2Q	-
Idaho	1.25 HQ	1,430	19,858	2Q	-
Illinois	Flat	1,600	12,285	\$440	-
Indiana	1.25 HQ	2,500	15,786	\$1,500	X
Iowa	1.25 HQ	1,090	16,458	2Q	-
Kansas	30 wba	1,860	19,500	2Q	-
Kentucky	1.5 HQ	1,500	19,283	\$750	-
Louisiana	1.5 HQ	1,200	17,428	2Q	-
Maine	Flat	2,287	15,444	2Q	X
Maryland	1.5 HQ	900	8,028	2Q	-
Massachusetts	30 wba	2,400	27,083	-	X
Michigan	20 weeks	1,340	19,810	2Q	-
Minnesota	1.25 HQ	1,250	23,790	2Q	X
Mississippi	40 wba	1,200	12,870	2Q	X
Missouri	1.5 HQ ^c	1,500	13,650	2Q	-
Montana	1.5 HQ	5,400	21,700	2Q	-
Nebraska	Flat	1,200	12,009	2Q-\$400	-
Nevada	1.5 HQ ^c	600	17,940	2Q	-
New Hampshire	Flat	2,800	24,500	2Q-\$1,200	-
New Jersey	20 weeks	2,460	20,242	2Q	-

State	Formula	Earnings for minimum weekly benefit	Earnings for maximum potential benefit	Distribution requirement ^a	Seasonal restriction
New Mexico	1.25 HQ	1,285	8,537	2Q	-
New York	20 weeks	1,600	11,980	2Q	-
North Carolina	1.5 HQ	2,324	21,996	2Q	X
North Dakota	1.5 HQ	2,795	19,302	2Q	-
Ohio	20 weeks	1,702	12,376	2Q	X
Oklahoma	1.5 HQ	4,160	15,405	2Q	-
Oregon	18 weeks	1,000	22,720	2Q	-
Pennsylvania	40 wba ^c	1,320	13,080	.2 wages	X
Puerto Rico	40 wba ^c	280	5,320	2Q	-
Rhode Island	1.5 HQ ^c	1,780	22,389	2Q	-
South Carolina	1.5 HQ	900	15,834	2Q	-
South Dakota	--	1,288	13,104	20 wba	X
Tennessee	40 wba	1,560	19,240	6 wba-\$900	-
Texas	37 wba	1,480	23,589	2Q	-
Utah	1.5 HQ	1,900	23,881	2Q	-
Vermont	--	1,628	9,405	-	-
Virginia	50 wba	3,250	20,800	2Q	-
Virgin Islands	1.5 HQ ^c	1,287	16,458	2Q	-
Washington	680 hours	1,825	30,600	-	-
West Virginia	Flat	2,200	26,500	2Q	X
Wisconsin	30 wba	1,380	15,795	8 wba	X
Wyoming	1.4 HQ	1,650	18,333	2Q	-

SOURCE U.S. Department of Labor (1994)

a 2Q means earnings required in two quarters in the base period. Other figures refer to earnings required outside the high quarter.

b. HQ means high-quarter earnings.

c. Significant alternative qualification requirements in addition to that listed.

d. wba means weekly benefit amount.

e. X indicates that a state has such restrictions.

- **Multiple of Weekly Benefit Amount.** States first compute the weekly benefit amount for which the worker would be eligible—typically, a fraction (1/26 is common) of high-quarter earnings—and specify a multiple of this amount as the base-period earnings required for eligibility. Because all states have minimum weekly benefit amounts, this minimum level determines the minimum total earnings in the base period required for eligibility.
- **Flat Amount.** States require a certain dollar amount of total earnings in the base period. Often, flat earnings requirements are also accompanied by quarterly distribution requirements that prevent qualification solely on the basis of a single short-term job.
- **Weeks or Hours of Work.** This requirement stipulates a minimum number of weeks (hours) of work at a specified minimum weekly (hourly) wage over the entire base period.

The operation of these formulas in practice is more complex than these summary descriptions imply. A state's detailed requirements are probably only fully understood by individuals actually involved in the claims-taking process. In its *Summary of State Unemployment Insurance Laws*, however, the U.S. Department of Labor does compute a minimum base-period earnings requirement that permits some degree of cross-state comparison. These figures are shown in the second column of table 3.1. Overall, there is a considerable degree of variation in required base period earnings among the states. Requirements range from a low of \$280 in base period earnings in Puerto Rico to a high of \$5,400 in Montana. Some authors have made use of this variation to estimate the effects that different monetary eligibility requirements have on patterns of UI collection. Because of the complexity of the actual formulas, such estimates should be viewed with caution.

The third column in table 3.1 reports the minimum base-period earnings required for receipt of a state's maximum weekly benefit amount. Again, there is substantial variation in these figures, primarily because maximum weekly benefit amounts also differ significantly across the states (see chapter 5). As these figures show, obtaining a complete picture of the overall generosity of a state UI program necessitates understanding the interaction between monetary eligibility requirements and methods of computing weekly benefit amounts.

The final two columns of table 3.1 indicate a few of the special requirements that the states have implemented in order to bar certain types of employment from resulting in UI eligibility. Practically all of the states have distribution requirements that prevent eligibility based on employment in only a single quarter. The stringency of these provisions varies in relatively complex ways among the states. Although most states do not make a distinction between seasonal and other employment in determining UI eligibility, fourteen have adopted special provisions intended to restrict the eligibility of seasonal workers.⁹ These states have developed a variety of different ways of defining "seasonal employment." Some use an explicit designation of certain industries as being seasonal. For example, processing of perishable food is defined as seasonal in Delaware, tourism is defined as seasonal in Minnesota, and special eligibility requirements apply to cigar workers in Florida. Other states have sought to establish a more universal definition of seasonality, often based on the length of regularly recurring periods of employment and unemployment. In principle, wage credits earned by workers in seasonal industries can typically be used to establish UI eligibility only for unemployment experienced during periods in which these workers were usually employed in their seasonal jobs. General UI eligibility requirements can only be met using wage credits earned in nonseasonal work. The degree to which such restrictions are enforced is uncertain.

State Nonmonetary Initial Eligibility Requirements

State UI laws incorporate a wide variety of nonmonetary requirements that affect initial eligibility. Most of these relate to the conditions of the employee's separation from his or her employment. Describing variations in state practices is made difficult, not only by the large number of issues that are addressed in state laws, but also by varying administrative procedures that have a significant impact on how such statutes operate in practice. The first part of this section focuses on principal variations in the laws themselves. Later, administrative procedures that are used in the determination of nonmonetary eligibility are briefly discussed.

Table 3.2 summarizes state laws as they relate to three of the primary provisions affecting nonmonetary eligibility: (1) voluntary leav-

Table 3.2 Nonmonetary Initial Eligibility Provisions in 1994

State	Voluntary leaving			Misconduct		Labor dispute	
	Good cause restricted ^a	Inclusions ^b	Period ^c	Period ^c	Gross ^e	Period ^e	Excluded ^f
Alabama	X	2	D + 10 wba	3-7	R	P	-
Alaska	-	-	5 + 3 wba	5	A	S	C,L
Arizona	X	-	D + 5 wba	D + 5 wba	-	0	C,L
Arkansas	X	1	D + 30 days	7	-	0	K
California	-	2	D + 5 wba	D + 5 wba	-	P	K
Colorado	X	2	10	10	A	0	K
Connecticut	X	2	D + 10 wba	D + 10 wba	-	0	K
Delaware	X	1	D + 4 wba	D + 4 wba	-	S	K
District of Columbia	X	-	D + 10 wba	D + 10 wba	-	P	K
Florida	X	2	D + 17 wba	D + 17 wba	A	0	K
Georgia	X	-	D + 10 wba	D + 10 wba	R	S	K
Hawaii	-	-	D + 5 wba	D + 5 wba	-	S	-
Idaho	X	-	D + 16 wba	D + 16 wba	-	0	-
Illinois	X	3	D + 4 wba	D + 4 wba	R	S	K
Indiana	X	4	D + 8 wba	D + 8 wba	R	0	-
Iowa	X	1	D + 10 wba	D + 10 wba	R	S	-
Kansas	X	4	D + 3 wba	D + 3 wba	A,R	S	-
Kentucky	X	-	D + 10 wba	D + 10 wba	-	P	K
Louisiana	X	-	D + 10 wba	D + 10 wba	R	P	-
Maine	X	2	D + 4 wba	D + 4 wba	A	S	C,L

Maryland	X	1	D + 10 wba	5-10	A	S	K
Massachusetts	X	4	D + 8 wba	D + 8 wba	-	S	-
Michigan	X	1	D + 7 wba	D + 7 wba	A,R	0	K
Minnesota	X	4	D + 8 wba	D + 8 wba	A,R	P	C,L,K
Mississippi	X	-	D + 8 wba	D + 8 wba	-	S	K
Missouri	S	2	D + 10 wba	4-16	A,R	S	-
Montana	X	-	D + 6 wba	D + 8 wba	A	0	L
Nebraska	-	-	7-10	7-10	R	S	-
Nevada	-	-	D + 10 wba	D + 15 wba	R	P	-
New Hampshire	X	1	D + 5 wba	D + 5 wba	A,R	S	C,L
New Jersey	X	-	D + 6 wba	5	A,R	S	-
New Mexico	X	-	D + 5 wba	D + 5 wba	-	0	-
New York	-	-	D + 5 wba	D + 5 wba	A	0	-
North Carolina	X	1	D + 10 wba	D + 10 wba	-	0	-
North Dakota	X	2	D + 8 wba	D + 10 wba	-	0	-
Ohio	-	1	D + 6 wks	D + 6 wks	R	0	K
Oklahoma	X	-	D + 10 wba	D + 10 wba	-	S	K
Oregon	-	-	D + 4 wba	D + 4 wba	R	P	C,0
Pennsylvania	-	-	D + 6 wba	D + 6 wba	-	S	K
Puerto Rico	-	-	D + 10 wba	D + 10 wba	-	S	-
Rhode Island	-	2	D + 4 wks	D + 4 wks	-	0	K
South Carolina	-	-	D + 8 wba	5-26	A,R	P	-
South Dakota	X	2	D + 6 wba	D + 6 wba	-	0	K

(continued)

Table 3.2 (continued)

State	Voluntary leaving			Misconduct	Labor dispute		
	Good cause restricted ^a	Inclusions ^b	Period ^c	Period ^c	Gross ^e	Period ^e	Excluded ^f
Tennessee	X	2	D + 10 wba	D + 10 wba	-	P	K
Texas	X	2	D + 6 wba	D + 6 wba	-	S	K
Utah	-	-	D + 6 wba	D + 6 wba	A	S	L,K
Vermont	X	1	D + 6 wba	6-12	A	S	K
Virginia	-	-	D + 30 days	D + 30 days	-	0	-
Virgin Islands	-	-	D + 4 wba	D + 4 wba	-	P	K
Washington	X	2	D + 5 wba	D + 5 wba	R	0	-
West Virginia	X	2	D + 30 days	6	A	S	C,K
Wisconsin	X	4	D + 4 wba	7 + 14 wba	-	P	K
Wyoming	X	1	D + 12 wba	D + 9 val	-	S	-

SOURCE. U S. Department of Labor (1994)

a X indicates that good cause is restricted to work-related causes or those attributable to employer

b Good cause specifically includes sexual harassment, compulsory retirement, to accept other work, claimant's illness, or to join armed forces (number indicates the number of these specific inclusions in state law)

c. D means disqualification for duration of unemployment. Other periods are in weeks. Figure after + is earnings or employment required following end of spell to reestablish eligibility. wba refers to multiples of weekly benefit amount

d. Additional restrictions for gross misconduct: A means additional duration or requalification restrictions; R means restrictions on wage credits from prior employer

e S represents occurrence during work stoppage; P represents occurrence while dispute is in active progress; 0 represents other.

f. Dispute excluded if employer fails to conform to contract (C), prevailing labor law (L), or engaged in a lockout (K)

ing, (2) discharge for misconduct, and (3) involvement in a labor dispute.¹⁰ All states permit workers who have voluntarily quit their jobs for “good cause” to collect benefits if they meet other eligibility provisions. Definitions of good cause differ substantially among the states, however. Table 3.2 shows that most states restrict the “good cause” exemption to reasons for leaving that are directly related to the employment situation.¹¹ States that do not impose such a limitation sometimes permit the good cause exclusion to apply to “good personal reasons” as well. Several states also specify by statute certain reasons for voluntary leaving that are *per se* considered to be “good cause.” These are quite varied, but a few of the specified reasons for leaving a job are common enough to be summarized in “Comparison of State Unemployment Insurance Laws.” Those specifically listed include the following: (1) sexual harassment, (2) compulsory retirement, (3) leaving to accept other work, (4) illness, and (5) joining the armed forces.¹² Table 3.2 reports the number of these specific exclusions contained in each state’s laws. Of course, the precise definition that applies to each of these conditions also varies considerably across the states, and the specifics change frequently as a result of annual legislative initiatives and legal determinations (many of these changes are summarized annually in the *Monthly Labor Review*). Providing a simple overall summary of whether a state has a stringent or relatively lax voluntary leaving policy is, therefore, a difficult task.

Most states (forty-five in total) disqualify a worker who has voluntarily left his or her prior employment without good cause for the duration of the unemployment spell. In order to regain eligibility, individuals must then earn a minimum specified amount, usually phrased as a multiple of the weekly UI benefit. Once this subsequent earnings requirement is met, however, claims for benefits can be made based on base period earnings from the previous employment (i.e., the job that was voluntarily left), although often such benefits are not directly charged to the employer.¹³ Eight states use a disqualification period of a fixed duration. These states also usually require some minimum employment before reinstating the claimant’s eligibility.

Disqualifications for discharges due to misconduct are in many ways similar to voluntary leaving disqualifications. State specifications of “good cause” restrictions are often framed in identical ways, and periods of disqualification are in many cases the same (see table 3.2).

The primary unique aspects of misconduct provisions relate to states' willingness to specify degrees of misconduct together with accompanying differential disqualifications. Ordinarily, discharge for inability to perform on the job is not considered misconduct. Even negligence in performing the job may not be sufficient cause for a misconduct disqualification if the negligence was unintentional and had relatively minor consequences. Repeated negligence on the job or willful violation of company rules will result in a misconduct disqualification in most states, however. Many states also include additional penalties for especially "gross" misconduct, that is, misconduct involving illegal activity or serious safety violations. Table 3.2 indicates those states that either impose additional disqualifying restrictions for gross misconduct (denoted by *A* in the table) or place restrictions on the wage credits earned on a job from which the employee was discharged for such conduct (*R*).

All states have provisions in their UI laws that disqualify workers involved in a labor dispute. However, only a few states define "labor disputes" explicitly. A key issue is the distinction between strikes and lockouts. As table 3.2 shows, twenty-seven states exclude lockouts from disqualification, but that exclusion decision has proven to be quite controversial. It is often difficult to determine whether a particular work stoppage is a strike or a lockout, and employers may lawfully lock out workers when a union engages in "whipsaw strikes" (that is, strikes against a changing set of targets of the firms in an industry). Labor disputes that can be shown to have resulted from a firm's violation of labor law or from a firm's failure to conform to an existing contract are also often excluded from disqualification (see table 3.2 for a summary).

Only one state, New York, specifies a fixed period of disqualification for participation in a labor dispute (7 weeks). Hence, in that state it is quite possible for strikers to collect UI benefits after a period of time. In fact, however, most strikes in New York are of relatively short duration, and few striking workers actually collect benefits. Indeed, Hutchens, Lipsky, and Stern (1989) argue that the New York law is relatively stringent because it does not require a "work stoppage" for UI disqualification. In many other states (those denoted by an (*S*) in the table), labor dispute disqualifications come into play only when operations have been severely curtailed at the struck establishment. In these states,

in situations in which operations at the struck firm continue at close to normal levels, there may be no disqualification, and strikers may collect benefits.

Defining which workers are actually participating in a labor dispute has also proven to be controversial. States have tried to develop ways of identifying “innocent bystanders,” so that their unemployment can be differentiated from that of active participants in the dispute. For example, workers who fail to cross a picket line are usually defined to be participants as are workers who help to finance a dispute other than by their regular union dues. On the other hand, workers who are temporarily laid off at locations remote from a labor dispute (because of, for example, parts shortages) are usually eligible for benefits, especially if they can be shown not to be “directly interested” in the outcome of the dispute.

The administrative procedures through which benefits may be denied for failing to meet nonmonetary eligibility criteria are complex and may affect which claimants actually receive benefits. Such procedures can be categorized into four general stages as summarized here. (For a further discussion, see Chasanov and Cubanski 1995.)

- **Fact Finding.** Information is collected from both the claimant and the employer to determine the facts of the job separation.
- **Adjudication.** UI administrators examine the facts of a case and collect whatever additional information may be necessary to determine whether the separation meets the criteria specified in state laws.
- **Determination.** An initial decision regarding eligibility is reached by the UI staff. Most cases, for which there is no disagreement between the claimant and his or her employer, do not reach the stage in which a formal “determination” is made. Nationally, about 20 percent of new and additional claims for regular state UI benefits experience determinations, although this percentage does vary significantly among the states. Somewhat more than half of all separation determinations result in a denial of benefits.
- **Appeal.** Adverse determinations can be appealed by either the claimant or by the employer. Most lower authority appeal decisions can also be further appealed to a higher level. In recent years rates of appeal of separation determinations have risen signifi-

cantly, especially for issues involving misconduct. Currently more than 20 percent of misconduct determinations are appealed.

Implementing these procedures is relatively costly to the states. For example, Vroman (1995b) estimates that issues surrounding nonmonetary determinations and appeals on separation issues account for about 15 percent of total UI administrative costs. A detailed look at the procedures also shows that the states differ significantly in how they approach the various stages. Corson, Hershey, and Kerachsky (1986) examine six representative states and find few commonalities. The processes by which decisions are reached and the quality of information on which those decisions are based appear to be influenced both by general attitudes of state policy makers and by pressure to meet federal performance standards. State procedures and their resulting outcomes may also have been influenced by an increasing willingness of the parties to challenge initial findings of UI eligibility. Most importantly, a number of observers have suggested that experience rating of firms prompts an increasing willingness to contest claims. As shown in the next section, however, the research evidence on this is ambiguous.

Ultimately, about 10 percent of all new and additional UI claims are denied over separation issues through the determination process. That figure says little about the total impact of nonmonetary eligibility provisions, however, since the overall level of claims activity may also be affected by state laws and by the ways in which these laws are enforced. What limited information there is on such overall effects is summarized in the concluding part of the next section.

Research Findings

In comparison to the voluminous research on the job search effects of UI benefits and potential durations, there has been comparatively little quantitative research on the effects of UI eligibility provisions. Given the complexity of the provisions and the variety of behavioral effects they may engender, this is not surprising. Still, this seems a very promising area for future research. Hence, the goals of this brief survey are to provide an overall indication of the direction that existing

research has taken and to highlight some of the principal unanswered questions that remain.

Monetary Eligibility

Two different approaches have characterized research on the effects of monetary eligibility provisions. Econometric analysis has primarily used aggregate data to examine whether differing state eligibility provisions have detectable effects on labor market outcomes. A common method has been to use simplified versions of state monetary eligibility laws, together with average wage data, to calculate the number of weeks the average worker would have to be employed in order to achieve eligibility. For example, Nicholson (1981) followed this procedure in a study of state exhaustion rates. He found that each additional week of average earnings required for UI eligibility was associated with a reduction of between 1.1 and 2.3 percentage points in the state exhaustion rate (although the results were not always statistically significant). A possible interpretation of this finding is that more stringent monetary eligibility provisions do indeed achieve the goal of eliminating from UI eligibility some of those workers with weak labor force attachments. Using a similar approach in examining reasons for declining UI claims during the 1980s, Corson and Nicholson (1988) found that more stringent monetary qualifying requirements had a significantly negative effect on UI claims. They show that changes made by the states during the late 1970s increased the weeks employed required by UI eligibility by 0.2 weeks, on average. This greater stringency may have accounted for between 3 and 10 percent of the significant decline in UI claims during the 1980s.¹⁴

Aggregate studies of the effects of monetary eligibility provisions have paid relatively little attention to the distribution requirements in state laws.¹⁵ One hypothetical simulation of earnings patterns prepared by the Advisory Council on Unemployment Compensation (1995) suggests that these requirements can be quite important in determining which types of low-wage workers qualify for UI. In general, the requirements were found to be more likely to disqualify part-time, full-year workers than to disqualify full-time, part-year workers (although these workers may be affected by state seasonal restrictions). Hence, such requirements may significantly affect part-time workers' ability to

qualify for UI, but there appears to be no quantitative estimate of the size of this effect.

The use of micro-level data to examine monetary eligibility requirements is severely limited by many states' failure to retain data on ineligible claims. Several early studies that were used by states in developing their eligibility requirements are reviewed by Haber and Murray (1966, pp. 256-264). They conclude that few part-time workers could meet the then existing UI qualifying requirements. The authors go on to recommend that "a requirement of 20 weeks of substantial earnings is about right" (p. 264), but the criteria being used to make that judgment are not clearly stated. In any case, the 20 week standard has become embedded in a variety of UI policy initiatives. For example, changes made to the extended benefits (EB) program in the early 1980s instituted a 20 weeks of work requirement (or its equivalent for states with other types of qualifying requirements) for EB eligibility. The intention of the change was to adopt a more uniform requirement across the states and to focus EB eligibility on those workers with a significant employment history. A simulation study of the effect of this change (Corson and Nicholson 1985) found that its impact was relatively minor—reducing national EB first payments by approximately 5 percent. Emergency EB programs instituted since 1980 have contained similar uniform qualifying wage requirements that have also disqualified relatively few recipients.¹⁶ For more generous states, however, the impact was much larger. In Wisconsin, for example, the authors calculated that EB caseloads were reduced by over 24 percent relative to the then existing 15 week standard in that state. Although various suggestions have been made about using more stringent base-period employment standards, together with longer base periods, for EB eligibility, none of these has been enacted into law.

Several recent studies have examined the effects of changing monetary eligibility requirements for UI in Canada. Because the Canadian system is quite similar to that in the United States, findings from these studies may offer insights on experiences in this country.¹⁷ Some of the most intriguing evidence is associated with the Canadian Variable Entrance Requirement (VER), which tailors monetary eligibility standards to provincial unemployment conditions. As a result of changes to the VER undertaken in 1990, Canada now requires between 10 and 20 weeks of base-period employment as regional unemployment rates

decline from 15 to 6 percent. The regional variation thereby imparted into monetary eligibility standards and the unusual circumstances surrounding implementation of the new requirements have provided the source for a variety of empirical investigations. For example, Christofides and McKenna (1996) find that a significant number of jobs terminate once they have reached the standards specified under the VER. These effects seem to have been the largest in those provinces where average job durations were the shortest. Similarly, Green and Riddell (1993a) examine a "natural experiment" in which, because of a delay in enacting the 1990 legislative changes, several regions had their eligibility standards temporarily raised from 10 to 14 weeks. This change had a detectable effect on the labor markets of those regions. Specifically, employment durations lengthened a bit (primarily because layoffs were delayed), and the measured unemployment rate during this period fell by as much as 0.4 percentage points.

Overall, the Canadian results suggest that monetary eligibility rules may have their most important labor market impacts by changing the characteristics of some, relatively marginal, jobs. That is, the rules provide incentives for both employers and employees to adopt employment patterns that maximize UI entitlements. The size of such effects in the context of the total labor market in Canada is unknown, however. In the United States, experience rating of UI taxes may work to mitigate the size of such effects. Again, however, there appear to be no quantitative estimates of such impacts.

Of the specific employment exclusions contained in state monetary eligibility statutes, those related to seasonal employment have received the most attention. Studies have focused both on simple measurement of the number of seasonal workers who collect UI and on the potential labor market consequences arising from the subsidization of such employment. The important early survey by Murray (1972) provided the impetus for much of this research. In that survey Murray reviews many of the studies that the states used in developing their regulations with regard to seasonal industries. Those studies tended to find that repeat use of UI was centered in seasonal industries—especially construction. Murray does not explicitly evaluate the allocational significance of this finding. Rather, he adopts the position that such receipt of UI is appropriate so long as workers continue to meet availability for work requirements (see chapter 4) during their off-seasons.

More recent concerns about the potential allocational effects of UI coverage of seasonal work have focused primarily on the impact of incomplete experience rating. Findings from large, nationwide data bases tend to confirm that more complete experience rating dampens seasonal fluctuations in labor demand, especially in construction and in durables manufacturing (Card and Levine 1994) and in retail trade (Anderson 1993). Generally, these studies do not take state seasonal exclusions explicitly into account, however, so that their implications for policy with respect to initial or continuing eligibility are not clear.

That eligibility provisions can have a major impact on a seasonal industry is perhaps best illustrated by the case of the Newfoundland fisheries. Extension of unemployment benefits (with relatively weak eligibility provisions) to the fisheries in 1957 had the effect of significantly expanding that industry (Ferris and Plourde 1982). Indeed the Newfoundland Royal Commission on Employment and Unemployment concluded that UI eligibility had created “pressure...to qualify as many people as possible for UI” and that this had become “the main form of income security in Newfoundland” (cited in Green and Riddell 1993a). Whether such dramatic results characterize isolated pockets in the more integrated labor markets of the United States is not known.

Nonmonetary Eligibility

Perhaps because of the complexities inherent in characterizing state nonmonetary eligibility provisions, research on the effects of such requirements is of modest proportions. A procedure followed by some researchers is to use nonmonetary disqualification rates as explanatory variables in regressions on outcomes such as UI claims. For example, Corson and Nicholson (1988) find that rising separation denial rates in the late 1970s may have accounted for between 2.4 and 24 percent of the decline in UI claims during the 1980s.¹⁸ However, the use of denial rates in this way does not provide any direct means of inferring what the effects of changes in actual UI laws or administrative practices might be. Hence, the policy conclusions that might be drawn from such correlations are frequently ambiguous.

The most extensive study of the relationship between actual state practices and observed denial rates is by Corson, Hershey, and Kerachsky (1986). These authors use a pooled cross section, time series

analysis for 51 UI jurisdictions over the period from 1964 to 1981. Although they do find a few statistically significant relationships, overall they encounter difficulties in differentiating between the explicit exclusionary effects of more stringent separation regulations (which, *ceteris paribus*, should increase denial rates) and the behavioral effects of such regulations on workers' willingness to claim UI benefits in the first place. For example, they find that states that deny benefits for the duration of the unemployment spell for voluntary leaving have *lower* denial rates than those with less stringent regulations, possibly because these provisions deter claims. On the other hand, they find that states that restrict good cause exemptions to employment related situations (a more stringent regulation) have higher denial rates. Hence, the authors' statistical analyses (and their detailed case studies of individual states) suggest caution in interpreting the meaning of observed UI denial rates and their possible correlations with other UI outcomes.

Similar ambiguities in the interpretation of data on administrative actions in the UI system characterize the recent paper by Vroman (1995b). In this paper, the author identifies two major trends in the aggregate data. First, although nonmonetary determinations have declined somewhat from their peak levels in the 1970s, appeals volume increased throughout the 1965-1993 period. Within these general trends, both determinations and appeals connected with employee misconduct have grown in relative importance, whereas actions involving voluntary quits have diminished. However, major differences among the states continue to exist in all of these measures, and reasons for such differences remain largely unexplained.

In the final sections of his paper, Vroman uses pooled data from fifty UI jurisdictions over the 1988-1993 period to examine UI appeals, especially those that are employer-initiated. His general goal is to determine whether possible increasing employer activism in contesting claims (sometimes with the use of UI service bureaus)¹⁹ has had any measurable effect. Ultimately, however, the author is not able to measure such impacts accurately because of the overall complexity of the UI administrative structure and because his only measure of employer incentives, the Experience Rating Index (ERI²⁰), has many shortcomings. Still, by providing a thorough and careful examination of this underused data set, Vroman sets forth a useful basis for future research into UI administration of nonmonetary eligibility determination.

With regard to the treatment of labor disputes, Hutchens, Lipsky, and Stern (1989) provide a detailed statistical analysis of the effect of state disqualification provisions on strike activity. As in other studies, they utilize a pooled cross section, time series analysis over the period from 1960 to 1974 and demonstrate that UI provisions have a clearly detectable effect on strike frequency (although no unambiguous impact on strike durations). Specifically, they find greater strike frequencies tending to occur in states that permit strikers to receive benefits if operations of their employers continue or in states that permit benefits to innocent bystanders; these results are especially found in states with generous UI programs.

Hutchens, Lipsky, and Stern also provide a detailed analysis of the 1981 strike by air traffic controllers, illustrating some of the complex ways in which the labor dispute provisions in UI laws interact with laws regulating misconduct disqualifications. Because the strike was technically illegal, most states took the position that their provisions regarding misconduct took precedence over labor dispute issues. In these cases, most controllers could collect UI only after a disqualification period. A few states (most notably Michigan) took the position that the strike was not sufficient in itself to warrant a misconduct disqualification and that normal labor dispute provisions in state law should take precedence. In these cases, the controllers were usually awarded benefits. This wide variety of outcomes, experienced by workers who were all in essentially the same position, highlights the increased fairness that might be achieved by moving toward more uniform nonmonetary eligibility provisions on a national basis.

Conclusion

This review of state provisions for initial eligibility for UI suggests four broad areas in which future research might aid in the formulation of policy.

- the usefulness of variable monetary eligibility requirements
- how monetary eligibility provisions affect the ability of workers in “nonstandard” employment situations to collect benefits

- relationships between seasonal exclusions and incomplete experience rating
- the desirability of moving toward more uniform nonmonetary eligibility requirements

Variable Eligibility Requirements

The minimum earnings required for UI eligibility are relatively modest in most states.²¹ Although greater earnings are often stipulated if the worker is to qualify for maximum benefits or durations, these extra requirements are also quite modest in many cases. As discussed earlier in this chapter, little is known about the effects of these requirements or about their ability to target UI benefits to recipients in the most efficient ways. Policy makers have similarly made few attempts to explore the utility of tailoring monetary eligibility standards to meet specific policy goals. Two such adaptations are used frequently in other countries and might be more seriously considered for the United States: (1) varying eligibility standards in response to labor market conditions, and (2) tying the potential duration of benefits more closely to work history.

Basing eligibility standards on labor market conditions might achieve two goals. It would make the UI system even more responsive to the business cycle by increasing payments to those recession victims who have been laid off after only a short time on the job. This increased sensitivity might improve the economic stabilization properties of the regular UI system and (perhaps) mitigate some of the need for the adoption of emergency extensions during recessions. Reducing eligibility standards during periods of declining labor demand would also provide increased protection to newly hired workers when they most need it. This would, therefore, represent a way of providing greater insurance protection during periods of higher layoff risk in much the same way that extending UI potential durations provides increased protection against the lengthening unemployment spells experienced during recessions. Similarly, because of the strong procyclical behavior of quits, such a policy change might mitigate the need to monitor and adjudicate voluntary leaving issues.

There are several ways in which state UI systems could tighten the connection between potential durations and work history. Most obvi-

ously, states could adopt increasingly stringent base-period employment requirements if workers are to be eligible for maximum potential durations. This would further strengthen the notion of an “earned right” to more generous UI benefits. To the extent that prior employment tenure is correlated with workers’ losses of job-specific human capital, such an approach would also be consistent with providing greater benefits to those who have suffered the greatest losses.

Any explicit use of employment history to target special re-employment assistance to displaced workers would probably require the use of a longer base period, however. That purpose is already served to some extent in the Trade Adjustment Assistance program by requiring certification of trade impact. Currently, such certification enables workers who can demonstrate that imports contributed to their unemployment to receive an additional 26 weeks of UI benefits following exhaustion, providing they agree to enter an appropriate training program. This has the effect of focusing benefits on workers with significant employment histories (Corson et al. 1993). Devising administrative methods for collecting longer base period employment information might provide a similar way of focusing longer UI potential durations on more general categories of displaced workers, especially those suffering major economic hardships.²² Administrative costs associated with moving to longer base periods in the context of current UI data systems could be quite high, however.

Monetary Eligibility and Nonstandard Employment

Existing provisions for monetary eligibility are implicitly based on a “standard” model of employment in which a single employer certifies that the worker has had sufficient employment during the base period specified in state law. The employer usually must also certify that the worker meets nonmonetary eligibility provisions—most importantly, that he or she has been involuntarily laid off. As employment situations become increasingly diverse, this model may no longer be appropriate in many circumstances, including (1) regular, part-time employment; (2) temporary employment; and (3) self-employment or independent contractor status.

Current monetary eligibility standards tend to discriminate against those whose employment is part-time, especially for low-wage workers

(Advisory Council on Unemployment Compensation 1995). This approach may possibly have been acceptable in earlier times, when part-time work tended to be associated with weak labor market attachment. However, the rapid growth in flexible working arrangements has made such an assumption increasingly untenable. Deciding whether it is desirable to expand UI coverage to workers whose employment is primarily part-time involves a number of important trade-offs.

Although much early research tended to treat growth in part-time work arrangements as a labor supply phenomenon, more recent research focuses on the demand side of the market. Assuming that part-time and full-time workers are nearly perfect substitutes, an increasing use of part-time workers may be explained by a decline in their relative costs—especially because the hiring of such workers may involve lower levels of “quasi-fixed” costs (Oi 1962; Ehrenberg and Smith 1991). Whether the exclusion of low-wage, part-time workers from UI eligibility has contributed to this trend is not known. Given prevailing levels of UI taxation, such an effect does not seem implausible, however. Hence, relaxation of monetary eligibility requirements to increase the eligibility of part-time workers (this would primarily necessitate the relaxation of the requirements that most earnings occur in the high quarter) could have the effect of slowing the growth in such arrangements.

Reducing restrictions on part-time workers’ access to UI might also pose administrative difficulties in assessing both initial and continuing eligibility. Certainly existing voluntary leaving statutes would have to be modified to develop clear standards about when a separation had actually occurred. In addition, continuing eligibility provisions would have to be adapted to meet the circumstances of individuals looking for part-time work. Making such changes does not seem to pose insurmountable problems, however, if the goal of providing increased protection to part-time workers were judged to be an important expansion of the safety net that UI provides.

The challenge in providing adequate UI coverage to workers in temporary employment centers on how job separations are to be defined. In this regard, the situation is similar to seasonal employment in that workers maintain some attachment to their jobs. In the seasonal case, it appears likely that UI coverage of gaps in employment will provide a clear subsidy to temporary jobs. From workers’ perspectives, however,

there may be somewhat more certainty associated with return to work at a seasonal job than with the assurance that a new temporary job will materialize. Hence, availability for work may be more difficult to appraise. Although anecdotal evidence suggests that regular, temporary employment may be on the increase, there is currently little data with which to estimate its relative importance or simulate possible effects of alternative UI eligibility criteria. For workers associated with temporary employment agencies or who work on a temporary basis for a single employer, it may be possible to devise eligibility standards based on past patterns of regular employment, but no state has as yet made any major moves in that direction.

As described in chapter 2, the most significant issue involving UI eligibility for ostensibly self-employed workers involves the potential misclassification of employees as independent contractors. Because firms can significantly reduce their liabilities for both taxes and fringe benefits through such a classification, it seems likely that it has been adopted for many workers in types of situations that meet IRS standards for "employment." Whether UI coverage is extended to such workers depends on future initiatives by the U.S. Internal Revenue Service.

For workers whose jobs are truly of a self-employed character, extension of UI coverage poses a number of thorny issues. Again, most of these focus on matters of nonmonetary qualification. Because the adversarial conflict between employer and employee cannot be relied upon in this situation to provide unbiased information about the nature of the job separation, some other mechanism must be found. California has experimented with interview-oriented procedures, but their implementation remains controversial—especially with regard to how the self-employed should have UI tax liabilities assessed.

Seasonal Exclusions

The statistical research reviewed in the previous section confirms that availability of unemployment benefits may significantly increase the seasonal sensitivity of employment, especially in the presence of incomplete experience rating. The majority of this research has paid relatively little attention either to the explicit seasonal exclusions in state laws or to the probably more important implicit seasonal exclu-

sions created by the distribution criteria in state monetary eligibility standards. Hence, we have a very incomplete picture of how unemployment compensation and seasonal employment are related. A more comprehensive examination would require both an appraisal of how UI availability affects the level of employment in seasonal industries and how such availability affects seasonal wage premia. In the absence of a relatively full modeling of the total labor market impact of UI, it is difficult to determine whether the correct policy response to potential subsidies to seasonal industries is the adoption of more complete experience rating or appropriate modifications to explicit and implicit seasonal exclusions by states.

Uniformity in Nonmonetary Eligibility Requirements

The significant interstate variation in nonmonetary eligibility requirements surveyed earlier in this chapter raises the issue of whether potential gains in simplicity, efficiency, and fairness might be achieved by moving toward more uniform national standards. Some very preliminary moves in that direction have been made with regard to continuing eligibility conditions that apply to extended benefits (see Corson and Nicholson 1985). Very little has been done about regular UI, perhaps because of constitutional difficulties in implementing national standards, but existing differences may pose inequities for claimants who can find identical circumstances treated very differently (as illustrated by the air traffic controller case). More generally, differences in state nonmonetary eligibility provisions may have allocative significance both in terms of how local labor markets operate (the evidence from Green and Riddell (1993a), on local Canadian labor markets is quite convincing on this point) and in terms of the overall location of economic activity among the states. For example, it would be surprising if the significant effects of UI on strike activity found by Hutchens, Lipsky, and Stern (1989) had no impact on the willingness of some firms to locate in a state. Given the difficulties in characterizing state laws and procedures, however, relatively little is currently known about the likely size of such effects.

NOTES

I would like to thank Patricia Anderson, Walter Corson, Alec Levenson, Karen Needels, Chris O'Leary, and especially Craig Riddell, who offered a number of suggestions about ways in which this chapter could be improved. Participants in the conference "Unemployment Insurance in the United States," sponsored by the W. E. Upjohn Institute and the U.S. Department of Labor, also offered many thoughtful insights on this topic.

1 Eligibility requirements for the regular UI program also apply to programs for military personnel (UCX) and for federal employees (UCFE). They are also relevant to programs that require regular UI collection prior to participation, including regular extended benefits (EB), emergency extended benefits (FSB, FSC, and EUC), and trade adjustment assistance (TAA) benefits.

2 For a discussion of the evolution of pension offset legislation in UI laws, see chapter 12.

3 No state currently uses more than one year of labor market history in determining UI eligibility, although such provisions are relatively common in other countries (Congressional Research Service 1992)

4 The history of the notion of "fault" as it relates to job separations in both private and public UI systems is discussed in Blaustein (1993)

5 An annual summary of changes in state laws also appears in the *Monthly Labor Review*

6 In some cases, mainly involving disabilities, the base period may be extended.

7 The six states that include an alternative base period in their eligibility provisions are Maine, Massachusetts, Ohio, Rhode Island, Vermont, and Washington

8 Throughout this discussion, the fifty-three primary UI jurisdictions (fifty states, the District of Columbia, Puerto Rico, and the Virgin Islands) will be referred to as "states."

9 Other special exclusions in UI initial eligibility laws include students hired by their educational institutions, school employees during the summer months, and professional athletes during the off-season. Most states also disqualify self-employed earnings from conferring UI eligibility, although a few (for example, California) have experimented with limited inclusions of such earnings.

10 Other disqualification provisions relate to fraudulent misrepresentation and to the receipt of certain kinds of income, such as severance pay, workers' compensation, and pensions. These provisions will not be explicitly examined here

11 Although "good cause" is defined in relationship to the employment situation, there is usually no necessary finding of employer "fault." In some states, good cause also includes situations where family obligations lead the employee to leave his or her job. These obligations can include leaving to marry, leaving to move with a spouse, and leaving to perform domestic obligations. In many cases, these inclusions relate only to initial eligibility, and standard provisions for continuing eligibility still apply. The situation of workers who leave employment because of pregnancy is quite complex, involving issues both of initial and continuing eligibility. For a discussion see Brown (1995).

12. These exemptions must also be understood in the context of the continuing eligibility provisions of states. For example, a worker who leaves to accept other employment would be eligible only if that new job did not work out and he or she is then found to be able and available for work.

13. A few states also reduce UI entitlements either by an amount equal to the number of weeks of disqualification or by a fixed percentage

14 A simple regression using cross section data for 1993 suggests that similar results hold across the states. In this regression, each additional week of employment required for UI eligibility was estimated to be associated with a reduction of approximately 2 percent in the ratio of insured to total unemployment

15. The Nicholson (1981) study of exhaustion rates does report that states with no distributional requirements in their monetary eligibility provisions have significantly lower exhaustion rates. A possible explanation is that such states make it easier for seasonal workers to qualify for benefits, and that those workers typically do not exhaust their UI entitlements

16. For example, Corson, Grossman, and Nicholson (1986) find that approximately 4 percent of regular UI recipients were made ineligible for the Federal Supplemental Compensation (FSC) program by the adoption of such requirements

17. Monetary eligibility in Canada is based on weeks of employment. A "week of employment" is defined as any week in which the individual works at least 15 hours for pay or in which he or she earns 20 percent of the maximum insured earnings. Voluntary quits also incur disqualifications in Canada. Unlike the United States, however, in some cases new entrants and reentrants are eligible for UI in Canada. Also, in Canada, UI taxes are not experience rated. For a summary of various issues related to the Canadian system, see Green et al. (1994) and Green and Riddell (1993b)

18. The wide range in estimated effects stems primarily from complications in interpreting the impacts of *falling* voluntary separation denial rates during this period. The authors see this trend as arising from increasingly clear and stringent voluntary leaving provisions being adopted by the states, although they admit to some ambiguity on the point. A simple cross section regression using recent data from the states shows a negative correlation between misconduct denial rates and UI claims, but no significant effect for voluntary leaving denials.

19. These service bureaus contract with firms to handle their UI-related activities. Frequently, such services are also provided by accounting companies that handle firms' other payroll needs as well. Because providers of such services may encounter substantial economies of scale in addressing technical issues related to UI eligibility, it is possible that they may have been effective in contesting claims in order to reduce their clients' UI tax liabilities. Although employers' use of these services has expanded rapidly in recent years (and utilization rates are concentrated geographically), there are no quantitative estimates of their overall impact on the UI claims process.

20. The ERI is defined as the ratio of fully charged UI benefits to total UI benefits paid. This measure varies both from state to state and over the business cycle for a variety of reasons, many of which are unrelated to the effective degree of experience rating for the typical firm.

21. Generalizing from the wide variety of state requirements is difficult: it does appear that most state minima fall well short of requirements in other countries, although many other countries also offer unemployment assistance to those with little or no employment history. For a summary, see Congressional Research Services (1990)

22. For an analysis, see Congressional Budget Office (1990).

References

- Advisory Council on Unemployment Compensation. 1994. "Report and Recommendations." ACUC, February.
- _____. 1995. "Unemployment Insurance in the United States: Benefits, Financing, Coverage." ACUC, February.
- _____. 1996. "Defining Federal and State Roles in Unemployment Insurance." ACUC, January.
- Anderson, Patricia M. 1993. "Linear Adjustment Costs and Seasonal Labor Demand: Evidence From Retail Trade Firms," *Quarterly Journal of Economics* 108, 4: 1015-1042.
- Anderson, Patricia M., and Bruce D. Meyer. 1993. "Unemployment Insurance in the United States: Layoff Incentives and Cross Subsidies," *Journal of Labor Economics* 11, 1, part 2: S70-S95.
- Atkinson, Anthony B., and John Micklewright. 1991. "Unemployment Compensation and Labor market Transitions: A Critical Review," *Journal of Economic Literature* 19 (December): 1679-1727.
- Blaustein, Saul J. 1993. *Unemployment Insurance in the United States: The First Half Century*. Kalamazoo, MI: W.E. Upjohn Institute.
- Brown, Mark R. 1995. "Pregnancy and Unemployment: Problems and Solutions," Unemployment Compensation: Continuity and Change Symposium, *University of Michigan Journal of Law Reform* 29: 13-20.
- Card, David, and Philip Levine. 1994. "Unemployment Insurance Taxes and the Cyclical and Seasonal Properties of Unemployment," *Journal of Public Economics* 53, 1: 1-29.
- Chasanov, Amy B., and Eileen Cubanski. 1995. "Understanding Denials and Appeals in the United States." *Advisory Council on Unemployment Compensation: Background Papers*, Vol. 4. Washington, DC: ACUC, January.
- Christofides, L.N., and C.J. McKenna. 1996. "Unemployment Insurance and Job Duration in Canada," *Journal of Labor Economics* 14, 2: 286-312.
- Congressional Budget Office. 1990. *Family Incomes of Unemployment Insurance Recipients and the Implications for Extending Benefits*. Washington, DC: CBO.
- Congressional Research Service. 1990. "The Uncompensated Unemployed: An Analysis of Unemployed Workers Who Do Not Receive Unemployment Compensation." 90-565 EPW.
- _____. 1992. "Unemployment Compensation in the Group of Seven Nations: An International Comparison." 92-622 EPW.
- Corson, Walter, Paul Decker, Phillip Gleason, and Walter Nicholson. 1993. *International Trade and Worker Dislocation: Evaluation of the Trade*

- Adjustment Assistance Program*. Princeton, NJ: Mathematica Policy Research.
- Corson, Walter, Jean Grossman, and Walter Nicholson. 1986. "An Evaluation of the Federal Supplemental Compensation Program." Unemployment Insurance Occasional Paper 86-3, U.S. Department of Labor, Employment and Training Administration.
- Corson, Walter, Alan Hershey, and Stuart Kerachsky. 1986. *Nonmonetary Eligibility in State Unemployment Insurance Programs: Law and Practice*. Kalamazoo, MI: W.E. Upjohn Institute.
- Corson, Walter, and Walter Nicholson. 1985. "An Analysis of the 1981-82 Changes in the Extended Benefits Program." Unemployment Insurance Occasional Paper 85-1, U.S. Department of Labor, Employment and Training Administration.
- _____. 1988. "Declining UI Claims During the 1980s: Causes and Policy Implications." Paper presented to the Tenth Annual Research Conference, Association for Public Policy Analysis and Management.
- Ehrenberg, Ronald G., and Robert S. Smith. 1991. *Modern Labor Economics: Theory and Public Policy*, 4th Ed. New York: Harper Collins.
- Feldstein, Martin. 1978. "The Effect of Unemployment Insurance on Temporary Layoff Unemployment," *American Economic Review* 68 (September): 834-846.
- Ferris, J.S., and C.G. Lourde. 1982. "Labour Mobility, Seasonal Unemployment Insurance and the Newfoundland Inshore Fisher," *Canadian Journal of Economics* 15, 3: 421-441.
- Green, Christopher, Fred Lazar, Miles Corak, and Dominique M. Gross. 1994. *Unemployment Insurance: How to Make It Work*. Toronto: C.D. Howe Institute.
- Green, David A., and W. Craig Riddell. 1993a. "Qualifying for Unemployment Insurance: An Empirical Analysis." Department of Economics Working Paper, University of British Columbia.
- _____. 1993b. "The Economic Effects of Unemployment Insurance in Canada: An Empirical Analysis of UI Disentitlement," *Journal of Labor Economics* 11, 1, Part 2: S96-S147.
- Haber, William, and Merrill G. Murray. 1966. *Unemployment Insurance in the American Economy*. Homewood, IL: Richard D. Irwin.
- Hutchens, Robert, David Lipsky, and Robert Stern. 1989. *Strikers and Subsidies: The Influence of Government Transfer Programs on Strike Activity*. Kalamazoo, MI: W.E. Upjohn Institute.
- Munts, Raymond, and Ephraim Asher. 1980. "Cross Subsidies Among Industries from 1969 to 1978." In *Unemployment Insurance: Studies and*

- Research 2*. Washington, DC: National Commission on Unemployment Compensation.
- Murray, Merrill G. 1972. *The Treatment of Seasonal Unemployment under Unemployment Insurance*. Kalamazoo, MI: W.E. Upjohn Institute.
- Nicholson, Walter. 1981. "A Statistical Model of Exhaustion of Unemployment Insurance Benefits and Some Implications for Policy," *Journal of Human Resources* 16, 1: 117-128.
- Oi, Walter. 1962. "Labor As a Quasi-Fixed Factor," *Journal of Political Economy* 70 (December): 538-555.
- Rejda, George R., and David I. Rosenbaum. 1990. "Unemployment Insurance and Full Cost Experience Rating: The Impact on Seasonal Hiring," *Journal of Risk and Insurance* 57, 3 (September): 519-529.
- Topel, Robert. 1990. "Financing Unemployment Insurance: History, Incentives, and Reform." In *Unemployment Insurance: The Second Half Century*, W. Lee Hansen and James F. Byers, eds. Madison: University of Wisconsin Press.
- U.S. Department of Labor. 1994. "Comparison of State Unemployment Insurance Laws." Employment and Training Administration, Unemployment Insurance Service.
- Vroman, Wayne. 1995a. "The Alternative Base Period in Unemployment Insurance: Final Report." Unemployment Insurance Occasional Paper 95-3, U.S. Department of Labor, Employment and Training Administration.
- . 1995b. "Disputes Over Unemployment Insurance Claims: A Preliminary Analysis." In *Advisory Council on Unemployment Compensation: Background Papers*, Vol. 4. Washington, DC: ACUC.

UNEMPLOYMENT INSURANCE IN THE UNITED STATES

Analysis of Policy Issues

Christopher J. O'Leary
and
Stephen A. Wandner
Editors

1997

W.E. Upjohn Institute for Employment Research
Kalamazoo, Michigan

Library of Congress Cataloging-in-Publication Data

Unemployment insurance in the United States : analysis of policy
issues / Christopher J. O'Leary, Stephen A. Wandner, editors.

p. cm.

Includes bibliographical references and index.

ISBN 0-88099-174-7 (cloth : alk. paper). — ISBN 0-88099-173-9
(pbk. : alk. paper)

1. Insurance, Unemployment—United States. 2. Insurance,
Unemployment—United States—History. 3 Insurance, Unemployment—
Government policy—United States—History. I. O'Leary,
Christopher J. II. Wandner, Stephen A.

HD7096.U5U633 1997

368.4'4'00973—dc21

97-40086

CIP

Copyright © 1997

W.E. Upjohn Institute for Employment Research

300 S. Westnedge Avenue

Kalamazoo, Michigan 49007-4686

The facts presented in this study and the observations and viewpoints expressed are the sole responsibility of the authors. They do not necessarily represent positions of the W.E. Upjohn Institute for Employment Research.

Cover design by J. R. Underhill.

Index prepared by Shirley Kessel.

Printed in the United States of America.