

CLEARING THE PATH TO UNEMPLOYMENT INSURANCE FOR LOW-WAGE WORKERS

AN ANALYSIS OF ALTERNATIVE BASE PERIOD IMPLEMENTATION

National Employment Law Project
Center for Economic and Policy Research

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EXECUTIVE SUMMARY

Low-wage workers face a career threatened by job loss due to the vagaries of the economy, the volatile sectors of the job market they work in, and personal crises that can lead to interruptions in their employment. While low-wage workers are more vulnerable than higher-wage workers to unemployment, they are far less likely to have access to unemployment benefits. Unemployment insurance (UI) benefits can prevent low-income Americans from falling into poverty during an unexpected spell of temporary joblessness. Moreover, UI is a work-based safety net that rewards labor force attachment and provides pathways to reemployment.

Increasing the participation of low-wage workers in the UI program requires a number of reforms to eligibility rules and administrative practices. The alternative base period (ABP) is a key policy reform that has been proposed to level the playing field for low-wage workers.

- **The alternative base period corrects a timing flaw that unnecessarily limits UI eligibility.** UI eligibility is determined by analyzing earnings records reported by employers each quarter. These records are the basis of a *base period year* (4 quarters) of earnings for an UI claim. Because of processing delays, the standard base period (SBP) excludes up to six months of a worker's earnings. In states with the ABP, claimants who fail the SBP can use more of their recent wages to meet state eligibility requirements. Under the ABP, claimants must meet the same rules as SBP claimants but they can use a more recent four-quarter period to do so.

- **States are increasingly adopting the alternative base period.** A total of nineteen states and the District of Columbia have adopted the ABP (Connecticut, District of Columbia, Georgia, Hawaii, Illinois, Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Vermont, Virginia, Washington, and Wisconsin). Half of these states have implemented the ABP in the last five years. However, no research has been conducted on ABP implementation since 1997.

This study examines the ABP using the Survey of Income and Program Participation (SIPP) to estimate the share of workers who meet the current UI monetary eligibility requirements in their state and the share who would be eligible under different rules. In addition, we conducted two surveys of the state agencies that have implemented the ABP. The ABP Benefits Survey include benefit payment information and characteristics of UI claimants, while the ABP Administrative Costs survey reports on the expenses involved in moving to the ABP and the procedures used to process claims. We find that:

- **Thousands of additional jobless workers per year would become monetarily eligible for UI benefits if the ABP was implemented nationwide.** Due to the implementation of the ABP so far, 211,000 more jobless workers were monetarily eligible for UI benefits in 2003; and the expansion of UI benefits to the entire nation would have increased monetary eligibility by a total of 439,000 workers in 2003.

■ **The UI eligibility of low-wage workers is substantially increased through the alternative base period.** Our national simulation indicates that jobless low-wage workers (in the bottom quartile of all earners) make up nearly two-thirds (58.3 percent) of all those who need the ABP to qualify for UI; but make up just over a third (37.6 percent) of those who qualify under the SBP. The actual experience in Michigan was that 17.4 percent of all low-wage workers who received UI needed the ABP, as compared to just 1.6 percent of higher-wage workers.

■ **ABP benefits contribute to poverty prevention.** The total annual asset value of UI checks obtained through the ABP ranges from \$1,600 in Virginia to \$4,600 in Michigan. ABP benefits replace a large share of the prior earnings of these workers, which average \$10,000 per year, and are more generous than welfare (TANF) benefits. Michigan paid out \$86 million in ABP benefits in 2003, a sum equivalent to 25 percent of all TANF cash assistance in the state that year.

■ **The ABP has only a modest overall impact on the total UI program.** The SIPP data indicates that overall UI monetary eligibility would have increased by 7.2 percent in 2003 if all states had implemented the ABP. In states that have implemented the ABP, between 2.1 and 6.5 percent of all eligible claims used the ABP. ABP eligible claims only represent 1.1 to 5.2 percent of all UI payouts in these states, because ABP claimants qualify for far less in UI benefits.

■ **Many younger workers and people of color need the alternative base period to become eligible for UI benefits.** Both African-Americans and Hispanics are more than 1.5 times more likely than white workers to utilize the ABP for their monetary eligibility. Younger workers, age 16 to 25, are more than twice as likely as older workers to qualify through the ABP. The ABP can help to remedy a pervasive problem of the lack of access to UI facing younger workers and people of color.

Despite the relatively small proportion of claims needing the ABP to become eligible, the ABP requires important conceptual, procedural and technical changes to the monetary eligibility protocols used to process UI claims. The state agencies that responded to the Administrative Costs Survey indicated that they were able to address these challenges without unduly straining their agencies, employers or claimants.

■ **States newly implementing the alternative base period were able to turn to internal staff to make needed changes to agency computer programs.** It took agency staff an average of 1,000 work-hours to make the needed modifications, which translates into a \$60,000 cost. This is a significant cost savings compared to using an outside contractor.

■ **ABP implementation generally requires one half-day of training for the line staff responsible for processing claims.**

■ **States have found innovative ways to obtain the more recent earnings information needed to process ABP claims.** Increased electronic filing of wage reports has allowed agencies to speed the process of applying earnings to ABP claims. In the cases when records are not available, most states utilize quick responses forms sent to both employers and claimants to get the needed information within two weeks after the claim is filed. Wage requests present only a small burden on employers, amounting to no more than 8,000 requests or just 3 percent of all claims per state.

1

INTRODUCTION & POLICY CONTEXT

ABOUT UI

For America’s working families, UI is the first line of defense against economic insecurity. UI provides temporary income support to workers who experience an unexpected period of joblessness. The support provided by weekly UI checks—which amount to up to half of a worker’s prior wage—keep families financially stable until they are able to find appropriate employment. UI is insurance for unexpected joblessness; it limits the impact of job loss on a family’s budget.

To distinguish the program from welfare, UI requires recipients to be bona fide members of the labor force. Jobless workers prove their labor force status by demonstrating a history of prior work and engaging in an active effort to seek new employment. UI was established so that workers and their families had assistance before falling into poverty and needing welfare.

UI is administered as a joint federal-state partnership. Federal law and administration create general parameters for the program, but most of the details of benefits and eligibility rules are left to the states. Each state has established standards for jobless workers to prove that they have earned enough to merit coverage (monetary eligibility). The remaining requirements related to the reasons for job separation, ability to work, and job search are referred to as “non-monetary eligibility.”

LOW-WAGE WORKERS HAVE LIMITED ACCESS TO UI BENEFITS

To be an effective first responder to the problems caused by job loss, UI must cover a broad share of the unemployed. However, as measured by the percent of all jobless individuals receiving an unemployment check, the effectiveness of the UI system as a safety net for unemployed workers and their families has ebbed over time. The UI reciprocity rate—the share of the unemployed receiving UI—dropped from over 50 percent in the 1960s to as low as 30 percent in the early 1980s.¹ While the reciprocity rate recovered somewhat during the jobs slump from 2001-2003, the overall downward trend has compromised the program.

Further, it is not only that UI coverage has been eroded. UI continues to cover far fewer low-wage workers, compared to high-wage workers. In response to an inquiry from Congress, the General Accountability Office (1990) found that low-wage workers received UI benefits at just half the rate of higher-wage workers.²

The lack of low-wage worker access represents a major weakness for UI programs. Low-wage workers can benefit the most from income maintenance during a jobless spell. In a low-income family, living on a budget with limited (if any) savings, a UI check can make the difference in preventing an eviction, maintaining proper family nutrition or other urgent family needs. UI is crucial to preventing such crises, which can prove to be a perilous distraction from an effective job search. In addition to maintaining family income, UI benefits keep low-income families connected to the workforce.

Low-wage workers face difficulties meeting their state's minimum earnings requirements. However, other factors also play into the low UI reciprocity rate for low-wage workers. Most importantly, low-wage workers are

more likely than higher-wage workers to face non-monetary disqualifications due to losing their job for reasons that the UI system does not consider valid. For example, most states do not consider child care or health emergencies as valid reasons to leave a job, yet without paid sick leave or health care benefits, low-wage workers are far more likely to lose their job for urgent personal matters. Furthermore, low-wage workers often find themselves in seasonal or temporary help agency positions that have been excluded from UI coverage by state laws. Finally, limited union coverage in low-wage jobs in retail and hospitality industries and other similar sectors leaves these workers without assistance if they have to face a challenge to their UI claim by their former employer.

THE ALTERNATIVE BASE PERIOD FOR UI ELIGIBILITY

Improving monetary eligibility rules is one way to equalize access to UI benefits. This study analyzes the alternative base period (ABP), a policy reform that makes it easier for low-wage workers to qualify for UI benefits. One of the most important reasons that low-wage workers do not meet the monetary eligibility requirements is that three to six months of their most recent earnings are excluded from their UI applications. The ABP allows applicants to count those more recent

LAI-OFF LOW-WAGE WORKERS ARE HALF AS LIKELY AS HIGHER-WAGE WORKERS TO RECEIVE UI BECAUSE OF PROGRAM RULES AND STRUCTURAL DISADVANTAGES.

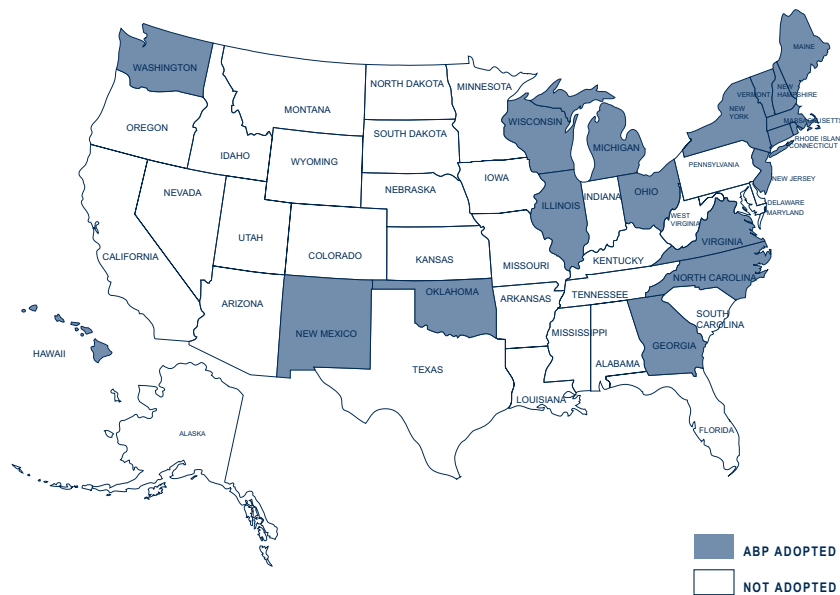
earnings towards the UI system's monetary eligibility requirements.

A total of nineteen states and the District of Columbia have adopted the ABP (Connecticut, District of Columbia, Georgia, Hawaii, Illinois, Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Vermont, Virginia, Washington, and Wisconsin). The last major research conducted on the ABP was published in 1997, when just eight states had the ABP in operation. Since then, 11 new states and D.C. adopted the ABP as part of their UI program, with nearly half of the nation's UI claims coming from states that have the ABP on the books once Illinois's ABP becomes effective in 2008.

The spread of the ABP has been part of an overall trend of reforms that have made state UI programs more responsive to an expanding population of low-wage, women, and part-time workers. The drop in UI reciprocity rate in the 1980s and early 1990s captured significant attention among researchers and policy makers

and it was recognized that this was due to changes in the composition of the labor force and the kinds of jobs the economy was providing, combined with restrictions in UI program rules. Congress established the Advisory Council on Unemployment Compensation, which recommended that states implement the ABP as a way to modernize their UI programs.³ In 2002, Congress specified the ABP as one of a short list of recommended uses of federal "Reed Act" grants made to state unemployment trust funds.⁴ Like the Earned Income Tax Credit, expanded UI eligibility has been a popular "work-based" policy solution to poverty in the welfare reform era.

This study evaluates how much the ABP can contribute to expanding UI eligibility, both in those states that have already implemented the reform and in those that have yet to do so. By evaluating the impact on the ABP on low-wage workers, racial minorities and other unemployed individuals who have difficulty gaining access to UI, this report serves as a guide to those policymakers and advocates who are considering bringing the ABP to their state.



2

UI MONETARY ELIGIBILITY RULES

QUARTERLY WAGE RECORDS AND BASE PERIODS

The ABP reform is needed because of a technocratic flaw in the system for determining UI eligibility. Employers are required to report payroll information to their state's UI agency on a quarterly basis. These reports include information, by employee, about total wages earned during the quarter.

State UI agencies use the quarterly wage reports to establish a base period, or base year, to test UI eligibility and establish a weekly benefit amount. A base period consists of four calendar quarters. (The calendar quarters are January – March, April – June, July – September, and October – December.)

The UI wage record system has a number of broad public policy purposes. Wage records are used to track overall employment and wages in the economy, and can be used to track whether individuals are accurately reporting their earnings for the purposes of child support payments or eligibility for income-based programs like Food Stamps or welfare.

As is, the system creates a set of technocratic flaws that exclude the most recent employment and earnings from UI claims. Employers generally file their wage reports with the state 30 days after the completion of the calendar quarter. For example, the first quarter wage report is not due until April 30th. Then, the UI agency must enter the data into their system, which can take as long as until the end of that quarter. Thus, wage information may not be available for UI applicants until two quarters after they are earned. The problem for UI programs is easily apparent. When

a worker is laid off, the UI system is structurally behind by up to two quarters of “work credits” that could be applied to a UI claim (application).⁵

To get around this problem, most traditional states define their base periods as “the first 4 of the last 5 completed calendar quarters.” By avoiding the quarter when a claim is filed and the previous completed quarter, states can be sure that they will have four quarters of work history to apply to every UI claim. However, the quarters of wages considered can include up to 18 months prior to the filing of the UI claim and exclude the most recent six months.

The SBP poses no barriers to workers who have been consistently working at the same wage rate and sched-

ule for the past 18 months or more. However, for workers who have had trouble obtaining steady employment, the SBP can lead to ineligibility. A worker with six steady months of employment laid off at the end of a quarter (for example, June 30th) will be found to have zero UI wages in a SBP.

THE ALTERNATIVE BASE PERIOD EXPLAINED

The ABP is a modification of state UI rules designed to capture additional wages beyond the standard based period. Under an ABP, the base period still consists of four quarters, but the time frame is shifted. Figure 1 displays the different potential ABPs. In Figure 1, the SBP is quarters one through four of year one, the year prior to a claim filed in the second quarter of year two.

FIGURE 1 EXPLANATION OF THE ALTERNATE BASE PERIOD (ABP)



ABP I includes the second, third, fourth, and most recently completed fifth quarter, which is known as the *lag quarter*. ABP II includes the third and fourth quarters plus both the *lag quarter* and whatever wages exist in the yet-to-be completed quarter six, known as the *filing quarter*, when the UI application is filed.

Of the 20 states currently using the ABP, only three (Massachusetts, Vermont and New Jersey) allow the use of ABP II or ABP I for eligibility. The other 16 states and District of Columbia exclusively use ABP I, including all of the states that have implemented the ABP in the past five years.

The impact of the ABP on claims can best be explained by example.

Example *Marcos files a claim for UI benefits on June 23, 2002, having worked from October 13, 2001 to his layoff on June 23, 2002. He worked at the minimum wage of*

THE ALTERNATIVE BASE PERIOD FUNCTIONS BY SPEEDING ACCESS TO THE BENEFITS THAT JOBLESS WORKERS HAVE EARNED THROUGH THEIR WORK EXPERIENCE.

\$5.15 an hour for 25 hours per week (totaling 36.5 weeks and \$4,699 in earnings). Despite this significant amount of work, Marcos does not qualify using a traditionally defined base period requiring \$1,500 in earnings during the first four of the last five completed calendar quarters. His hypothetical state recognizes only \$1,481 in earnings for the 11.5 weeks of work that falls within the fourth quarter of his base period. However, under an ABP, he qualifies based on the \$1,674 in the lag quarter (and, in Massachusetts, New Jersey, and Vermont, also the \$1,545 of wages in his filing quarter).

HOW ABP'S WORK: A CONCRETE EXAMPLE

TRADITIONAL BASE PERIOD				ALTERNATIVE BASE PERIOD	
QUARTER 1 JANUARY- MARCH 2001	QUARTER 2 APRIL- JUNE 2001	QUARTER 3 JULY- SEPT 2001	QUARTER 4 OCTOBER- DEC 2001	COMPLETED LAG QUARTER JANUARY- MARCH 2001	FILING QUARTER JANUARY- MARCH 2001
			WORKED		
			BEGAN OCTOBER 13, 2001		
			FILED JUNE 23, 2002		
			WAGES	\$1,480.63	\$1,673.75
					\$1,545.00
			TOTAL WAGES	\$4,699.38	

THE ABP'S TIMING EFFECT

In understanding the ABP, it is important to emphasize that the ABP does not alter the earnings requirements set up by states. Workers using an ABP still must meet the same earning thresholds as a regular claim, but they are allowed to use a more recent four-quarter base period to do so. Indeed, a worker who is eligible using a lag quarter ABP would qualify under the regular rules if they simply waited to file their claim. That is because a valid four-quarter ABP becomes the SBP as time passes and wages are credited under the state's normal processing patterns.

Thus, the effect of the ABP is to merely shift the timing of the claimant's UI eligibility, with an ABP ensuring that more workers qualify for UI during their first quarter of their unemployment. Most low-wage workers live paycheck to paycheck and quickly fall behind on paying their bills when they lose their jobs. By providing a portion of lost wages as soon as possible after a layoff, the ABP enables UI to minimize the damage that can be inflicted during a spell of unemployment. The average jobless worker was out of work for 12 weeks during 2004. Without an ABP, a worker who indeed has the earnings to establish a valid UI claim might be forced to endure their entire spell of unemployment without support.

THE BASICS OF STATE MONETARY ELIGIBILITY REQUIREMENTS

To qualify for UI, most states require workers to achieve a minimum amount of earnings in the highest quarter of based period employment, as opposed to requiring minimum hours of work. The result of using dollar earnings tests is that a low-wage worker needs to have worked more hours than a high-wage worker in order to qualify for UI. A minimum wage New Yorker would have to work 311 hours (25 per week) to satisfy the \$1,600 requirement in the high quarter but a \$10/hour worker would only have to work 160 hours (12 per week).

Most states require earnings to be distributed in a certain manner. For example, a state may require that a workers total base period earnings equal to 150% of earnings in the highest single quarter of the four quarters of the base period. Even more convoluted are requirements that total base period earnings equal a multiple of the weekly benefit amount that the claimant would receive if they do qualify for UI benefits.

UI monetary eligibility requirements are modest, and in most states do not increase on an automatic basis over time. In all states but one, Ohio, a full-time, full year minimum wage worker would qualify for UI. Overall, one in ten UI applicants are rejected for monetary eligibility reasons, but low-wage worker ineligibility rates are higher.

3

PRIOR RESEARCH

The U.S. Department of Labor funded two studies of the ABP in the mid 1990s. The first, Vroman (1995), analyzed data from states that had implemented the ABP, and estimated that the ABP would increase the annual number of UI recipients by 6 to 8 percent.⁶ Workers becoming eligible through the ABP were found to qualify for lower UI benefit checks because of their lower prior wages. Thus, average payouts from state unemployment trust funds were only have found to increase by 4 to 6 percent. In terms of demographics, Vroman concluded that the workers becoming eligible through the ABP were “more likely to be younger, minorities and with fewer years of schooling.”

Planmatics (1997) followed up on Vroman’s research with a major study that was able to more fully analyze the added cost of administering the ABP. Planmatics found that the largest implementation cost was the re-programming of system computers and the training of staff. Programming costs ran \$64,000 in New Jersey and \$232,000 in Washington. In terms of ongoing added costs of paying out benefits to these claimants, Planmatics arrived at estimates ranging from \$500,000 to \$1,000,000 in New Jersey and Washington, respectively. Costs were higher in New Jersey due to the use of both the ABP I and ABP II. The study also found that moving to an ABP placed a burden on employers: half of all ABP claims required employers to fill out a wage request form because wage records were not present at the time of the claim. New Jersey employers reported that it took an HR employee an average of 39 minutes to process a wage request.

Both Planmatics and Vroman concluded that the direct benefit costs and related administrative expenses did not constitute a barrier to implementing the ABP option. However, both note that the ABP II posed more administrative hurdles, compared to ABP I. Indeed, none of the states that have newly implemented the ABP since 1998 have elected to use ABP II.

4

DATA ANALYSIS

This analysis uses two kinds of data to evaluate the implications of moving from the SBP to the ABP, a survey of individuals and two surveys of UI benefit administrators. Data on individuals comes from the Survey of Income and Program Participation (SIPP), a multi-panel longitudinal survey of the U.S. population, conducted by the U.S. Census Bureau.

From the SIPP, we estimate the share of workers who meet the current UI monetary eligibility requirements in their state and the share eligible under different monetary eligibility rules. The sample population from the SIPP in this analysis includes individuals aged 16 to 65 in their first quarter of unemployment in 1995, 1998, or 2003. Individuals are counted as unemployed if they were not at work, but in the labor force, for at least two months during the quarter. Monetary eligibility for UI is estimated from the previous four or five quarters of total reported quarterly earnings. (The Appendix contains more detail about the SIPP data and methods.)

This analysis also uses two surveys of state UI benefit administrators conducted in 2003 by the National Employment Law Project. Six states (Georgia, Maine, Michigan, New Jersey, North Carolina and Virginia) completed the ABP Benefits Survey, submitting information on benefit payment information and characteristics of UI claimants.⁷ All six states in this survey have implemented an ABP; the survey was designed specifically to gather information necessary for understanding how implementing the ABP has affected the composition of UI beneficiaries and their benefit levels.

The second survey, the ABP Administrative Costs Survey, also focused on states that have implemented the ABP. It gathered information about set-up costs and the administrative procedures used to process ABP claims. It included four states from the Benefits Survey—Maine, Michigan, North Carolina, and Virginia—and three other states, Connecticut, New Hampshire, and Wisconsin.

The SIPP data is useful because it covers the entire U.S. population,⁸ employed and unemployed, and allows us to examine how the policy change from a SBP to an ABP would affect various demographic groups. It also allows us to look at the effects of this policy change over time.

The two NELP surveys have the advantage of reporting actual experiences of states that have already implemented the ABP and provide rich detail on how implementation has played out.

THE IMPACT OF THE ABP ON UI ELIGIBILITY AND UI PAYOUTS

To become eligible for UI, an individual must have prior labor market experience. An estimated two-thirds of unemployed workers in their first quarter of unemploy-

ment (66.4 percent) met the monetary eligibility requirements for UI across 1995, 1998, and 2001 (in inflation-adjusted dollars) (Table 1). Looking across the first row of Table 1, if every state moved from current rules to using the ABP, the share of workers who would be eligible for UI benefits increases by 6.0 percentage points, up to 72.4 percent. The final column of Table 1 shows the share of workers eligible for UI under the SBP, assuming no state had implemented the ABP. The next three rows of Table 1 examine the different rates of eligibility among workers in 1995, 1998, and 2003. The years shown represent different phases of the business cycle: 1995 was a period when the economy was moving towards full employment and the unemployment rate was 5.6 percent; in 1998 the economy was close to full employment, with an unemployment rate of 4.5 percent; and in 2003 the labor market

TABLE 1 ESTIMATED UI ELIGIBILITY RATES

YEAR (unemployment rate in parentheses)	CURRENT UI RULES		IF ALL STATES MOVE TO ABP		IF ALL STATES HAVE SBP	
	ELIGIBILITY RATE	SHARE OF ELIGIBLES RECEIVING UI	ELIGIBILITY RATE	DIFFERENCE COMPARED TO CURRENT RULES	ELIGIBILITY RATE	DIFFERENCE COMPARED TO CURRENT RULES
POOLED ACROSS 1995, 1998, and 2003	66.4%	15.3%	72.4%	6.0	64.7%	-1.7
1995 (5.6)	67.5	16.2	74.7	7.2	66.5	-1.0
1998 (4.5)	67.3	12.4	73.2	5.9	65.7	-1.6
2003 (6.0)	64.6	17.1	69.6	5.0	62.2	-2.4
PERCENTAGE POINT CHANGE FROM						
1995 to 1998	-0.2	-3.8	-1.5	-1.3	-0.8	-0.6
1998 to 2003	-2.7	4.7	-3.6	-0.9	-3.5	-0.8
1995 to 2003	-2.9	0.9	-5.1	-2.2	-4.3	-1.4

SOURCE: AUTHOR'S ANALYSIS OF THE 1993, 1996, AND 2001 SIPP PANELS.

NOTES: SEE NOTES TO TABLE 1.

was still in a slump from the 2001 recession, with unemployment at 6.0 percent.

Across all three sets of UI eligibility rules, more workers met the monetary eligibility requirements in 1995 than in 2003. In 2003, moving from current rules to the ABP would lead to a 5.0 percentage point increase in the share of unemployed workers eligible for UI, from 64.6 to 69.6 percent. However, the share eligible under ABP in 2003 is 2.2 percentage points less than the share eligible in 1995.

Translating the results from Table 1 into population estimates, we find that thousands of additional jobless

workers per year would become monetarily eligible for UI benefits if the ABP was implemented nationwide. Due to the implementation of the ABP so far, an estimated 211,000 more jobless workers were monetarily eligible for UI benefits in 2003; and the expansion of UI benefits to the entire nation would have increased monetary eligibility by a total of 439,000 workers in 2003.

Table 1 also shows the share of those currently eligible for UI who report receiving benefits during their first quarter of unemployment. This share is relatively low; less than one-in-six (15.3 percent) of those meeting the monetary eligibility requirements in their state actually report receiving UI benefits. Many people may meet

TABLE 2 UI BENEFITS AND CLAIMANT EARNING PROFILE BY BASE PERIOD USED FOR ELIGIBILITY ⁹

	NORTH CAROLINA		MAINE		MICHIGAN		VIRGINIA	
	ABP	SBP	ABP	SBP	ABP	SBP	ABP	SBP
PANEL A								
UI BENEFIT INFORMATION								
Average Weekly Benefit Amount	\$164.35	\$255.55	\$174.03	\$232.02	\$231.98	\$303.72	\$126.68	\$227.34
Ratio ABP:SBP	.64		.75		.76		.56	
Potential Duration of Benefits-Weeks	15.4	23.4	17.3	23.4	19.8	25.1	12.9	20.9
Total Benefits Available	\$2,532	\$5,972	\$3,010	\$5,429	\$4,593	\$7,608	\$1,639	\$4,758
PANEL B								
PRIOR EARNINGS								
Average Base Period Earnings	\$8,793	\$27,100	\$9,414	\$21,981	\$11,524	\$32,093	\$7,137	\$24,262
Ratio ABP:SBP	.32		.43		.36		.29	
Percent with 4 quarters of earnings	14.8%	80.2%	22.5%	78.8%	15.6%	78.4%	10.3%	NA
Percent with 3 quarters of earnings	28.1	11.8	39.6	16.5	45.4	17.7	20.0	NA
Percent with 2 quarters of earnings	57.1	8.1	38.0	4.7	39.0	3.9	69.7	NA

SOURCE: ABP BENEFITS SURVEY, 2003

the monetary eligibility rules, but become ineligible through not meeting the non-monetary rules, such as their reason for leaving their previous job.

Moving to the experiences of states that have implemented the ABP, Table 2 illustrates the profile of ABP and SBP claimants in four states, North Carolina, Maine, Michigan, and Virginia. In each of these states, it is the lowest-paid workers who gain eligibility through the ABP, with average earnings hovering around \$10,000 during the base period year. Panel B illustrates that most of the low-wage workers helped by the ABP are those who are not able to secure full year employment. In North Carolina and Virginia, a majority of ABP claimants are those who have just two quarters of earnings in their base period; while Michigan and Maine both pay a plurality of ABP claims to three quarter claimants. The ABP allows part-year workers to get

enough of their recent earnings into the base period to meet the various monetary eligibility requirements. Those qualifying under ABP receive, on average, a smaller benefits package, compared to workers who qualify under the SBP. ABP claimants are disproportionately low-wage workers, and thus qualify for benefit checks that are between 25 and 40 percent smaller than SBP claimants. Furthermore, all of the states in the Benefits Survey use a “variable duration formula” to determine the maximum number of weeks an individual can receive UI benefits. Workers will receive benefits for more weeks if they earned more and/or worked longer during their base period. For example, in Virginia, eligible ABP claimants only qualify for a maximum of 13 weeks of unemployment benefits, compared to SBP claimants who qualify for 21 weeks. Panel A of Table 2 shows “total benefits available,” which is the potential maximum duration of unemployment

TABLE 3 SUMMARY OF ABP BENEFITS BY STATE

STATE	PERCENT OF ALL CLAIMANTS USING THE ABP TO BECOME ELIGIBLE	PERCENT OF INVALID SBP CLAIMS NEWLY MONETARILY ELIGIBLE UNDER THE ABP	PERCENT OF TOTAL STATE UI BENEFIT DOLLARS PAID TO ABP CLAIMANTS	ANNUAL ELIGIBLE ABP CLAIMS	TOTAL ABP BENEFITS PAID (\$MILLIONS)
Michigan	5.5%	NA	5.2%	26,219	\$86.4
Maine	6.5	42.2	4.7	2,861	6.0
New Jersey	6.2	38.8	3.1	23,114	65.3
Georgia	2.7	37.4	1.7	4,878	3.8
Virginia	3.1	39.7	1.4	6,486	4.0
North Carolina	2.1	30.6	1.1	8,776	10.1

SOURCE: ABP BENEFITS SURVEY, 2003

NOTES: GEORGIA FIGURES ARE FOR THE SIX MONTHS OF 2003, ONLY. ALL OTHER FIGURES REPRESENT 12 MONTHS OF DATA.

checks multiplied by the weekly benefit amount. The total asset value of ABP UI checks ranges from \$1,639 in Virginia to \$4,593 in Michigan. While these are relatively large as compared to prior earnings of such workers, this is far less than the typical SBP claimant's benefits.

While Table 1 showed the overall increase in UI eligibility if every state moved to the ABP, Table 3 summarizes Benefit Survey findings for the year 2003. Column 1 shows that the range of UI claimants to become eligible only with the ABP ranges from 2.1 percent in North Carolina to 6.5 percent in Maine. This is slightly lower than predicted in Table 1, where 7.2 percent of all claimants (5.0 percent of the unemployed would qualify only under the ABP divided by the 69.9 of the unemployed qualifying under either ABP or SBP in 2003) would meet the ABP eligibility requirements, but not the SBP requirements.

This increase in eligibility is more significant than the first column indicates. UI is a large program, so small percentage increases in payouts lead to millions of additional dollars per year in assistance to low-income families. Furthermore, column 2 of Table 3 shows that about two-out-of-five workers ineligible for UI benefits under the SBP can claim UI benefits in their first quarter of unemployment if they are allowed to use the ABP. In other words, the ABP can reduce monetary eligibility denials by forty percent.

While the increase in the UI rolls ranges from 2.1 to 6.5 percent, total UI expenses only increase by 1.1 to 5.2 percent. Because lower-wage ABP claimants receive substantially less in UI benefits, the ABP reform can be made at a low relative cost to state UI programs. Further, the net cost of the ABP (not shown) is actually even lower than the 1.1 to 5.2 percent shown in column 3 of Table 3 because a fraction of ABP workers

(probably less than half given that the median duration of unemployment spells) would have claimed benefits after their first quarter of unemployment. Lag quarter wages during the quarter when a worker is laid off become SBP eligible upon the completion of the filing quarter. Those workers who are unemployed for such a long duration and are enterprising enough to apply in this manner would receive some UI benefits.

THE IMPACT OF THE ABP ON LOW-WAGE WORKERS

In addition to looking at the overall jobless population and UI programs, it is important to evaluate the marginal effect of the ABP on low-wage workers specifically. The SIPP data allows us to look at the workers by wage level, not only by quarterly earnings. A low-wage worker is a person in the bottom 25th percentile of all those reporting wages over the sample time frame (in inflation-adjusted dollars). Table 4 shows the distribution of workers by wage quartile and the average and median wages for each group for employed workers and those in their first quarter of unemployment.

Low-wage workers are much more likely than high-wage workers to become unemployed. Among those in their first quarter of unemployment, nearly half (44.0 percent) were low-wage workers in the prior quarter, while only one-in-seven (14.4 percent) are in the top quartile of wage earners. Within the bottom three quartiles, the average unemployed worker earned less during her last quarter of employment than those employed. Among those in the bottom quartile, median wages were \$6.22 for those employed, but \$5.93 for those unemployed. This means that within the bottom three quartiles, those who lost their jobs are relatively lower paid than those who stayed employed.

TABLE 4 EARNINGS OF EMPLOYEES AND UNEMPLOYED WORKERS

	EMPLOYED WORKERS			UNEMPLOYED WORKERS Wages as of last quarter before unemployment		
	SHARE	AVERAGE HOURLY WAGE	MEDIAN HOURLY WAGE	SHARE	AVERAGE HOURLY WAGE	MEDIAN HOURLY WAGE
WAGE QUARTILE						
First	22.6%	\$6.01	\$6.22	44.0%	\$5.83	\$5.93
Second	25.1	9.48	9.48	24.7	9.31	9.19
Third	25.9	14.13	13.99	16.9	14.03	13.82
Fourth	26.4	28.88	23.27	14.4	32.92	23.53

SOURCE: AUTHOR'S ANALYSIS OF THE 1993, 1996, AND 2001 SIPP PANELS.

NOTES: SEE NOTES TO TABLE 1. ALL WAGES ARE IN MARCH 2000 DOLLARS.

This has significant implications for UI eligibility. Figure 2 shows that low-wage workers are disproportionately represented among those qualifying for UI under ABP rules. While low-wage workers are less than half (44.0 percent) of the unemployed, they comprise nearly two-thirds (56.3 percent) of those qualifying for UI under ABP rules. Among those qualifying for UI using the ABP, very few (7.8 percent) were high-wage workers while they were employed.

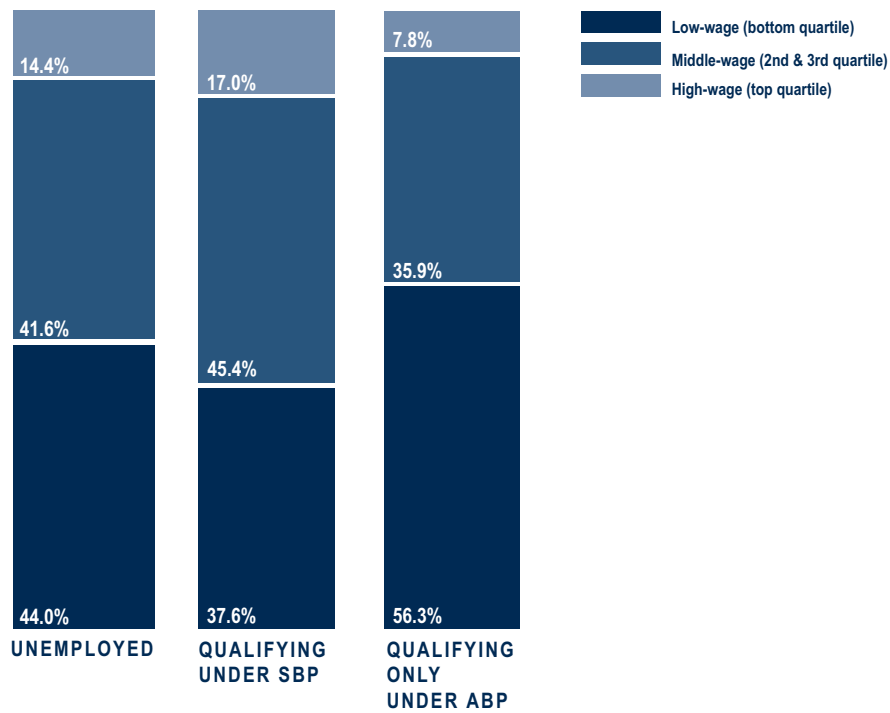
EVIDENCE FROM MICHIGAN

It is clear that low-wage workers are disproportionately helped by an ABP. In Michigan, the ABP is only available to those workers who fail to qualify under the SBP, so we can look at the state to gauge the marginal effect of the reform. Michigan is an interesting case study because the low-wage workers in the state face particular difficulties when they try to qualify for UI under the SBP.

Michigan's monetary eligibility rules require that workers have total base period earnings equal to at least 1.5 times their earnings from their highest-earning quarter (a "high-quarter" rule). There is also a total minimum base period earning requirement of just under \$3,000. The high-quarter rule is especially important because workers with varying hours or overtime pay can have one quarter of earnings significantly greater than the others. The high-quarter rule is biased against lower-wage workers because claimants who have total base period earnings above \$14,600 (20 times the state's average weekly wage) are exempt from this rule.

In Michigan, the average base period earnings of ABP claimants was \$11,524 which is equal to just a third of the overall state average of \$32,093. Table 5 compares the use of the ABP among low-wage and high-wage workers. For this part of the analysis, we define low-wage workers as those in the bottom quartile of the

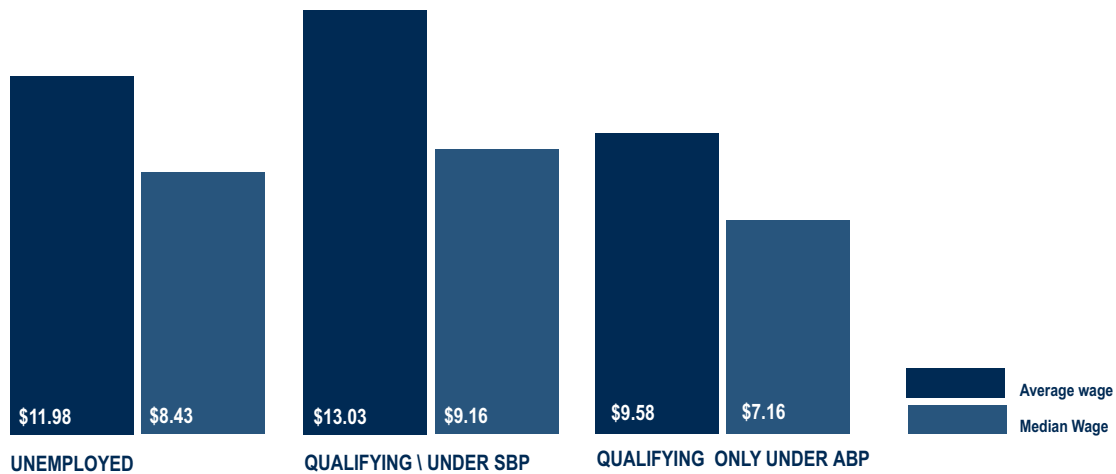
FIGURE 2 LOW-WAGE WORKERS ARE MORE LIKELY THAN HIGH-WAGE WORKERS TO USE ABP TO QUALIFY FOR UI



SOURCE: AUTHOR'S ANALYSIS OF THE 1993, 1996, AND 2001 SIPP PANELS

Figure 3 shows that the disproportionate share of low-wage workers using the ABP lower the average and median wage of ABP eligibles, compared to those qualifying under current rules. Low-wage workers represent nearly a twenty percent larger share of ABP claimants than those who are qualifying under current rules.

FIGURE 3 AVERAGE AND MEDIAN WAGES LOWER FOR THOSE QUALIFYING ONLY UNDER THE ABP



SOURCE: AUTHOR'S ANALYSIS OF THE 1993, 1996, AND 2001 SIPP PANELS

distributions of earnings (total base period earnings of \$15,500 or less). The figures represent the share of eligible claimants in each category that use the ABP to become eligible.

More than one out of every six low-wage workers (17.4 percent) that qualifies for UI in Michigan does so with the ABP, compared to just one out of every sixty high-wage workers (1.6 percent). These impacts show the policy relevance of the ABP on low-wage worker reciprocity. Further adoption of the ABP in states with rules similar to Michigan would be likely to produce such impacts for low-wage workers. At least in Michigan, it is low-wage men that benefit disproportionately – with one out of every five low-wage workers that qualify for UI using the ABP.

THE IMPACT OF ABP ON LOW-INCOME FAMILIES COMPARED TO OTHER ANTI-POVERTY PROGRAMS

While ABP benefits only represent a small proportion of total UI system payments, they compare favorably to other anti-poverty programs. For example in Michigan, federal and state welfare payments were \$389 million in FY2003; thus, the \$86 million in ABP payments were equivalent to 25 percent of the assistance delivered to unemployed parents and their children through the welfare system.¹⁰ ABP payments in the state average \$232 per week, compared to just \$90 per week for TANF.¹¹ On a similar vein, food stamp payments to working and unemployed Michiganders amounted to \$783 million in FY 2003, meaning that ABP payments were equivalent to 11 percent of such assistance.¹² Thus, while it is a modest cost and impact reform, the ABP can be thought of as an important way to deliver assistance to low-income Americans.

Further, since welfare reform encouraged low-income individuals to work rather than receive welfare, it is important that low-wage workers, like other workers, have access to social insurance if they lose their job. Indeed, welfare reform influenced the legislative debate that has led to more widespread adoption of the ABP. Many policymakers saw UI eligibility as an important part of “making work pay” for these new entrants into the labor market. Women exiting welfare were vulnerable to layoffs, especially before they accumulated significant levels of work experience. Further, the labor market downturn and relatively high unemployment of the early 2000s has made it even more important to understand the interaction between the welfare and UI systems. Having an ABP in place would ensure that recent labor market entrants with limited skills and/or wage potential would have access to a temporary stream of income in between jobs.

UI is an important safety net for all families that experience unemployment, however, it is particularly helpful for welfare leavers and other low-income families. In most states, UI benefit levels are higher than the monthly assistance available from the TANF program. Many low-wage ABP claimants would likely also be eligible for programs like food stamps as well, creating a meaningful if incomplete safety net between jobs.

CLAIMANT CHARACTERISTICS

Low-wage workers are not the only category disproportionately affected by moving to an ABP. Table 6 shows the percent of all claimants in the state using the ABP to become eligible, broken down by demographic groups. Disproportionately, disadvantaged groups (especially minorities and younger workers) are more likely to qualify for UI with the ABP, compared to other workers.

TABLE 5 ABP USE BY WAGE OF WORKER

CLAIMANT POPULATION	PERCENT OF ELIGIBLE CLAIMANTS IN THE SUBGROUP THAT USED THE ABP
All Low-wage Workers	17.4%
Low-wage Men	20.4
Low-wage Women	14.1
All Higher-wage Workers	1.6
All Michigan Workers	5.5

SOURCE: ABP BENEFITS SURVEY, 2003

The first column of Table 6 provides a comparison between the groups by showing the ratio between the likelihood of ABP use among the selected population to the most prevalent group in that subcategory. In the case of race and ethnicity, 7.1 percent of the African-American UI applicants in these states needed the ABP to qualify, compared to only 4.6 percent of white applicants. When we compare these two percentages, we find that African-Americans are 1.6 times more likely than whites to use the ABP.

Gender Despite a positive trend towards earning equality, women earn just under 80 cents for every dollar a man earns for full-time work, limiting their ability to qualify for UI under the SBP. Across years, this gender pay gap accumulates and women earn just 38 percent as much as men over their peak earning years.¹³ However, this earnings gap is not large enough to translate into higher ABP use, except in New Jersey.

Race / Ethnicity As with gender, there continues to be a significant pay gap between white workers and workers of color. This translates into more use of the ABP for

minority workers: Hispanic and African-American workers benefit more from the ABP than do white workers. Hispanic workers are nearly twice as likely to use the ABP as white workers and African American workers are 1.6 times as likely to use the ABP compared to white workers. Minority workers are more likely to work intermittently or seasonally, which contributes to their greater likelihood of needing the ABP to qualify for UI.

Prior research has found a race/ethnicity gap in UI reciprocity. Analysis from the SIPP (not shown) indicates a 9 percentage point gap in UI receipt between black and white workers and a 5 percentage point gap between Hispanic and white workers. The National Urban League reports the gap in UI receipt to be 9 percentage points for both blacks and Hispanics.¹⁴ Moving to an ABP in all states could help to close the race/ethnicity gap in UI receipt.

Age The largest differences in the use of the ABP are by age group. According to the Benefits Survey, younger workers (aged 16 to 25) qualifying for UI are more than twice as likely as prime-age workers to use

the ABP. As relatively new entrants to the labor force, younger workers are disproportionately likely to be laid off before they have established sufficient work history to qualify for UI under the SBP. Further, younger workers tend to have relatively low-earnings due to fewer hours and lower wages. The ABP allows them to clear the hurdles presented by earnings requirements and qualify for benefits. It is the case that many young workers support their families and need UI benefits during unemployment.

Education Less-educated workers are slightly more likely to use the ABP than those with higher levels of

education. This is consistent with the greater difficulty less-educated workers face in maintaining well-paid consistent employment and the lower wages that they face in the labor market.

Other States Both Georgia and Virginia provided claimant data for ABP claimants, but not regular base period claimants so they are not included in Table 6. However, we can compare data on claimant characteristics to the data provided in the federally-required ETA 203 report, entitled “Characteristics of the Insured Unemployed.” Most notably, both states show a similar racial impact, where roughly half of ABP claimants are

TABLE 6 ABP USE BY GENDER, RACE, EDUCATION AND AGE OF CLAIMANTS

	LIKELIHOOD COMPARED TO DOMINANT GROUP	PERCENT OF CLAIMANTS IN GROUP THAT USED THE ABP				
		AVERAGE	MICHIGAN	NORTH CAROLINA	NEW JERSEY	MAINE
ALL CLAIMS						
GENDER						
Women	1.0	5.3%	5.2%	2.0%	7.2%	6.6%
Men	1.0	5.1	5.6	2.2	5.9	6.7
RACE/ETHNICITY						
African-American	1.6	7.1	NA	2.6	9.5	9.1
Hispanic	1.9	8.7	NA	4.1	9.8	12.3
White*	1.0	4.6	NA	1.6	5.5	6.6
EDUCATION						
High School degree or less	1.3	5.1	5.7	2.3	NA	7.3
Some College or College Grad*	1.0	4.0	5.0	1.8	NA	5.3
AGE						
Under 25	2.2	10.9	11.1	5.0	16.4	11.0
26-55*	1.0	4.9	4.9	1.9	6.6	6.1
56+	0.9	4.3	6.0	1.0	5.0	5.0

*REFERENCE GROUP FOR CATEGORY. COLUMN A IS ABP PROPORTION DIVIDED BY THE REFERENCE GROUP.

SOURCE: ABP BENEFITS SURVEY, 2003

NOTE: GEORGIA AND VIRGINIA EXCLUDED DUE TO INSUFFICIENT DATA.

African-American. In Georgia, 55 percent of ABP claimants are African-Americans, compared to 45 percent of the total UI recipient population. Similarly, in Virginia, 50 percent of ABP claimants are African-Americans, compared to just 38 percent of all claimants. The results for gender and age follow the patterns above. Thus, while only a small claimant population is served by the ABP in these two Southeastern

states, the program has a very positive impact on racial inequities in the economy.

In general the SIPP simulation data reinforce the findings from the administrative data, concerning the characteristics of claimants. The third column in Table 7 illustrates the percentage point increase in each population's UI eligibility if all states were to move to the

TABLE 7 SHARE OF JOBLESS WORKERS MEETING MONETARY ELIGIBILITY REQUIREMENTS

	CURRENT UI ELIGIBILITY RULES	IF ALL STATES MOVE TO THE ABP	PERCENTAGE POINT DIFFERENCE DUE TO THE ABP
All	66.4%	72.4%	6.0
Male	67.2	73.5	6.3
Female	65.6	71.3	5.7
White	67.6	73.5	5.9
Black	58.3	64.9	6.6
Hispanic	66.9	73.0	6.1
Other	69.6	76.2	6.6
Less than high school	46.6	52.5	5.9
High school graduate	72.0	78.4	6.4
Some college	74.0	80.5	6.5
College degree	81.0	85.7	4.7
Married or cohabitating	77.5	82.8	5.3
Never married	56.1	63.0	6.9
Widowed	68.2	72.6	4.4
Divorced or separated	72.6	77.7	5.1
No children	72.3	78.2	5.9
Children aged:			
• Infant to 5 years only	74.6	81.1	6.5
• 6 to 17 only	55.4	61.5	6.1
• Infant to 5 years and children 6 to 17	54.6	60.0	5.4

SOURCE: AUTHOR'S ANALYSIS OF THE 1993, 1996, AND 2001 SIPP PANELS.

NOTES: SAMPLE INCLUDES ALL INDIVIDUALS AGE 16 TO 64 WHO WORKED IN THE QUARTER PRIOR TO BECOMING UNEMPLOYED AND WHO EXPERIENCED A FIRST QUARTER OF UNEMPLOYED IN 1995, 1998, OR 2003.

ABP. Men would see more of an increase in the share meeting the monetary eligibility requirements, compared to women, and women would continue to be less likely than men to meet the monetary eligibility requirements. Men's eligibility rate would rise by 6.3 percentage points, from 67.2 percent to 73.5 percent, while women's would only increase by 5.7 percentage points, from 65.6 percent up to 71.3 women.

Black workers and other workers of non-white, non-black, and non-Hispanic descent would see a larger increase in their share meeting the UI monetary eligibility requirements, compared to whites and Hispanics. Whites and Hispanics, however, would continue to be most likely to be eligible, while blacks would continue to have the lowest eligibility rate. In terms of educational attainment, workers who graduated from high school and those who had at least some college would see larger increases in their eligibility rates than would workers without a high-school degree or ones with a college degree. Even with an ABP, only slightly more than half of workers without a high-school degree would meet the UI monetary eligibility requirements, up from 46.6 percent under current rules.

The data shed some additional light on the interaction on how family status impacts the use of the ABP. The ABP would increase the UI eligibility of jobless workers with young children by 6.5 percent, more than any other family group. Such young parents are more likely to have recently returned to the labor force and have fewer quarters of earnings when they apply for UI benefits. Single parents face particular barriers as they may be forced to leave jobs to care for their children, and, not surprisingly, never-married jobless workers would experience a 6.9 percent increase in their eligibility from an ABP.

INDUSTRY OF EMPLOYMENT

Table 8 shows information on industry of employment of ABP claimants. In this case, we use manufacturing as the reference group; manufacturing comprises a large share of laid off workers in each state and workers laid off in this industry are less likely than average to use the ABP to qualify. An intriguing pattern of industry of employment emerges from this data, which is the first to use the new industrial classification system to analyze ABP claims. In particular, workers in industries with seasonal or erratic work patterns, not just low-wages, are the most affected by the ABP. Findings for specific industries include:

- The ABP is particularly important in the Leisure and Hospitality industry (hotels, amusement parks, restaurants, etc.), which is characterized by low-wages and seasonal employment. Workers in this industry are nearly three times more likely than manufacturing workers to use the ABP.
- Workers from the range of industries characterized as "professional or business services," not typically thought of as "low-wage," are, however, more than twice as likely as manufacturing workers to use the ABP. This sector includes temporary help agencies and leased employees who endure ups and downs in their employment.
- Construction workers are also likely to use the ABP. In this case, it is because of uneven work histories, rather than low wages, that the ABP plays an important role in fostering UI eligibility.
- The other industries are less likely than average to use the ABP. Even though the Trade, Transportation and Utilities sector includes low-wage retail trade jobs, this is insufficient to make it higher than average in terms of ABP use.

TABLE 8 ABP USE BY INDUSTRY OF PRIOR EMPLOYMENT

	LIKELIHOOD COMPARED TO THE REFERENCE GROUP	4 STATE AVERAGE	MICHIGAN	NORTH CAROLINA	NEW JERSEY	MAINE
All Claims	--	5.2%	5.5%	2.7%	6.6%	6.6%
Manufacturing	1.0	3.2	2.7	1.5	4.3	4.2
Leisure and Hospitality	2.6	8.4	9.0	3.5	12.3	8.7
Professional Business Services	2.2	6.8	8.0	3.3	7.5	8.5
Construction	1.8	5.7	6.7	2.9	4.3	9.1
Trade, Transportation and Utilities	1.5	4.9	5.1	1.7	6.6	6.1
Education and Health Services	1.4	4.3	5.2	1.7	5.6	4.8
Financial Activities	1.0	3.1	4.7	0.8	3.5	3.5
Information	1.0	3.0	3.5	1.2	2.5	4.9

SOURCE: ABP BENEFITS SURVEY, 2003.

NOTE: COLUMN A IS ABP LIKELIHOOD DIVIDED BY ABP USE AMONG MANUFACTURING WORKERS.

TABLE 9 PRIOR UI USAGE AMONG ABP & SBP CLAIMANTS

	LOW WAGE ABP CLAIMANTS	LOW WAGE SBP CLAIMANTS	HIGH WAGE SBP CLAIMANTS
Used UI more than once	56.1%	61.7%	74.0%
First-time UI users	43.9	38.3	26.0

SOURCE: ABP BENEFITS SURVEY, MICHIGAN DATA ONLY, 2003

WORK EXPERIENCE

Workers that have relatively short tenures in their current job are more likely than other workers to use the ABP to qualify for UI. Among ABP claimants, 85 percent had been on their current job for one year or less compared to just 14 percent of workers qualifying under the SBP. This is not to say however, that the ABP is only helpful for inexperienced workers and new entrants to the labor force, like women coming off of welfare. Table 9 illustrates what proportion of UI claimants are repeat users. This is a good proxy for past work experience because repeat claimants worked sufficient hours to qualify for UI in a prior year. More than half of low-wage ABP claimants have such a substantial employment background. The long-term work profile of these low-wage claimants does not differ from low-wage SBP claimants.

DIFFERENCES BETWEEN STATES

This study finds slightly different effects for ABP compared to prior analysis. Since the mid-1990s, when prior research was conducted, the percentage of claimants using the ABP has declined slightly. For example, in New Jersey in 1996, Vroman (1995) found that 7.3 percent of claimants qualified for benefits using the ABP compared to 6.2 percent reported here for 2003; similarly, the Maine proportion dipped from 8 percent in 1993 to 6.5 percent in 2003. It is possible that this decline reflects an increasing proportion of applicants who are monetarily eligible for UI benefits in these states under the SBP. For example, New Jersey requires workers to earn more than 20 times the minimum wage in each of 20 weeks of work to qualify for UI benefits. However, from 1992 until 2004, the real value of the minimum wage dropped by 26 percent in the state; thus making it easier for workers earning more than the minimum wage to qualify for benefits in the state.¹⁵

The three new ABP states from the Southeast all disqualify a lower proportion of the total claimant pool through their regular base period rules, compared with the states that implemented ABP earlier, such as Maine.¹⁶ This is because these states disqualify fewer workers under the regular base period and so the ABP makes less of an impact in these three Southern states, compared to other states (Table 10).

Several factors attribute to the easier time workers have qualifying under the SBP in these states. We can characterize the states as high ABP usage (Maine, Michigan, New Jersey) and low ABP usage (Virginia, North Carolina and Georgia) states. In each group of states, the total earnings amount required are similar, but the distribution rules differ. In Virginia and North Carolina, claimants are only required to have earnings in two separate quarters; while in Maine, New Jersey and Michigan, claimants must meet more specific rules for the amount of earnings earned in a second quarter of employment before a layoff. Consequently, a worker who earns \$6,000 in one quarter and \$1,000 in a second quarter before being laid off would qualify for benefits in Virginia, but not Maine. In Maine, more workers with three quarters of earnings need the ABP and thus a greater percentage of all claims are ABP.

STATES WITH HIGH BASE PERIOD DISTRIBUTION REQUIREMENTS HAVE MORE PEOPLE QUALIFYING UNDER ABP THAN STATES WITH SIMPLER MONETARY ELIGIBILITY REQUIREMENTS.

TABLE 10 STATE MONETARY ELIGIBILITY REQUIREMENTS & ELIGIBILITY DATA

MONETARILY ELIGIBILITY REQUIREMENTS	PERCENT OF ALL CLAIMS INELIGIBLE UNDER THE SBP	PERCENT OF ALL CLAIMS BECOMING ELIGIBLE UNDER THE ABP	BASE PERIOD EARNINGS REQUIREMENT	MAIN DISTRIBUTION REQUIREMENT	BACK-UP DISTRIBUTION REQUIREMENT
Michigan	11.2%	5.5%	\$2,964	1.5 X HQW in the base period	Claimants with greater than \$14,600 in total earnings are exempt from 1.5 x HQW rule
Maine	13.2	6.5	3,487	At least \$1162 in two different quarters	None
New Jersey	14.5	6.2	2,060	20 Weeks of Employment	Claimants with greater than \$5,200 in total earnings are exempt from twenty weeks rule
Georgia	6.9	2.7	1,600	1.5 * HQW must be earned in two quarters	1.6 X HQW in the base period
Virginia	7.4	3.1	2,500	The \$2,500 must be in two highest quarters; Must have two quarters of earnings	None
North Carolina	6.6	2.1	3,744	Must have two quarters of earnings	None

SOURCE: ABP BENEFITS SURVEY, 2003 AND U.S. DEPARTMENT OF LABOR, SIGNIFICANT PROVISIONS OF UI LAWS, JANUARY 2003.

NOTES: HQW SIGNIFIES THE BASE PERIOD QUARTER WITH THE HIGHEST TOTAL EARNINGS.

The back-up standard in Georgia is 40 * the weekly benefit amount that would be established if the claimant was eligible. With the weekly benefit amount equal to 1/24th of high quarter wages in 2003, 40 x 1/24 = 1.6 x HQW. In second test, however, 1.6 * HQW must only be earned in a four quarter base period as compared to the 1.5 * HQW in just two quarters.

5

IMPLEMENTING THE ALTERNATIVE BASE PERIOD Lessons from the Field

The ABP requires earning information that is excluded by standard UI procedures. Claims processing procedures must be substantially modified so that those earnings can be included in monetary eligibility determinations. Computer systems must be reprogrammed, and protocols must be established to track down wages that are not available in the computer system at the time of the claim. Seven states (Connecticut, New Hampshire, Maine, Michigan, North Carolina, Virginia, and Wisconsin) responded to NELP's Administrative Costs Survey regarding these implementation questions.

These changes can appear daunting to state agencies considering the ABP. However, in recent years, ABP implementation has been carried out in ways that can minimize administrative costs. As mentioned above, none of the newly implementing states allow use of ABP II – the filing quarter ABP. A policy choice in favor of the ABP I both eliminates an administrative step and reduces the amount of wage information that needs to be collected beyond the wage record system. Furthermore, no newly implementing state allows workers to choose between the ABP and SBP in a quest for a larger benefit check. Thus, ABP procedures are only carried out on SBP ineligible claims.

COMPUTER PROGRAMMING

Five of the seven states in the Administrative Costs Survey cited changes to their computer system as one of the two biggest challenges of ABP implementation. The ABP requires that claims takers and adjudicators be able to access a wider range of wage records at the time when they interview a new applicant. States must modify the user interface and procedures for accessing the wage record database. In addition, new modules must be added to make sure that ABP wages cannot be reused. Once a quarter of wages becomes part of a base period, it cannot be reused to requalify for benefits during a subsequent unemployment spell.

Despite the variety of changes that needed to be made to computer programs, only two out of the seven states (Connecticut and New Hampshire) engaged an outside contractor. The other states used internal programming staff. None of the states purchased new hardware or software. Table 11 provides information from the six states that provided their programming costs through the Administrative Costs Survey. In all but the case of New Hampshire, costs are modest. As a rule of thumb, we estimate average staff computer programmer costs to be \$57 per hour (\$80,000 per year + fringe).¹⁷

Considering those states that exclusively used in-house staff, the work hours translate into an average cost of just \$58,000 per state. These states receive an average of \$41 million per year in UI administrative grants,

making this implementation cost equal to just 0.14 percent of total administrative costs.¹⁸

At the time of the Planmatics study, only two states submitted information about programming costs, with New Jersey indicating \$64,000 in costs and Washington indicating \$223,500. Among more recently implementing states, those taking the in-house route to computer reprogramming are having experiences that indicate New Jersey's experience is the norm.

STAFF TRAINING

The second most common issue raised by states as an implementation concern was staff training. Several staff training challenges emerged. The SBP is a bedrock UI concept that has been engrained in the work practices of front line staff. Adding the ABP requires altering the framework under which UI staff operates and was a harder training concept than most.

State agency directors also feared that claims takers would move too quickly to move a claim from the SBP to the ABP. This is a concern because improperly creating an ABP claim for a SBP eligible worker could lead to an improper weekly benefit amount and the loss of wages for subsequent claims. The latter concern could negatively impact those claimants who get laid off again and need the lag quarter wages to become eligible.

States reported this cost in terms of hours of training spent. Wisconsin reported the most training hours: 4 hours of training delivered to 450 staff, roughly 2000 hours. Similarly, Maine reported that they conducted 15 half-day trainings in each of the local offices that they had open at the time. These state experiences indicate that a half-day of training appears adequate to introduce the core concepts of the ABP to front line staff. Other states did not outline their training

A HALF-DAY TRAINING OF FRONT LINE STAFF APPEARS TO BE SUFFICIENT FOR AN INITIAL ORIENTATION TO THE ABP.

TABLE 11 COMPUTER PROGRAMMING COSTS FOR ABP IMPLEMENTATION

STATE	PROGRAMMING COSTS
Connecticut	1200 internal hours / 896 hours for contract staff
Maine	120 internal hours
New Hampshire	\$528,000 contract
North Carolina	510 internal hours
Virginia	400 internal hours
Wisconsin	1,942 internal hours
Average internal staff hours	1,013 internal hours

SOURCE: NERP ADMINISTRATIVE COSTS SURVEY, 2003

schedule, but rather reported total hours. New Hampshire and North Carolina each reported 300 hours of training. Connecticut and Virginia reported smaller amounts of training time, 32 hours and 40 hours respectively.

Administrators from Virginia and Wisconsin emphasized the need for continual improvement. A particularly complex problem that emerged after the initial implementation was the interaction of the ABP with “combined wage claims” (CWC). CWC claims combine wages from employment in different states. When these claimants file their benefits, they may appear to be ineligible based on wage records from their state of residence. Claims takers will be tempted to switch these claims to the ABP, either because there has been a delay in the transfer of wage records from one state to another or because they fail to properly recognize a CWC claim. The proper action is to wait for the CWC wages to be credited as an SBP claim. Such interstate claims pose an ongoing challenge to state UI agencies, and the ABP has only added another layer of complexity.

CLAIMS PROCESSING

Wage records

As mentioned in the introduction, the central problem in handling ABP claims is the ability to obtain lag quarter wage information. With the exception of Michigan, all the states surveyed set a deadline of 30 days after the end of the quarter for reporting wages. (Wages in Michigan are due on the 25th day). As such reporting deadlines fall in the lag quarter, wages must be speedily processed for the needed wages to be credited in the system in time for an ABP claim.

In the early 1990s, when the ABP was first studied, electronic data reporting systems were still taking hold. One prediction was that as an increasing proportion of employers reported their wages by electronic means states would be able to streamline their processes. In four of the states surveyed – Virginia, Maine, North Carolina and Wisconsin – more than two-thirds of all employers report their wages electronically. Michigan noted that while just 35 percent of employers in that

state submitted their information electronically, these reports represent 63 percent of all wages in the state.

In four of the states we surveyed, the use of electronically reported wage records appears to be increasing their availability for ABP claims. North Carolina reported that electronic wage records are available for claims within two weeks after they are received. Thus, wages would be ready for use six weeks into the quarter. If we assume that half of ABP claims are spread evenly throughout the 13 week lag quarter, half of ABP claims could be processed as seamlessly as regular base period claims. Virginia, Maine and Michigan reported a similar experience, with wages generally inputted into the wage record database during the second month of the lag quarter.

In Connecticut and Wisconsin, however, wage records are not fully recorded until the end of the lag quarter. Similarly, it still takes North Carolina the full three months of the quarter to process paper wage reports. The dominant purpose of the UI system is to process SBP claims, and states cannot be expected to make wholesale changes in wage reporting for the sake of the ABP. However, to the extent that states using electronic reporting can replicate North Carolina's model, it will facilitate the implementation of the ABP reform.

Procedural steps

This section will describe the ways that states newly implementing the ABP have addressed the operations issues involved in processing ABP claims. The appendix includes a claims processing flow chart.

STEP 1

DETERMINING WHETHER A CLAIM SHOULD BE SWITCHED TO THE ALTERNATIVE BASE PERIOD

When a worker applies for unemployment benefits, a claims taker begins the monetary eligibility process by

checking to see if the worker is eligible under the SBP. Not every claim that shows up as ineligible under the SBP is moved to the ABP. As strongly emphasized by several of the states surveyed, the first step is to double check the SBP for additional earnings that might establish UI eligibility. The SBP wage file could be missing wages for a variety of reasons. Employers might have filed their wage reports late or not at all (in general 10 percent of reports arrive late). Claimants might have been misclassified as independent contractors in which case their wages would not be reported to the state.

The initial interview of the claimant is also crucial to determining whether eligibility under the ABP should be pursued. A well-trained claims taker should be able to use the date of separation to assess whether the claimant is likely to be missing a significant amount of wages from the lag quarter. For example, if a claimant filing for benefits on July 15 tells the claims taker that she started work on January 1 and was laid off on June 30, it should be clear that the alternative based period would include a robust lag quarter of earnings.

If the claims taker determines that a re-check of the monetary eligibility is not necessary, they can normally switch a claim to the ABP during the initial interview. The claimant does not have to be officially denied under the SBP in order to file an ABP claim; nor does he or she have to fill out a signed request for redetermination based on the ABP. Such paperwork would cause unnecessary delays in the claim. Instead, after failing the SBP, ABP claimants are put in a pending status when all formal correspondence is held.

STEP 2

GETTING LAG QUARTER WAGES INTO THE CLAIM

The most straightforward manner to include lag quarter wages is to access the wage record database. In all states newly implementing the ABP, claims takers are able to

incorporate any recorded lag quarter wages quickly into an ABP determination. If a claimant is eligible through this method, a valid monetary determination can be set up in the same time period as a SBP claim.

The more complicated, and more common case, is that the lag quarter wage records will not be present in the system. There are two options for acquiring wage information when wage records are absent.

Wage requests and affidavits

A wage request is a customized letter that asks the lag quarter employer(s) to provide earnings information for the individual claimant applying for the ABP. The employer typically has 7 to 10 days to return the form; and agency staff will typically use phone follow up to ensure the completion of the request.

Wage requests require additional effort beyond the regular wage reporting which is now often handled by payroll processing companies. The Planmatics report on the early implementation of the ABP surveyed employers to establish estimates of the time expended by human resources personnel on such requests—and found that the average form took 39 minutes to fill out.¹⁹ The states we surveyed commented that the ABP did not involve a paradigmatic change in the information provided by employers. Most states already use wage request forms to get information that falls through the cracks of the wage record system. Furthermore, employers already are accustomed to responding to UI claims made by their former employees. Because UI benefits directly affect employers' UI tax rates, they are sent paperwork on every UI claim submitted, in which they are given the opportunity to disagree with the claimant's description of the circumstances of their job separation.

Because the newly implementing states have limited the use of the ABP to those claimants who are ineligible under the SBP, the volume of wage requests is modest. Table 12 outlines information on the annual number of wage requests completed by employers due to the ABP (the table includes those states that provided estimates). The number of wage requests is compared to the number of new initial claims, a figure from the ETA 5159 report that represents those UI applications that trigger a monetary eligibility review.²⁰ In the states surveyed, ABP wage requests generally represent between 2 and 3 percent of all unemployment insurance applications processed by the state.

Wage affidavits gather proof of earnings from the claimant requiring them to fill out a form stating the wages earned in the ABP quarters in question. States allow for different forms of proof to be presented to back up an affidavit. The two most common forms of proof cited were pay stubs that include the name and address of the employers and W-2s. In special cases, other forms of proof such as bank deposit slips are accepted. By providing an affidavit, claimants are vouching for the accuracy of the information and are responsible for errors.

WAGE REQUESTS INVOLVE A SPECIAL REQUEST MADE BY THE UI AGENCY TO AN EMPLOYER TO PROVIDE EARNINGS INFORMATION FOR A SPECIFIC CLAIMANT. WAGE AFFIDAVITS GATHER PROOF OF EARNINGS FROM THE CLAIMANT THEMSELVES, WITH THE WORKER VOUCHING FOR THEIR AUTHENTICITY. STATES NEWLY IMPLEMENTING THE ABP COMBINE THESE TWO METHODS.

TABLE 12 ABP WAGE REQUESTS COMPARED TO TOTAL WORKLOAD

	ANNUAL ABP WAGE REQUESTS	NEW INITIAL UI CLAIMS	PERCENT OF NEW UI CLAIMS NEEDING AN ABP WAGE REQUEST
Wisconsin	8,300	324,053	2.6%
Virginia	7,500	239,615	3.1
Connecticut	2,600	156,070	1.7

SOURCE: NERP ADMINISTRATIVE COSTS SURVEY, 2003; ETA 5159

In the early stages of the implementation of the ABP, states tended to choose one of these two methods. However, in the states surveyed for this report, the most common practice is to combine the two methods (five of the seven states). Wage requests submitted by employers are the first choice for gathering the missing information. If the employer misses the deadline for responding the report, the state then turns to the claimant for information. The most efficient practice, adopted by Wisconsin and Virginia, is to simultaneously send out the wage affidavit and wage request form to employers and claimants. In Wisconsin for example, the computer system automatically turns to the claimant data on the 8th day if the wage request remains unanswered after the 7 day deadline. Such efficiency helps to accomplish the ABP's goal of getting benefits to claimants earlier into their unemployment spell.

STEP 3

ESTABLISHING MONETARY ELIGIBILITY AND VERIFYING WAGE INFORMATION

Once a wage request or wage affidavit is processed, a valid monetary eligibility determination can be completed. If the claimant is found to meet the other requirements for UI eligibility, they will begin to receive UI checks.

A problem can arise if the information provided through a wage request or wage affidavit proves to be incorrect (states differ on which they consider to be a more reliable source of wage data). The wage records hold weight over the requests/affidavits and could alter the benefit amount or in rare cases reverse the eligibility determination. If workers have been paid too much based on the wrong information, they will be responsible for paying the money back.

One way to reduce such errors would be to prioritize employer wage records of ABP claimants for quicker processing. However, this practice proves too costly and slow to be an effective means of administering the ABP. Some innovations in this area, however, were indicated in the Administrative Costs Survey. Wisconsin indicated that ABP claims are flagged in the database, and that the central staff receives an alert as new information filters through the system. Other states directed their claims takers to recheck the wage database before using the wage affidavits or wage requests to make a final monetary decision.

ISSUES OF CONCERN TO CLAIMANTS

When monetary eligibility includes a wage request or wage affidavit, benefit checks are delayed. Despite not having an eligibility determination, ABP claimants still have to call into the UI agency weekly, and certify that they are unemployed. Certification of weeks of unemployment is the basis for the payment of all unemployment checks. Failing to certify means that jobless workers could lose an unemployment check or be forced to wait longer for assistance.

In the states surveyed, ABP claimants are only sent general information such as a claimant handbook until their monetary eligibility is finalized. By contrast, once claimants receive a firm determination, they are specifically directed to certify in order to receive their benefits. Especially since most UI claims are handled by phone, as opposed to in person, ABP claimants may miss this instruction. A better practice would be to send ABP claimants “a pending monetary determination” that explains what information is still being sought and clearly explains the importance of certification to claimants in this situation.

Follow up interviews with state officials identified unsolved issues related to ABP claims. For example, some claimants may fail ABP eligibility because of an erroneous wage request or because of confusion at the time of the application. When wage records are processed, this claimant could prove to be eligible. However, there were no automatic mechanisms for notifying the worker or adjudication staff of such changes to individual cases. By automatically rechecking eligibility of claimants, it would appear possible to increase the proportion of workers gaining benefits through the ABP.

6

CONCLUSIONS



Moving from the SBP to the ABP would help many workers, especially low-wage workers, young workers and workers of color, qualify for UI when they lose their job. The ABP is a simple and much-needed step to ensure that workers who lose their job are able to have income while they are unemployed.

The ABP is a “technocratic” fix to an administrative problem in the UI system. The ABP allows a worker’s most recent completed calendar quarter of earnings to be counted when determining their eligibility for UI and their level of benefits. For workers who are employed intermittently or are recent labor market entrants, counting the most recently completed quarter in place of the fifth most recently completed quarter increases the odds of qualification.

This study used three surveys to examine who would be eligible for UI under the ABP, how the move to an ABP has played out in a sample of the states that have already begun using it, and how much this has cost them in terms of time and administrative expense.

The most striking finding is that low-wage workers make up an estimated nearly two-thirds (56.3 percent) of those qualifying for UI only under the ABP. In Michigan, 17.4 percent of all low-wage workers who received UI needed the ABP, compared to only 1.6 percent of higher-wage workers.

The ABP benefits low-wage workers, but it also benefits workers who are employed intermittently. Our analysis of what industries UI claimants worked in prior to receiving UI finds that industries with a high share of seasonal or intermittent employment, such as construction, temporary help, and leisure and hospitality, were all much more likely to need the ABP compared to workers employed in other industries.



Because the ABP discounts employment in the fifth-most-recent calendar quarter in favor of the most-recent quarter, recent labor market entrants are more likely to use the ABP. This helps younger workers. Young workers are more than twice as likely as older workers to need the ABP to qualify for UI benefits.

While the effects on workers and their families of moving to an ABP are significant, this study has found that the costs for UI administrators are not overly burdensome. Further, because those qualifying for UI under the ABP are more likely to be low-wage workers, the payments are not as large as the increase in beneficiaries. In the states that have implemented the ABP and studied here, ABP claimants represent 1.1 to 5.2 percent of all UI payouts, while 2.1 to 6.5 percent of all claimants use the ABP.

Over the past decade, federal and state governments have promoted welfare reform and a move towards policies that “make work pay.” Bolstering the UI system and increasing its availability to low-wage workers can increase these workers sense of labor market attachment. Upon losing a job, they, like all other workers, can get six months of UI while they search for a new job, rather than having to move onto the welfare system.

APPENDIX I

DATA AND ANALYSIS USING THE SURVEY OF INCOME AND PROGRAM PARTICIPATION

This analysis makes use of the 1993, 1996 and 2001 panels of the Survey of Income and Program Participation. The SIPP is a multi-panel, longitudinal survey of the civilian, non-institutional population in the United States, conducted by the U.S. Census. It is designed to examine issues related to participation in income maintenance programs, such as welfare and Medicaid and contains extensive information on individuals' backgrounds, employment and earnings, and access to services, including health insurance and child-care. Unlike other available longitudinal datasets, such as the Panel Study of Income Dynamics or National Longitudinal Survey of Youth, it covers all workers and contains monthly, rather than annual data.

The SIPP data are structured so that every month one-fourth of the sample is interviewed; over each four-month interval (a "wave"), all sample members are interviewed. During each wave, respondents are asked a set of core questions, which cover labor market participation, wages, and participation in income support programs; additional questions from topical modules change each wave. The first topical module, for example, includes employment and welfare history, asks questions that allow identification of a history of welfare use, as well as labor market experience prior to the panel. Other modules focus on childcare, assets, training history, etc.

The 1993 and 2001 panels include three years of interviews, covering from October 1992 through December 1995 in the 1993 panel and October 2000 through December 2003 in the 2001 panel. The 1996 panel is four years long and includes data from December 1995 through February 2000.

In order estimate UI eligibility, we merge state UI eligibility rules for earnings and hours to the individual's state and reshape the data from monthly into calendar quarters in each of the three panels. We programmed rules by state and by year, so we can estimate the incremental effect of extending the ABP beyond the twenty states that had currently implemented it by 2003. The merge was not done, however, for the smallest states because the SIPP does not provide a unique identifier for states that have insufficient observations to produce consistent statistical results. In the 1993 panel, these states are ME, VT, IA, ND, SD, AK, ID, MT, and WY and in the 1996 and 2001 panel, these states only include ME, VT, WY, ND, SD.

We combine the SIPP data with data on UI monetary eligibility requirements in each of the 50 states and the District of Columbia for each year. This data set provides annual information on UI benefits formulae and eligibility requirements; we collected these data from the Employment and Training Administration's annual *Comparison of State UI Laws* and their *Handbook 394*.²¹

Our final sample includes those aged from 16 to 64 living in one of the states with sufficient observations for consistent statistical results. Individuals who were not interviewed in a particular month are dropped, however individuals are included if they were in the panel during at least part of the year.

The use of individuals with only partial responses may bias our results. Table A1 shows the differences in our analysis using only respondents who were in the panel for every interview, compared to including respondents who were in the panel for at least some inter-

views. Among all respondents, the share eligible for UI increases by 19.1 percentage points.

The analysis focuses on individuals in their first or second quarter of unemployment. Typically, UI benefits last for six months, which is equal to at least two quarters of unemployment. Further, most unemployed individuals have returned to work within two quarters.

METHODS: ESTIMATING UI MONETARY ELIGIBILITY

To calculate UI eligibility using the SBP and ABP, we need a minimum of five complete calendar quarters prior to the quarter of interest and to focus on those who have at least twelve consecutive months of record in each panel. Meanwhile, we need to ensure that attrition rates are as consistent as possible across panels. Thus, the 12-month period we choose to include in the analysis is the period between the 9th quarter and the 12th quarter of the SIPP panels. For the 1993 panel, these four quarters cover from October 1994 through September 1995; for the 1996 panel, this covers all of 1998; and for the 2001 panel, this period covers from October 2002 through September 2003. In the report, we refer to these as years 1995, 1998, and 2003. All variables are generated by quarter and the final dataset only includes one observation per quarter during the interested periods of the panels.

DEFINITIONS

Individual employment and unemployment

The SIPP provides seven categories for labor force status by month. In our analysis, we consider an individual employed if they report being employed: (1) with a job entire month, worked all weeks, (2) with a job all

TABLE A1 EFFECTS OF SAMPLE

	ALL SAMPLE RESPONDENTS	RESPONDENTS IN SAMPLE EVERY QUARTER	PERCENTAGE POINT DIFFERENCE
All	66.4%	85.5%	-19.1
Male	67.2	87.3	-20.1
Female	65.6	83.9	-18.3
White	67.6	85.7	-18.1
Black	58.3	84.1	-25.8
Hispanic	66.9	85.0	-18.1
Other	69.6	85.3	-15.7
Less than high school	46.6	79.0	-32.4
High school graduate	72.0	87.3	-15.3
Some college	74.0	83.8	-9.8
College degree	81.0	90.4	-9.4
Married or cohabitating	77.5	88.4	-10.9
Never married	56.1	80.4	-24.3
Widowed	68.2	87.6	-19.4
Divorced or separated	72.6	88.8	-16.2
No children	72.3	86.6	-14.3
Children aged:			
• Infant to 5 years only	74.6	85.9	-11.3
• 6 to 17 only	55.4	82.9	-27.5
• Infant to 5 years and children 6 to 17	54.6	80.7	-26.1

SOURCE: AUTHOR'S ANALYSIS OF THE 1993, 1996, AND 2001 SIPP PANELS.

NOTES: SEE NOTES TO TABLE 1.

TABLE A2 SHARE OF UNEMPLOYED WORKERS REPORTING RECEIPT OF UI BENEFITS DURING THEIR FIRST QUARTER OF UNEMPLOYMENT

	1995	1998	2003
Male	27.8%	20.4%	25.8%
Female	19.6	14.8	20.8
Total	24.1	17.7	23.5

SOURCE: CEPR ANALYSIS OF THE 1993, 1996, AND 2001 SIPP PANELS REPORT

month, absent from work w/out pay for at least one week, (3) with a job at least one but not all weeks, no time on layoff and no time looking for a job.

Individuals are coded as unemployed if they report being out of work or on layoff at any time. This includes: (1) with a job all month, absent from work without pay for at least one week due to layoff, (2) with a job at least one but not all weeks, some weeks on layoff or looking for a job, (3) no job all month, on layoff or looking for work all weeks, (4) no job, at least one but not all weeks on layoff or looking for work.²³

Quarterly Unemployment

Since our analysis is based on outcomes by calendar quarter, we have to make decisions about how to translate an individual's monthly employment status into a quarterly employment status. Individuals are counted as unemployed in a quarter if s/he was unemployed for at least two of the three months of a calendar quarter. This methodology sweeps those who were partially employed during a month as well as a quarter into the unemployed category, leading to a dataset with a total of 15,857 weighted unemployed observations in all the three periods of the panels, accounting for 3.76 percent of the general population.

Earnings

All dollar amounts— individual earnings, wages, and UI eligibility rules—are put into constant 2000 dollars using the CPI-RS.²⁴ We calculate quarterly earnings from the monthly earnings and usual hours worked variables in the last month of the quarter. If the respondent had missing monthly earnings data for both their primary and secondary job, then we impute earnings from the hourly wage rate and usual hours per week.²⁵ We then examine each worker's labor history over the first five calendar quarters and calculate her eligibility in the

sixth quarter and beyond, moving the base period forward in time for each quarter.

UI reciprocity

The SIPP provides monthly data on UI reciprocity, including compensation from states as well as other sources, such as local government. An individual is coded as receiving UI if they report having UI income at any point during any month in the calendar quarter. Table A2 shows the average share of those in their first quarter of unemployment who received UI benefits in the time periods of 1995, 1998 and 2003.

Low-wage workers

A worker is considered low-wage if his/her hourly wage in the quarter prior to the first quarter of unemployment is in the bottom 25th percentile (inflation-adjusted) for reported wages across all three panels.

Part-time workers

Individuals working no more than 35 hours per week in all jobs are counted as part-time workers.

UI eligibility

To determine whether an individual will qualify for UI, we examine each worker's labor history over the first five calendar quarters and calculate each person's eligibility in the sixth quarter and beyond; moving the base period forward in time for each quarter (Table 1). For example, to calculate the proportion of workers who qualify for UI in May of 1995, we examine earnings and hours of work from January 1994 to December 1994, covering five calendar quarters. In every case, we calculate eligibility for all workers in our sample, regardless of current employment status. This allows us to determine the percentage of workers that, should they become unemployed, would be monetarily eligible for UI.

APPENDIX II

CLAIMS PROCESSING STEPS USED BY WISCONSIN

1.
DAY ONE Initial claim is filed.
2.
DAY TWO Claim is sent to the alternate base program.
3.
DAY THREE If the claimant qualifies for alternate base, the monetary will go through.
4.
DAY THREE If the claimant lacks qualifying wages and there are no dates of employment in the fifth (lag quarter) monetary denial form (UCB-736) is sent. If there are dates of employment in the fifth quarter, form UCB-736 is not mailed. In this case, the claim is queued to have wage request form sent during the next cycle.
5.
DAY FOUR If there are dates of employment in the lag quarter for a Wisconsin employer, the system generates a wage request (UCB-719) and wage affidavit (UCB-19) and mails them to the employer.
6.
The claimant is then put into a 14 day follow up waiting period for the wages to come in. If neither the employer nor the claimant send in the wages, form UCB-736 will mail on DAY FIFTEEN.
7.
If the claimant sends in form UCB-19 thereby giving the claimant qualifying wages, the system will hold the wages until DAY SEVEN. If the employer does not respond by then, the monetary determination will make on DAY EIGHT using the claimant reported wages.

If form UCB-19 shows the claimant still lacks qualifying wages, the system will wait 14 days for the employer wages before issuing the UCB-736. If the employer reports come in before that and the claimant still lacks qualifying wages, form UCB-736 will issue at that time.

SOURCE: UNDERSTANDING AND IMPLEMENTING THE ALTERNATIVE BASE PERIOD, SUPPLEMENT TO UID 00-22, ALTERNATE BASE PERIOD, WISCONSIN DIVISION OF UNEMPLOYMENT INSURANCE, DECEMBER 22, 2000

APPENDIX III

ABP CLAIMS PROCESSING FLOW CHART



REFERENCES

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6. Wayne Vroman, "The Alternative Base Period in Unemployment Insurance: Final Report," U.S. Department of Labor UI Occasional Paper, January 1995.
7. Virginia data goes from July 2003 when the ABP was first implemented until the middle of 2004.
8. The SIPP does not include a unique identifier for states that have insufficient observations to produce consistent statistical results. In the 1993 panel, these states are ME, VT, IA, ND, SD, AK, ID, MT, and WY and in the 1996 and 2001 panel, these states only include ME, VT, WY, ND, SD. These states are not included in our analysis.
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14. Cheryl Lee, "The Role of State Policies and Discrimination in Reducing the Chances Of African-Americans Accessing Unemployment Insurance," National Urban League Institute for Opportunity & Equality, 1998, Table 3.
15. Legal Services of New Jersey, "New Jersey's Shrinking Minimum Wage," November 2004.

16. It is worth noting that a smaller share of all jobless workers in these low-ABP states get UI benefits. This discrepancy is because of both non-monetary eligibility rules and the shorter periods of benefits provided to low wage workers.
17. This is the average cost of a public agency computer programmer in New York City government
18. U.S. Department of Labor Office of Workforce Security, "FY 2003 State UI Allocations", available at <http://workforcesecurity.doleta.gov/unemploy/ociapt2003.asp>
19. Planmatics, Inc. *The Impact of the Alternative Base Period on Employers*, Volume IV, October 1997, page 4.
20. ETA 5159 data acquired through personal communication with the U.S. Department of Labor.
21. In some cases state administrators and the statutes of individual states were consulted to assure accuracy and provide clarification.
22. Analysis of attrition finds that over 90 percent of individuals in the sixth quarter of the panel were also in the analysis year.
23. The definitions of individual employment and unemployment are the same as what have been used in GAO report, "UI: Role as Safety Net for Low Wage Workers is Limited," page 39.
24. This is true for both individual earnings in the SIPP and the state-specific earnings requirements. This adjustment has no impact on the percentage of workers eligible for UI (inequalities are preserved in an inflation-adjusted transformation) and simply makes values more easily compared across time.
25. Salaried workers generally report their earnings as monthly earnings and hourly workers report hourly wages.

The **National Employment Law Project** (NELP) is a nonprofit legal and policy organization based in New York City. NELP has advocated on behalf of low-wage and unemployed workers for 35 years, and is particularly concerned with assisting these workers in overcoming barriers to employment and government systems of support. NELP's Unemployment Insurance Safety Net Project has provided technical assistance to 30 states that have enacted UI reforms in the past five years.

The **Center for Economic and Policy Research** (CEPR) was established in 1999 to promote democratic debate on the most important economic and social issues that affect people's lives. CEPR is committed to presenting issues in an accurate and understandable manner, so that the public is better prepared to choose among the various policy options. CEPR's research is oriented towards filling important gaps in the understanding of particular economic and social problems, or the impact of specific policies.

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