

How Much Does Unemployment Insurance for Jobless Part Time Workers Cost?

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Summary of Paper

There is a wide range of existing practices regarding unemployment insurance (UI) benefits for part time jobless workers. In recent years, six states have expanded part time UI eligibility. 24 states now have expanded eligibility for part time jobless workers. And, part time UI reform campaigns are underway in a number of states to increase that number. Table 1 provides a state-by-state summary of part time UI eligibility in every state.

This briefing paper explores what is known about estimating costs of part time UI eligibility. It provides administrative cost figures collected by three state agencies as a basis for evaluating methodologies used to estimate part time UI costs based upon Current Population Survey and UI program data. We review prior research efforts to estimate part time costs, including our own recent effort in Indiana. Table 2 summarizes the information regarding part time UI costs discussed in the paper.

Administrative Part Time Cost Figures Reported

Maine's UI law was amended in 2003, and data was collected by the state agency for CY 2004. Maine's expanded part eligibility is estimated by its state agency to increase benefits costs by 2.57 once the law is fully effective. Overall, 886 part time jobless workers were eligible under the Maine amendment.

Colorado collected part time costs for a state fiscal year of July 2000 through June 2001. The Colorado agency found that 1.2 percent of its claims for benefits were for 1205 individuals with at least 60 percent of their pre-layoff earnings in part time work. The total dollar amount in benefits paid to part time claimants in Colorado was \$220,300 for this period.

Costs of Part Time UI Are Modest

We review three prior efforts to estimate part time UI costs. These three efforts were reported between 1998 and 2005. While the results vary somewhat, these studies are in agreement that part time eligibility is not overly expensive, and, significantly, the estimates of researchers are confirmed by the administrative cost data furnished here for the first time.

We conclude that overall claims should reasonably be expected to rise from 2 to 7 percent if part time eligibility is adopted, depending upon the nature of part time reforms. Benefit costs should rise by a lesser amount, in the range of 2 percent to 5 percent.

Cost Estimate Methodology

In light of the actual cost figures and prior research reviewed, a sound basis for a part time cost estimation has developed. Beginning with the annual number of jobless workers looking for part time work and reducing that number by a series of factors, including state UI reciprocity rates and particular characteristics of part-time workers, the number of part time recipients can be estimated. Costs can then be calculated by taking into account the lower benefits and shorter duration of UI claims for part time jobless workers.

How Much Does Unemployment Insurance for Part Time Workers Cost?

Introduction

The treatment of part time workers by state unemployment insurance (UI) programs has long been a subject of debate in the field.¹ In the last few years, the issue of unemployment insurance eligibility for part time workers has received renewed attention from policy makers and advocates. In particular, since 2001 six states have meaningfully expanded eligibility for part time jobless workers (California, Maine, Minnesota, New Jersey, New Mexico, and North Carolina).² Additional states are currently considering expanding part time eligibility for UI benefits. The cost of expanding UI eligibility for part time jobless workers has been a central element in recent debates concerning part time eligibility.

There is a wide range of existing practices regarding part time UI. In some states, part time jobless workers draw benefits without special rules or attention applied to their claims, while in others they are ineligible for unemployment benefits under restrictive eligibility rules requiring availability for full time work. Overall, 24 states currently have more favorable part time eligibility policies, while 25 states require that jobless workers accept full time work for eligibility. Another four states maintain restrictive part time eligibility policies that pay benefits to only a few part time jobless workers.³ Table 1 summarizes the part time UI eligibility policies in all 53 UI programs (50 states, D.C., Puerto Rico, and Virgin Islands).

This briefing paper focuses upon what we know about estimating the costs of providing UI benefits to part time jobless workers. We furnish information about the actual costs of part time eligibility in three states where that information is available. We also discuss past cost estimates that have been developed concerning part time eligibility and the methodology underlying these estimates. The combination of these two categories of cost information represents the best information known about predicting the costs of part time eligibility for UI benefits. Our review is summarized in Table 2. Overall, we can say that, like the reports of Mark Twain's death, claims by opponents of high costs used in previous policy debates on part time UI eligibility have been greatly exaggerated.

Overview of Current State Part Time Policies

Cost comparisons for part time UI eligibility vary according to the current policy in place in a state and the proposed policy under consideration. Unfortunately, characterizing current policy is not as simple as finding out whether or not a state provides UI benefits to part time jobless workers. Understanding the variety of part time policies is a first step toward accurately estimating the costs of changing part time eligibility.

Clearly, the type of proposed part time eligibility expansion must be considered when assessing its costs. Part time eligibility policies fall within a range of options in the 24 states with more favorable rules. Nine states (California, Delaware, Kansas, Nebraska, New Mexico, Pennsylvania, South Dakota, Vermont, and Wyoming) treat part time workers on what we term a "parity basis" with full time workers. In other words,

¹ William Haber and Merrill G. Murray, *Unemployment Insurance in the American Economy* (Richard D. Irwin, Homewood, Illinois, 1966), p. 267-268, 271-276.

² For a general overview of part time eligibility rules, see Rick McHugh, Nance E. Segal, and Jeffrey B. Wenger, *Laid Off and Left Out: Part-Time Workers and Unemployment Insurance Eligibility: How States Treat Part-Time Workers and Why UI Programs Should Include Them*, National Employment Law Project Report (February 2002). This and all NELP publications are available on our website <www.nelp.org>.

³ National Employment Law Project, "Part Time Workers and Unemployment Insurance," Factsheet (Revised March 2004).

these states have agency policies or statutes that apply the same UI eligibility rules to all jobless workers regardless of whether they are part time workers or full time workers. The remaining 15 favorable states have extended eligibility to part time jobless workers on the basis of either “past work” or “good cause.” Thirteen states permit payment of benefits when the jobless claimant has worked a substantial amount of part time work prior to his or her claim (Arkansas, Colorado, Florida, Hawaii, Iowa, Louisiana, Maine, Minnesota, New Jersey, New York, North Carolina, Oklahoma, and Puerto Rico). Two states (District of Columbia and Rhode Island) have court decisions permitting claimants with good cause to restrict their availability to part time work. As a result, claimants with a compelling reason to seek only part time work are eligible in Rhode Island and District of Columbia. Table 1 at the end of this paper provides a state-by-state overview of state part time UI eligibility rules.

The 29 states with more restrictive part time rules vary in two main ways. Four states (Illinois, Massachusetts, Montana, and Washington) permit some part time eligibility under very limited circumstances.⁴ For example, in Illinois and Massachusetts some disabled claimants can seek only part time work based on medical evidence of disability of their need to do so. The remaining 25 restrictive states have statutes, regulations, agency policies, or case law that render jobless part time workers formally ineligible for UI benefits because they are not available for full time work. See Table 1.

Challenges of Estimating Costs of Part Time UI Eligibility

With the exception of California and New Mexico, all states that have recently adopted part time UI eligibility expansions have focused their reforms on jobless workers with a past history of part time work. While this is probably the biggest group among currently ineligible part time jobless workers, part time eligibility based upon a history of part time work doesn’t include all part time workers. For example, assume that a female worker employed full time leaves work to have a baby. If this new mother is not offered work by her past employer after she has given birth and is prepared to return to work, she would not be eligible to draw benefits in states basing part time eligibility upon a history of part time work. As a result, when estimating the costs of a part time eligibility expansion based upon past history, a cost figure that included all part time workers would overestimate the costs of reform. So, accurately estimating the cost of expanding part time eligibility requires taking the precise terms of a proposal into account.

Beyond the variety of state policies concerning part time UI eligibility, a number of factors further complicate efforts to estimate part time UI costs accurately. First, even in states with restrictive part time eligibility, part time jobless workers that seek full time work should ordinarily get unemployment benefits. That’s because the part time eligibility restriction is based upon the nature of the work being sought, not the worker’s previous part-time status. As a result, part time work can form the basis for monetary UI eligibility in all states, so jobless part time workers with sufficient earnings who remain available for and seeking full time work should get UI benefits. For that reason, cost estimates must be reduced by a factor that reflects the proportion of part time workers that are already getting UI benefits.

Second, enforcement of part time rules in the restrictive states is less than completely effective, according to anecdotal information. For example, some states use telephone claims scripts that don’t specifically inquire about work schedules sought by jobless workers. This means that some jobless workers that are seeking part time work are almost certainly drawing UI benefits in every restrictive state, and in some states

⁴ See *Laid Off and Left Out*, Table 2 for more detailed descriptions of part time policies and citations to the underlying statutes, rules, or cases supporting those policies in effect in 2002.

there are probably significant numbers doing so. Third, because part time workers necessarily work fewer hours, and part time workers are concentrated in lower paying jobs,⁵ jobless part time workers will get lower UI benefits than full time claimants typically receive in restrictive states. Next, part time workers also differ from full time workers in the reasons they lose their jobs – another factor that lowers their receipt of UI benefits. In summary, developing good estimates of part time eligibility costs requires as accurate as possible approximations of the numbers of part time jobless workers impacted by each of these factors.

Actual Part Time UI Costs for Three States

In preparation for this paper, NELP or our state-level partners contacted agency officials in California, New Jersey, New Mexico, Maine Minnesota, and North Carolina to determine if they had collected cost information regarding UI claims filed under their recently expanded part time eligibility measures. Of these six states, only Maine and California provided NELP with actual part time UI cost figures. The remaining states reported that they did not collect data separately on part time claims under their recent reforms. In addition, NELP obtained cost information for a twelve-month period in 2000 and 2001 for a state that has always paid part time jobless workers, Colorado. In addition, we reviewed prior reported cost estimates for part time UI eligibility. Our review is summarized in Table 2 below. We then review the state cost figures and previous data-based cost estimates in more detail.

Table 2: Summary of Administrative Figures and Cost Estimates for Part Time UI Benefits

Source	State (Year)	P-T Claims Levels	P-T Benefit Costs
California agency 2005	California (2004)	11,941 identified claims	\$14,343,047
Colorado agency 2002	Colorado (FY 2000)	1205 claims (1.2 % of all claims)	\$220,300
Maine agency 2005	Maine (CY 2004)	886 claims (2.7 % of all claims)	\$1.8 million (est. 2.57% annualized increase in benefit costs)
Vroman 1998	All States (1997)	4.9 percent yearly	Not estimated
USDOL 2000	All States (2000)	51.5 thousand weekly	\$230 million
NELP / Indiana Inst. for Working Families 2005	Indiana (2001-2003)	13,219 claims yearly (6.4% increase)	\$13.3 million (2.0 %)

Sources: State agency reports in possession of authors and studies cited in paper.

Maine data

Maine’s data addresses a number of significant issues regarding part time eligibility. In the case of Maine, cost information was collected because the state’s part time UI amendment contains a sunset provision that will end part time benefits for new claims filed after September 30, 2005, unless Maine’s part time eligibility law is extended by its legislature.

Maine’s 2003 part time UI law expanded part time eligibility in two ways. It included both a past work element, coupled with a restricted good cause element.⁶ That is, individuals who worked part time for a majority of their 52 base period weeks are now eligible for unemployment benefits, so long as they seek

⁵ Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, *The State of Working America: 2004/2005* (ILR/Cornell Univ. Press, Ithaca, New York, 2005), Table 3.14 and accompanying text.

⁶ Maine Revised Statutes, Title 26 Sec. 1192(3)(A)(2005).

work for at least the number of weekly hours customarily worked during each individual's base period. Second, individuals that worked full time prior to their layoff, but need to seek part time work due to the illness or disability of a member of their immediate family, or because they have limitations on their availability due to needs for safety or protection of the claimant or the claimant's immediate family, are also eligible. This second good cause element in Maine is somewhat more restrictive than the good cause elements of existing state laws, but it represents partial recognition that past history of part time work does not fully address part time UI eligibility. Maine's amendment took effect beginning with new claims filed January 1, 2004.

In its first full year of operation (calendar year 2004), Maine paid out \$1.8 million in UI benefits under this provision. The expansion affected 886 individuals. According to the Maine agency, 691 of those getting benefits were those qualifying for benefits based upon their past work, while 195 were paid because they had good cause to restrict their work search to part time jobs.⁷ Maine's 886 part time UI claimants were a small proportion (2.7 percent) of its 32,712 UI claimants for 2004.⁸ Maine paid \$115.7 million in total benefits in 2004.⁹

Another significant piece of information revealed was that 920 part time jobless workers were paid unemployment benefits because they were seeking full time work, something that was permitted under Maine law prior to its 2003 part time amendment. In other words, in Maine more than half of part time workers seeking UI benefits were eligible because they sought full time work, without respect to the application of the state's 2003 amendment expanding part time UI eligibility. This level of pre-existing part time eligibility means that half of jobless part time workers already get UI benefits in Maine.

Maine found that 75.4 percent of the 691 jobless workers paid UI benefits based upon past part time work were female, and that 53.5 percent of the 195 full time workers paid UI because they had good cause to restrict their search to part time jobs were women.¹⁰ Overall, NELP calculates that 70.5 percent of the 886 persons benefiting from Maine's part time eligibility expansion were jobless women workers.

The Maine agency correctly noted that the calendar year 2004 data did not represent a full year's experience of part time UI, since it was only effective for claims filed after January 1. Based upon this, the Maine agency estimated that a full year that included claims filed in a prior calendar year and continued into that year would cost about 2.57 percent above what would otherwise have been paid out.¹¹

In summary, Maine's expanded part time eligibility represented a modest cost for its UI program, estimated at 2.57 percent of annual benefit payments once the law is fully effective. Overall, 886 part time jobless workers were eligible as a result of their past histories of part time work or because they had good cause to limit their availability to part time work. This constituted about 2.7 percent of total claimants for that year. Jobless women made up 70.5 percent of those assisted by the Maine part time eligibility amendment.

⁷ Email by Maine Department of Labor, February 4, 2005 (in possession of authors).

⁸ Maine Department of Labor, "Breakdown of People Collecting Unemployment Benefits under the 2004 Part-time Law," April 7, 2005.

⁹ U.S. Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services, "UI Data Summary, 4th Quarter 2004" (February 2005), p. 30.

¹⁰ Maine Department of Labor, "LD 309: An Act to Remove the Sunset on Part-time Unemployment Insurance Benefits: Requested Follow-up Information for Work Session," April 7, 2005.

¹¹ Email by Maine Department of Labor, February 4, 2005.

Colorado data

NELP obtained administrative part time UI cost information for Colorado, which has paid part time UI claims since 1937. The Colorado agency found that 1.2 percent of its claims for benefits were for individuals with at least 60 percent of their earnings in part time work between July 1, 2000 and June 30, 2001. These 1205 individuals received UI benefits of \$183 a week for an average duration of 7.6 weeks. This compared to an average weekly benefit of \$268 for all others filing during this period, and an average duration of 12.2 weeks for those non-part time claims.

The total dollar amount in benefits paid to part time Colorado claimants was \$220,300 for this period.¹² In comparison, the overall total dollar amount of UI benefits paid for this 12-month period was \$187.25 million.¹³ Colorado's figures are consistent with our general understanding of part time UI; namely, weekly benefits and durations of claims are below those of non-part time claims, and the costs and numbers of claims are modest. And, because Colorado's part time policy requires a past history of part time work, its somewhat lower costs when compared to Maine confirm that the type of part time eligibility in effect impacts the costs of benefits.

California data

California is one of the nine "parity" states for part time jobless workers. California had a good cause regulation for many years, and under this rule those jobless workers restricting their availability to part time work were eligible for UI benefits so long as their reasons for doing so constituted "good cause."¹⁴ In 2002, California amended its UI statute to provide parity for part time workers.¹⁵ As a result of its 2002 amendment, part time status was rendered irrelevant for UI claims in California, so long as jobless part time workers are available for work and meet all other requirements for UI eligibility.

California was able to furnish information about claims identified as part time claims for 2003 and 2004 under its part time eligibility rules. In 2003, California reported that it had 13,079 part time claims and paid \$14,797,264 in UI benefits. In 2004, the state paid 11,941 part time claimants \$14,343,047 in part time UI benefits.

These California part time figures show quite low numbers of claims and amounts of benefits that are very modest. The relatively small size of these figures is evident when they are compared to the overall size of California's UI program, the nation's largest. For example, in CY 2004 the state paid \$4.999 billion in UI benefits for 2.5 million initial claims.¹⁶ California reports to NELP that its part time data involves only those claims identified by claimants at filing as part time UI claims. Certainly, those claims identified as involving part time work constituted a very small proportion of overall program activities in California. California did not report demographic information on its part time claims.

¹² Undated survey response from Colorado agency in possession of authors.

¹³ U.S. Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services, "UI Data Summary," 3rd and 4th Quarters 2000 and 1st and 2nd Quarters 2001. Total benefits calculated by authors.

¹⁴ Cal. Code Regs. title 22 §1253(c)(1). This regulation provides that if claimant has good cause to look for part time work and a substantial field of employment remains open within his or her restrictions, claimant is eligible.

¹⁵ Cal. Unempl. Ins. Code §1253.8. This amendment states that an individual "shall not be disqualified solely on the basis that he or she is only available for part-time work." Section 1253.8, Unemployment Insurance Code (effective January 6, 2002)(as amended by SB 40, 2001).

¹⁶ U.S. Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services, "UI Data Summary, 4th Quarter 2004" (February 2005), p. 15.

In conclusion, three state agencies have reported actual cost figures for their state's part time UI eligibility provisions. Part time UI benefit costs were not significant in any of these states. This administrative data from Maine and Colorado provides valuable information to researchers seeking to estimate the impact of expanded part time UI eligibility in other states. Hopefully, actual cost figures from additional states and for longer periods of time will become available. This information clearly would be of further value.

Research Estimates on Part Time UI Costs

Another source of information regarding costs is furnished by prior research estimating the impact of part time UI. Wayne Vroman, a leading economist in the UI research field, has reported information regarding a number of important points concerning part time UI eligibility.¹⁷ Vroman's 1998 paper was directed toward exploring the degree to which changes in the labor market—specifically, the emergence of nonstandard forms of employment—had contributed to the decline in unemployment benefit reciprocity noted since the mid-1970s. Vroman, using data from the Current Population Survey for 1997, found that full-time workers reported receipt of UI benefits at a rate about three times greater than part time workers. The actual figures reported were a 35.6 reported reciprocity rate for full time workers versus an 11.8 rate for part time workers, with an overall reciprocity rate of 28.9 (calculated as the ratio between insured unemployment and total unemployment).

Vroman's 1998 estimate for expanding part time eligibility was premised upon changing availability rules as well as reducing the penalties applied to those that leave work voluntarily. Vroman estimated that by making these policy changes about the half the gap in UI reciprocity could be closed among adult recipients of UI, and that this would add roughly 5 percent to overall UI claim levels.¹⁸

In 2000, the U.S. Department of Labor was asked to estimate the costs of providing UI benefits to part time workers in all states with restrictive part time UI eligibility. This request was related to the development of federal legislation mandating UI eligibility for part time workers with a past history of part time work. Labor's Office of Fiscal & Actuarial Services developed a methodology for estimating part time costs in order to respond to this request.¹⁹ Estimates were based upon Current Population Survey data from 2000. They represented a good-faith effort to assess the costs of part time UI eligibility on a state-by-state basis, as well as giving an overall national cost estimate of \$230 million.

¹⁷ Wayne Vroman, Labor Market Changes and Unemployment Insurance Benefit Availability, U.S. Department of Labor UI Occasional Paper 98-3 (1998). See Table 3 and accompanying text.

¹⁸ Labor Market Changes, Table 3 and accompanying text.

¹⁹ USDOL's methodology began with Bureau of Labor Statistics average weekly figures for "unemployed looking for part-time work" in each restrictive part time state. That weekly number was reduced by the reciprocity rate (IU/TU) for each state, and then reduced further on the assumption that part time workers would be less likely to gain monetary eligibility than full time workers. An additional reduction was made in those restrictive states that had answered a 1994 survey by the Advisory Council on Unemployment Compensation indicating that part time eligibility "varies", and a separate percent reduction was made to account for those part time claimants that were looking for work for fewer hours than they had worked in their base periods (a requirement in the legislative proposal for which the cost estimate was being developed). Annual figures were then produced by multiplying these numbers by 52. An average weekly benefit figure for each state was developed by taking 40 percent of each state's AWBA, to account for lower benefits for part time claimants. Finally, part time claims were estimated to be 75 percent of average claims' duration, based upon Vroman's prior study. Computations produced the figures found here in Table 2. U.S. Department of Labor, Office of Fiscal & Actuarial Services, Memorandum: "Methodology for Estimating Costs of Proposed Benefit Expansions" (June 26, 2000).

Table 3 at the end of this paper shows state-by-state cost estimates produced by U.S. Department of Labor in 2000, as well as the estimated average weekly recipient figures used to estimate state costs.²⁰ Labor took each state's reciprocity rate and reduced it by a series of factors related to the diminished monetary and nonmonetary eligibility of part-time workers. The combined factors amounted to 0.2—meaning that part-time workers were expected to receive UI at rate equal to 20 percent of other workers if availability restrictions were lifted. In other words, lifting availability restrictions would not change the many other reasons that part-time workers could be disqualified from receiving UI. Given differences in benefit levels and claims levels since 2000, the Labor Department's dollar estimates are less useful in 2005 than its methodology, which provides a good pattern to build upon for future cost estimates.

Assessing Part-time UI Cost Estimates

Combining information from actual part time UI cost figures and prior research estimates reinforces our initial discussion. Maine found that half (920 of 1806) of its part time recipients were eligible because they were seeking full time work. Accordingly, making a substantial downward adjustment from the overall complement of jobless part time workers appears warranted as significant numbers of these individuals are looking for full time work and already eligible for UI.

Next, because part time workers earn lower wages than those working full time, we can expect that their weekly unemployment benefit amounts will be lower than those paid for average UI claims. In addition, duration of unemployment as well as duration of benefit payments is shorter for part time workers. In addition, in states without part time UI eligibility, weekly benefit amounts are higher by virtue of the fact that part time workers are excluded from benefits. Colorado reported an average weekly benefit amount of \$268 for all persons filing in its 2000-2001 period as compared with \$183 for those identified as part time claimants.²¹ This converts to a part time benefit that averages 60.8 percent of overall weekly benefit amounts.²² Labor estimated that workers would receive benefits equal to 40 percent of full-time workers. When average wage data is not available, a 50 percent reduction appears to be a good faith estimate.

Part-time jobless workers also differ from full-timers in the reason they lose their job. In 2004, 56 percent of unemployed workers looking for full-time work were classified "job-losers," meaning they have been laid off or fired from their previous job, compared to 27 percent of unemployed part-timers.²³ Because of eligibility rules, job losers are more likely than those who have quit their jobs or reentered the job market to qualify for UI. One study in the early nineties found job losers (50.6 percent) to be four times as likely as other unemployed workers (12 percent) to receive UI benefits.²⁴ These differences limit how many part-time workers would receive UI after availability rules are changed. Labor reduced expected part-time reciprocity by 20 percent due to these factors, while NELP reduced the rate by 33 percent using a more formal calculation.

Vroman reported that jobless spells for part time workers were shorter than those of full time workers. In 1996, the average duration of unemployment was 16.7 weeks and the median duration was 8.3 weeks. For

²⁰ Interestingly, USDOL had estimated Maine's part time costs at \$4.4 million in 2000, somewhat higher than actual agency figures for 2004 but certainly within the range of actual costs. Table 2.

²¹ Undated survey response from Colorado agency in possession of authors.

²² Note that Colorado's comparison is between average part time benefit amounts and average overall benefit amounts, not between full time and part time benefit amounts, as with USDOL's methodology.

²³ Author's calculation of Current Population Survey data.

²⁴ Wander and Stettner, "Why are many jobless workers not applying for benefits?" Monthly Labor Review, June 2000.

part time workers, the average spell of joblessness was 11.5 weeks and the average duration was 5.2 weeks. Colorado reported for its 2000-2001 period of 12 months that its overall claim duration was 12 weeks while its average part time claimant drew benefits for 7.6 weeks. Labor assumed that part time claims would be 75 percent of full time claims' duration, a figure that looks reasonable in light of these prior reports as well as what is generally known about duration of part time unemployment.

Estimating Costs for Part Time Reform Proposals

In conjunction with state research partners, NELP has produced estimates of part time eligibility costs combining prior research with current data. Most recently, NELP and the Indiana Institute for Working Families/Indiana Coalition for Housing and Homeless Issues reported on part time eligibility reform in Indiana.²⁵ This report included a part time UI cost estimate, prepared with assistance from Jeff Chapman of Economic Policy Institute. NELP estimated that 13,219 individuals in Indiana would obtain benefits if part time eligibility were provided on the same basis as for other workers (parity treatment). Weekly benefits were estimated at \$99 for an average duration of 10.2 weeks. Overall annual costs were calculated at \$13.3 million using 2001-2003 Current Population Survey data.²⁶

In comparison, Indiana had an average of 206,000 first payments from 2001-2003 and paid an average of \$670 million in UI benefits each year. NELP's Indiana estimate amounted to 2.0 percent of total benefit payments and 6.4 percent of overall annual UI claims over the three years. This estimate followed a similar method to the one used by Labor Department cost estimates. Current data on the unemployed part-time population including reasons for unemployment was obtained from the Current Population Survey--the basis of official unemployment statistics. State specific data on UI benefits and reciprocity was compiled from Labor's UI statistics. Factors based on prior research were then used to calculate the expected reciprocity, benefit amount and duration of benefits. Appendix B of the Indiana report details its methodology.²⁷

It is helpful to compare NELP's cost estimate for Indiana with those made in earlier reports. Table 2 summarized the cost reports and estimates from the states and prior reports discussed here. NELP's estimated \$13.3 million in costs for part time UI in Indiana in 2001-2003 fell above Labor's 2000 estimate of \$7.1 million reported in Table 3. However, unemployment claims levels and weekly benefit amounts were significantly higher in Indiana during 2003 than prior to the 2001 recession, resulting in more than a 100 percent increase in overall UI payment levels in 2003 over 2000 levels.²⁸ Both estimates relied on a similar

²⁵ Jill Nielsen, Rick McHugh, Charles R. Warren, Supporting Work in a Changing Economy: Options to Modernize Indiana's Unemployment Insurance System, Indiana Institute for Working Families/Indiana Coalition for Housing and Homeless Issues and National Employment Law Project (February 2005).

²⁶ Supporting Work in a Changing Economy, p. 13.

²⁷ In summary, using Bureau of Labor Statistics and UI administrative data, the Indiana estimate is produced by beginning with the annual number of jobless workers looking for part time work, reducing this number in turn by the state's reciprocity rate, a factor accounting for non-monetary eligibility (issues relating to quitting work), a factor estimating monetary eligibility, a factor taking into account the waiting week, and an approximation of those part time jobless workers already getting UI benefits. This figure is then used to estimate weekly part time recipients, and then multiplied by 52 to provide a figure for annual part time weeks compensated. Then, weeks compensated is multiplied by the median weekly benefit amount and the estimated duration to produce an annual cost figure. See Supporting Work in a Changing Economy, Appendix B.

²⁸ Indiana had 129,325 first payments on UI claims in CY 2000, with its CY 2003 claims level 61 percent higher. The average weekly benefit was \$222.19 in CY 2000 and \$263.44 in CY 2003. Average durations also increased. Benefit payments in Indiana totaled \$300,159,000 in CY 2000 and increased by more than 100 percent to \$651,022,000 in CY 2003. U.S. Department of Labor, Office of Workforce Security, "UI Data Summary," 4th Quarter 2003 and 4th Quarter 2000.

reciency rate. The NELP estimate used an adjusted reciency rate of 8 percent, while the U.S. DOL estimate used a reciency rate of 6.4 percent.

Vroman's national cost estimate in the range of 5 percent of claims, on the other hand, was based upon establishing a part time eligibility policy that did not require eligibility for full time work as well as ending the practice of disqualifying part time workers that voluntarily left their work for the duration of their unemployment, as opposed to a fixed period of disqualification.²⁹ Although Vroman was guarded about the tentative nature of his 1998 estimate, it stands up well against what is now known about part time costs.

During discussions of state expansions in part time eligibility, state agencies or legislative staff are typically asked to produce cost estimates. These have varied in terms of their sophistication and accuracy. In the case of Maine, the agency's estimate during consideration of the 2003 legislation was an increase in benefit payments of 2.3 percent, falling very close to the now estimated of 2.57 percent increase for a full year's part time benefits.³⁰ The cost-estimate produced by Maine followed a similar methodology to that developed previously by Labor. The fact that the cost estimate was able to closely mirror the actual costs observed after the amendment speaks well for the methodology used.

The possibility for inflated cost-estimates is illustrated by an estimate prepared recently by the New Hampshire Department of Labor in conjunction with a part-time bill, H.B. 137, proposed in 2005.³¹ In this case, the agency looked at total part-time employment of 100,500 in the state, and then assumed that these workers would receive UI benefits at the same rate as the overall state workforce, using the state's 1.6 percent insured unemployment rate. (The insured unemployment rate is the ratio of UI claims to the state's total covered employed workforce.) Using this base point, they estimated that part-time benefits would cost the state \$10 million per year (100,000 times 1.6 percent times \$120 per week times 52 weeks). This estimate amounted to a 13 percent increase in overall New Hampshire UI payments of \$78 million.³²

In light of earlier estimates and the actual cost figures from Maine and Colorado presented here, the New Hampshire agency's methodology is flawed. The first error in New Hampshire's estimate is that it starts from the wrong base—the part-time workforce includes those who would rather work full time if they could get sufficient hours. These individuals are not ineligible for UI, since they are available for full time work. In Maine, this amounted to one half of the part time recipients. The second main flaw is that New Hampshire's methodology fails to account for the fact that the part time jobless receive UI at lower rates than full time claimants, both because they are more likely to be disqualified because of the reasons they have lost their jobs (such as quitting), and because they are unemployed for shorter time periods.

²⁹ Vroman, Labor Market Changes and Unemployment Insurance Benefit Availability, see Table 3 and accompanying text. In terms of our earlier descriptions of current state part time policies, Vroman's estimate was for an eligibility rule that we could describe as "parity plus." At this point, for example, only one of the 9 states that treat part time jobless workers with parity in terms of basic UI eligibility has no durational disqualification penalty for voluntarily leaving work, falling within the policies that Wayne Vroman is using for his estimate. A fuller description of voluntary leaving rules and penalties is found in Rebecca Smith, Rick McHugh, Andrew Stettner, and Nancy E. Segal, Between a Rock and a Hard Place: Confronting the Failure of State Unemployment Insurance Systems to Serve Women and Working Families, National Employment Law Project/Program on Gender, Work & Family (2003), p. 2-4 and Appendix B.

³⁰ Email by Maine Department of Labor, February 4, 2005.

³¹ Available at <http://www.gencourt.state.nh.us/legislation/2005/HB0137.html>

³² The U.S. Department of Labor's 2000 cost estimate for New Hampshire, in contrast, was \$800,000 a year. Table 2.

A primary purpose of this paper is to prevent cost overestimates from having an impact in ongoing campaigns for expansion of part time UI eligibility. Reported actual benefit cost figures from Colorado and Maine provide important information for guiding future efforts. When augmented by previously reported cost estimates for part time UI, these figures provide a range within which responsible estimates should fall. Significantly higher estimates should be suspect unless they provide a convincing rationale for why a particular state's experience would fall outside the actual costs experienced by the states reported in this briefing paper, or in the data-based estimates we described.

Conclusion

We report administrative cost figures and examine previous cost estimates for part time UI benefits. Accurate cost estimates should account for the lower weekly benefit amounts and durations that are found for part time UI claims, as well as an estimate of the number of part time workers already eligible because they are seeking full time work or because a state's administrative scheme does not currently identify them. Cost estimates must also take into account the type of part time eligibility expansion under consideration. By taking these factors into account to the fullest extent possible, accurate estimates for part time UI costs will result.

How Much Does Part Time UI Cost?

In light of the evidence we have reported, there is no basis for concluding that states with restrictive part time eligibility policies cannot afford to pay UI benefits to jobless part time workers. Claims should reasonably be expected to rise by from 2 to 7 percent, depending upon the nature of the part time reform measure adopted. Benefit costs should rise by a lesser amount, in the range of 2 percent to 5 percent.

Table 1: Treatment of Part Time Workers Under State UI Programs-- May 2005

Eligibility on Parity Basis with Full Time Work (9 States)	Eligibility with Past History of Part Time Work (13 States)	Eligibility with Good Cause for Restricting Availability (2 States)	Eligibility on More Limited Basis (4 States)	Not Eligible without Full Time Availability (25 States)
California Delaware Kansas Nebraska New Mexico Pennsylvania South Dakota Vermont Wyoming	Arkansas Colorado Florida Hawaii Iowa Louisiana Maine Minnesota New Jersey New York North Carolina Oklahoma Puerto Rico	District of Columbia Rhode Island	Illinois Massachusetts Montana Washington	Alabama Alaska Arizona Connecticut Georgia Idaho Indiana Kentucky Maryland Michigan Mississippi Missouri Nevada New Hampshire North Dakota Ohio Oregon South Carolina Tennessee Texas Utah Virginia Virgin Islands West Virginia Wisconsin

Source: National Employment Law Project, Laid Off and Left Out (February 2002), Appendix II, updated by NELP legal research on later amendments.

Table 3: U.S. Department of Labor 2000 Estimates for Part Time Eligibility

STATE	Total Annual Cost (millions of dollars)	Average Weekly Recipients (thousands)
Alabama	3.6	1.1
Alaska	1.3	0.3
Arizona	3.3	1
Arkansas	3.1	0.7
California	17.8	5.5
Colorado	0	0
Connecticut	6.3	1.4
Delaware	0	
D.C.	0.3	0.1
Florida	0	0
Georgia	5.3	1.2
Hawaii	1.1	0.2
Idaho	2.4	0.6
Illinois	9	1.7
Indiana	7.1	1.6
Iowa	0	0
Kansas	2.6	0.5
Kentucky	4.8	1.1
Louisiana	0	0
Maine	1.7	0.4
Maryland	4.4	1
Massachusetts	8.4	1.4
Michigan	20.4	4
Minnesota	0	0
Mississippi	2	0.6

STATE	Total Annual Cost (millions of dollars)	Average Weekly Recipients (thousands)
Missouri	3.1	0.8
Montana	0.7	0.2
Nebraska	0	0
Nevada	3.8	0.8
New Hampshire	0.8	0.2
New Jersey	10.8	1.8
New Mexico	1.9	0.5
New York	0	0
North Carolina	7.2	1.6
North Dakota	1	0.2
Ohio	16.4	3.4
Oklahoma	1.1	0.3
Oregon	8.7	2
Pennsylvania	0	0
Rhode Island	0	0
South Carolina	3.3	0.9
South Dakota	0	0
Tennessee	6.8	1.8
Texas	20.5	4.5
Utah	2.9	0.7
Vermont	0	0
Virginia	4.7	1.1
Washington	19	3.4
West Virginia	2.3	0.6
Wisconsin	10.2	2.3
TOTAL	\$230.1 million	51.5 thousand

Source: Data obtained from U.S. Department of Labor, Office of Fiscal & Actuarial Services by NELP in 2001.

Note: States without figures entered in their rows were treated as states already providing part time eligibility by USDOL. Note that Virgin Islands and Puerto Rico were not included in estimates.