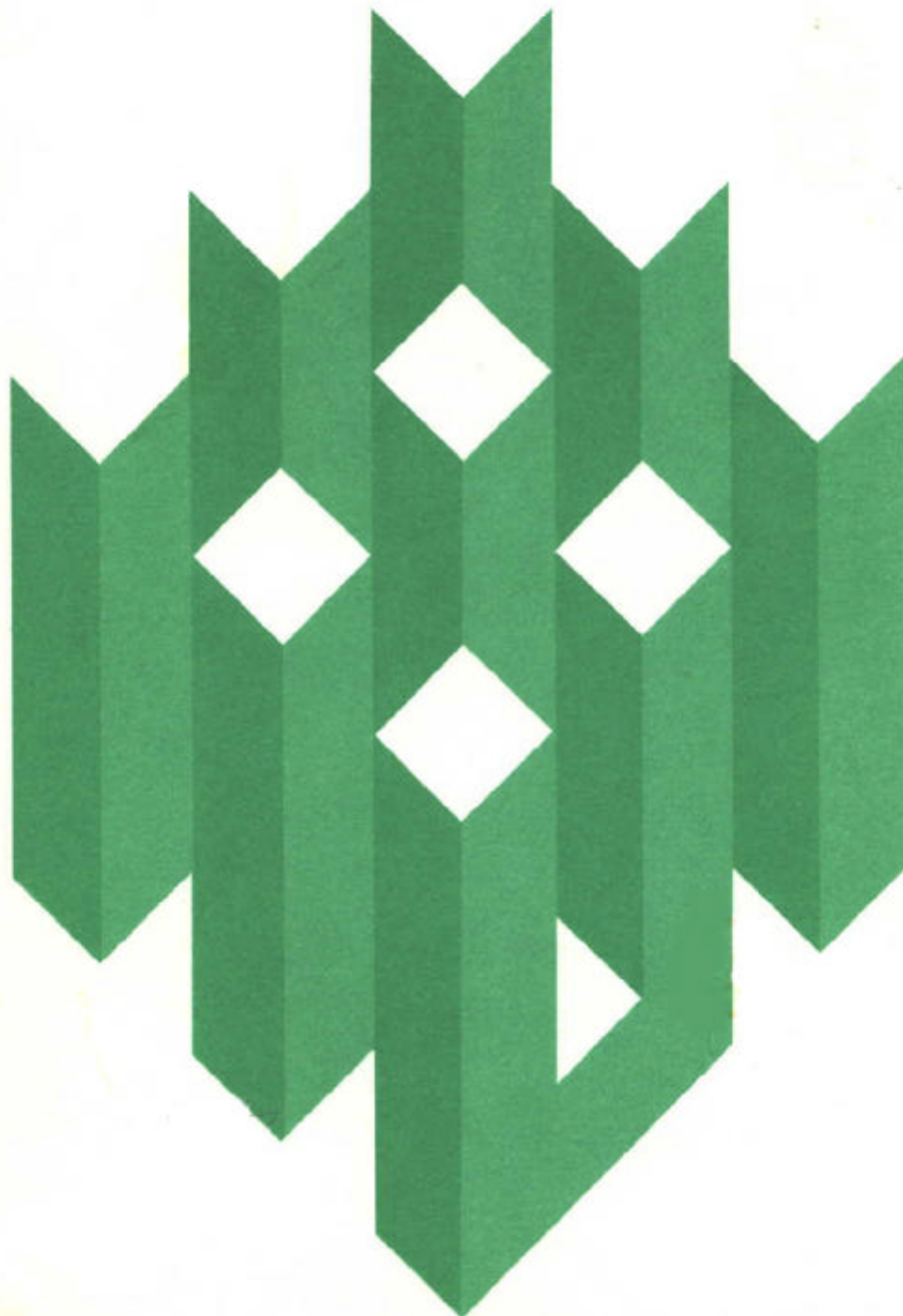


UI Research Exchange



Unemployment Insurance
Occasional Paper 81-1

U.S. Department of Labor
Employment and Training Administration



UI Research Exchange



Unemployment Insurance
Occasional Paper 81-1

U.S. Department of Labor
Ray Marshall, Secretary
Employment and Training Administration
Ernest G. Green
Assistant Secretary for Employment and Training
Unemployment Insurance Service
1981

This publication was prepared by the Division of Research Services, Office of Research, Legislation and Program Policies, Unemployment Insurance Service, under the direction of Stephen A. Wandner. The editor of this issue is Helen Manheimer. The material in this document was contributed by Unemployment Insurance Service and State employment security agency staff and does not necessarily represent the official position or policy of the Department of Labor.

INTRODUCTION

The UI Research Exchange is being published by the Unemployment Insurance Service to increase the effectiveness of research throughout the UI program. Toward this goal, the Exchange provides a means of communication among researchers and between researchers and policymakers. The Exchange is designed to be an open forum for all UI researchers.

This second issue contains a wide variety of research information. Announcements and reports are included on subjects such as meetings, personnel action, and recent legislation and financial developments. A prominent place is given to UI research projects --both in progress and completed--conducted and sponsored by the State agencies, ICESA, the National Commission on Unemployment Compensation and the Unemployment Insurance Service. Research data and information sources, methods and tools are discussed, with a separate section for the Continuous Wage and Benefit History (CWBH) System. There are reviews of books and studies.

We would like to encourage the rethinking of the direction and development of UI research. This issue includes three papers which examine UI research issues and suggest some possible new directions. Jim Hanna, Research Section Chief of the Nevada Employment Security Department, and Ray Uhalde present a survey and analysis of research units and the conduct of research in the State Employment Security agencies. They examine some of the current problems and suggest factors which contribute to establishing and maintaining good research units. Gene Gallagher of the California Employment Development Department describes a single "system standard" which he considers useful for describing State UI program performance. Walter Nicholson, professor of economics at Amherst College and a researcher with Mathematica Policy Research, draws on his extensive knowledge of UI research, reviewing recent research efforts and proposing topics for future research.

In the next issue, a paper by Bob St. Louis, Chief of UI Research, Arizona Department of Economic Security, will describe the workload estimating procedure used in Arizona. Other contributed papers for future issues will be welcomed.

Thanks to those who contributed to this second issue; we are encouraged by your response. We look forward to broad based participation in the future. For a description of the format in which material should be submitted, see the Appendix.

Material for publication should be submitted to:

John G. Robinson
Acting Chief, Division of Research Services
Office of Research, Legislation and
Program Policies
Unemployment Insurance Service
Employment and Training Administration
Department of Labor
601 D Street, N.W., Room 7402
Washington, D.C. 20213

The Exchange is published semi-annually. The next issue will be published in mid-1981. The deadline for submittal of material is May 1, 1981.

Thanks also to Dolores Gray for her skillful typing assistance for this issue

I would appreciate your comments on the Exchange and any suggestions you have for improving its usefulness.

Stephen A. Wandner
Deputy Director
Office of Research, Legislation and Program
Policies
Unemployment Insurance Service

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I. ANNOUNCEMENTS AND REPORTS

A. Meetings, Seminars and Personnel Actions
Benefit Financing Seminar

During May 1981 the National Office Staff of the Division of Actuarial Services is planning to hold a seminar on Unemployment Insurance Benefit Financing and cost estimating similar to ones held 1976, 1977, 1978, and 1979.

The week of concentrated activity will include such matters as cost and workload estimating, revenue and benefit financing, experience rating, tax rate schedules, taxable wage base, trust fund adequacy, and forecasting and econometric models. In addition, there will be evening lab sessions and time allotted for individual consultations on State financing problems.

The last seminar was attended by 22 State participants and 2 Regional Office participants. Selection was limited to one per State or Region and was based on fiscal condition of trust funds, qualification of nominees and attendance at previous seminars. This coming seminar will have the same selection criteria and about the same number of State/Regional participants. It is planned to continue to hold one of these seminars each fiscal year.

Individuals Responsible for Unemployment Insurance
Research in State Employment Security Agencies

Region I

Connecticut	Roger Shelley
Maine	Ray Fongemie
Massachusetts	Betsy Munzer
New Hampshire	Wesley Noyes
Rhode Island	Vincent Calitri
Vermont	Agnes Resue

Region II

New Jersey	Vivian Shapiro
New York	Betty Christen
Puerto Rico	Miguel Guardiola
Virgin Islands	Erie Hodge

Region III

Delaware	David Goland
District of Columbia	John Gallahan
Maryland	Pat Arnold
Pennsylvania	Carl Thomas
Virginia	Pat Arthur
West Virginia	Ralph Halstead

Region IV

Alabama	Douglas Dyer
Florida	John O'Hara
Georgia	Joe Wooddall
Kentucky	Bill Durett
Mississippi	Joe MacDonald
North Carolina	Donald Brande
South Carolina	Ray Drafts
Tennessee	Joe Cummings

Region V

Illinois	Harry Hardwick
Indiana	Emily Hawk
Michigan	Samuel Stearn
Minnesota	Rudolph Pinola
Ohio	William Papier
Wisconsin	James Jackson

Region VI

Arkansas	Robert Morgan
Louisiana	Oliver Robinson
New Mexico	Ruby Peter
Oklahoma	Will Bowman
Texas	Horace Goodson

Region VII

Iowa	Thomas McDonnell
Kansas	Fred Rice
Missouri	Tom Righthouse
Nebraska	Howard Watson

Region VIII

Colorado	Lowell Hall
Montana	Bob Rafferty
North Dakota	Tom Pederson
South Dakota	Jewel Husby
Utah	William Horner
Wyoming	John Mokler

Region IX

Arizona	Robert St. Louis
California	Robert Hotchkiss
Hawaii	Paul Dawson
Nevada	James Hanna

Region X

Alaska	David Teal
Idaho	Jerry Fackrall
Oregon	C.H. Crane
Washington	Gary Bodeutsch

B. Recent Legislative Developments

December 3, 1980

UI Bills Actively Considered by the 96th Congress

HR 4007 passed the House on November 7, 1979, and was reported out of Senate Finance with amendments on September 26, 1980.

This bill provides States with outstanding loans an alternative method of repaying them by allowing a repayment equal to the amount that would otherwise be collected through reduced offset credits plus the full amount of any additional Federal loans received during the year. The Senate amendments would add a cap to the reduction in credit otherwise applicable equal to the greater of 20 percent of the tax imposed under section 3301 or the percentage reduction in effect for the State for the preceding tax year. The Senate also added a solvency requirement States would be required to meet in order to take advantage of the cap. Basically, the solvency requirement means that a State takes no action in a 12-month period that will reduce the State's tax effort and no State action was taken in a 12-month period that will decrease the solvency of a State UC system. These criteria would be defined by the Secretary of Labor in regulations. Senator Boren also added his amendments to the EB program to this bill.

HR 4612 is awaiting Conference but appears dead at this point.

This bill would (1) eliminate the national EB trigger; (2) permit States to trigger in EB at an alternative rate (unspecified) higher than the current 5%; (3) prohibit Federal sharing of the cost of the first week of EB in States that have no waiting week or that eventually compensate the waiting week; (4) increase from 90 days to one year the period of military service needed to qualify for benefits under the UCX program; (5) establish a special account in the Unemployment Trust Fund from which benefits would be financed that are paid to ex-Federal employees; (6) require that States pay EB to an interstate claimant only if EB is triggered on both in the State in which the claimant resides and in the State which is paying the benefits. The bill also includes an amendment to the pension deduction provision in section 3304(a)(15), FUTA, that would limit the required deduction only to a base-period or chargeable employer and would permit States to take into account employee contributions to the pension.

P.L. 96-249 and P.L. 96-265 have both been enacted and both add disclosure requirements to the Social Security Act.

The former requires SESA's to disclose to the Department of Agriculture for Food Stamp purposes, on a reimbursable basis and on request, whether an individual has received, is receiving, or has made application for UI and whether the individual has refused an offer of suitable work.

The latter requires the disclosure of wage information to State or local child support enforcement agencies, upon request and on a reimbursable basis.

HR 6690 and HR 6540, the Hillis and Brodhead bills, respectively, were considered in a Ways and Means Committee hearing in June.

Both are FSB-type bills. The Hillis bill would use labor market area triggers (10% IUR for 4 consecutive weeks) and pay up to 26 weeks additional benefits. Claimant's WBA and eligibility requirements would be the same under this program as for regular State benefits. Financing would be from general revenues. The Brodhead bill would use State triggers (5% IUR for 13-week period) and pay up to 13 weeks of benefits. Otherwise the same as Hillis. Congress also considered the Carter Administration's FSC proposal. This program would have funded, from general revenues, 10 additional weeks of benefits to individuals who exhausted regular and extended benefits. The bill, HR 8146, passed the House on September 30 by a vote of 336 - 71. It was considered and extensively amended by the Senate late Wednesday night, October 1, but the House refused to accept the Senate amendments and asked for a conference on the bill when Congress returns for its lame duck session. The program would go into effect October 1 and expire March 31, 1981.

HR 7529, a work-sharing bill introduced by Congresswoman Schroeder, would require the Secretary to set up demonstration work-sharing projects and permit the Secretary to require States to pay UI under a work-sharing plan. Hearings were held in the House in June and no further legislative action has taken place. However, Mrs. Schroeder is extremely interested in this issue and has been working on an agreement with the AFL-CIO so that they do not at least actively oppose the bill. Prospects for enactment are unknown at this time.

HR 3904, originally an exclusively ERISA bill, was amended on the floor of the Senate in late July to include four UI amendments. These were later reduced to three: (1) an amendment to the pension deduction requirement in section 3304(a)(15) of the FUTA; (2) an amendment to title 5 of the U.S. Code to require that ex-servicepeople have 365 days, rather than 90 days, of service to qualify for UCX benefits; and (3) an amendment to section 202 of the Federal-State Extended Unemployment Compensation Act of 1970 to require that EB not be payable to an interstate claimant unless the trigger is on in both the agent and paying State. The bill was signed by the President on September 26 as P.L. 96-364.

The Conference report on HR 7764, the budget reconciliation bill, passed both Houses on December 3, 1980, and is awaiting signature. The bill would (1) terminate Federal reimbursement to States from the FUBA account for UI benefits paid to former CETA workers; (2) eliminate the Federal share of costs for the first week of EB in States without a waiting week or who pay for the waiting week retroactively; (3) establish for each Federal agency a separate account in the UI Trust Fund for benefits paid to former Federal employees; (4) deny EB for the duration of unemployment for individuals who voluntarily leave work, are discharged for misconduct, or refuse suitable work; and (5) redefine suitable work for EB purposes.

II. RESEARCH PROJECT SUMMARIES

A. Research Projects Planned and in Progress

<u>Study Title</u>	<u>Affiliation of Investigator</u>	<u>Page</u>
Impact of Changes in the Unemployment Insurance Disqualification Provisions in Washington State	Washington Employment Security Department	15
Tennessee Claimant Reemployment Project	Tennessee Department of Employment Security	16
North Dakota Post Exhaustion Study	Job Service North Dakota	17
Profile of Oregon State UI Claimants Filing Claims During 1979	Oregon Department of Human Resources	19
Selected Characteristics of Compensated UI Claimants in Oregon, by Geographic Area, 1980	Oregon Department of Human Resources	20
CWBH Report No. 10	South Dakota Department of Labor	21
LAUS II: Characteristics of Monetary Ineligibles	Arizona Department of Economic Security	22
LAUS (Local Area Unemployment Statistics) - "Estimating Noncovered Unemployment of Industry/Occupational Groups Partially Covered by the State Unemployment Insurance Laws"	California Employment Development Department	23
LAUS (Local Area Unemployment Statistics) - "Spells of Unemployment and Unemployed Exhaustees"	California Employment Development Department	24
The Financing of Unemployment Insurance Benefits - Mississippi, 1980 - 1985	Mississippi Employment Security Commission	25
Financing the Oregon Unemployment Insurance Program	Oregon Department of Human Resources	26
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Unemployment Insurance Trust Fund Analysis 1980 - 1990	South Dakota Department of Labor	28
Preliminary Investigation of Wyoming Employers' Unemployment Insurance Benefit Costs	Wyoming Employment Security Commission	29

<u>Study Title</u>	<u>Affiliation of Investigator</u>	<u>Page</u>
An Appraisal of Current and Alternative Employer Contribution Options	Wyoming Employment Security Commission	31
UI Research Memo #15, Utah Flexible Staffing Fiscal Year 1980, Results to Date, ES and UI	Utah Department of Employment Security	33
An Evaluation of Benefit Rights Interview Procedures in Wyoming	Wyoming Employment Security Commission	34
Quantity and Quality of Maryland R&A Division of UI Research Projects as Compared with Other States	Maryland Department of Human Resources	37
Mississippi's Business Population - Births, Deaths, and Changes in Ownership, 1978	Mississippi Employment Security Commission	38

Coverage

LAYS (Local Area Unemployment Statistics) - "Estimating
Noncovered Unemployment of Industry/Occupational Groups
Partially Covered by the State Unemployment Insurance Laws"
(See Unemployment Indicators and Statistics)

Qualifying Requirements

North Dakota Post Exhaustee Study (See Duration of Benefits)

Profile of Oregon State UI Claimants Filing Claims During
1979 (See Claimant Characteristics)

Disqualifications

Study Title

Impact of Changes in the Unemployment Insurance Disqualification Provisions in Washington State

Problem to be Studied

The State Legislature passed a bill, effective July 3, 1977, changing the voluntary quit and misconduct disqualification provisions. The purpose of this study is to determine the effect of the law change on the Washington Unemployment Trust Fund and to supply descriptive statistics on disqualified claimants.

Methodology

Sampling Design:

All UI disqualifications for voluntary quit (without good cause or for marital-domestic reasons) or misconduct between July 3, 1977 and July 2, 1978 formed the population for the study. A stratified sample was selected by three types of disqualifications.

Data Sources:

- 1) Questionnaires mailed to claimants in the sample
- 2) Benefit and wage histories of sample claimants from Washington Employment Security Department, UI Division

Methods of Analysis:

Individual sample claimants for UI who were disqualified between July 3, 1977 and July 2, 1978 were mailed a questionnaire asking for their labor market histories for one year following their disqualifications. These data along with benefit and wage histories for the same one year period were used to simulate benefit histories as if the former law was still in effect. This simulated experience will be compared with the actual experience of the sample individuals to determine the cost impact of the law change. Simulations can also be made to provide a cost impact for any future law changes. Characteristics of disqualified claimants can be analyzed with different provisions.

Expected Completion Date

December 1980

Contact Person

Gary Bodeutsch
UI Technical Services, T-8
Washington Employment Security Department
Olympia, Washington 98504
Telephone: 206-753-3809

Continuing Eligibility

TITLE: TENNESSEE CLAIMANT REEMPLOYMENT PROJECT

PROBLEM TO BE STUDIED: The research goal is to test the potential for improving U.I. claimant placements, in order to improve cost-effectiveness of the U.I. program, reduce depletion of the Trust Fund, and ensure the prompt return of job ready claimants to an active status in the labor force.

METHOD: It is expected that as unemployment increases it will be necessary to place greater emphasis on U.I. claimant placements, in order to shorten length of claims series and thereby reduce Trust Fund expenditures. Four local offices have been selected in the four general regions of the State, for study of their placement rates, while providing extensive counseling and job search assistance to claimants who are not job attached.

Claimants who are not job attached will be divided into test and control groups. The test group can now be identified by computer, for regular and systematic computer generated call-in notices, which will result in counseling interviews and placement activities with a placement team. Control group claimants, or the remaining non-job-attached claimants, will be treated in accordance with regular ERP procedures, receiving no additional or specialized services beyond those thereby provided.

A manual job-matching system for cross-indexing test group claimants and DOT codes is being designed, to be automated at a later date, to generate a list of each test group claimant's social security number, name, address and telephone number so that test group claimants may be promptly referred for interview when DOT job orders are received.

This project represents a more intensive approach to U.I. claimant counseling and reemployment than presently required and implemented through the Eligibility Review Program. All project activities will, however, be complementary to E.R.P. The project design is modelled after a similar experiment, the Nevada Claimant Placement Project, although the automated assistance to and statistical analysis of the project in Tennessee will differ considerably from these parts of the project design in Nevada.

EXPECTED COMPLETION DATE: April 30, 1981

CONTACT: Lynn Colbert
U.I. Division, Tenn. Department of Employment Security
Rm. 500
Cordell Hull Building
Nashville, Tennessee 37219
(615) 741-1948

Duration of Benefits

PROBLEM TO BE STUDIED

What are the characteristics of and how has the 1979 benefit qualifying schedule change affected the North Dakota benefit exhaustee?

STUDY TITLE

North Dakota Post Exhaustee Study.

METHODOLOGY

Sampling Design

Universe of regular UI exhaustees who were qualified under the new benefit qualifying schedule. Effective date, July 1, 1979 - June 3, 1980.

A sample was selected from the universe, using 0, 2, and 4 of the ninth digit of the exhaustee's social security number.

Data Source

The claimant master file and benefit exhaustee response questionnaire.

Methods of Analysis

Analysis of SAS generated tables reflecting exhaustee universe and respondent questionnaires.

EXPECTED COMPLETION DATE

July 31, 1980.

PERSON TO CONTACT

Richard A. Dietrich, Jr.
Research & Statistics
Job Service North Dakota
Box 1537
Bismarck, N.D. 58505
(701) 224-3046

Duration of Benefits

LAUS (Local Area Unemployment Statistics) - "Spells of Unemployment and Unemployed Exhaustees." (See Unemployment Indicators and Statistics)

Claimant Characteristics

Title. Profile of Oregon State UI Claimants Filing
Claims During 1979.

Purpose. To develop a profile of monetarily eligible
and ineligible claimant characteristics.

Method. Project uses 10% sample of State UI claimants.

Completion Date. December 31, 1980.

Contract Person. C.H. Crane, Supervisor
UI Actuarial and Special Studies Unit
Research and Statistics Section
Employment Division
875 Union Street, N.E.
Salem, Oregon 97311
503-378-3221

Claimant Characteristics

Title. Selected Characteristics of Compensated UI Claimants in Oregon, By Geographic Area, 1980.

Purpose. To study the sex and racial/ethnic composition of the compensated claimant portion of Oregon's unemployed by geographic area for each mid-month week in 1980. Compare results with CPS household survey data. Study feasibility and develop, if possible, a method of estimating area sex and racial/ethnic characteristics for total unemployment using UI data base.

Method. Project uses universe of Oregon compensated claims for the week including the 12th of each month during 1980. State and county UI data will be compared to available CPS data for each month and to Census benchmark when available.

Completion Date. June 1, 1981.

Contract Person. C.H. Crane, Supervisor
UI Actuarial and Special Studies Unit
Research and Statistics Section
Employment Division
875 Union Street, N.W.
Salem, Oregon 97311

Claimant Characteristics

STUDY TITLE: CWBH Report No. 10.

PROBLEM TO BE STUDIED: An analysis of an ongoing series of data with updated data for 1976, 1977 and 1978 added to the CWBH program.

METHOD: A continuous study of a sample of U.I. covered workers and their earnings as well as the universe of claimants by personal characteristics and earnings from the files of the Unemployment Insurance Division.

EXPECTED COMPLETION DATE: July 15, 1980

CONTACT PERSON: Loren K. Harms
South Dakota Department of Labor
Box 1730
Aberdeen, South Dakota 57401
Phone: (605) 622-2314

Unemployment Indicators and StatisticsSTUDY TITLE: LAUS II: Characteristics of Monetary Ineligibles

PROBLEM: Monetarily ineligible persons are not specifically included or estimated in the handbook procedures for Local Area Unemployment Statistics (LAUS). The omission of this group is assumed to be balanced out by workers released from noncovered jobs with covered employment in the base period. If the monetary ineligibles are distributed proportionally throughout the state, the linkage of area estimates to the CPS adequately includes this group. To the extent that this group varies throughout the state in a different manner than the area handbook distribution, current procedures result in a misallocation of monetary ineligibles. This study is being conducted to determine if the LAUS estimating procedures can be improved by studying the number and labor force status of persons found to be monetarily ineligible.

METHOD: Sampling Design: Claimants in each county will be arrayed by base period earnings. After a random start, every n^{th} claimant will be selected for inclusion in the sample. With a response rate of 78% expected, all but four Arizona counties require 100 percent sampling. Monetarily ineligible claimants for which county of residence cannot be established will be sampled at 60 percent, equal to the statewide sampling percentage.

Data Sources: All analysis within the research design will be based on data items collected or computed at the time the monetary determination is made (or revised) or obtained at a later date either through a mail survey or crossmatch with other data files. All data items gathered will be for the monetarily eligible and ineligible claimants with mailing address, Zip Code within Arizona, and with effective dates during CY 1979. This information will be received on a daily basis via computer punch cards.

Methods of Analysis: Analysis of the monetarily eligible and ineligible claimants will be made from data tapes. These tapes will be created monthly, approximately three months after the month which contains the effective date of the claim. Survey data in the form of completed questionnaires will be gathered from April 1979 through July 1980 and added to the data tapes. Analysis will consist of crosstabulations of various characteristics of eligible and ineligible claimants. In addition, a survival analysis will be done to determine the proportion of claimants found to be monetarily ineligible who remain both monetarily ineligible and unemployed for some period of time.

EXPECTED COMPLETION DATE: December 1980.

PERSON TO CONTACT: Robert St. Louis
 Arizona Department of Economic Security
 1720 W. Madison
 P.O. Box 6123
 Phoenix, Arizona 85005 Telephone: (602) 255-3661

Unemployment Indicators and Statistics

Study Title

LAUS (Local Area Unemployment Statistics) - "Estimating Noncovered Unemployment of Industry/Occupational Groups Partially Covered by the State Unemployment Insurance Laws"

Problem to be Studied

Local Area Unemployment Statistics (LAUS) are developed monthly utilizing the handbook method. Certain groups of workers that are not covered nationally by Unemployment Insurance such as agricultural workers must be estimated using currently approved procedures. Since, under the California Unemployment Insurance Code, agricultural workers are provided essentially the same coverage as nonagricultural workers it is hoped that this study can improve the current procedures for estimating agricultural unemployment.

Methodology

This study is divided into two parts. Part A of the study involves the development of a data base for agricultural workers based on a 20% sample of unemployment insurance claims that were compensated during calendar year 1978. Monthly tabulations will then be provided showing the level and rate of unemployment for all California Unemployment Insurance compensated claimants and for those compensated claimants attached to the agriculture industry. These tabulations will include detail for the state and all Labor Market Areas in the State for which LAUS Handbook estimates are prepared.

Part B of the study will be the analysis of data obtained in Part A and a description of methods of incorporating the research results into improvements for the estimating method for noncovered agricultural unemployed. The analysis will include, but not be limited to:

1. A comparison of the insured rate of unemployment for all industries and the rate for agriculture, at the State and area levels.
2. A comparison over time using monthly and quarterly data for the agriculture industry. This analysis would be to identify seasonal changes in these data.
3. The investigation of new methods of estimating unemployment in agriculture.
4. The statistical determination of whether the study results differ significantly from those of current methodology.

Expected completion data: March 30, 1981

Availability

Employment Development Department
800 Capitol Mall
Sacramento, CA 95814
Attn: Robert J. Hotchkiss, MIC #57

Unemployment Indicators and Statistics

Study Title

LAUS (Local Area Unemployment Statistics) - "Spells of Unemployment and Unemployed Exhaustees"

Problem to be Studied

Individuals who remain unemployed after they have exhausted unemployment Insurance benefits are currently estimated using a survival rate developed from annual data from the Current Population Survey for the Nation as a whole. This approach lacks area specificity and is dated. It also does not provide for the removal, from the count of exhaustees, of people who have established a new benefit year. The purpose of this study is to investigate and, if justifiable, recommend alternative methodologies for estimating the number of unemployed persons who have the exhausted state Unemployment Insurance (UI) benefits.

Methodology

This study is divided into three parts. Part A will develop information on the socio-economic characteristics of UI Exhaustees using historical files and compare these characteristics to the socio-economic characteristics of all UI claimants. Part A will also develop estimates of the duration of unemployment spells for insured continuing claimants and determine how many benefit exhaustees establish a new benefit year during the first 13 weeks after issuance of the final payment notice.

Part B of the study will be to conduct a survey of exhaustees over an 18 month period in order to develop a data base from which survival rates will be estimated. The sampling methodology used in selecting exhaustees will be based on socio-economic factors from Part A.

Part C will estimate UI exhaustee survivor frequency distributions and associated survival rates. These rates will then be compared to rates developed using existing methodology. If statistically justifiable, recommendations for modification of existing methodology will be made.

Expected completion date: June 30, 1982

Availability

Employment Development Department
800 Capitol Mall
Sacramento, CA 95814
Attn: Robert J. Hotchkiss, MIC #57

Benefit Financing

STUDY TITLE

The Financing of Unemployment Insurance Benefits--Mississippi, 1980-1985

PROBLEM TO BE STUDIED

The purpose of this study is to ascertain the amount needed in Mississippi's Unemployment Insurance Trust Fund to insure its solvency and to determine the most equitable tax formula for maintaining the fund at the optimum level.

DATA SOURCES

Records and reports of the Mississippi Employment Security Commission are used in this study and, for the economic analysis of the State, various publications dealing with the economy of Mississippi.

METHODS OF ANALYSIS

Against a background of Mississippi's experience in the payment of UI benefits, collection of employer taxes, and changes over the years in the Mississippi Employment Security Law, tax rate formulas were tested under three projected possible levels of economic activity for the 1980-1985 period: a favorable, an intermediate, and a least favorable economic scenario.

Note: Invaluable assistance in making this study has been given by James Manning and Ron Wilus of the Division of Actuarial Services, Unemployment Insurance Service, ETA, Washington, D. C.

EXPECTED COMPLETION DATE

This study is near completion. The study report is being prepared for publication, and it probably will be available on or about October 1, 1980.

NAME, ADDRESS, AND TELEPHONE NUMBER OF CONTACT PERSON FOR THE PROJECT

Fred Williams, Mississippi Employment Security Commission
P. O. Box 1699
Jackson, Mississippi 39205

Telephone Number (601) 961-7444

Benefit Financing

Title. Financing the Oregon Unemployment Insurance Program.

Purpose. Actuarial Report and Statistical Handbook to provide information to the legislature and Executive branch to evaluate the UI Program financial plan.

Method. Reviews historical and current UI Program experience. Provides a forecast of current law impact for three select cyclical economic scenarios (favorable, expected and unfavorable). Outlines trends in UI legislation.

Completion Date. Expected publication date is December 1980.

Contact Person. C.H. Crane, Supervisor
UI Actuarial and Special Studies Unit
Research and Statistics Section
Employment Division
875 Union Street, N.E.
SaLem, Oregon 97311
503-378-3221

Benefit Financing

Title. Oregon Unemployment Insurance Tax Rates.

Purpose. Tax rate comparisons for rate years 1978, 1979 and 1980.

Method. Data derived from ES-204 Report and Oregon array of eligible and ineligible employers. Studies impact of recent legislation and provides forecast of taxable payroll and assessments by tax rate for upcoming years.

Completion Date. Expected publication date is July 1980.

Contract Person. C.H. Crane, Supervisor
UI Actuarial and Special Studies Unit
Research and Statistics Section
Employment Division
875 Union Street, N.E.
Salem, Oregon 97311
503-378-3221

Benefit Financing

STUDY TITLE: Unemployment Insurance Trust Fund Analysis 1980 - 1990
Using the simulation approach of Economic Conditions in
South Dakota.

PROBLEMS TO BE STUDIED: Alternate tax schedules, flexible wage bases
and alternate tax schemes will be studied for
possible presentation to the 1981 session of
the South Dakota Legislature.

METHOD: In cooperation with the Division of Actuarial Services, the
Mercer Model will be used to test alternate tax schedules and
wage bases under three scenarios of economic conditions in
South Dakota. The scenarios of unemployment will be a soft,
medium and pessimistic outlook to 1990.

EXPECTED COMPLETION DATE: November 30, 1980

PRINCIPAL INVESTIGATOR: Mr. Jewel R. Husby
South Dakota Department of Labor
Box 1730
Aberdeen, South Dakota 57401
Phone: 605-622-2314

Preliminary Investigation of Wyoming Employers'
Unemployment Insurance Benefit Costs

Problem To Be Studied

We are investigating the variance of benefit ratios of Wyoming employers according to each employer's organizational type, location (county), and the amount of taxable wages. The benefit ratio is being used instead of the employer's tax ratio because the benefit ratio is more representative of the actual benefit costs incurred by each employer.

We are also seeking to determine if there is a relationship between the employer's benefit ratio, the types of separations, and the amount of attention which an employer gives to administrative notices concerning separations.

Methodology

Sampling Design

To determine the distribution of benefit ratios among experience rated employers, we are examining the whole universe of Wyoming employers in this category for the year 1979. For the next portion of the study, employers were selected on the basis of industry code first and then by county and taxable payroll when possible. Within the study group we are concentrating on employers who have high benefit charges against their account and those which have low benefit charges.

To determine the relationship between the three variables previously mentioned and the amount of attention which an employer gives to administrative notices concerning separations, a random sample will be chosen from the employers in the high benefit charge and the low benefit charge categories.

Data Sources

Data for this project comes from the benefit charge notices for 1978 furnished by the Contributions Section and from employer listings provided by the Research and Analysis Section, Wyoming Employment Security Commission.

Methods of Analysis

The distribution of benefit ratios among experience rated employers is being depicted on a bar graph. The graph will portray the number of employers in each benefit ratio group.

In the second portion of the study, the benefit ratios are being compared with one and two digit industrial groupings,

according to county of location and with taxable payrolls. A chi square test is being used to determine if the benefit ratios will vary because of each of the three factors mentioned.

For the third part of the analysis, separations for the previous year that involved the subject employers will be divided into charged and noncharged cases. Basically, those that are charged, will be checked to see if and in what manner each employer responded to the notice of separation. The noncharged cases will be examined to determine if they are noncharged due to employer response to an administrative notice. The results of both sections will be analyzed in terms of the three variables used in the study.

Expected Completion Date

The expected completion date for this project is August 31, 1980.

Contact Person

For further information contact Ellen Schreiner, U. I. Budgetary Management Analyst, Wyoming Employment Security Commission, P. O. Box 2760, Casper, Wyoming 82602, Phone (307) 235-3253.

Benefit Financing

Wyoming

An Appraisal of Current and Alternative Employer Contribution Options

Problem To Be Studied

Sufficient information does not presently exist to enable Contributions Section and Employer Services Section personnel to adequately advise employers concerning the advantages or disadvantages that are inherent in choosing reimbursement over tax base contributions or tax base contributions over reimbursement, as the case may be. However, if data were available which would facilitate a comparison between the amounts contributed by reimbursable employers with the amounts they would have contributed if they had chosen the tax base option, much of this problem would be alleviated. In addition, since all state agencies in Wyoming are required to reimburse the UC Trust Fund, this project would provide information which may be used in evaluating the efficiency and effectiveness of that procedure.

This project is being carried over from FY 1980. It was not completed before now due to the lack of taxable wage information from Wyoming reimbursable employers.

Methodology

Sampling Design

A questionnaire will be designed which will be sent to all Wyoming reimbursable employers. Inquiry will be made concerning each employer's taxable wages during the period of July 1, 1977 through June 30, 1979. Also the employer's computer file will be checked to see if any wages were paid during the first quarter of CY 1977. Those reimbursable employers who paid some wages during the first quarter of CY 1977 and who had taxable wages during the subject eight-quarter period will be included in the study.

Data Source

Data will be supplied by Wyoming reimbursable employers, the Benefit and Contributions Sections of the Unemployment Compensation Division, and the Data Services Division.

Methods of Analysis

Each reimbursable employer in the study will be assigned a mock experience rate based on the amount of benefits charged against and the amount of taxable wages paid by the employer during the period of July 1, 1977 through June 30, 1979. Then the total amount of taxes theoretically owed by each employer will be calculated for CY 1980. To determine the amount of

taxes which each employer theoretically owes, an examination will be conducted of initial claims filed by former employees of the employer which were chargeable to the employer's account.

The employer's tax figure will be compared with the total amount of charges actually assessed to each reimbursable employer for CY 1980. These figures will be analyzed to determine the types of patterns that exist.

Expected Completion Date

This project is expected to be completed by July 1981.

Contact Person

Further information relating to this study can be obtained by contacting Greg Olson, Management Analyst II, Wyoming Employment Security Commission, P. O. Box 2760, Casper, Wyoming 82602, Phone (307) 235-3256.

STUDY TITLE

UI Research Memo No. 15
Utah Flexible Staffing
Fiscal Year 1980, Results to Date, ES and UI

PROBLEM TO BE STUDIED

The Employment Service experiences a seasonal productivity slump (Individual Placed per Staffyear Worked) during the months of December through February or March. This study is designed to analyze the results of a "flexible staffing" method instituted in Utah to determine whether the productivity slump was eliminated.

METHODOLOGY

Statistical information concerning workloads, staffing levels, productivity and budgeting will be gathered and analyzed in light of economic factors, implementation of "flexible staffing", and the impact on UI and ES operations to determine whether the desired results of the "flexible staffing" method were obtained.

EXPECTED COMPLETION DATE

It is expected that this study will be completed by August 31, 1980.

RESEARCH ANALYST

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Operations

An Evaluation of Benefit Rights Interview Procedures In Wyoming

Problem To Be Studied

The methods used in presenting a Benefit Rights Interview vary to some extent between claims offices in Wyoming, although the basic procedures followed by each office are the same. Because of this, the effectiveness of the presentation used by each office will be checked to insure that the BRI is accomplishing its intended purpose. In addition, attention will be given to the procedures which are most effective in each office, with the intent of developing a uniform BRI program which can be implemented by all claims offices in the state.

Methodology

Sampling Design

New claimants in each of the full-time claims offices throughout the state will be included in the study. The claimants involved will be those who are scheduled to receive a BRI during a specified week.

Data Sources

Information for this study will be obtained from the managers of the local offices and from the claimants themselves.

Methods of Analysis

Each claims manager will be asked to submit beforehand the names and other identifying information of the claimants that will be expected to attend a Benefit Rights Interview during the specified week. This will occur immediately after each claimant files his/her new claim. A questionnaire will be sent to each claimant which will measure the claimant's knowledge of items that should be covered in a regularly scheduled BRI. Each claimant will receive a score based on the number of items answered correctly.

After the BRI has been completed, each claimant will again receive the same questionnaire with instructions to answer each question and return the form in the same manner as before. When this questionnaire is returned by the claimant it will be graded like the previous questionnaire.

It is expected that this methodology will reveal: (1) The amount of information which claimants retained from their

respective BRI's; and (2) The degree to which each office is effective in administering the BRI.

The results of the study will be analyzed to determine the strong points of each local office's program. These in turn will be examined to ascertain if they can be used effectively by the other claims offices in a uniform program.

Expected Completion Date

It is expected that this study will be completed by March 31, 1981.

Contact Person

For further information concerning this study contact Greg Olson, Management Analyst II, Wyoming Employment Security Commission, P. O. Box 2760, Casper, Wyoming 82602, Phone (307) 235-3256.

Operations

Tennessee Claimant Reemployment Project (See Continuing Eligibility)

Miscellaneous

Study Title

Quantity and quality of Maryland R&A Division U.I. Research Projects as compared with other states.

Problem To Be Studied

The purpose of this study is to determine Maryland's output of substantial U.I. Research and where it ranks with other states' research efforts. The major contributing factors responsible for the ranking will be examined to determine what actions are necessary to improve the quantity and quality of research generated by Maryland.

Method

Maryland quantity and quality of U.I. research will be compared to that of other states.

Sampling Design

Comparisons will be made with states of similar size and funding.

Data Source

Output of research by other states, resources available to these states and organization within the states.

Method of Analysis

Organization and availability of resources will be compared by state.

Expected Completion Date

May 31, 1981

Contact Person

Scott Belt

Address of Contact Person

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383-4311

Miscellaneous

STUDY TITLE

Mississippi's Business Population--Births, Deaths, and Changes in Ownership, 1978

PROBLEM TO BE STUDIED

This study attempts to determine the types of new industries being established in Mississippi; the types of businesses ceasing operation; and the types of business changing ownership within the State and the counties.

DATA SOURCES

Computer tabulations on employer registrations and terminations, by-products of employer status operations, and employment and wages data from the ES-202, Employment Wages, and Contributions Report, are used in the analysis of business patterns in the State and its counties.

EXPECTED COMPLETION DATE

This study report is being prepared for publication, and it probably will be available August 1, 1980.

NAME, ADDRESS, AND TELEPHONE NUMBER OF CONTACT PERSON FOR THE PROJECT

Eugene C. Brown, Mississippi Employment Security Commission
P. O. Box 1699
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Telephone Number (601) 961-7436

B. Research Projects Completed

<u>Study Title</u>	<u>Affiliation of Investigator</u>	<u>Page</u>
UI Research Memo #12. Analysis of Utah's Monetary Eligibility Requirements	Utah Department of Employment Security	40
Can Benefit Adequacy Be Predicted on the Basis of UI Claims and CWBH Data?	Arizona State University and Arizona Department of Economic Security	42
Labor Market Experiences of Unemployment Insurance Exhaustees	Arizona State University and Arizona Department of Economic Security	45
Comparisons of UI Claimants Receiving Benefits by Sex and Race	Maryland Department of Human Resources	48
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UI Research Memo #9. National and Utah Extended Benefit Indicators	Utah Department of Employment Security	51
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UI Research Memo #10. Utah Benefit Appeals Time-Lapse Study. January 1980	Utah Department of Employment Security	54

Qualifying Requirements

STUDY TITLE

UI Research Memo No. 12
Analysis of Utah's Monetary Eligibility Requirements
(Source: National CWBH Data Base)

AUTHOR

William R. Horner, Labor Economist Supervisor

DATE OF PUBLICATION

June 1980

RESULTS, CONCLUSIONS AND POLICY IMPLICATIONS

In summary, three percent of all eligible claimants have base period wages of less than \$2,000 (1,500 claimants in 1979). This group was comprised of a higher proportion of females, more had never been married and more had no dependents than all claimants in general. In addition, a larger percent either quit or were fired from their jobs and a higher proportion did not expect recall to their former jobs, than all claimants in general. The potential duration of these claimants was substantially lower than all claimants, thus suggesting that such claimants not only had low income but also had shorter work experiences. Actual duration in relation to potential duration were similar between the two groups and although the exhaust rates between the two groups were different, the data suggest that low income claimants are not riding the system to exhaust their benefits.

It is concluded that an increase in the monetary eligibility requirements is desirable. It would affect a relatively few number of claimants and it would provide a small savings to the trust fund. In addition, a disservice to low income claimants perhaps occurs because once a claimant establishes a benefit year, he is locked in for 52 weeks at a given weekly benefit amount (WBA) and potential duration. If the claimant has a short spell of unemployment, returns to work at a higher salary for a few months, and then becomes unemployed again, he is entitled only to the benefits he has already established with his low income. Perhaps it would be better to monetarily deny low income claimants so that this problem will not exist.

In conjunction with this, an increase in the minimum WBA is probably desirable also. A flexible provision in the law maintains the maximum WBA and keeps it in-step with rising wages. Perhaps a flexible provision for the minimum WBA should be considered or at least raise it to \$15, \$20 or \$25. In 1979, only 0.2 percent of all eligible claimants were entitled to a WBA of less than \$20 and only 1.0 percent were entitled to a WBA of less than \$25.

METHODOLOGY

HYPOTHESES TESTED

The monetary eligibility requirements should be increased and will affect a relatively small number of claimants with low income and short work experiences.

SAMPLING DESIGN

Utah's CWBH data base consists of 100% of all claimants. Data for Calendar Year 1979 and claimants whose benefit year ended in January-March 1980 were selected.

DATA SOURCES

The National CWBH data base was used the source of information.

METHODS OF ANALYSIS

AVAILABILITY

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Weekly Benefit Amount

Title: Can Benefit Adequacy Be Predicted on the Basis of UI Claims and CWBH Data?

Authors: Paul L. Burgess, Jerry L. Kingston, Department of Economics, Arizona State University and Robert D. St. Louis and Joseph T. Sloane, UI Research and Reports Section, Arizona Department of Economic Security

Date of report: February 1980

Problem: Can information available to State agencies or this information together with information available from the CWBH data tapes be utilized to accurately predict the known values of a benefit adequacy measure for individual beneficiaries? If accurate equations could be developed to predict known benefit adequacy, this methodology might merit further development as a technique for inexpensive benefit adequacy studies by predicting (unknown) values of benefit adequacy for claimants in other areas or for the same group of claimants in other time periods.

Results:

1. Values of the benefit adequacy measure for individual beneficiaries cannot be predicted accurately from the equation that utilizes claims data only.
2. Predictive capability is somewhat improved by including variables matched to the CWBH data elements. However, a wide range of error remains in predicting the values of the benefit adequacy measure for individuals even after including CWBH data elements among the independent variables.
3. Little improved accuracy was gained from estimating separate equations for each household type. These results strongly suggest that household circumstances that importantly affect the beneficiary's share of necessary/obligated expenses are not predicted well by the available set of variables. Even fairly detailed information about household income and composition is not sufficient to identify the diverse expenditure patterns that exist for beneficiaries of similar income and household composition.

4. It was possible to predict the overall benefit adequacy distribution for the entire study group with more accuracy than was possible for individual beneficiaries. The major exception is that the estimating equations provide a very poor approximation for very high and very low values in the actual benefit adequacy distribution. For policy purposes, the types of claimants for whom benefits are/are not adequate can not be identified accurately from this overall distribution. Therefore, policy could not be targeted to affect beneficiaries with either high or low benefit adequacy values.
5. Overall, the results strongly indicate that the method used in this study does not represent a useful basis for developing relatively inexpensive techniques for conducting benefit adequacy studies. The results suggest that information on income and household composition must be supplemented with actual or estimated data on household expenditure patterns to predict individual benefit adequacy values with any reasonable degree of accuracy.

Method

Sample

A Statewide random sample of beneficiaries who had received payment for their fifth consecutive week of benefits was selected over a one-year period during 1975-76 (the sample selected for the Arizona Benefit Adequacy Study.)

Data source

UI claim files, interviews administered at the 5th consecutive week of receipt of benefits.

Method of analysis

Multiple linear regression techniques were utilized to estimate the equations developed to predict the values of the benefit adequacy measure for the individuals included in the study group. (The benefit adequacy measure consisted of the ratio of the weekly benefit amount to the beneficiary's share of the household "necessary and obligated expenses" during a "typical" preunemployment month.) The prediction equations were estimated on the basis of two sets of variables: 1) those available from UI agency records as a

result of the normal processing of UI claims; and 2) those in (1) plus data that would be available from the CWBH data files now being developed.

For (1), the variables used in the analysis were the weekly benefit amount, high quarter earnings, base period wage, ratio of base period to high quarter earnings, delayed filing time, an urban-rural dummy variable, sex, age, ethnic group, occupation, industry, and a union-non-union dummy variable.

Also included in a second prediction equation were variables available from the Arizona Benefit Adequacy data base that were similar to those available in the CWBH files. These variables include: education, household type, total annual household income, beneficiary's gross wage in a typical month, household size, number of dependents, and ratio of beneficiary's gross wage to total household income during a typical month.

In addition to estimating the two equations for the total sample, equations were estimated for each of the household type categories in the sample in order to see whether more accurate prediction equations might be formulated if separate estimates were made for relatively homogeneous households. When estimating these equations, the CWBH variables were included.

Availability

This report is to be published as a UI Occasional Paper.

Duration of Benefits

STUDY TITLE:

Labor Market Experiences of Unemployment Insurance Exhaustees

AUTHOR:

This report was prepared by Paul L. Burgess and Jerry L. Kingston, Associate Professors of Economics, Arizona State University, and the Research and Reports Section of the Unemployment Insurance Administration, Arizona Department of Economic Security.

DATE OF REPORT:

1979

RESULTS:

The major results of the postexhaustion experiences analyzed in this report are:

1. LABOR FORCE STATUS: A detailed analysis was done for each of the three labor force states -- unemployment, employment, or labor force withdrawal -- into which each person was classified during the 24-week postexhaustion period. Findings on the pattern of weekly labor force status for the total sample clearly suggest that the large majority of UI claimants maintained their attachment to the labor force, both immediately following benefit exhaustion and throughout the study period. These results do not support the supposition that UI benefits create a large disincentive effect in terms of keeping persons, who otherwise would withdraw from the labor force, in the labor force so as to qualify for UI benefits.
2. REEMPLOYMENT EXPERIENCES: Detailed information was obtained about the reemployment experiences of those who were at work during the 8th, 16th, or 24th weeks of the study period. Less than one-tenth of the total sample obtained a job immediately following benefit exhaustion, but at the end of the study period, 55 percent of the total sample had obtained a job at some point during the 24-week period analyzed. The analysis of various dimensions of the reemployment experiences for those employed during the 8th, 16th, and 24th weeks indicates that there were very few differences in the reemployment experiences of men and women, or among the three age groups.
3. UNEMPLOYMENT AND JOB SEARCH EXPERIENCES: Information also was obtained about the job search experiences of those who were unemployed during the 8th, 16th, 24th weeks of the study period. The percentage unemployed during the three weeks studied declined from 56 percent during the 8th week to 43 percent during the 16th week and to 36 percent during the 24th week.
4. CHANGES IN SOURCES/AMOUNTS OF HOUSEHOLD INCOME: The loss of UI benefits resulted in changes in both the sources and amounts of income received by exhaustee households. These changes were measured from the preexhaustion month to the 2nd, 4th, and 6th months of the study period. Analysis of the changes in household income from the preexhaustion month to the three months during the postexhaustion period revealed that large income declines (of 50% or more)

during each of the three postexhaustion months tended to be recorded more frequently in those households in which the exhaustee was a male, the sole earner, and had a weekly UI benefit payment that constituted a high vs. low proportion of household income during the preexhaustion month.

5. ADJUSTMENTS TO BENEFIT EXHAUSTION: Selected adjustments undertaken by exhaustees or their households as a result of the loss of UI benefits were analyzed, focusing on 26 different adjustments made from the preexhaustion month to the 2nd, 4th, and 6th months of the postexhaustion period. Overall, the findings on the adjustments made suggest that benefit exhaustion caused households to undertake a variety of major adjustments. A large proportion of the sample had made major adjustments by the 8th week of the study period. In most cases, the percentage of households that reported a particular adjustment increased considerably between the 8th and 24th weeks of the study period. The adjustment undertaken by the greatest percentage (71%) of households through the second month of the postexhaustion period was reduced expenditures on food. Other adjustments undertaken by at least one-fourth of the study group by the sixth month after benefit exhaustion included: dropping insurance or missing insurance payments, borrowing money, increasing charge purchases or missing installment payments, missing medical/dental payments, missing utility payments or losing utility services, missing mortgage or rent payments, and selling or pawning property.

METHOD:

The purpose of this report was to analyze the experiences of a group of UI beneficiaries who exhausted their entitlements to unemployment insurance benefits (including benefits available under the EB and FSB programs). This exhaustee group is comprised of those who were included in the Arizona Benefit Adequacy study and exhausted their benefits between May 1976 and early August 1977. The sampling plan for the ABA study called for an intertemporal, statewide random sample of Arizona UI beneficiaries who initiated the first spell of unemployment within their respective UI benefit years. This sampling period began in September 1975 and ended September 1976. The survey period for this postexhaustion study began in July 1976 and continued through February 1978.

The specific information required to analyze the labor market experiences of UI exhaustees and to study the adjustments undertaken by exhaustee households in response to the loss of UI support was obtained through mail questionnaires distributed two, four, and six months following benefit exhaustion. This permitted an analysis of the pattern of labor force attachment/activity over the entire 6-month interval and a detailed study of the experiences of reemployed and unemployed workers at three different points during the period (the 8th, 16th, and 24th weeks after benefit exhaustion). The analysis of changes in the sources/amounts of household income and of the adjustments undertaken by exhaustee households includes both the magnitude and the timing of these responses to benefit exhaustion over the six-month interval.

AVAILABILITY:

Copies of the report are available from DOL/ETA, Office of Communications, Patrick Henry Building, Room 10225, 601 D Street, N.W., Washington, D.C. 20213

Duration of Benefits

UI Research Memo No.9. National and Utah Extended Benefit Indicators (See Unemployment Indicators and Statistics.)

Claimant Characteristics

Problem Studied

The purpose of this study was to determine the relationship between whites, non-whites, males and females regarding length of unemployment, benefit amounts received and frequency of unemployment.

Study Title

Comparisons of U.I. claimants receiving benefits by sex and race.

Method

Sampling Design

1. Universe of payment activities between January 1978 and December 1979.
2. Five percent sample of U.I. continued claimants taken during the third week of each month inflated to represent the total population of U.I. claimants.

Data Source

Data was obtained from Table III B of the ES-203 report (characteristics of the insured unemployed) and the 213 printout of Claims and Payments Activities.

Method of Analysis

Percent distributions were calculated for whites and non-whites broken down by sex and into various intervals of unemployment. An estimate of the average weekly benefit amount was calculated using the number of checks issued and the total amount of payments for the month.

Results

Major Findings

1. A larger percentage of white males experience periods of unemployment under four weeks than non-white males in the same interval.
2. The reverse holds true for longer stints of unemployment with the percentage of non-white males being greater than that of white males.
3. Both groups, white and non-white, find their largest percentages in the 5-14 week interval of unemployment.
4. For most months non-white females have a larger percentage distributed in each interval than white females, with the most consistent difference occurring in the 15 and greater period of unemployment.
5. When grouped by race alone whites experience higher percentages in the 1-2 week interval for 23 out of the 24 months studied. Non-whites held higher percentages in all 24 months for the 15 and over period of unemployment.

6. Nonwhite males average higher percentages in each interval than non-white females and the same holds true for the relationship between white males and females excluding the 15 and over interval where the woman experience larger percentages.

7. White males received the largest WBA averaging \$83.51 in 1978 and \$93.44 in 1979. Non-white males lagged behind averaging \$78.85 in 1978 and \$83.91 in 1979, a 5 to 6 dollar difference in 1978 and a 8 to 10 dollar difference in 1979.

8. White and non-white females differ slightly in benefit amount, 1 to 2 dollars, but differ significantly from white males averaging 16 to 18 dollars less per check.

Conclusions

Any conclusions drawn from this study have to be weighed carefully. Data obtained for this study is of an aggregate nature disallowing any individualized data and limiting the manipulations of that data to averaging. There exist inherent limitations with an averaging statistics, two of which apply here, generalization and simplification. Frequency of unemployment was unobtainable at this time.

To offer a general conclusion it can be stated that white males suffer through shorter periods of unemployment and receive higher benefits while non-whites experience longer periods of unemployment receiving lower weekly benefit amounts with women of both races receiving the least.

Author

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Availability

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Pat Arnold, Director - Research and Analysis Division

Unemployment Indicators and Statistics

Problem To Be Studied

Establish a relationship between the total unemployment rate and the insured unemployment rate.

Study Title

The relationship of the T.U.R. to different variables of the I.U.R.

Data Source

Historical data available in R&A files from January 1, 1975 to December 31, 1979

Method of Analysis

Observe the trend of those variables which affect the I.U.R. to determine the effect these same variables have upon the T.U.R. if any. Universal trend of the following at various total unemployment and insured unemployment rates, total unemployment and insured unemployment, total employment and insured employment, and business layoffs.

Results

There was not a strong correlation between the T.U.R. and I.U.R. (.51). A higher correlation resulted between the different variables and T.U.R. than with I.U.R. This moderate correlation is due to the difference of methodology and data in computing the two rates.

Contact Person

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Pat Arnold, Director - Research and Analysis Division

Unemployment Indicators and Statistics

STUDY TITLE

UI Research Memo No. 9
National and Utah Extended Benefit Indicators

AUTHOR

William R. Horner, Labor Economist Supervisor

DATE OF PUBLICATION

April 1980

RESULTS, CONCLUSIONS AND POLICY IMPLICATIONS

Currently the National 13-week average IUR is slightly below 3.2 percent which is well below the 4.5 percent trigger point. Since the national trigger is seasonally adjusted, it does not show the peaks and valleys like the state trigger. It appears to be following the 1979 pattern which is basically a straight, horizontal line. In 1979, the trigger indicator never exceeded 3.17 and although the indicator in 1980 is running slightly above 1979 and has reached 3.22, it is currently at 3.17 percent. It is therefore estimated that the National Trigger indicator will not reach the 4.5 percent criterion in 1980 unless economic conditions substantially change. In any event, the National Trigger is not expected to reach the trigger point within the next 6 months and by this time, perhaps Congress will have eliminated the National Trigger.

As far as Utah's potential for triggering into an extended benefit period, it is unlikely. Looking at last weeks data, Utah's 13-week average IUR would need to be 4.30 in order to trigger on, however, it was only 3.50 percent. Since the State Trigger indicator is raw (not seasonally adjusted) it has reached its peak and will begin to decline. It is therefore estimated that the State Trigger will not operate during 1980 unless economic conditions worsen substantially.

METHODOLOGY

HYPOTHESES TESTED

Neither the State nor the National EB indicators will reach the trigger criteria within the next six months.

SAMPLING DESIGN

DATA SOURCES

Data from Utah's ETA 5-39 Report and the National Trigger Notices were used.

METHODS OF ANALYSIS

Regression analysis.

AVAILABILITY

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Operations

STUDY TITLE

UI Research Memo No. 6
Utah First Payment Time-Lapse
Accomplishment and Federal Criteria

AUTHOR

William R. Horner, Labor Economist Supervisor

DATE OF PUBLICATION

January 1980

RESULTS, CONCLUSIONS AND POLICY IMPLICATIONS

In summary, the count of first payments and related time-lapse is accurate. Historically, there has been an improvement in time-lapse, however, beginning early 1979 the 12-month average percent of first payments made in 0-14 days began to decline. Possible causes of poor time-lapse include the adjudication process, revising ineligible claimants to eligible status and adjudication decisions being reversed. There appears to be some seasonality in the percentage of first payments made in 0-14 days, with the results being lowest in February/March and August/September. Analysis of time-lapse by local office showed significant differences with Salt Lake being three percentage points below the criterion (in October 1979). Since Salt Lake accounted for 46 percent of all first payments, it has the greatest impact on the overall time-lapse results.

METHODOLOGY

See Sampling Design and Methods of Analysis, below.

HYPOTHESES TESTED

The current system that produces first payment time-lapse, is accurate and does provide accurate workload figures.

SAMPLING DESIGN

A 100% sample of first payments made in October 1979 was selected.

DATA SOURCES

Historical statistical workload reports, and computer generated claimant benefit transcripts were the data sources used.

METHODS OF ANALYSIS

Statistical comparisons was the method of analysis used.

AVAILABILITY

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Operations

STUDY TITLE

UI Research Memo No. 7
Utah Unemployment Insurance MPU's
Minutes per Workload Unit by Local Office - FY 1977-1979

AUTHOR

William R. Horner, Labor Economist Supervisor

DATE OF PUBLICATION

February 1980

RESULTS, CONCLUSIONS AND POLICY IMPLICATIONS

Although it would be expected that urban local offices would experience lower MPU's than rural offices, actual data do not entirely support this expectation. The mere fact that approximately 67 percent of the workload is processed by the urban offices (the largest rural offices process about 50 percent of the workload) should create efficiencies of scale that perhaps would not exist in small offices. In addition, workload levels generally always support more than base staffing levels (UI Minimum Staffing Levels) in the urban offices, but this is not the case in some of the smaller offices. Audits and validations verify that workload counts are accurate, therefore, other factors must be involved that impact on the MPU. Perhaps the most significant factor in the MPU is the way in which time is charged to various activity codes, coupled with operational procedures.

METHODOLOGY

HYPOTHESES TESTED

The MPU's (Minutes Per Workload Unit) for Initial Claims, Weeks Claimed, Non-monetary Determinations and Benefit Appeals are lower for urban offices than for rural offices.

SAMPLING DESIGN

DATA SOURCES

Data from statistical workload reports and the Time and Cost System were obtained for this study.

METHODS OF ANALYSIS

AVAILABILITY

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Operations

STUDY TITLE

UI Research Memo No. 10
Utah Benefit Appeals Time-Lapse Study
January 1980

AUTHOR

William R. Horner, Labor Economist Supervisor

DATE OF PUBLICATION

April 1980

RESULTS, CONCLUSIONS AND POLICY IMPLICATIONS

Benefit appeals time-lapse has deteriorated over the past several months. For the 12-months ending March 1980, less than one-half of all UI lower appeals decisions were made in 0-30 days. Higher appeals shows substantially worse timeliness with less than 10 percent being made in 0-30 days.

Decisions in favor of the claimant (percent of total decisions) for lower authority have held fairly constant at about 29 percent during the last two years. On the other hand, the percentage of higher authority decisions in favor of the claimant have doubled.

Appeals involving separation issues have increased from 30 to 48 percent of the total, while decisions relating to able-available issues have declined from 40 to 25 percent. Enactment of a more stringent law in 1979 dealing with separation issues is probably the cause of these changes.

The appeals process has a significant impact on first payment time-lapse. Claimants who filed appeals and who ultimately received a first payment experienced a substantially longer wait for their first payment than did all claimants in general, during January 1980.

Timeliness in terms of the three major appeals activities revealed interesting results. Although the average number of days from the date of filing to the date the Appeals Section received the appeal, to the date of hearing, to the date of mailing the decision was 2.8, 26.9 and 5.0 days (a total of 34.7 days), respectively, the time-lapse was as high as 31, 55 and 30 days, respectively.

Percentage of workload handled by referee ranged from 17.2 to 23.4 percent, while the percentage of decisions made by each referee that reversed the Agency's prior decision ranged from 13.5 to 38.0 percent.

Time-lapse differs substantially between separation and non-separation issues. The percentage of non-separation issue appeal decisions made in January 1980 in 0-30 days was twice as much as separation issues (32.6 percent compared to 16.1 percent).

In order to accomplish or reach the federal timeliness criterion of 60 percent of both lower and higher authority appeal decisions in 0-30 days, substantial improvement must occur. This is evidenced by the fact that the time-lapse for the 12-months ending March 1980 was 49.4 and 6.5 percent, respectively for lower and higher authority appeals.

METHODOLOGY

HYPOTHESES TESTED

SAMPLING DESIGN

A 100% sample of appeal decisions made in January 1980 was used.

DATA SOURCES

Historical workload reports (ETA 5-130 Report) and actual appeal decisions were used as the data sources.

METHODS OF ANALYSIS

AVAILABILITY

William R. Horner, Labor Economist Supervisor
Utah Department of Employment Security
P. O. Box 11249
Salt Lake City, Utah 84147

Telephone: 801-533-2375

III. NATIONAL COMMISSION ON
UNEMPLOYMENT COMPENSATION

NATIONAL COMMISSION ON UNEMPLOYMENT COMPENSATION

The National Commission on Unemployment Compensation formally terminated on September 30, 1980. Mr. Roger Webb, formerly Deputy Executive Director of the NCUC, is continuing work on the Commission's final report and compendium of research studies and papers. Both the final report and compendium are expected to be published by December 31, 1980. Requests for copies of the report and/or compendium should be addressed to:

Mr. Roger Webb
1815 N. Lynn Street
Rosslyn, Virginia 22209
Telephone: 703-235-2792

The NCUC's final recommendations are contained in a summary report entitled "Unemployment Compensation Policy Decisions" dated June 30, 1980. Contact Mr. Webb for a copy of this preliminary report.

Research Sponsored by
National Commission on Unemployment Compensation

In addition to projects listed in the first issue of the UI Research Exchange, the following research has been sponsored by the National Commission on Unemployment Compensation.

- 1) "Impact of the Availability of UI on Unemployment Rates in Seasonal Industries"
By Alex Maurizi
- 2) "Unemployment Insurance Under the Federal Unified Budget"
By Peter Henle
- 3) "Examination of the Exhaustion Rate as a Policy Tool"
By Ethikos Research Inc.
- 4) "Unemployment and the Joint Determination of Quits and Layoffs"
By Cornell University
- 5) "Validation of the CWBH Questionnaire"
By Mathematica Policy Research, Inc.
- 6) "The Unemployment Insurance Work Test"
By David Stevens
- 7) "Upper Level Appeals Systems"
By Ed Wood and Robert Owen
- 8) "Review of Temporary Disability Programs"
By Ethikos Research, Inc.
- 9) "Alternative Economic and Financial Strategies Employed by Selected States in Managing their UI Fund Systems"
By David Zulli
- 10) "The Effect of UI Payments on Strike Duration"
By John Kennan

IV. RESEARCH DATA AND INFORMATION SOURCES;
RESEARCH METHODS AND TOOLS

News

United States
Department
of Labor



Office of Information

Washington, D.C. 20210

Employment and Training Administration USDL--80 -253

CONTACT: Arthur Jaffey
OFFICE: 202-376-3172
HOME: 301-424-2106

FOR RELEASE: A.M. EDITIONS
Monday, April 21, 1980

LABOR DEPARTMENT ISSUES EMPLOYMENT, TRAINING RESEARCH CATALOG

The Labor Department has issued a catalog of ongoing and completed research projects conducted for its Employment and Training Administration (ETA).

The catalog, "Research and Development Projects," lists all such projects active on Sept. 30, 1979, and all those completed since July 1, 1976. It also lists reports and related research publications funded by ETA's Office of Research and Development and received during the previous two fiscal years.

This ninth annual summary, an update of the 16-year compendium of R & D projects, is the principal means of informing the public of current research in the employment and training field. The book is of particular use to Federal and state research people, employment and training officials, academicians, prospective applicants for grants and contracts, and industrial and personnel relations people.

The catalog groups projects and publications by subject matter. Institutional, doctoral dissertation, and small research project grants are listed separately. Guidelines for submitting proposals for research and development projects are included.

Copies of the catalog may be obtained without charge from the Inquiries Office, Employment and Training Administration, U.S. Dept. of Labor, Rm. 10225, 601 D St., N.W., Washington, D.C. 20213. Phone: 202-376-6730.

News

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United States
Department
of Labor



Office of Information

Washington, D.C. 20210

Employment and Training Administration USDL -- 80-9

CONTACT: Arthur Jaffey
OFFICE: 202-376-2439
HOME: 301-424-2106

FOR RELEASE: IMMEDIATE
MONDAY, JANUARY 14, 1980

LABOR DEPARTMENT BOOK COVERS NATION'S HUMAN RESOURCE DEVELOPMENT IN 60'S, 70'S

Research and development projects covering manpower programs over the past 16 years have been published in a new book released today by the U.S. Department of Labor.

Nearly 1,600 R & D projects funded by the Office of Research and Development in the Employment and Training Administration (ETA) are summarized in the 608-page publication, covering the years 1963 through 1978.

Research and Development: A 16-Year Compendium replaces and supplements material previously published in ETA's annual catalogue, Research and Development Projects. The compendium includes summaries of experimental and demonstration projects that did not appear in the catalogues before 1971.

The introduction to the book provides a comprehensive description of the evolution of the R & D program. It traces the temper of the times from the time the R & D program was established in 1962--a time when automation and other technological advances were the prevailing concern in the labor market--to the 1970's when the program reflected employment and training in hundreds of locally designed and administered programs.

It also describes the legislative and organizational setting of the R & D program throughout the 60's and 70's, as well as assessing its contributions to the economic well being of the country.

Studies described in the book deal with the economic, social, and policy background, the labor market, the development and utilization of human resources, the administration of employment and training programs, and the building of an R & D capability.

Areas covered in study descriptions include:

-- A wide variety of policies impinging on the labor market, including immigration policy, laws and regulations concerning military service and veterans, welfare policy and income proposals, economic and social conditions, minimum wage legislation, occupational licensing regulations, and employment effects of international trade.

-- Operation of the labor market, including imbalances in labor demand and supply, and attitudes that affect workers' job related behavior.

-- Features of federally sponsored employment and training programs, including who the participants are, what kind of training or other employment assistance they receive, how services are delivered, who delivers them, what problems are encountered, what participants think of the programs, how they fare when they drop out or complete the programs.

-- Logistics of employment and training-related programs--the activities that are required to plan, manage, staff, evaluate, and provide supportive services.

-- Doctoral dissertation and institutional grants to universities--programs intended to develop R & D competence in the field of employment and training.

Each project description in the book is classified to include subject, method, locale of study, relevant personal characteristics of the population involved, and type of program or service provided.

Single copies of the book are available without charge by contacting the Employment and Training Administration, U.S. Dept. of Labor, Attn: Saul Parker, Rm. 9112, 601 D St., N.W., Washington, D. C. 20213.

ASPER Research and Evaluation Projects 1970 - 1979

The Department of Labor has issued a publication summarizing research and evaluation projects completed for the Office of the Assistant Secretary for Policy, Evaluation and Research (ASPER) during calendar years 1970-79. The projects were conducted by faculty members of colleges and universities, staff members of the Department of Labor, or private research organizations. For ready reference, the publication summarizes the objectives, methods, and findings of each project.

Single copies of the volume may be obtained without charge by contacting the Office of the Assistant Secretary for Policy, Evaluation and Research, U.S. Department of Labor, ATTN: Brenda Evans, Room N4402, 200 Constitution Avenue, N.W., Washington, D.C. 20213.

On the following pages, the summaries of projects relating to unemployment insurance are reproduced. The accession number for ordering a copy of each full project report is cited. On page 72, detailed information is provided for ordering full reports.

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3-072 SOME LABOR MARKET IMPLICATIONS OF THE PAYROLL TAX FOR UNEMPLOYMENT AND OLD AGE INSURANCE

*John H. Pencavel
Stanford University
Stanford, Calif.*

Purchase order OAS 74-1576

January 1974

Descriptors: UNEMPLOYMENT; UNEMPLOYMENT INSURANCE; GOVERNMENT PROGRAM IMPACT; LABOR FORCE BEHAVIOR

This study considered various implications of unemployment insurance taxes for the operation of labor markets. It analyzed the payroll tax within the framework of partial equilibrium models, focusing upon its impact on behavior in the labor market.

The unemployment tax induced firms to change the skill mix of employees and reduce turnover. Analysis of UI tax payments and benefits suggested large and noteworthy deviations from a fully experience-rated system, which might, however, have little effect on labor market behavior. Recent British experience, for example, has shown that employers and employees do, indeed, respond to the manner in which unemployment compensation is financed and disbursed. The benefits are distributed uniformly among income classes, with less going to the lower income class, while some employers are paying less taxes relative to their former employees' benefits. Research was recommended to determine the extent of tax evasion by employers.

NTIS PB256648/AS; PRICE CODE: A03; 41 PAGES

3E. UNEMPLOYMENT INSURANCE

3-071 THE EFFECT OF UNEMPLOYMENT INSURANCE LAWS AND ADMINISTRATION ON UNEMPLOYMENT RATES

*Arlene Holen and Stanley A. Horowitz
Center for Naval Analyses
Arlington, Va.*

Contract L-72-86

August 1973

Descriptors: UNEMPLOYMENT INSURANCE; GOVERNMENT PROGRAM IMPACT; LAWS, LEGISLATION; FEDERAL FUNDING

This study of State unemployment insurance (UI) laws focused on eligibility, level and duration of benefits, and stringency of enforcement.

Variations in the statutory provisions studied did not aid materially in explaining variation in the insured unemployment rates. Unlike several previous studies, this study found that more attractive benefit schemes had no significant effect on the level of unemployment. Denial of benefits was lower in States providing for mail claims and higher in those where Federal expenditures for UI administration and the proportion of time spent on nonmonetary determinations were larger and those which permitted biweekly claims. In the latter States, lower insured unemployment rates were attributable about equally to lower labor force participation and higher reemployment rates. Unemployment was significantly lower in States with rigorous enforcement of eligibility provisions than in those without rigorous enforcement.

(For other reports on this subject under the same contract number, see the Index of Contract Numbers.)

NTIS PB253580/AS; PRICE CODE: A03; 34 PAGES

3-073 THE EFFECT OF UNEMPLOYMENT INSURANCE AND ELIGIBILITY ENFORCEMENT ON EMPLOYMENT

*Arlene Holen and Stanley A. Horowitz
Center for Naval Analyses
Arlington, Va.*

Contract L-72-86

April 1974

Descriptors: UNEMPLOYMENT; UNEMPLOYMENT INSURANCE; GOVERNMENT PROGRAM IMPACT; FEDERAL FUNDING; LAWS, LEGISLATION; LABOR FORCE BEHAVIOR

To disentangle the interactions between the insured unemployment rate and the liberality of unemployment insurance (UI) benefits, on which previous studies have been inconclusive because of technical errors, the equations of the model given in this study were estimated simultaneously using two-stage least squares.

It was found that more liberal benefits do lead to higher levels of unemployment. Tests with a more detailed version of the model (five components of overall liberality) showed that denial of benefits to applicants determined ineligible upon application of a work test had the clearest influence on the unemployment rate. A doubling of the denial rate was estimated to reduce unemployment by 1.4 percent. A direct and apparently causal link was found between funding for system administration and the unemployment rate. Therefore, the authors concluded, the Federal Government

3E. UNEMPLOYMENT INSURANCE

may exercise substantial influence on the enforcement of eligibility standards through funding decisions.

NTIS PB253584/AS; PRICE CODE: A03; 34 PAGES

3-074 THE DIRECT LABOR EFFECTS OF THE U.S. UNEMPLOYMENT INSURANCE SYSTEM: A REVIEW OF RECENT EVIDENCE

Gary S. Fields
Yale University
New Haven, Conn.

Purchase Order OAS 74-3375

December 1974

Descriptors: INCOME MAINTENANCE; GOVERNMENT PROGRAM IMPACT; UNEMPLOYMENT; UNEMPLOYMENT INSURANCE

This study focused on the efficiency of unemployment insurance (UI), as a tool for income maintenance, the adequacy of benefit levels and who benefits from them, the influence of UI on unemployment and on the economy, and the distribution effects of the UI.

Workers covered by UI were found to lose only a small fraction of their earnings when fully employed, but for the many unemployed workers not eligible for benefits, other social welfare programs must provide income maintenance. Low- and middle-income families may receive a larger share of the UI benefits than their corresponding share of the costs. The empirical evidence did not suggest that UI has a strong effect on unemployment. Nor has it been determined whether more unemployment is good or bad for the economy.

Therefore, fears that unemployment would rise markedly because of the extension of UI benefits were seen as largely unwarranted.

NTIS PB256303/AS; PRICE CODE: A04; 58 PAGES

3-075 THE EFFECTS OF THE 1974 U.I. EXTENSIONS ON UNEMPLOYMENT

David O'Neill, Kathleen Classen, and Arlene Holen
Center for Naval Analyses
Arlington, Va.

Contract L-72-86

December 1974

Descriptors: UNEMPLOYMENT INSURANCE; ECONOMIC WELFARE; GOVERNMENT PROGRAM IMPACT; LAWS, LEGISLATION

This study considered the effect of modifications embodied in the National Employment Assistance Act (NEAA) of 1974, extending the coverage and duration of unemployment insurance (UI) benefits to alleviate problems of workers laid off during the recession. Estimates were made of the percentage increases in unemployment caused by the modifications. Administrative problems inherent in extension of coverage to previously uncovered workers and data on the characteristics of those exhausting benefits were presented.

The nature of the cyclical downturn and the ability of UI administrators to monitor claims were found to influence both who benefits from extended coverage and duration,

and how much they benefit. Federal financing was found to provide no incentive for States to monitor eligibility of newly covered workers, which, if done, would reduce insured unemployment considerably.

NTIS PB253585/AS; PRICE CODE: A02; 22 PAGES

3-076 EFFECTS OF UNEMPLOYMENT INSURANCE ENTITLEMENT ON DURATION AND JOB SEARCH OUTCOME

Arlene Holen
Center for Naval Analyses
Arlington, Va.

Contract L-72-86

May 1975

Descriptors: UNEMPLOYMENT INSURANCE; GOVERNMENT PROGRAM IMPACT; PUBLIC EMPLOYMENT SERVICE; JOB SEARCH; UNEMPLOYMENT

This study sought to determine how UI benefit levels, potential duration, and work test enforcement affect the duration of compensated unemployment and the outcome of job search. The effects of special job search assistance to UI claimants were also studied. The 20,000 observations used were collected during an experimental program—Service to Claimants (STC)—conducted in UI offices in five cities during 1969 and 1970.

Findings included: (1) Higher benefit levels and longer potential duration both lengthened and increased unemployment. (2) Job search outcome improved with higher benefit levels, but further investigation is required. (3) The duration of compensated unemployment was highly sensitive to duration entitlement. (4) Adjustments in potential duration, in response to higher unemployment rates, need not be very large in order to stabilize exhaustion rates. (5) Large increases in potential duration led to massive increases in UI benefits paid. (6) The built-in safeguards designed to modify the work disincentive effects of unemployment compensation were not working as well as they could: Moderate increases in work test enforcement would reduce both duration and exhaustion rates while improving job search outcomes. Similar improvements could be brought about by providing claimants with additional job search assistance. (7) Work test enforcement had many points of similarity with job search assistance (for example, differences in quantity and quality of staff resources), and both seemed to play an effective role in administering unemployment insurance.

NTIS PB267756/AS; PRICE CODE: A03; 48 PAGES

3-077 AN EVALUATION OF PROPOSED ALTERNATIVES FOR INCREASING UI TAX REVENUES

Christopher Jehn
Center for Naval Analyses
Arlington, Va.

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Contract L-72-86

May 1975

Descriptors: TAXES; UNEMPLOYMENT INSURANCE;
GOVERNMENT POLICIES

Because the status of many State funds requires that unemployment insurance (UI) revenues be increased to cover increased levels of benefits and unemployment, this study explored the alternatives of increasing maximum tax rates or increasing taxable wages.

Political and social arguments did not significantly favor either alternative. Economic arguments, however, showed that increasing both taxable wages and maximum tax rates would not only generate the required increased revenue, but also increase the incentives for firms to reduce labor turnover and thus lower unemployment.

NTIS PB253622/AS; PRICE CODE: A02; 14 PAGES

3-078 THE INCENTIVE EFFECTS OF THE U.S. UNEMPLOYMENT INSURANCE TAX

Frank Brechling
Center for Naval Analyses
Arlington, Va.

Contract L-72-86

June 1975

Descriptors: UNEMPLOYMENT INSURANCE; INDUSTRY
PRACTICES; EMPLOYER PRACTICES AND POLICIES; ECONOMIC
ANALYSIS AND ECONOMETRICS; LAYOFFS

This paper constructs theoretical models of the effects of the unemployment insurance tax upon the behavior of firms and derives implications for econometric analysis and economic policy. The determination of the optimum layoff rate under the reserve ratio method of experience rating is discussed. The individual firm is envisaged to maximize the present value of its future cash flows subject to the dynamic constraint of the tax structure. The firm can raise its layoff rate (and thereby, for instance, improve the quality of its labor force) but only at the expense of higher taxes which are payable largely in the future. The optimal layoff rate equates the present marginal benefit with the future marginal cost.

The following predictions of the theory are derived: First, in spite of the firm's dynamic constraints, its optimal layoff rate is constant over time when the exogenous variables remain constant. Second, the optimal layoff rate tends to rise with: (1) Increases in the rate of interest; (2) decreases in the slope of the tax schedule; and (3) decreases in the benefit payments per unemployment spell. Third, the taxable wage base which (*ceteris paribus*) minimizes the layoff rate is equal to one-half the annual earnings per employee.

NTIS PB282329/AS; PRICE CODE: A06; 114 PAGES

3-079 THE EFFECTS OF UNEMPLOYMENT INSURANCE ON THE DURATION OF UNEMPLOYMENT AND JOB SEARCH- SUMMARY

Kathleen Classen
Center for Naval Analyses
Arlington, Va.

Contract L-72-86

June 1975

Descriptors: UNEMPLOYMENT INSURANCE; INCENTIVES;
COMPARATIVE STUDIES; DURATION OF UNEMPLOYMENT; JOB
SEARCH

The purpose of this study was to reexamine the effects of unemployment insurance (UI) benefit levels using a better data set than that used in the Holen-Horowitz paper. The data were obtained from the Pennsylvania Continuous Wage and Benefit History (CWBH). They consisted of earnings records from the reports filed by employers subject to the unemployment insurance tax and from the histories of people who filed for benefits. After a substantial increase in benefits, claimant records were matched for 1967 and 1968 with the earnings records of the same claimants for the two calendar years after the year in which unemployment began. A model was developed to estimate the effect of benefits on the number of benefit weeks for more than 3,200 claimants. The variables included in the model were: Sex; age; the industry of the claimant before unemployment; cyclical factors; and the weekly benefit amount.

It was concluded that the 1968 increase in benefits lengthened the duration of unemployment. A \$15 increase led to more than an additional week of unemployment. There was no evidence that this additional unemployment resulted in an increase in productive job search.

NTIS PB281681/AS; PRICE CODE: A02; 12 PAGES

3-080 THE EFFECT OF UNEMPLOYMENT INSURANCE ON THE DURATION OF UNEMPLOYMENT AND SUBSEQUENT EARNINGS

Kathleen Classen
Center for Naval Analyses
Arlington, Va.

Contract L-72-86

September 1975

Descriptors: UNEMPLOYMENT INSURANCE; DURATION OF
UNEMPLOYMENT; INCENTIVES; COMPARATIVE STUDIES; JOB
SEARCH

Critics of the unemployment insurance system claim that unemployment insurance benefit payments lead to increased unemployment. Advocates of the system claim that this effect is small and that it is at least partially offset by the increased future productivity that results from increased job search. This paper tests for these two effects of unemployment insurance by estimating the impact of the weekly benefit amount on the duration of unemployment and post-unemployment earnings for Pennsylvania claimants before and after a significant increase in the State's benefit schedule.

The evidence leads to the conclusion that increases in unemployment insurance are associated with significant increases in the duration of unemployment: A \$15 increase in benefits increases the duration of unemployment by more than 1 week. This increase in duration, however, is not associated with increases in post-unemployment earnings.

NTIS PB281682/AS; PRICE CODE: A03; 44 PAGES

3E. UNEMPLOYMENT INSURANCE

3-081 INCIDENCE OF THE FINANCING OF UNEMPLOYMENT INSURANCE

Charles E. McLure, Jr.
Rice University
Houston, Tex.

Purchase order B-9-M-5-1074

September 1975

Descriptors: TAXES; UNEMPLOYMENT INSURANCE

Because the financing of unemployment insurance (UI), even with experience rating, differs substantially from a system in which taxes paid by an industry roughly equal payments attributable to the industry, this study treated the differences between taxes and benefits as net taxes or net subsidies. It used a two-sector model to examine the incidence of the cross-subsidization of labor in various industries implicit in the present UI system.

Whether labor gained relative to capital depended in a rather complicated way upon the elasticity of demand for the products, the ease of factor substitution and relative factor intensities in the two sectors, and the sizes of the two sectors. Only detailed analysis based on the actual values of parameters in the U.S. economy could determine the direction and magnitude of any redistribution, but labor appeared to gain little, if any. Furthermore, any redistribution among consumers due to departures from complete experience rating could probably be ignored. Finally, the cross-subsidies distorted the use of the Nation's resources.

NTIS PB257067/AS; PRICE CODE: A06; 105 PAGES

3-082 THE EFFECTIVENESS OF THE U.I. PROGRAM IN REDUCING WORKERS' RISK

Martin Neal Baily
Yale University
New Haven, Conn.

Purchase order B-9-M-5-1845

September 1975

Descriptors: GOVERNMENT PROGRAM IMPACT; JOB SEARCH; ECONOMIC WELFARE

This study examined the unemployment insurance (UI) program to determine how much insurance workers need and in what form it must be provided. Criteria for setting benefit levels were derived and compared with the existing UI program. UI as contingent saving was examined. Models were developed to determine optimal values of search intensity and job acceptance.

It was found that saving has limitations in the context of uncertainty. A sizable fraction of benefits was distributed to middle- and even upper-income families because of the insurance nature of the program. Distrust of government bureaucracy and reliance on individual search, combined with a rather inefficient bureaucracy, provided a self-reinforcing pattern which kept search behavior from being socially efficient. Workers were found to base their search and acceptance behavior on prevailing UI benefit and tax rates. The optimal benefits and tax rates were then set, given the behavior of the workers. With incentives, the level of the insurance program reflected a tradeoff between the risk aversion of workers and the incentive effect on search.

NTIS PB257070/AS; PRICE CODE: A04; 51 PAGES

3-083 EQUITY AND EFFICIENCY CONSIDERATIONS IN THE UNEMPLOYMENT INSURANCE "WORK TEST": AN ANALYSIS OF LOCAL OFFICE ADMINISTRATIVE PRACTICE

David W. Stevens and V. Christine Austermann
University of Missouri
Columbia, Mo.

Contract L-73-119

October 1975

Descriptors: UNEMPLOYMENT INSURANCE; GOVERNMENT PROGRAM IMPACT; ADMINISTRATION OF LAWS

This study examined administrative procedures in enforcing unemployment insurance (UI) regulations in two local offices in Missouri to identify the decision points at which discretion could be exercised in interpreting administrative regulations, to establish criteria that determined how this discretion was exercised, and to assess the equity of UI enforcement procedures. This research also involved a statistical analysis of selected Employment Service (ES) transactions on behalf of UI claimants to identify patterns of variation in the delivery of ES services, establish causal relations, and examine the actual and potential consequences of such patterns.

Local office operational data did not provide sufficient information to examine the relationship between administrative enforcement of UI regulations and outcome measures. State level observations glossed over much of the variability in administrative claimant actions at the local level. Accounting for time spent in administrative determination activities, particularly in the case of the Job Service, was less than exact. The likelihood of denial of benefits for refusal of suitable work was relatively low and varied in ways unrelated to UI program purposes. Availability for work, active search for work and willingness to work were separate concepts with different implications for claimant intent. The "test" of claimant willingness to accept available suitable employment was administered by the Job Service, which had incentive to be disinterested in it.

The study called for more information on the reasons for inefficient use of the Job Service and for variations in denial/determination rates, and on the equity and efficiency effects of distinguishing among claimants at the time of filing.

NTIS PB254174/AS; PRICE CODE: A04; 70 PAGES

3-084 A MODEL OF UNEMPLOYMENT INSURANCE AND THE WORK TEST

Stanley A. Horowitz
Center for Naval Analyses
Arlington, Va.

Contract L-72-86

December 1975

Descriptors: UNEMPLOYMENT INSURANCE; UNEMPLOYMENT; MODELS; JOB SEARCH; LABOR FORCE PARTICIPATION

This paper develops a simple model of incentives that unemployment insurance provides to two groups of unemployed people: those who are looking for work and those who are not. The model incorporates the effect of unem-

3E. UNEMPLOYMENT INSURANCE

ployment insurance on both unemployment and labor force participation. First, the model is estimated for various demographic groups using ordinary least squares methods. Then, as in the Holen-Horowitz paper, a simultaneous equation model is developed that examines the unemployment insurance (UI) system as the product of the laws and policies used to administer it. This multi-equation model is estimated using two-stage least squares.

Both the single equation and the simultaneous equation estimates tend to support the hypothesis that ease of passing the work test accounts for the adverse effect of the unemployment insurance system on employment.

NTIS PB281503/AS; PRICE CODE: A03; 34 PAGES

3-085 UNEMPLOYMENT INSURANCE TAXES AND LABOR TURNOVER: SUMMARY OF THEORETICAL FINDINGS

Frank Brechling
Center for Naval Analyses
Arlington, Va.

Contract L-72-86

December 1975

Descriptors: ECONOMIC ANALYSIS AND ECONOMETRICS; UNEMPLOYMENT; UNEMPLOYMENT INSURANCE; EMPLOYER PRACTICES AND POLICIES; LAYOFFS; INCENTIVES

This paper describes the main findings of a long theoretical study of the incentive effects of the U.S. unemployment insurance tax as well as some intuitive explanations of these findings.

The theoretical analysis underlying this report yields the following results: (1) A firm which permanently reduces its stock of unemployment experiences a permanent reduction in its unemployment tax. (2) The unemployment insurance tax tends to change the firm's relative cost of hours and men. (3) The unemployment insurance tax embodies incentives which discourage the firm's labor turnover in the form of both voluntary quits and layoffs. These incentive effects arise for two reasons: First, the taxable payroll (which is the tax base of the unemployment insurance tax) tends to rise with separations which are replaced with new hires. Second, an experience rated unemployment insurance tax tends to discourage layoffs because tax rates tend to rise with the level of layoffs.

NTIS PB281708/AS; PRICE CODE: A02; 22 PAGES

3-086 THE ECONOMIC EFFECTS OF UNEMPLOYMENT INSURANCE BENEFITS ON UNEMPLOYED WORKERS' JOB SEARCH

Ronald G. Ehrenberg and Ronald L. Oaxaca
University of Massachusetts
Amherst, Mass.

Contract L-74-49

June 1976

Descriptors: UNEMPLOYMENT INSURANCE; LABOR FORCE BEHAVIOR; GOVERNMENT PROGRAM IMPACT

This study explored the effects, for four age/sex cohorts, of unemployment insurance (UI) benefits on the expected

duration of unemployment and on the expected post-unemployment wage, which were regarded as interdependent.

The receipt of UI benefits significantly raised the duration of unemployment. Age did not materially affect duration of unemployment, but did decrease the number of weeks out of the labor force. Generally, UI benefits lowered the duration out of the labor force. Race and marital status did not influence wage gains. For young individuals, UI benefits had no effect on post-unemployment wages. Preunemployment wages had consistently negative and statistically significant effects on percentage wage gains for all four age/sex cohorts. Education always exhibited a positive and usually statistically significant effect on the post-unemployment wage and time spent out of the labor force. Labor market variables had mixed effects. The local unemployment rate increased the duration of unemployment, but had no effect on post-unemployment wages or on time out of the labor force.

It was recommended that further research be done with alternative data sources on young workers, who did not follow the job search models as expected.

NTIS PB256255/AS; PRICE CODE: A06; 105 PAGES

3-087 EFFECT OF THE UI SYSTEM ON LABOR FORCE BEHAVIOR

Daniel S. Hamermesh
Michigan State University
East Lansing, Mich.

Purchase order B-9-M-6-4672

January 1978

Descriptors: DURATION OF UNEMPLOYMENT; UNEMPLOYMENT INSURANCE; WOMEN; LABOR FORCE PARTICIPATION; GOVERNMENT PROGRAM IMPACT

This study developed and tested a theoretical model of the effects of unemployment insurance benefits on labor supply. While much previous work examined effects on the duration of spells of unemployment, none considered the likely inducements given to increased participation in the labor force.

The first part of this study modeled this phenomenon and tested the effects on Standard Metropolitan Statistical Area data for married women. Significant effects of qualifying earnings requirements and potential duration of benefits were found.

The second part tested a similar model on microeconomic data for married women in 1971. The results showed that the net effects on employment of increasing benefit amount and duration were small and negative, but that such changes did increase both the size of the labor force and the number of unemployed workers significantly.

NTIS PB284474/AS; PRICE CODE: A03; 46 PAGES

3-088 DISTRIBUTION OF UI BENEFITS AND COSTS

Ronald G. Ehrenberg
Cornell University
Ithaca, N.Y.

Contract J-9-M-6-0098

March 1978

Descriptors: UNEMPLOYMENT INSURANCE; ECONOMIC ANALYSIS AND ECONOMETRICS; LABOR MARKET AREAS; COST-BENEFIT ANALYSIS; INCOME

This study estimated the distribution of unemployment insurance (UI) benefits and costs by family income class, as of 1970.

The major conclusion was that the distribution of benefits was regressive. The sensitivity of this conclusion to a variety of assumptions was tested. Analyses of the distribution of UI benefits within regions was conducted, as were analyses of the extent to which high (low) income groups have characteristics which tend to weight benefits in their favor. The extent to which the distribution of benefits was sensitive to incremental changes in UI system parameters, including several changes recently made, was considered.

Estimates of the distribution of net UI benefits (benefits minus costs) were also presented. These estimates required assumptions about the incidence of the UI tax. Attempts were made to test these assumptions by econometric estimation of the impact of the UI system on occupational demand and supply curves, but these results did not permit unambiguous interpretation.

The appendix includes equations which underlie the estimates of the incidence of the payroll tax found in the text of the report. Estimates of multiple input CES production functions for 31 industries are presented.

NTIS PB281614/AS; PRICE CODE: A12; 261 PAGES

**MULTI-FACTOR CES DEMAND EQUATIONS:
APPENDIX C TO THE DISTRIBUTION OF UI BENEFITS
AND COSTS**

NTIS PB291380/AS; PRICE CODE: A04; 61 PAGES

**3-089 THE UNEMPLOYMENT INSURANCE TAX AND
LABOR TURNOVER: AN EMPIRICAL
ANALYSIS**

*Frank Brechling and Christopher Jehn
Center for Naval Analyses
Arlington, Va.*

Contract J-9-M-6-0103

April 1978

Descriptors: UNEMPLOYMENT INSURANCE; LABOR FORCE BEHAVIOR; TURNOVER; LABOR ECONOMICS; TAXES; STATISTICAL ANALYSIS; EMPLOYMENT

This paper analyzes the theoretical predictions of unemployment insurance tax and labor turnover. The tax cost of labor turnover which operates through the taxable payroll is analyzed in detail. The disincentives to labor turnover which operate through the tax rate are described. The data used in the analysis are from 17 separate industry samples—one for the total manufacturing industry and 16 for 2-digit manufacturing industries. Each sample consists of a panel of time-series and cross-section observations. The time-series are annual for the period 1962-69 and the cross-sections refer to the States.

Empirical results support the theoretical rather well. They indicate that the labor turnover categories, especially the voluntary quits, tend to be related nonlinearly to the

taxable wage base. The empirical estimates of this relationship suggest that labor turnover reaches a minimum when the taxable wage base is approximately one-half of annual earnings. Moreover, labor turnover, especially layoffs, is very responsive to changes in the degree of experience rating in the tax structure—particularly for those employers whose employees receive large total unemployment benefits.

NTIS PB283340/AS; PRICE CODE: A03; 28 PAGES

**3-090 THE TAX BASE OF THE U.S.
UNEMPLOYMENT INSURANCE TAX: AN
EMPIRICAL ANALYSIS**

*Frank Brechling
Center for Naval Analyses
Arlington, Va.*

Contract J-9-M-6-0103

May 1978

Descriptors: UNEMPLOYMENT INSURANCE; TURNOVER; LABOR FORCE BEHAVIOR; WAGES; ECONOMIC ANALYSIS AND ECONOMETRICS

This paper analyzes the taxable payroll (i.e., tax base) of the unemployment insurance tax both theoretically and empirically. The formula for the taxable payroll implies a marginal tax cost of labor turnover which is a nonlinear function of the taxable wage base and which reaches a maximum when the taxable wage base is equal to one-half of annual earnings.

The empirical analysis suggests: (1) The formulas for the taxable payroll in the equations presented in the report are adequate in the sense that they yield fairly good predictions. (2) The labor turnover rate is a significant determinant of the taxable payroll in that the tax implies a cost of labor turnover. (3) The marginal tax cost of labor turnover is a nonlinear function of the taxable wage base. The analysis shows that the taxable payroll per employment position can be increased by raising annual earnings or labor turnover. It is concluded that the employment tax credit may suffer from serious flaws.

NTIS PB283339/AS; PRICE CODE: A03; 23 PAGES

SOURCES OF REPORTS

Arrangements have been made for the sale of most of these reports through a Federal information and retrieval system, the National Technical Information Service. A few of the reports are available through the U.S. Government Printing Office.

For copies of the reports available from the Government Printing Office, contact them directly for the price. Send your order with the required remittance to:

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A13.....	\$16.00
A14.....	\$17.00
A15.....	\$18.00
A16.....	\$19.00
A17.....	\$20.00
A18.....	\$21.00
A19.....	\$22.00
A20.....	\$23.00
A21.....	\$24.00
A22.....	\$25.00
A23.....	\$26.00
A24.....	\$27.00
A25.....	\$28.00

Benefit Financing Model Status

The State Benefit Financing Model (MERCER MODEL) is a computer simulation model that projects key UI and UI related variables and filters them through a State's UI system to determine the impact on the trust fund balance. The model is primarily for reserve ratio States.

Following is a chart of the status of the model in the States as of October 1, 1980.

<u>State</u>	<u>Interest Expressed</u>	<u>Preliminary Work by State</u>	<u>Preliminary Work by Division of Actuarial Serv.</u>	<u>Model in Test Stages</u>	<u>Operational</u>	<u>Updated</u>
New York*					x	
Kentucky*					x	
Georgia*					x	
Wisconsin					x	x
North Dakota					x	
South Dakota					x	x
Pennsylvania					x	
Maine					x	x
Louisiana				x		
Nebraska				x		
North Carolina				x		
Missouri		x	x			
Iowa					x	
Idaho			x			
Massachusetts		x				
West Virginia			x			
Nevada	x					
Virginia	x	x				

* Installed in State by Mercer

V . CONTINUOUS WAGE AND BENEFIT
HISTORY SYSTEM

Continuous Wage and Benefit History (CWBH) System

The Continuous Wage and Benefit History (CWBH) Project will begin in January 1981 as a voluntary project which funds States for cooperating in CWBH. This means that States will participate on a voluntary basis rather than on a required basis. This approach is seen as a positive step which will keep the system responsive to State users as well as national and other users.

A new CWBH Policy Committee has been formed consisting of representatives from States on an equal basis with national representatives to provide guidance and direction to the project. Robert Deslongchamps, Director of the Unemployment Insurance Service, Office of Research, Legislation and Program Policies, is the current chairman. Details of the function of the Policy Committee are specified in the Appendix of this issue in Volume 2, Number 2, of The CWBH Interchange.

The CWBH Project will continue to maintain its data base on the Boeing Computer Services System. Those who have authorized accounts may list 'CWW900.CWBHNew1' to obtain current information regarding States, periods of records and data elements available.

Pat Skees is project coordinator assisted by Wayne Zajac.

Genasys Corporation is providing data processing support for the national office. The current staff consists of:

Dottie Ewing - CWBH Data Base Administrator
John McRae - CWBH Senior Systems Analyst
Huan Nguyen - CWBH Record Type Ø Data Base Analyst
Bill Chertack - CWBH Senior Programmer
Sherryl Edge - Senior Programmer-Analyst
Joanne Crespo - Librarian
Vacant Position - Small Business Administration Position

The accompanying table shows eleven of the fourteen pilot States that have submitted data on claimants. All fourteen States have submitted worker or claimant wage data.

The quality of the submitted data is being reviewed and analyzed. Discussions regarding the quality of the CWBH data will appear in forthcoming issues of the UI Research Exchange.

CWBH Data Receipt

1980

Table indicates monthly acknowledgement
of Record Types 2,3,4's from CWBH States.

STATES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1. GEORGIA												
2. IDAHO	X			X	X				X	X		
3. IOWA		X	X		X			X		X	X	
4. LOUISIANA												
5. MISSOURI *								X		X	X	
6. NEVADA				X		X						
7. NEW MEXICO		X		X X			X	X	X			
8. NEW YORK	X		X	X	X	X		X	X	X		
9. N CAROLINA			X			X	X	X	X			
10. PENNSYLV.				X		X			X	X		
11. S CAROLINA									X			
12. UTAH		X	X	X	X	X	X	X				
13. WASHINGTON			X	X	X	X	X					
14. WISCONSIN												

* Data submitted but not yet updated.

Following are copies of three issues of the publication, CWBH Interchange, which is produced cooperatively by the South Carolina and Washington State employment security agencies in order to promote communication among the pilot States.

VI . REVIEWS OF BOOKS AND STUDIES



Income Security

RESEARCH REVIEW

JOHN J. HORN, Commissioner

February 1980

No. 14

AN ALTERNATIVE PLAN
FOR A FEDERAL GRANT SYSTEM
IN THE UNEMPLOYMENT INSURANCE PROGRAM

BY: State of Washington
Employment Security Department

The concepts of Cost Equalization and Reinsurance for the federal-state unemployment insurance system have been debated for the past 25 years. Generally, the terms Cost Equalization and Reinsurance refer to the idea of providing cash grants to states which experience abnormally high unemployment and correspondingly high unemployment benefit costs.

Cost Equalization and Reinsurance differ in the method of computing cash grants for individual states. Cost Equalization favors high cost states; Reinsurance favors low cost states.

The following excerpt from the report explains the difference between Cost Equalization and Reinsurance.

"The difference between the cost equalization and reinsurance concepts in a grant program is the base used to establish a state's need for a grant. This base can be in terms of benefit cost rate or insured unemployment rate.

The base for cost equalization is a national standard.
A state would be potentially eligible for a grant for

a year only if its rate for the year exceeded this national standard.

A normally high-cost state would need little, if any, increase in its usual rate to establish the need for a grant. At the other extreme, a normally low-cost state could experience a severe recession in relation to its usual experience without reaching the specified grant threshold.

The base for reinsurance is from the state's past experience. Any state would be potentially eligible for a grant after a year for which its rate was a specified percentage above its base period rate."

This report prepared by the State of Washington Employment Security Department argues "for" reinsurance and "against" cost equalization. The following argument is used as part of the logic for favoring the reinsurance concept:

"A fact to be considered in developing a grant program is that an increase in unemployment in one state from a normal 1.0 percent to 3.0 percent is just as serious a problem for the state's financing system as an increase in another state from a normal 3.0 percent to 9.0 percent."

This is not a convincing argument. The specific reinsurance plan developed by the State of Washington provides for cash grants to states when the state's current benefit cost rate exceeds the state's historic 10-year benefit cost rate by 50%.

New Jersey would have received relatively little under this grant formula--\$124 million during the past 10 years. In contrast, the ICESA Reinsurance Plan, which is in fact a combination cost equalization/reinsurance plan, would have resulted in New Jersey cash grants in excess of \$300 million; the Javits/Williams Cost Equalization Plan would have resulted in New Jersey cash grants in excess of \$400 million.

This research review was prepared by Donald L. Diefenbach, Office of Income Security.



***Income
Security***

RESEARCH REVIEW

JOHN J. HORN, Commissioner

April 1980

No. 16

PENSIONERS WHO RECEIVED
UNEMPLOYMENT INSURANCE BENEFITS
NEW YORK STATE, NOVEMBER 1978

By: Ruth Entes and Sidney Rosenthal

Effective April 1, 1980, Federal Unemployment Compensation Law requires that states must reduce unemployment compensation payments by the amount of pension income that is paid to unemployment insurance claimants.

In anticipation of this provision, the New York State Department of Labor has conducted a pension income study which identifies age, sex, type of pension, industry, occupation, weekly wage, benefit rates and pension amounts of unemployed individuals who are receiving pension income and have filed claims for unemployment compensation benefits.

The study includes a wealth of statistics and information for policy-makers who are trying to assess the characteristics of pension income recipients.

Two key conclusions* of the report indicate that the impact of the Federal pension offset provision will be substantial. Aggregate benefits will be reduced by approximately 5.0% -- approximately \$50 million dollars per year (a million dollars per week) in New York State.

The report concludes that:

- Ninety percent of the pensioner-claimants in the survey were receiving social security.
- Forty percent had other pension income, generally from company pension plans.
- Over half of the pensioner-claimants who received pensions would have lost all UI benefits under the Federal pension provision.
- The average weekly unemployment benefit of claimants surveyed was \$84; it would have been only \$14 if the Federal pension provision had been in effect.
- The average weekly benefit of pensioner-claimants would be reduced by eighty-three percent.
- Between six percent and eight percent of all claimants were receiving pension income.
- Seventy-one percent of pensioner-claimants were sixty-five years and over; nine percent were under age sixty-two.

This research review was prepared by Donald L. Diefenbach, Office of Income Security.

*At least 6.0% of unemployment claimants have pension income; on average, weekly unemployment benefits paid to pension recipients will be reduced by approximately 83%; $(6.0\%) \times (83\%) = (5.0\%)$.



***Income
Security***

RESEARCH REVIEW

JOHN J. HORN, Commissioner

September 1980

No. 21

UNEMPLOYMENT BENEFITS: SHOULD
THERE BE A COMPULSORY FEDERAL
STANDARD?

By: Joseph M. Becker, S.J.

SUMMARY

This timely study on the subject of a federal benefit standard for America's unemployment insurance program, (1) traces the history of the issue, (2) evaluates a wide range of technical definitional problems, (3) summarizes pro and con arguments and (4) concludes that a compulsory federal benefit standard should not be adopted.

HISTORY

"One of the earliest attempts to legislate a benefit standard was the McCormack Amendment of 1939." p.2. Since then, each Presidential Administration has introduced or supported legislation which would create a federal benefit standard.

Over the years, the following norm has evolved as the most popular conception of benefit adequacy..."to pay benefits equal to one-half of wages to at least four-fifths of all claimants." p.3.

In order to obtain this goal, the following legislative standard is often proposed..."the state's maximum benefit must equal two-thirds of the state's average covered wage." p.3.

DEFINITIONAL PROBLEMS

How does one best define the average weekly wage? "Altogether, there are twelve possible definitions of the average wage." p.6.

Should "gross" or "net" wages be used when measuring wage replacement impact of the program and the attainment of the benefit standard? Father Becker suggests that policies should key to a concept of net wages adjusted downward for work-related expenses such as travel and childcare expenses.

PRO AND CON ARGUMENTS

The federal benefit standard is promoted as (1) improving adequacy and economic security for individuals, (2) reducing dysfunctional interstate differentials and interstate competition and (3) providing equal treatment under the law.

The federal benefit standard is opposed as (1) an undesirable centralization of governmental power (2) an unnecessary preemption of local decision-making and (3) an inappropriate initiative considering the lack of concensus and the lack of evidence about the ultimate impact of the proposed standard.

CONCLUSION

Father Becker opposes the concept of a compulsory federal benefit standard. He cites individual state initiatives as a superior approach to developing effective unemployment insurance systems.

"Growth occurring at each state's own pace, reflecting each state's values, and molded to each state's economic configuration promises to be healthier

and more durable than the growth that would be imposed by a federal benefit standard."

"If we choose further centralization in this case, when the proof for a net advantage is so uncertain, we are adopting an attitude toward the larger issue of governmental versus individual responsibility that promises little effective resistance to the constant pressure for further concentration of power."

This research review was prepared by Donald Diefenbach,
Office of Income Security

VII. CONTRIBUTED PAPERS

This section presents recently completed papers on unemployment insurance research. The selected papers are considered to be of special interest to State researchers.

The first item consists of two chapters excerpted from a report on an assessment of the State unemployment insurance research program. The report, entitled "An Assessment of the State UI Research Program with Recommendations for the Future," was prepared in May 1980 by James Hanna, Research Section Chief of the Nevada Employment Security Department and Raymond Uhalde, an employee of the Department of Labor, who was on an Intergovernmental Personnel Act assignment with the Nevada Employment Security Agency while this study was being conducted. In the chapters included here, the authors discuss questionnaire and interview responses of State research personnel.

The second paper describes a systems measure and standard for the Federal-State unemployment insurance program developed in 1980 by Gene Gallagher of the California Employment Development Department. The paper is followed by comment by Mamoru Ishikawa of the Unemployment Insurance Service.

The third paper, contributed by Walter Nicholson of Amherst College and Mathematica Policy Research, presents issues in unemployment insurance research. Focusing principally on recent research relating to the behavioral effects of unemployment insurance, Professor Nicholson summarizes and critiques recent studies and offers suggestions for future research directions.

An Assessment of the State UI Research Program

James S. Hanna

and

Raymond J. Uhalde

Nevada Employment Security Department
500 East Third Street
Carson City, Nevada 89713

May 1980

QUESTIONNAIRE RESULTS

Due to the present absence of any defined program or overriding organizational structure, very little is known as to the dimensions, outputs, problems, etc., of the SUIR effort. Since such information is obviously critical to any related analysis, a questionnaire was sent to the 52 states and entities participating in the federal-state UI program. The questionnaire was addressed to the R&A Chief requesting that he/she complete it, or if the function was located outside of R&A, to refer it to the appropriate person.^{9/} With one exception all of the forms were completed and returned.^{10/}

The questionnaire called for the use of code 440 (UI research) as contained in the Federal Time Distribution Reporting System as a means of quantifying the current effort. Activities included under this code are as follows:

- Research pertaining to unemployment insurance program developments, including financial program aspects.
- Special research and experimental projects for program developments.
- The compilation and analysis of management statistics for administrative and public release.^{11/}

Description of State Program

For the time period approximating calendar year 1979, responding entities reported some 200 positions charged to the UI research code out of approximately 41,000 reported for all state UI operations. Consequently, the SUIR effort represented slightly less than one-half of one percent of total state UI staff. Individual state programs themselves varied considerably by general size grouping and within these groupings as presented below.

^{9/} A copy of the questionnaire is contained in the appendix.

^{10/} The one exception was the District of Columbia.

^{11/} This excludes time spent on the preparation of federal workload and statistical reports.

Percent of State UI Staff Charging
to Code 440 by Size Category

<u>State Size Category</u>	<u>Number of States</u>	<u>State Staff Charging to Code 440</u>	
		<u>Average Percent Within Categories</u>	<u>Range Within Categories</u>
0 - 250	14	1.3%	0 - 1.3%
251 - 500	13	0.8%	0.2 - 2.0%
501 - 1,000	13	0.7%	0.2 - 1.6%
1,000+	11	0.3%	0.1 - 0.5%

Smaller states had the largest relative programs on average and at the same time reported the widest variation. Of the 14 states in the 0 - 250 category, three indicate either no program or the bare remnants of one. The relative size of the program decreased with size, perhaps reflecting some economies of scale, which was accompanied by a decrease in the range.

Organizational Structure

The predominate organizational structure found in the states (39) was to include the UIR section in the Research and Analysis units. The units are generally located in an administrative support division (as opposed to an operating division), though in a limited number of cases it has been afforded divisional status equal to ES and UI. Normal responsibilities for the R&A units encompass the provision of technical support and services to ES and UI, with specific responsibilities including federal operating reports, Bureau of Labor Statistics programs, and Labor Market Information.

Of the 12 states that did not house the UIR unit totally in R&A, half located the function entirely within the UI division while in two instances it was in the administrative support division, outside of R&A.^{12/} Of the remaining five the UIR effort was split between R&A and such diverse groups as Legal, UI Cost Model, and Planning.

^{12/} R&A is normally located in the administrative support division.

Unit Capabilities

Over 70 percent of the 200 staff charging to code 440 were classified as professional (as opposed to clerical). Of this group, nearly 85 percent had at least a bachelor's degree with a surprising number (35) holding post-graduate degrees.

Equally important as education to staff capabilities is access to the data storage and manipulative capabilities of modern computer systems and to statistical software as well. Given the fact that all of the states have had computer systems for a number of years and that user oriented statistical software is relatively inexpensive (e.g., the major packages range from approximately \$300-\$3,000), the responses were surprising.

State Hardware/Software Availability

<u>Item</u>	<u>Percent of States Indicating an Affirmative Response</u>
Some Type of Automated Support	98.0%
Programmable Calculators	74.5
Mini-computers*	29.4
Main Computer System	90.2
Batch	80.4
On-Line	54.9
Some Type of Statistical Software	49.0
SPSS	35.3
SAS	11.8
Bio-med	13.7
Other**	41.2

* Loosely defined as costing less than \$100,000.

** In addition to statistical software, includes such things as data retrieval and table producing capabilities.

With the single exception of Puerto Rico, all of the responding entities reported some type of automated support. However, five states (including Puerto Rico) indicated that they did not have access to their main computer system which by definition would limit their automated support to programmable calculators

and/or mini-computer systems. While there is certainly nothing wrong with either of the latter, the main limitation to SUIR staff that such hardware presents is access to the large computerized UI data bases that are a by-product of the main operational system. Of those states having access to their main computer system, the predominate mode was batch though on-line was not uncommon.

The ability of SUIR staff to conduct other than rather elementary statistical tests and processes is apparently fairly limited as 26 respondents indicated they did not have any type of statistical software available. As the following list of subroutine taken from a typical program indicate, the absence of software presents a major limitation:^{13/}

- Descriptive Statistics and One-Way Frequency Distributions
- Contingency Tables and Related Measures of Association
- Descriptions of Sub-population and Mean Difference Testing
- Bivariate Correlation Analysis
- Partial Correlation
- Multiple Regression Analysis
- Analysis of Variance and Covariance
- Discriminant Analysis
- Factor Analysis
- Canonical Correlation Analysis
- Scalogram Analysis

While some of the above subroutines require a statistical background that is beyond most SUIR staff, effective use of some of the more elementary, yet powerful, subroutines require nothing more than an introductory course in statistics.

Products

In an attempt to gain some specific information on what the 200 positions charging to code 440 are doing, states were asked to list "...major efforts undertaken by the UI research unit during the last 12 months" While

^{13/} This particular list was taken from SPSS.

this considerably understates the contributions of SUIR units in that it omits such things as normal reports, special requests, and the multitude of "non-major" work undertaken, it nevertheless provides an insight into both the output and capabilities of the units. An admittedly rough grouping of the responses is as follows:

<u>Category</u>	<u>Number of States</u>
Nothing	10
Historical Statistics	12
Legislative Reports (reports on the impact of implemented or planned legislation)	15
Benefit Financing (including forecasting models)	27
Special Research (post-exhaustion studies, etc.)	20
Continuous Wage and Benefit History (CWBH)*	14
Claimant Characteristics	2

*Special project financed by UIS.

The fact that 10 states reported no major effort is not surprising considering the staff levels in many states which would preclude anything other than routine functions. On an a priori basis it would appear reasonable that a standard effort of SUIR units would be publications containing current and historical statistics on the UI program; however, this was not the case. The major categories were Legislative Reports, Benefit Financing, and Special Research which probably reflect the present financial situation many states are in and increasing legislative activity with regard to the program itself (e.g., higher benefit levels, disqualification measures, etc.). Whether pressure in these areas took priority over such things as historical statistics and claimant characteristics, or whether the states felt such efforts were not required remains unanswered.

SUIR Perception of Problem Areas

The latter part of the questionnaire dealt with what were felt to be the major problem areas confronting SUIR units. States were asked to rank each specified possible problem on a scale of one to five corresponding to "No Problem" to "Major Problem"^{14/}. The potential problem areas themselves were determined based on the experience of the authors, plus discussions with state and federal staff associated with the program. The results are presented below.^{15/}

Possible Problem Areas

	<u>Mean</u>	<u>Standard Deviation</u>	<u>Number of States Reporting a 4 or 5</u>
<u>Staffing</u>			
Qualifications	2.1	1.2	4
Turnover	2.2	1.4	10
Position Descriptions	2.3	1.3	8
<u>Internal Organization</u>			
Access to UI Director	1.6	1.0	3
Lack of State Direction	2.4	1.4	14
Lack of Line Item Budgeting	2.5	1.5	16
Fragmented Research	2.3	1.3	9
<u>Computerized Support</u>			
Access to Programmers	2.8	1.4	15
Machine Time Priority	3.0	1.4	19
Software Availability	2.6	1.5	14
<u>UIS Involvement</u>			
Lack of National Direction	2.8	1.5	17
Lack of National/Regional Technical Support	2.9	1.4	17

^{14/} The purpose of this scale is to provide a rough means of assessing the severity of various problem areas. No statistical significance can be attributed to the various mean values other than to their internal rankings (i.e., a score of 3.0 reflects a greater problem than does a score of 2.5).

^{15/} The raw data are contained in the appendix.

As the standard deviations indicate, there was considerable variations in state responses for most of the above categories. For this reason, an additional category of states recording a "4 or 5" has been added which will be referred to as the number of states reporting a "major problem" in the following text.

Staffing

One of the reoccurring themes that surfaces in discussion with states is the problem of staffing. The general problem revolves around pay; states are either unable to attract staff with the qualifications they are seeking due to pay levels, or, if they do, unable to keep them very long. The problem with salaries was clearly stated by one of the respondents.

The biggest problem in our state concerning UI research is that of excessive turnover because of low salaries. The relatively low position levels causes the average tenure of professional UI research personnel to usually be less than one year, leaving little time for worthwhile contributions to be made since most of this time is spent becoming oriented to the UI system.

An argument can be made that the position some states find themselves in results from (1) the general federal position of not getting involved with state merit systems, and (2) the absence of any federal position descriptions, including minimum qualifications, etc., for research positions. Lacking the latter, states are sometimes put in the position of having merit system personnel, who may not fully understand the technical requirements of the job, determining the requirements of the job and ultimately the associated pay level.

State responses did not indicate that staff qualifications were much of a problem, perhaps reflecting the educational levels reported earlier. Turnover, while not representing a serious problem in the aggregate with a mean of 2.2, did represent a major problem for the 10 states included in the last category. The same situation was true with regard to position descriptions.

Internal Organization

Given the fact the SUIR units are normally located outside of the UI division and that resources for the functions are controlled by the UI director, one would expect various organizational problems to exist. While there was apparently free access to the UI director by SUIR staff, there was not much direction given as reflected by a mean score of 2.4 with 14 states indicating "Lack of State Direction" was a major problem. From the comments on some of the questionnaires, however, it did not appear that all the blame rests with the UI director as some states look toward the legislature for direction as well.

In view of the relative smallness of the SUIR effort and the fact a number of states have virtually no resources committed to it, it is not surprising that "Lack of Line Item Budgeting" recorded a mean of 2.5 with 16 states considering it a major problem. The dispersion of this question obviously results from the fact that a number of states have developed the necessary arrangements to support needed staffing levels. The results for "Fragmented Research" were surprising with nine states considering it a major problem, whereas only five states reported UI research being done in more than one area.

Computerized Support

The results in the area of computerization appeared, if anything, to understate the problem in spite of the high means recorded and the number of states indicating major problems in this area. This was especially true with regards to software. Approximately one-half of the states reported no statistical software, but only 14 considered it a problem. More will be said about this apparent contradiction at a later point. In any event, the availability of software and access to computer systems was viewed as a serious problem area by the SUIR units.

UIS Involvement

The major problem areas reported by the states were, however, the "Lack of National Direction" and the "Lack of National/Regional Technical Support". Fully one-third of all respondents (17) classified both areas as a major problem.

Grouped Comparisons

Due to the fact the considerable dispersion in the data tended to obfuscate some of the meaning in the means reported, it was decided to compare different groupings of data based on the caliber of the SUIR units. To arrive at a ranking, National Office UIS staff were asked to categorize states based on a "good, medium, and other" scheme with respective counts of 5, 8, and 38 by category. In view of the small numbers in the first 2 categories, it was decided to group them together with the following results.

State Perception of Problem Areas
Good and Medium Vs. Other

	Mean Values	
	Good and Medium (n=13)	Other (n=38)
<u>Staffing Problems</u>		
Staff Qualifications	2.3	2.0
Staff Turnover	3.4	1.8
Position Description	1.8	2.2
<u>Internal Organizational Structure</u>		
Access to UI Director	1.8	1.5
Lack of Staff Direction	2.5	2.4
Lack of Line Item Budgeting	2.2	2.7
Fragmented Research	2.3	2.3
<u>Computerized Support</u>		
Access to Programmers	3.1	2.7
Machine Time Priority	3.2	3.0
Software Availability	2.7	2.6
<u>UIS Involvement</u>		
Lack of National Direction	3.0	2.7
Lack of National/Regional Technical Support	2.5	3.0

^{16/} This in itself is an interesting commentary on the SUIR program.

^{17/} In addition, it should be noted that grouping did not significantly affect the mean scores.

It is interesting to note that in most cases the better performing states had higher ratings for the various problem areas than did the "other" category. This was especially true in the case of turnover where the mean value for the Good and Medium states was not only the highest value recorded, but was nearly double that of the Other category. What this probably reflects is the fact that the higher performing states have better qualified staff, and these individuals have more job options due to their qualifications. In the remaining cases, the differences apparently result from the fact problems don't really surface until such time efforts are made in a particular direction. Computerized support may be an example of this whereas states not required to access UI files and do sophisticated statistical analysis, may not consider the unavailability of such resources a problem.

The significant exception to the above trend (omitting position descriptions) were "lack of Line Item Budgeting" and Regional/National Technical Support. In both cases it would seem reasonable that the better performing state had resolved their staffing problems and by virtue of their performance, did not need technical support from their federal counterparts.

INDIVIDUAL STATE REVIEWS

As a supplement to the questionnaire, in-person (5 states) and telephone surveys (1 state) were conducted with six R&A chiefs and/or heads of SUIR units and members of their respective staffs. Three of the states selected were designated by UIS as having good SUIR units, with the remainder classified as having considerably weaker ones. While the states shall remain anonymous, it should be noted that in each category there was considerable diversity in terms of size and geographical location.^{18/}

The principal purpose of these interviews was to attempt to go beyond the obvious factors differentiating the two classes (e.g., good SUIR units have relatively large staffs, good computer support, etc.), and consider what factors, if any, systematically contribute to this situation. Such factors are of special importance when considering any overall program redesign.

Major Findings

The major distinction uncovered between the two groups, other than the ones cited above, was one of internal utilization. The good SUIR units played a significant role within their respective agencies as policy analysts - interpreting data and making related recommendations. They tended to function as part of the agency's management team, and their opinion and unsolicited analysis of matters of concern were welcomed. In contrast, the weaker SUIR units were generally excluded from a policy role and were more occupied in the generation of numbers with little or no analysis.

The above distinction could not satisfactorily be explained in terms of staff competency. While there were some biases evident in the levels of

^{18/} The time devoted and the courtesy extended by the interviewees and their staffs is greatly appreciated.

technical competency with regard to those individuals with overall responsibility (i.e., the R&A chiefs) in the expected direction, this was not necessarily the case with their staffs. In addition, all of the responsible individuals interviewed, regardless of UIS classification, were generally in consensus regarding the importance of the SUIR program and things that needed to be done, and shared a concern for moving the program ahead.

Discussions with the states involved led to the general conclusion that the overriding factor, though not the only one, accounting for a difference between states was the attitudes/perceptions of upper management regarding the SUIR units and research in general. In the case of the weaker states, these were (1) the agency and/or UI director may correctly, or incorrectly, perceive that the SUIR unit doesn't "have the horses" to do the job, and (2) a reluctance of upper management to deal with statistics and a related limited appreciation toward research.

The significance of management's attitudes/perceptions toward research and the SUIR units has implications that go beyond the SUIR unit's immediate role as part of the agency's management team. Further discussions revealed that the capability of such units to function at a higher level is directly effected and to some degree staffing levels as well. Since the primary purpose of the in-person interviews was to go beyond the questionnaires and consider those factors which would ultimately come into play in a redirection or reorganization of the SUIR function, this process will be further considered.

Staffing Levels

As noted earlier, the UI director has control over the amount of staff provided to the SUIR unit since those positions come directly out of the UI grants budget. Management's attitudes, perceptions, etc., should, following

the theme developed above, be reflected in the SUIR staffing levels. In the case of the states surveyed, however, the evidence was somewhat mixed. The stronger SUIR units tended to fall toward the upper end of the range for their respective size groups, while the weaker states displayed considerably more variation.^{19/}

In the case of one state in the weaker category, the entire SUIR staff was headed by the CWBH project, with no internal state support. Contrasting this was the ample internal funding provided another state in this category (this state was at the top of the range for its size class). However, rather than providing a contradiction to the general argument being developed, the staffing provided was in the sense minimal in that it was required just to process the required federal reports.^{20/} This resulted from the manual orientation of the unit.

Computer Support

How the SUIR units were perceived appeared to have much greater correlation with the amount of computer support provided them than with staffing levels. Within the states, the SUIR units must share limited computer and programming with the rest of the agency. Consequently, the amount of such support depends to a considerable degree on the priority assigned the SUIR unit by upper management. Administrators who rely heavily upon the contribution of their SUIR units were far more likely to provide the necessary computer support. This was certainly the case with regard to the stronger SUIR units, with the process working in reverse with the weaker states.

^{19/} This refers to the percent SUIR staff is of total UI staff as displayed on page 11.

^{20/} According to the Federal Time Code Manual, such activities should not have been changed to UI research.

Of the three stronger SUIR units considered in this survey, two had direct access to their main computer system which included special data bases for simulating programmatic changes and things of this sort. While the third state did not have as direct access to the computer system or a special data base, it nevertheless did not have problems with priority and had, in addition, its own mini-computer. The situation in the weaker states was such that in at least one state, federally required reports could not even be produced according to established due dates.

Besides having low priority in terms of equipment and machine time, the weaker SUIR units tended to have limited and indirect access to programming support. Programming for other than federally required reports could only be obtained after a lengthy process which generally involved negotiation and sign-offs on a project by project basis. In contrast, the stronger SUIR unit had either direct control over a programming staff (which in one case consisted of economists with programming capabilities) or had agency programming staff assigned on what appeared to be a permanent basis.

The situation with statistical software also tended to follow the pattern described above. Two of the weaker units did not have any statistical software available to them, while the third had access to SPSS though it was through a batch mode. All of the stronger SUIR units were supported by various brands of statistical software and had ready access to them.

Staff Utilization and Functions

Managements' perception/attitudes regarding their SUIR units and research in general had a direct impact on how SUIR staffs were utilized and the type or degree of work undertaken. Interestingly, all of the states interviewed had the same basic program which consisted of (1) trust fund analysis, (2)

workload forecasting, (3) legislative impact analysis, and (4) the handling of special requests. In spite of these broad similarities, however, there was considerable difference between the two classes of SUIR units in the manner in which such functions were conducted and the type of accompanying analysis. In addition, stronger SUIR units had more time available to go beyond the basic program and in all cases did so.

In the case of workload and trust fund forecasts, the stronger SUIR units utilized more sophisticated approaches than did states in the other classification. States in the first category forecasted trust fund levels utilizing either the Mercer model or by using internally developed econometric models. The sophistication of the latter was evidenced by multiple equation models which included exogenous national variables (e.g., unemployment rate, etc.). The weaker SUIR units used less sophisticated models and tended to rely more on staff judgement as to what the future would bring.^{21/} The situation was similar with respect to the workload forecasts.

The fact that a weaker SUIR unit did not employ more sophisticated forecasting techniques, especially those approaches which were developed in-house, is not surprising. While the development of such models require knowledge of the UI system and underlying statistical/econometric approaches, this alone is not sufficient. Forecasting models of this type either employ multiple regression or time series analysis which require access to statistical software. In addition to being dependent on having access to such software, the development of models of this type normally require a lot of trial and error

^{21/} One state in the second category had attempted to utilize the Mercer model but was unsatisfied with the results.

which means multiple computer runs. Consequently, states lacking statistical software cannot develop such models while states attempting to do so when confronted with problems of machine priority, face a difficult task at best.

The handling of special requests and legislative analysis in the stronger SUIR units was greatly facilitated by relatively free access to the agency's computer system. Two of the stronger SUIR units had developed specialized UI data bases which provided the capability to simulate changes in various UI parameters (e.g., qualifying accounts), and to more fully consider the micro aspects of the UI program. This latter capability was especially evident in the area of legislative analysis whereas these units were able to go beyond simply estimating a dollar impact of such changes, and were able to assess the impact on various employer or claimant groups. This type of analysis was not done to any degree in the weaker states.

From a broader perspective, there is a definite difference between the two groups of states under consideration as to the manner in which staff were utilized and in the types of work in which they were involved. The limited access to the agency's computer system, coupled with relatively high workloads, especially in the areas of special requests and legislative analysis, left little time for anything else and lowered the technical level at which staff were functioning. In one SUIR unit the situation was such that all nine professional staff, all but two of which had a bachelor's degree, were largely performing the statistical clerk's function of collecting and validating data, completing federally required reports, and maintaining ledgers.

In contrast, the stronger SUIR units had essentially automated the bulk of their repetitive work (e.g., the compilation of federally required reports),

and had more time available to do more extensive analysis in the areas previously mentioned and to go beyond these basic functions. Examples of the latter efforts included special reports/projects for the UI director and/or local offices, and large scale research efforts for groups such as the UIS or the National Commission on Unemployment Compensation.

While part of the problem in the weaker states was the number of staff available, the inaccessibility to the computer played an equal if not more important role. For example, in the SUIR unit previously mentioned where the nine professional staff were largely employed as statistical clerks, a substantial amount of staff time could have been freed by automating the more repetitive functions. While this was the extreme case of the three SUIR units considered to be weaker, all of the units had situations that lead themselves to automation:

Conclusion

The most important finding resulting from the in-person interviews is the role upper management's attitudes/perceptions toward its SUIR unit and statistical research in general have on the amount of staff and computer support provided, and the unit's function within agency's decision making framework. The key point to grasp here is that it makes little difference whether management should be held at fault for not having a greater degree of appreciation for statistical analysis or that its assessment of its SUIR unit's capabilities is incorrect, the end result is the same. This being that the unit is (1) excluded from participating in a policy role, (2) not given full access to the agency's computer and appropriate software, and (3) probably not staffed at the level it would be under more favorable circumstances. In terms of

staff and functions, this means that the SUIR unit will have a tendency to be superficially limited to the four broad areas previously mentioned, and tend to involve its staff in a considerable amount of manual effort and employ rather elementary techniques.

State UI Research Questionnaire

State _____

Person Completing Questionnaire _____

Position: _____

Telephone _____

1. Average number of staff involved in agency wide unemployment insurance activities (charging to project code 210) during the last 12 months. _____
2. Average number of staff involved in UI research (charging to 210-440) during the last 12 months. _____
 - a. Professional _____
 - b. Nonprofessional _____
3. Is UI research consolidated in the R&A unit? Yes No
 _____ _____
 If no, please indicate the unit(s) where it occurs.

4. Organizational structure (please include organizational charts showing the relationship of the UI research unit(s) to the R&A unit, the UI director, and the agency administrator).
5. Educational levels of present UI research professional staff.

	<u>Indicate number in each category</u>
a. Less than Baccalaureate degree	_____
b. Baccalaureate degree in business, economics, statistics, or related area	_____
c. Baccalaureate degree in other areas (not related to UI research)	_____
d. Masters degree or above	_____
6. Available automated support.

	<u>Yes</u>	<u>No</u>
a. Programmable calculators	_____	_____
b. Mini-computers (loosely defined as costing between \$20,000-\$100,000)	_____	_____
c. Main computer system	_____	_____
On-line	_____	_____
Batch	_____	_____

7. Available statistical software packages
(main computer system).

	<u>Yes</u>	<u>No</u>
a. SPSS	---	---
b. SAS	---	---
c. Biomed	---	---
d. Other (please list)		

8. Problem areas (please respond to each item on a scale of 1 to 5 as they relate to your state).

	<u>No Problem</u>				<u>Major Problem</u>
	1	2	3	4	5
a. Qualifications of staff.....	---	---	---	---	---
b. Excessive turnover.....	---	---	---	---	---
c. Fragmentation of UI research effort.....	---	---	---	---	---
d. Inaccessibility of UI director.....	---	---	---	---	---
e. Lack of identifiable resources in budget.....	---	---	---	---	---
f. Lack of national direction....	---	---	---	---	---
g. Lack of internal state direction.....	---	---	---	---	---
h. Lack of national/regional technical support.....	---	---	---	---	---
i. Lack of realistic position descriptions and minimum qualifications.....	---	---	---	---	---
j. Inadequate computer support					
Access to programmers.....	---	---	---	---	---
Priorities for machine time	---	---	---	---	---
Availability of statistical software.....	---	---	---	---	---
k. Other (please list)					
_____	---	---	---	---	---
_____	---	---	---	---	---
_____	---	---	---	---	---
_____	---	---	---	---	---

9. Please list major efforts undertaken by the UI research unit during the last 12 months (include copies of publications).

10. Please list those areas (not included above) where you believe research is needed.

PLEASE SEND COMPLETED QUESTIONNAIRE TO:

Employment Security Department
500 East Third Street
Carson City, Nevada 89713

Attention: ESR

A SYSTEMS MEASURE AND STANDARD FOR THE
FEDERAL-STATE UNEMPLOYMENT INSURANCE PROGRAM

Gene L. Gallagher
California Employment Development Department

Workers in the United States are provided unemployment insurance through a federal-state system established by the Social Security Act of 1935 and by subsequent laws enacted in each of the 50 states. Since inception of the program, a major controversial issue in the federal-state relationship is that of proposed federal benefit standards binding on state UI provisions. Originally, federal law specified only a number of general requirements to which state programs need conform, while each state law specified the rules governing eligibility for benefits and the amount and duration of benefits payable. Over the years, federal laws and regulations have been proposed that include standards on many aspects of the program originally reserved for state discretion (see References 5 and 12).

The principal argument given for federal benefit standards is that many states have failed to provide adequate benefit protection and they show no signs of changing. Advocates of federal standards include federal administrators of the program, organized labor, and most economists who have studied the program. Advocates stress that unemployment is a national problem that can best be handled by a uniform system providing equitable treatment of claimants across the nation.

The principal argument given against federal benefit standards is that they would extend federal control over the system, amounting to de facto federalization of the program. Opponents of federal standards include most state administrators of the program and almost all employer groups. (ICESA - the Interstate Conference of Employment Security Agencies - established in a 1979 conference resolution that they oppose federally mandated benefit standards.) Opponents of federal standards stress that state legislatures and program administrators must be allowed great flexibility in establishing provisions to respond to unique economic, social, and political conditions that are subject to continual changes. They claim that the extreme variations in state UI provisions are evidence of the diversity of situations encountered.

In short, an intergovernmental policy dilemma exists. First, the creation of minimum federal benefit standards binding on state UI programs could disrupt the tradition of allowing each state to respond to its unique labor market and economic conditions. Second, on the other hand, some additional degree of federal control, above the level of control now in existence, could help to assure adequate benefit protection for workers in all states.

This paper describes research on a new approach for solving the policy dilemma. The approach calls for a single "system standard" in lieu of a series of separate standards on numerous details of state UI programs; the single standard would provide assurance of nationwide program adequacy but would allow the states flexibility in program design. Section 1 of the paper discusses the need for a system standard and develops the concept of "coverable unemployment", the underlying concept of this systems approach to UI. Section 2 analyzes the specific system measure being proposed. Section 3 discusses a hypothetical standard (a minimum numerical value of the measure). Section 4 presents thoughts on possible application and implementation of the approach. Section 5 summarizes the paper and presents items for further study and analysis.

1. DEVELOPMENT OF A SYSTEMS APPROACH

Need for a System Standard

The apparent objective of federally mandated standards is to assure an adequate, equitable level of worker protection among states. Adoption of a series of individual standards might make certain program elements more uniform among states, but could seriously disrupt carefully designed and balanced state programs. Perhaps what is needed is a means of assuring some degree of equity without demanding uniformity!

Instead of contesting over specific benefit standards, state and federal partners could work together to assure that the program offers equitable protection in accordance with individual state conditions. This broader conceptual approach would establish an overall standard for the UI program itself. This systems standard would be in lieu of tightened, more limiting standards on specific elements of the program. The single standard would be designed to measure the degree to which all workers in the state are afforded protection from unemployment. The result would be that state programs as a whole would become more commensurable, but states could continue to tailor their individual program ingredients to meet individual state needs.

Existing Systems Measures

There are existing "system" measures that broadly compare state UI programs (References 1 and 6). One measure is the Benefit Cost Rate (BCR), which expresses total benefits as a percent of total wages in covered employment. BCR cannot be used to compare one state's UI program to another, however, because unemployment rates have a direct effect on its value. (For example, a state with 8% unemployment should have a BCR approximately twice that of a state with 4% unemployment, all else being equal.) Using BCR to set a standard would require states with a low unemployment rate to increase benefit levels and encourage states with a high unemployment rate to reduce benefit levels. Another

existing measure is the Benefit-to-Wage Ratio (BWR), which expresses average weekly benefit paid to claimants as a fraction of average weekly wage in covered employment. BWR cannot be used to compare state programs because workers who are excluded from coverage and the unemployed who are not claiming or are disqualified from claiming benefits are not considered in the computation. (The BWR figure addresses only those claimants receiving benefits.) Using BWR to set a standard would discourage states from extending coverage beyond the minimum required and would encourage states to exclude claimants through restrictive monetary entitlement and severe disqualification provisions.

The "Coverable" Concept

The principles of the two measures just discussed can be extended to create a systems measure which is independent of unemployment rate and program design (Reference 11). This proposed measure involves the concept of "coverable" unemployment, defined as that portion of a state's unemployed who are potentially coverable by state unemployment insurance. Coverable unemployment is taken as all unemployment excepting only that specifically excluded by national statute, policy, or practice. The criteria distinguishing "coverable" from "not coverable" must be applied at the national level, so that the "coverable" group is comparable among states. This is a key element of the approach proposed in this paper. Any additional elimination criteria are part of state policy and would be reflected in the state UPM value. (Elimination of more groups would lead to a smaller UPM unless benefits were increased.)

The resulting new demarcation of unemployment is shown in Figure 1.

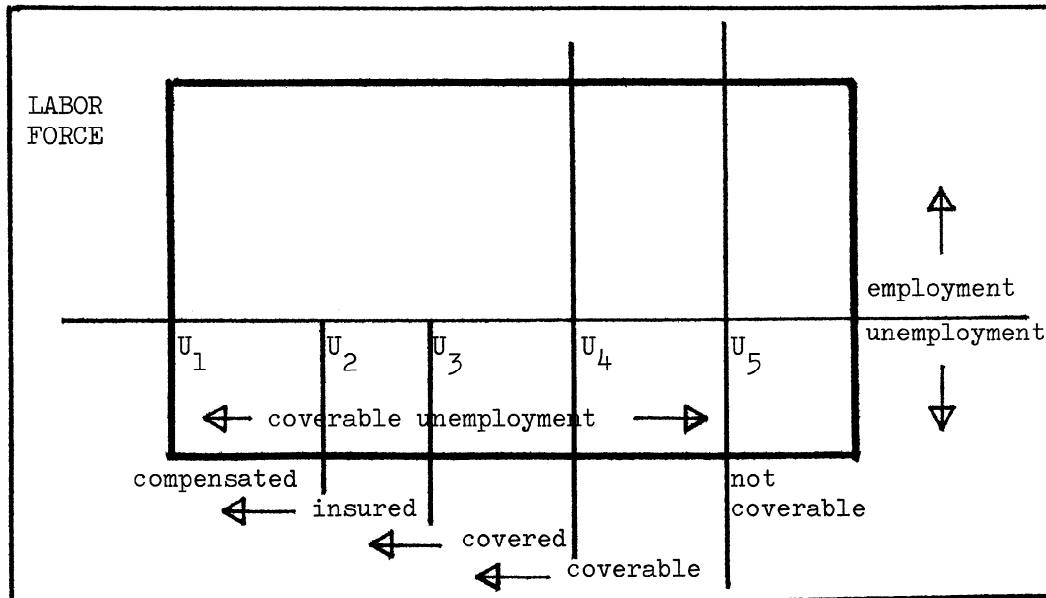


FIGURE 1 Demarcation of Unemployment

The components of coverable unemployment, as depicted in Figure 1, are:

- U_1 : compensated unemployment
- U_2 : insured unemployment minus compensated unemployment (those claiming but not paid) -- this includes, among others, those serving a waiting period
- U_3/U_4 : coverable unemployment minus insured unemployment (data problems preclude a distinct separation of the two groups) -- this includes, among others, non-filers, most monetary ineligibles, and exhaustees

Coverable unemployment is determined by subtracting from total unemployment those groups identified as not coverable. For this paper, the excluded groups are: the unemployed claiming under Federal programs (UCX, UCFE, Railroad); the self-employed who are unemployed; and new entrants to the labor force. (At present, exclusion of groups is dictated primarily by data availability; the final distinction of what is and is not coverable is, of course, a policy decision.)

For the final determination of coverable unemployment, one data adjustment is necessary: subtracting interstate-agent claims and adding interstate-liable claims. Thus, interstate claims are considered as coverable unemployed only in the liable state. This data adjustment is consistent with the basic concept of a fair system measure: identifying all those unemployed for whom a given state is accountable/liable.

2. THE PROPOSED MEASURE

Definition

The proposed systems approach calls for measuring the performance of a state unemployment compensation program by a single overall Unemployment Program Measure (UPM), defined as: total benefits paid as a fraction of what the coverable unemployed could have earned were they working. Referring to Figure 1, UPM is the ratio of: (1) total benefits paid to group U_1 , to (2) potential wages of groups U_1 through U_4 .

Note that the denominator of the ratio includes all those who could possibly have received benefits. In a sense, UPM can be interpreted economically as a "group replacement rate" in that its value represents dollars paid to the coverable unemployed, as a group, as a fraction of their earnings if they were employed.

UPM attempts to measure what overall effort each state makes to replace the potential earnings of unemployed workers for whom the state is accountable. The measure is not affected by the fact that states will have different levels of unemployment or different provisions on who is

counted as "covered" or "insured". The crux of the measurement is, no matter the number or percentage of unemployed in each state, what effort is each state making to assist its unemployed workers? Using UPM to set a UI system standard, state administrators and legislators would have flexibility in determining the kind of protection to be afforded, yet the public at large would be assured of a reasonable degree of program adequacy nationwide.

Sample Calculations

UPM expresses total benefits paid to the coverable unemployed, as a group, as a fraction of their potential earnings. For numerical simulations, the following assumptions were made:

- total benefits are those paid through the regular state program
- coverable unemployed considers total unemployed including Interstate-liable claimants but excluding: (1) new entrants to the labor force; (2) UCX and UCFE claimants; (3) self-employed who are unemployed; and (4) Interstate-agent claimants
- the coverable unemployed, were they working, could earn an average wage equal to the state average weekly wage in covered employment (at present, this is the only available data -- "claimant average weekly wage" would be a better figure, but requires additional effort to develop)

As an example, the California 1978 UPM was 12.1%, calculated as follows:

- total benefits paid through the state program = \$992.M
- average (weekly) coverable unemployed = 644,000
- average weekly wage in covered employment = \$244
- potential wages = 52 weeks x 644,000 x \$244 = \$8.171B
- UPM = \$992.M/\$8.171B = .121

This compares to California UPM values of 14.0% in CY 1976 and 12.7% in CY 1977. This downward trend is due primarily to a constant maximum weekly benefit amount over the 3 years of considerable wage inflation.

Components of the Measure

For analysis of a UPM value, the UPM expression can be factored mathematically into 2 components: (1) the benefit-to-wage ratio, BWR (see Section 1), and (2) the fraction of coverable unemployed receiving benefits, called PCBR, for paid-to-coverable ratio (Reference 11). Component 1, BWR, is the traditional measure of the "level" of benefits provided by a state program. The effect of changes in weekly benefit amount (wba) schedule, such as in replacement rate or maximum wba, would appear in this component. A state with a relatively high wage replacement would probably have a relatively high BWR value.

Component 2, PCBR, is a new measure relating to the "volume" of payments. The effect of changes in eligibility or coverage provisions, such as in monetary eligibility requirement or duration limit, would appear in this component. A state with relatively liberal monetary or non-monetary eligibility provisions would probably have a relatively high PCBR value.

For California in 1978, the component values are:

$$\text{BWR} = \frac{\text{average wba}}{\text{average weekly wage}} = \frac{\$70.30}{\$244.} = .288$$

$$\begin{aligned} \text{PCBR} &= \frac{\text{average (weekly) compensated unemployment}}{\text{average (weekly) coverable unemployment}} \\ &= \frac{271,000}{644,000} = .421 \end{aligned}$$

This means that California paid, on the average, a wba equal to 28.8% of the state average weekly wage to 42.1% of the state's coverable unemployed. The resulting UPM was: $.288 \times .421 = .121$. Note, however, that a UPM of around 12% could have been achieved in other ways, such as: (a) paying an average wba of 35% of the average weekly wage (BWR = .35) to 35% of the coverable unemployed (PCBR = .35); or (b) paying an average wba of 40% of the average weekly wage (BWR = .40) to 30% of the coverable unemployed (PCBR = .30). These tradeoffs are depicted in Figure 2. (In actual application, it might be desirable to put upper and lower limits on both BWR and PCBR as further insurance of overall adequacy of state programs.)

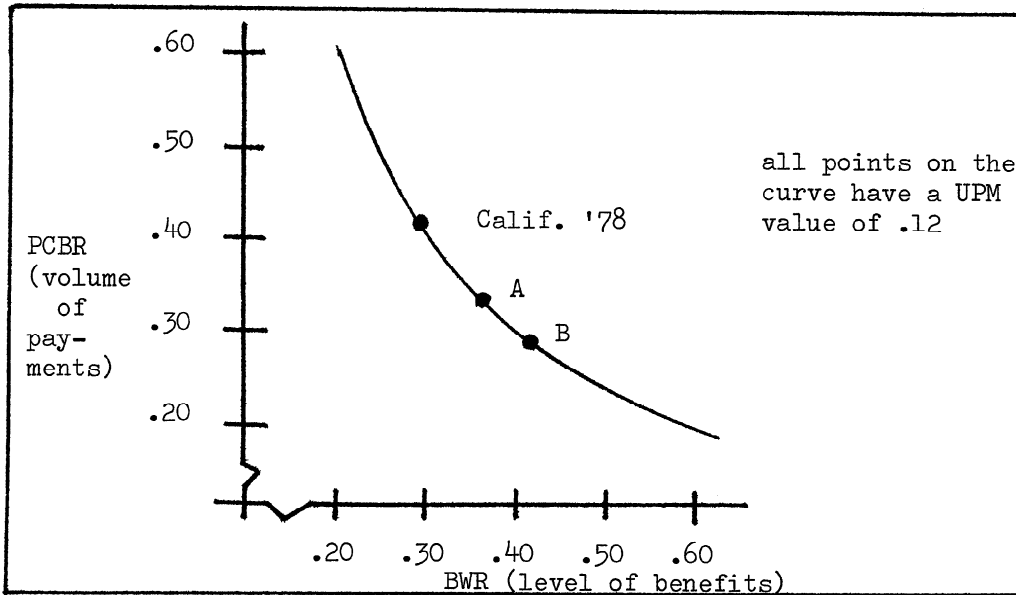


FIGURE 2 Tradeoff Curve

3. A HYPOTHETICAL STANDARD

Choice of a Numerical Standard

In lieu of a series of minimum benefit standards on various aspects of state programs, overall adequacy of state programs can be maintained by setting a minimum acceptable value of UPM. This minimum "group replacement rate" would serve to insure that workers in a state have adequate unemployment insurance protection.

The standard chosen for illustrative purposes is 10 percent; that is, the benefits paid to a state's coverable unemployed must equal or exceed 10 percent of their potential wages. (This represents approximately the first quartile of states in the numerical simulations discussed below. That is, approximately 1 in every 4 states fall below.) The final choice of a numerical value is a policy decision and will probably depend on many factors, including: (1) prior policy decisions on benefits to be included in the measure and on groups to be excluded as not coverable, and (2) the results of further research needed to improve the accuracy and timeliness of required data.

Also, since an extremely large UPM could be as bad as a small UPM, a maximum allowable value of UPM could be established. This could serve to guard against benefits being paid in an amount larger than a desired optimum or benefits being paid to workers who fall outside of the general target population of the UI program. An extremely large UPM may even be simply a result of an inefficient program administration (e.g., overpayment). For illustration, consider an upper limit of 20%, in conjunction with a lower limit of 10%.

Numerical Simulation

The UPM values for all states can be calculated similar to the sample California calculation of the prior section. Figure 3 presents a frequency distribution of state (including District of Columbia) UPM values for each of the 3 years.

UPM value	1976	1977	1978
under 10.0%	7	12	12
10.0 - 14.9%	24	20	23
15.0 - 19.9%	14	15	14
20.0% and above	6	4	2
TOTAL	51	51	51

FIGURE 3 UPM Frequency Distribution

Actual values for the various states are not presented here, but are contained in earlier reports (References 9 and 10). The states "below minimum standard" generally were those with (see References 3 and 14):

- (1) maximum wba very low with respect to state average weekly wage (40% or less);
- (2) duration limit very low (for example, benefit limitations of less than 30% of base period wage); and/or
- (3) strict eligibility or disqualification provisions.

The states "above maximum standard" generally were those with (see References 3 and 14):

- (1) liberal eligibility provisions;
- (2) uniform duration; and/or
- (3) maximum wba very high with respect to state average weekly wage (60% or more).

However, these results are only preliminary. A more precise analysis depends on obtaining more reliable data on state program achievements and more detailed information on state statutory provisions and how they are applied and administered.

In-depth interpretation of the simulation results was approached with caution due to potential problems created by mixing 2 sources of data (see Reference 4): (1) labor force estimates from the Current Population Survey (CPS), the monthly national household survey that produces unemployment rates (Reference 2), and (2) state UI program statistics (References 6, 7, and 8). The primary cautions observed were to recognize that: (a) CPS data is subject to statistical sampling error, which can be very large for certain pieces of data; and (b) UI program statistics, since they are a by-product of UI operations (data collection is subordinate to primary program objectives) are not subject to thorough and timely validation.

In particular, the statistical sampling error associated with the CPS estimate of total unemployment is carried over to the estimate of coverable unemployment. The resulting relative effect on UPM value is small for large states and large for small states. For California in '78, the CPS estimate of 755,000 total unemployed has a sampling error of 32,000 (Reference 2). This results in a 90% confidence interval on UPM of: 11.5%, 12.7%. For a typical small state with a UPM value (point estimate) of 12.0%, the 90% confidence interval is 9.6%, 16.0%.

4. IMPLEMENTATION OF A STANDARD

Communication of the Concept

The proposed system measure and standard can appear extremely complex, especially to program administrators. To date, however, those administrators and non-technical staff to whom the concepts have been presented have found, after initial exposure, that the basic concept is quite straight-forward.

Interim research reports and proposal packages on the project have been shared with other states through the Unemployment Insurance Committee of the Interstate Conference of Employment Security Agencies. (Also, the material was presented to staff of the National Commission on Unemployment Compensation.) Approximately one-fourth of all states have responded in writing, generally expressing support for the concept of a single system standard and encouraging further research.

Application of the Standard

Establishment of a fixed numerical value (call it X) as the single system standard for state UI programs would mean that all states would be required to install a program, of their own design, that would provide to the state's coverable unemployed, as a group, at least X% of their potential earnings. (Precise definitions of coverable unemployed and potential earnings depend on further research.) If a state did not meet standard, program changes, in the form of changes in state law, policy, or program administration, would have to be installed prior to some prescribed date. If a state continued to perform below standard, DOI could conduct an evaluation of the state program, analyze reasons for the state's failure to meet standard, recommend specific actions for the state to improve performance, and request the state to submit a plan for "compliance".

In short, application of a single system standard would require only those states with inadequate UI programs to make program improvements without requiring all states to observe specific benefit standards; DOI would not be involved in designing programs for those states meeting the standard.

Program Planning

A state UI administrator whose program falls below standard would be faced with a difficult question: what alternative sets of program changes could be expected to lift the program above standard? One means of answering the question is through use of a prediction model relating state performance to state statutory provisions.

A preliminary model has been developed (see References 9 and 10) using multiple regression analysis of historical data to statistically determine the "average" effect of selected statutory variables on state program performance. (The statistical approach is similar to that in Reference 1.) States with similar types of provisions were combined into groups ranging in size from 4 to 15 states. A regression equation was developed for each UPM component (see Section 2) for each group. State policy makers could use the equations to project the effect, on overall program performance (UPM value), of changes in state law and policy in such areas as: maximum wba, wage replacement rate, monetary eligibility requirement, duration of benefits, etc.

To date, research on the regression model is hampered by data problems. This is an area for further research and analysis. Also, alternative methodologies, such as contained in Reference 13, could be explored.

5. CONCLUSION

Summary

A systems measure for the unemployment insurance program is developed to fairly assess and compare the level of protection each state is providing to its unemployed workers through unemployment insurance. The proposed measure expresses total benefits paid through the program as a fraction of what the coverable unemployed could have earned were they working. Coverable unemployment is defined as total unemployment excluding only that deemed as not coverable by national statute, policy, or procedure.

A systems standard can then be established as: each state program must pay out total benefits that equal or exceed X% of what the state's coverable unemployed would have earned were they working. (The final selection of X is a policy decision.) This single, national systems standard would serve the dual purpose of:

- (1) allowing states to retain flexibility in establishing program provisions to respond to unique economic, social, and political conditions subject to change; and
- (2) allowing DOL some degree of federal control over state programs to assure adequate unemployment protection for workers in all states.

Areas for Further Consideration

Areas for further consideration fall into the following two general categories:

- The accuracy and timeliness of data must be improved. This will probably require substantial research and development effort toward both the definition and calculation of meaningful UPM values

and development of a reliable and usable prediction/planning model. Objectives of the effort should include: to make state program data more consistent and comparable among states; to develop data on those groups of unemployed that are to be excluded as not coverable; to quantify the pertinent statutory and policy characteristics of the various state programs; to correct/validate figures on past performance of state programs; and to develop a system for rapid, timely publication of state program data.

Policy decisions are required to specify details of the conceptual framework proposed in this paper. Decisions are required on many issues, including: which benefits to include in UPM; which groups of unemployed are not coverable; what numerical standard should be set; how to calculate potential earnings of the coverable employed; and what compliance procedures need to be established for installation of a system standard. The temporary decisions applied in this paper should provide a good starting point for policy discussions/negotiations. The final decisions probably will depend highly on results of the data research efforts, and on negotiations/compromises between the states and DOL and among the states themselves.

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COMMENT

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This paper presents an approach to describing the adequacy of States' programs in a single indicator.

The proposed measure of State program performance, Unemployment Program Measure (UPM), is defined as:

$$\text{UPM} = \frac{\text{Total Benefits Paid to the "Coverable" Unemployed}}{\text{"Potential" Earnings of the "Coverable" Unemployed}}$$

Abstracting from the technical and definitional detail, this, in a nut shell, is the ratio of the total benefits paid to the earnings of the unemployed workers for whom the program is designed, i.e., an average replacement rate. The author proposes the use of this measure in setting a Federal benefit standard at a minimum level of UPM, referred to as Unemployment Program Standard (UPS), against which the individual States' UPM's are compared to determine their program adequacy.

The underlying assumption of this approach is that the value of this measure is largely a function of the State UI provisions which govern the extent to which the program's target population is adequately protected, namely,

- a. WBA
- b. Potential Duration
- c. Monetary Eligibility, and
- d. Non-monetary Eligibility

As the author apparently recognizes, there are two areas in which further thinking needs to be done in order to improve the usefulness of the proposed measure.

First, the presumption that the State UI provisions explain most of the variation among States in the value of UPM is very crucial for this approach to be useful. The numerator of this ratio, Total Benefits Paid, actually is a function not only of the UI provisions themselves but also of how these provisions are administered, among possible other factors. For example, even if the qualifying requirements and various eligibility conditions for UI benefits are stringent, the total benefits paid can be large if these

requirements are loosely administered. It is well known that, in the area of continuing eligibility, the referees' and courts' interpretation of availability, suitable job and other key concepts plays a major role in determining who is eligible for UI benefits hence ultimately impacting on the total benefits paid. Thus, if these factors are indeed important components of UPM, they must be statistically netted out in arriving at the UPM index for use in program adequacy determination.

Second, even if the State UI provisions are the major source of variation in the UPM values, the multi-facetedness of State UI provisions can result in a misleading picture painted by a given value of UPM. For example, while a large UPM may show a high average replacement of lost earnings, it tells nothing of the distribution of the paid benefits among the claimants. A State may introduce a very stringent qualifying requirement together with very generous benefit provisions with the result that total benefits paid are large but concentrated among a limited segment of the "coverable" unemployed. The value of UPM under such a situation clearly is different qualitatively from the same value of UPM attained under the situation of less generous benefits paid to a larger number of claimants.

If these two problems should be resolved, the proposed measure would be a useful tool in describing a State's program adequacy in light of the UI income protection objective.

Issues in Unemployment Insurance Research

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Issues in Unemployment Insurance Research

I. Introduction

Research on Unemployment Insurance (UI) has expanded rapidly in recent years. Probably the major impetus for that expansion has been the persistently high (at least by historical standards) levels of unemployment experienced by the United States economy since the late 1960's. Interest in relationships between unemployment and Unemployment Insurance has been concerned with both questions of equity and efficiency. Equity-related research has tended to focus on how well the UI system works in compensating individuals for the risk of unemployment whereas research related to efficiency has primarily addressed questions about how existence of the UI system affects the behavior of individuals and firms. It is the second of these foci that is the relatively new aspect of UI research -- earlier work tended to address primarily distributional and administrative questions about how well the UI system itself worked. Because that earlier literature has been thoroughly reviewed (see, for example, Haber and Murray, 1966) and because the relevance of research on the behavioral effects of UI to the making of UI policy is less obvious than for the earliest research, this review will focus primarily on recent behavioral research. It is hoped that such a focus will prove useful by making this sometimes arcane literature accessible to individuals with a broad range of interests in UI policy and by indicating what major questions remain unanswered.

The remainder of the paper is divided into five additional sections. Section II briefly summarizes the results of recent research on the behavioral effects of five aspects of UI policy: benefit levels, duration, eligibility,

adjustment services, and financing. Although these summaries must of necessity be of an incomplete nature, their general purpose is to indicate the theories underlying the research, the general types of empirical evidence that has been gathered to support those theories, and the policy relevance of the results. In Section III the material summarized in Section II is critiqued and a few suggestions are offered about directions that UI research might take in the future. The general outline followed in Sections II and III is then repeated (though in much briefer fashion) for summaries of research related to distributional issues (Section IV) and administrative issues (Section V). Of course it should be recognized that the division of this paper into discussions of behavioral, distributional, and administrative research is solely for purposes of exposition since all three strains of research are relevant to UI policy-making. In the final section of the paper a brief attempt is made to provide a synthesis and to suggest future research strategies.

II. Research on the Behavioral Effects of Unemployment Insurance

The purpose of this section is to summarize recent research on allocational effects of UI. That is, the section focuses on research which is concerned with how the existence of UI affects the decisions of individuals and of firms. Such questions are a relatively recent aspect of UI research and their emergence can be traced to three general trends. First, and most important, is general dissatisfaction with recent levels of unemployment in the United States which are both high by historical standards and high relative to those that characterize other developed market economies. In the early 1970's

several economists (for example, Feldstein, 1973) suggested that such outcomes may be in part related to special features of the U.S. system of unemployment compensation and that suggestion provided the impetus for much of the recent research. Two other developments served to accentuate this interest. A variety of developments in economic theory (most importantly with respect to individuals' job search activities and with respect to firms' demand for labor services) provided a useful framework for assessing various effects of UI. And the increased availability of data on individuals and firms, together with the electronic capability of analyzing the data in sophisticated ways, made it possible to provide tests of those theories. The coalescence of these three developments made research on the behavioral effects of UI one of the growth industries of the late 1970's.

Before turning to examine research on specific aspects of UI policy it may be useful in general terms to indicate how the existence of UI might be expected to affect the behavior of individuals and firms and why the direction and size of such effects might be of interest to policy-makers. As for any system of taxes and income transfer payments, the presence of an unemployment insurance system affects the prices on which economic actors might be expected to base their decisions. In some cases such effects are fairly obvious. Employment-based UI taxes, for example, raise firms' costs for hiring workers and that could affect such decisions as how many workers to hire or how much mechanization or automation to undertake.

In other cases the effects of UI are less obvious and it is important to use more general notions of "prices" and "costs" to understand them. UI benefits may affect individual behavior, for example, because they change the "opportunity cost" of not being employed -- that is, an unemployed worker

loses less from continuing to be unemployed when UI benefits are available than when they are not. Of course, the actual details of how taxes and benefits are computed under UI laws make the analysis considerably more complicated than these two examples imply, but most all of the recent research on UI has followed the approach of first examining how existence of UI affects relevant "prices" and then asking how such price changes affect behavior.

Obtaining quantitative estimates of the effects of UI has been the final goal of most UI research. Investigators have been content with being able to assign numerical estimates to the effect of UI on, say, the length of unemployment spells or on the incidence of short-term layoffs in an industry. Such estimates are obviously important to policy makers who wish to know what impact UI has. But they only partially solve policy makers' problems. At best the estimates provide some measure of the allocational "cost" of UI, although most research stops far short of calculating the actual GNP "lost" through such effects. More significantly, however, the research seldom attempts to weigh the estimated costs against the possible social benefits that UI provides (say in terms of reducing uncertainty or providing a more desirable distribution of income). Hence the research provides only part of the information that must enter into policy makers' decisions. Noting this shortcoming is not to denigrate the importance of the recent UI research since, by focusing on behavioral effects, it has highlighted an aspect of the study of UI that was neglected for many years. But, as will be argued in the reviews that follow, it is important to take some care in drawing sweeping policy conclusions from the (not very surprising) research conclusions that UI has effects on the allocation of resources.

A. Research on Benefit Levels

The principal focus of research on behavioral effects of UI benefit levels has been on how the levels affect individuals' behavior while unemployed.¹ Most studies start from an underlying theory that stresses job search decisions of unemployed workers (for a summary of these theories see Lippman and McCall, 1978). UI benefits are viewed as an opportunity cost involved in taking a job. The most common measure of that cost being the ratio of UI benefits to the claimants' potential earnings when employed -- the "wage replacement ratio." In calculating this ratio most authors have stressed the importance of taking into account the favorable tax treatment of UI benefits (relative to earnings), although many empirical studies have not in fact done so. The distinction can be quite important both because average net replacement ratios are about ten percentage points higher than average gross replacement ratios (say, 55 versus 45 percent) and because the largely tax exempt status of UI benefits make them relatively more attractive to some workers (for example workers with a currently employed earner in the family) than to others. Workers whose UI benefits are not constrained by prevailing maximums and whose family income places them in a high marginal income tax bracket may have quite high net wage replacement ratios -- perhaps well over 80 percent (see Feldstein, 1974, and Nicholson and Corson, 1976).

Numerous empirical studies have been undertaken to estimate the effect of wage-replacement rates on outcomes experienced by unemployed workers. Many of these focus on whether higher wage-replacement ratios lead to longer unemployment spells and most conclude that they do. Hamermesh (1977) summarizes a

¹UI benefit levels may also have an effect on an individual's likelihood of being laid off and we take up that possibility in subsection E below.

number of such studies with a "best estimate" that each ten percentage increase in the wage replacement rate leads to a 0.5 week increase in the length of unemployment spells. Although these studies summarized by Hamermesh were primarily based on individual data, similar estimates have been obtained from time series data both for the United States and for other countries (see Grubel and Walker, eds., 1978 or Benjamin and Kochin, 1979). Despite the similarity of these results, there remain a number of ambiguities about their proper interpretation. Because the criticisms that might be raised apply with equal force to practically all the applied UI research to be reviewed here, an extended treatment of all such issues is provided in Section III below.

A second focus of research on wage-replacement rates has been on their possible correlation with post-unemployment wages received. Under a job search theory interpretation, higher wage replacement rates prompt individuals to hold out for and ultimately to find better jobs than they would have without UI benefits. Hence, once other factors are held constant, higher wage replacement ratios should be associated with both longer periods of search and higher post-unemployment wages. A failure to find positive wage effects would tend to cast doubt on the job search interpretation of the positive association between wage replacement rates and the length of unemployment spells and might instead lead to a demand for leisure interpretation of that association. Unfortunately, the empirical evidence on this issue is quite varied making it impossible to draw any definite conclusion. Some authors have found that higher wage replacement rates are correlated with higher post-unemployment wages (Ehrenberg and Oaxaca, 1976) whereas others using much the same approaches have found no such effects (Classen, 1977). About all that can be concluded is that much work remains to be done before there is anywhere near a consensus on the issue.

How is the research on UI benefit levels relevant to policy makers?

The observed connection between UI benefits and the length of unemployment spells should, of course, come as no surprise since there is by now ample evidence on the work disincentive effects of practically all tax and transfer programs. More important than recognizing that such effects exist is deciding how the possible economic losses they entail should be traded off against the distributional advantages that UI provides. Prevailing replacement rates presumably reflect a balancing of these concerns and the relative constancy of average rates over time would seem to indicate that there has been relatively little change in thinking in this regard. Significant new evidence on beneficial search effects of UI might change the calculation somewhat (for example, if UI really does lead workers to find better jobs its total economic costs are lower and hence higher replacement rates might be warranted), but the major impact of research findings is likely to be less directly related to wholesale changes in UI benefit levels than to minor modifications at the periphery of the program. For example, concern about UI disincentive effects may make policy makers more cautious in implementing UI "add-on" programs that sharply raise wage replacement rates for special classes of workers (for a discussion of this in connection with the Trade Adjustment Assistance Program see Corson and Nicholson, 1980). Or it may prompt a "get tough" attitude toward UI job search and job acceptance requirements (see Felder and Pozdena's 1978 discussion of such requirements in the Federal Supplemental Benefits program). Proposals for subjecting UI benefits to the federal income tax may also gain support from the findings since that would most significantly reduce net replacement rates for individuals in the highest income categories. More generally, because UI benefits affect workers' behavior, some care must be taken

in interpreting overall measures of labor market tightness, such as the aggregate unemployment rate. Probably some part (though not a very large part) of the secular increase in the unemployment rate during the 1970's may have been induced by increasing generosity of the UI system² and policy makers may wish to take that into account when judging the economy's performance.

B. Potential Duration of Benefits

Variation in the potential duration of UI eligibility has been a major feature of UI policy for the past forty years. In the immediate post-war period states experimented with a number of duration formulas and in the 1958-62 period the duration of benefits was twice extended on an emergency basis in the face of recessions. Implementation of a permanent program of emergency extensions (the EB program) in 1970 meant that henceforth federally financed (on a 50-50 basis) extended benefits would be payable anytime insured unemployment rates exceeded certain "trigger" rates. During the 1970's benefits were further extended (beyond EB) under two different programs. Given these experiences in changing UI duration policy it is surprising that relatively little research has been undertaken on it. In theory the effects of such policy changes are relatively straightforward. Extending the duration for which an individual can collect UI increases the extent to which UI benefits compensate for earnings lost during a spell of unemployment. Hence such changes have the effect both of providing some incentive for individuals to remain unemployed longer and of augmenting their purchasing power while they are unemployed. Empirical

²Gross replacement ratios did not change very much during the 1970's.

Three factors that did operate to increase the generosity of the system were increasing marginal tax rates (these made non-taxable UI benefits more attractive), increasing potential duration, and expansion in eligibility. The last two of these effects are discussed later in this section.

research on the size of the first of these effects is the most well developed, although it remains a subject of considerable uncertainty and controversy. A recent summary (Corson and Nicholson, 1980) of seven studies of the effects of changes in potential duration illustrates the wide variation in results that individual researchers have obtained. Although all but one of the studies find that increases in duration tend to increase the length of individuals' unemployment spells, the size estimated for the effect of an additional week of potential duration range from 0.1 week of extra unemployment to 1.0 weeks. When applied to a major extension of benefits (such as that provided by the Federal Supplemental Benefits program of 1974-75) this range implies that the effect of such extensions on the total unemployment rate may be relatively small (less than half a percentage point) or quite large--potentially adding several points to the rate. Although the higher estimates are probably too large, even the most believable studies offer some results which imply that the disincentive effects of extensions are a relatively minor issue and some that imply it is a problem of major social concern. Clearly there is a need both to develop a better methodology for making such estimates and for considerably narrowing the range of defensible results.

The effect of changing potential durations on purchasing power has been even less intensively studied. There is general agreement that extended benefits are an important income source for some families (see Brewster et al., 1978) and that it would be difficult to attain such income maintenance goals through other existing programs. The effect of such payments on spending patterns and on overall family welfare has not, however, been adequately studied. Similarly the macroeconomic stabilization properties of extended benefits programs have received little attention even though extensions may be

important components of discretionary fiscal policy.³ During the 1974-75 recession, for example, the combination of benefits payable under EB and FSB totaled as much as all recession induced benefits under regular UI and these presumably had stabilizing properties as great or greater than those stemming from the regular UI program. Timing of the extensions was not, however, ideal for stabilization purposes since benefits peaked well after the recession trough. Hence there is the need for a careful analysis of what the stabilizing properties of the benefits actually were and how that performance might be improved in future recessions.

The principal lesson to be drawn from this brief review is that current research offers only small guidance for the formulation of duration policy. That state of affairs is made particularly acute by the relative importance of changes in duration as a UI policy tool (especially at the Federal level) during the past twenty years. What research there is suggests that changes in duration may have important effects both on individuals' labor market choices and on the performance of the whole economy and that some care is warranted in designing such policies in the future.

C. Eligibility for Benefits

In a sense an examination of the economic effects of UI eligibility has already been presented in the two previous subsections since such effects amount

³"Automatic" stabilizing characteristics of regular UI have been studied in some detail, however. See von Furstenberg (1976) for an analysis of the 1974-75 recession and Hamermesh (1977) for a summary of several earlier studies. The general conclusion of such studies is that regular UI benefits are second only to changes in tax collections as important automatic stabilizers of purchasing power.

to nothing more than the net effect of how individuals react to the various features of UI for which they are eligible (that is, benefit levels, potential duration and so forth). For purposes of exposition, however, it is more convenient to describe the research on individuals' reactions to UI eligibility in a separate section since that research tends to address a rather different set of policy concerns than does the research on specific provisions of UI benefit formulas. UI coverage may also affect firms' behavior, but we will delay a discussion of those effects until our analysis of UI financing in subsection E.

Other things being equal, jobs which provide coverage for UI benefits will be more attractive to workers than those that do not. Hence the supply of labor to such employment should be increased over what it would have been in the absence of UI. Mortenson (1977) was perhaps the first researcher explicitly to recognize this effect in a theoretical context and his observation created some ambiguity in the standard model that predicts overall work disincentive effects from UI. In simple terms Mortenson argued that disincentive effects of UI may be mitigated (or, in the extreme, even reversed) by the fact that unemployed workers may wish to become re-employed so as to establish UI eligibility for a future unemployment spell. That argument is particularly important for the large number of unemployed workers (perhaps 50 percent or more of the total) whose current unemployment spell is not covered by UI or who have exhausted their UI entitlements. More generally, Mortenson's argument implies that UI coverage may act as an employment subsidy (if benefits are not fully experience rated) and will therefore have important implications for the allocation of labor in the economy.

Some of the most important empirical investigations of coverage effects

focus on seasonal industries. For example, Chiswick (1976) estimates that extension of UI coverage to agricultural workers under the Special Unemployment Assistance program of 1974 (which was not experience rated) increased on-season employment in agriculture by about 2.5 percent. Other studies find similar results for seasonal industries but many of these studies are made difficult to interpret by their failure to take into account the extent to which various seasonal industries are effectively experience rated in different states. More general studies of UI eligibility effects are rare. Only Hamermesh (1979) has attempted to estimate such effects for a broadly based population group. In his study of 30-54 year old married women he found that positive work incentives from UI entitlement just about balanced negative work disincentive effects of UI receipt so that the net effect of the UI system was approximately zero (though still slightly negative). Because his results incorporated a number of hypothetical measurements and because he imposed a variety of sample selection criteria, it is difficult to know how they apply to other groups of workers.

That UI eligibility can increase overall labor supply should be neither surprising nor particularly worrisome to policy makers. Such responses reflect workers' reactions to the reduced risks of employment that UI eligibility provides and providing that protection is, after all, a principal purpose of UI. Traditional arguments for the existence of insurance suggest that society as a whole is made better off through such risk reduction. More troublesome from the point of view of UI policy is the effect that UI eligibility has on unemployment in specific industries. If benefits are not effectively experience rated these effects may act as subsidies to industries in which the risk of unemployment is particularly high and may, in a broad economic sense, cause

resources to be overallocated to them. That problem seems particularly severe in the case of seasonal industries (for example, construction, agriculture, forestry, and certain kinds of shipping) and much discussion of UI has been devoted to the question of how if at all such industries should be covered. A general conclusion from that discussion is that the issue is a complex one with different responses being indicated for different labor market and industry characteristics (for a partial review of various approaches, see Murray, 1971). Because of this required policy variation, broad Federal legislation is probably inappropriate--seasonal provisions in UI laws may best be left up to the individual states.

In addition to questions about the impact of UI coverage of specific jobs, policy makers also have considerable interest in the effects of UI eligibility provisions for individual workers. In order to collect benefits workers must meet certain base period employment criteria and must demonstrate that they are available for work. Variations in the precise way in which these criteria are defined may affect substantially the pool of individuals entitled to UI benefits and such policies may consequently have effects on workers' behavior. Other than Hamermesh's (1979) study of overall UI entitlement, most studies of the effects of specific state base period employment requirements have focused only on simulating the cost implications of alternative policies rather than on the behavioral implications of such policies (for an example, see Brewster et al., 1978). Although several observers have suggested that tightening-up on UI base period eligibility requirements would reduce UI work disincentives by limiting benefits to those with strong work attachments, there is little quantitative evidence to support that presumption. One study (Nicholson, 1981) did find that states with stiffer employment qualification

provisions had lower exhaustion rates for regular UI benefits, but the connection between that finding and the more general issue of whether such requirements might reduce work disincentives is unclear.

Several studies have found that the level of a state's UI disqualifications has an effect on measures of its labor market activities and most are consistent with the notion that higher disqualification rates reduce work disincentives (Holen and Horowitz, 1974, Nicholson, 1981). Felder's (1979) study using data on individual UI claimants reaches a similar conclusion with respect to voluntary quit and misconduct disqualifications although his findings for "refusal of a suitable job" disqualifications are ambiguous. Hence it seems reasonably clear that more stringent UI disqualification enforcement would reduce both the cost of UI and the disincentives it causes. That this more stringent enforcement might conflict with other basic principles of UI policy probably limits the significance of that finding, however.

D. Employment Services

One way in which the Unemployment Insurance System can aid the adjustment of unemployed workers is through the provision of employment-related services. Currently most such services are provided through the U.S. Employment Service (ES) and consist of job referrals, provision of other job-related information, testing, and employment counseling. To the extent these services improve operation of the labor market, clients should experience shorter periods of unemployment and higher wages on jobs ultimately found than would unemployed individuals who do not receive such services. A major difficulty in testing for such beneficial effects empirically is that the underlying process being described is a very complicated one. Measured success of the ES will depend not only on how well it performs its assigned function but also on employers'

decisions to list jobs and on the strategies that unemployed workers choose to look for work. For example, some studies have found that ES-users tend to have longer unemployment spells and ultimately to receive lower wages than do non-users. Rather than reflecting possible adverse effects of the ES, however, such results may indicate that employers only list lower wage rate jobs with the ES and that job seekers, recognizing this fact, only go to the ES as a last resort after other search methods have failed to produce results.

The problem of disentangling effects of the Employment Service from decisions of ES users (both employers and employees) is conceptually identical to the problems that arise in evaluating practically all on-going employment and training programs in which the process by which clients are brought into the program is not a purely random one. In such cases it is necessary to adopt rather sophisticated statistical methods in order to obtain estimates of the effect of the program that are not seriously biased by the particular client selection system used (see Cain and Hollister, 1969). Even the most careful application of such methods cannot insure unbiased results, however, and that uncertainty has led some researchers to favor experimental evaluation methods in which potential clients are assigned randomly to treatment and control groups. Potential issues that might arise in attempting this approach to evaluating the ES are discussed briefly in Section III below.

Given existing difficulties in evaluating the Employment Service (and other employment programs serving UI recipients) from real world, nonexperimental data, it is not surprising that available studies yield results that are ambiguous and difficult to interpret. There is, for example, no agreement about whether the jobs available through the ES offer wages that are below those available through less formal job search sources or about equal to those available elsewhere. Supporting the former view is the work of Katz (1978) which uses subtle

and intricate statistical methodology in an attempt to show that the ES offers low wage jobs and, because of that, it is regarded as a "backstop" job search method which is turned to by the unemployed only as a last resort. For those who do avail themselves of ES services, however, he offers some evidence that this seems to reduce the length of their unemployment spells. Stevens' (1974) survey of several experimental service to claimants' programs by the ES reaches similar conclusions about the low wages offered, but is less optimistic about the ability of the ES to produce desirable outcomes. He does stress the importance of targeting ES services to those clients for whom they might be expected to be most helpful. For example, he opposes compulsory registration as a way of enforcing the UI availability for work "test" and argues in favor of withholding services from those clients who are clearly on temporary layoffs. The experimental studies reviewed by Stevens remain ambiguous, however, about whether even the most carefully focused services really improve clients' labor market experiences.

A more sanguine view of ES success is provided by the lengthy descriptive report by Camil Associates (1977). They find that wage offers available through the ES in moderate size cities are virtually the same as through other sources. They also find that ES clients are quite satisfied with the services they received although they offer little objective evidence on the payoff from those services. The authors do conclude that relatively few job placements are actually made through the ES (only about one worker in seventeen), but they interpret this as indicating that the ES cannot be expected to replace prevalent informal job search methods (checking with friends and relatives or directly with the employer) rather than indicating any shortcoming of the ES itself.

Given this variation in opinion, it is not surprising that existing research has had little impact on operation of the ES or on more general policy related

to adjustment services. Policy makers have instead relied on a priori notions on what "should work" and have been reluctant to experiment with alternative options. There does seem to be general agreement that the assistance function of the ES should be separated from its work test enforcement function in the hope of reducing whatever stigma might be attached to ES users. But there is little active discussion of how this might be accomplished nor is there any direct evidence that such a separation in functions would improve matters.

E. Financing

Because UI taxes are imposed on firms, research on the economic effects of those taxes has naturally focused on firm behavior. Some authors (for example McClure, 1977) have attempted the difficult task of examining the true incidence of the UI tax base, but most have centered more narrowly on how the tax directly affects firms' demand for labor. Two aspects of UI financing have been of greatest interest to researchers: experience rating; and definition of the UI tax base. With respect to experience rating the basic issue examined has been whether or not firms pay the full costs of their layoff decisions and the general conclusion is that they do not (Becker, 1972). Because most states employ both maximum and minimum rates in their tax schedules, firms at these thresholds (which may exceed 40 percent of the total) face a zero marginal tax cost for layoffs. Lags in the setting of tax rates to reflect recent experiences and the existence of non-experience rated Federal programs that add-on to UI cause even further departures from full experience rating. The effect of such departures is to introduce into UI financing a degree of cross subsidization under which firms with low layoff rates subsidize costs of firms with high layoff rates. This in turn will have the effect of shifting employment toward firms with higher layoff rates (relative to a situation where UI

benefits are fully experience rated) and it may also prompt firms and workers to favor layoffs rather than hours reductions during periods of slack demand. These features have prompted Feldstein (1973) and others to conclude that a substantial fraction of the layoff rate in U.S. industries can be explained by the way that UI is financed. Indeed Feldstein (1978) estimates that up to one half of all temporary layoffs in manufacturing are caused by UI. The significance of the finding must, however, be tempered both by the author's use of aggregate industry data that do not permit an adequate control for differential experience ratings and by the observation that even if the estimate is correct it greatly exaggerates the size of the effect of UI on the measured unemployment rate since all temporary layoffs contribute relatively little to that overall rate. Better quantitative estimates of the effect of experience rating (or its absence) on measured unemployment must await the availability of better, firm-specific data.

Research on the UI tax base has primarily focused on the implications of having a relatively low annual earnings ceiling per worker (currently \$6,000 per worker in each calendar year). On theoretical grounds it is clear that such a base may serve to reduce firms' choice of job turnover since, for example, lower taxes are paid when one \$12,000 worker is retained throughout the year than when two such workers are hired for a half year each. The earnings base may also affect firms' choices about hiring low versus high wage workers since it is proportionately greater for low wage workers. Brechling (1977, 1980) has analyzed the turnover question in considerable detail. On the basis of both theoretical and empirical arguments he concludes that the marginal tax cost of labor turnover reaches a maximum when the wage base is set at slightly less than half annual earnings and that estimate accords reasonably well with

current practice. Brechling's results also imply that, because under current policy the wage base is the same for all firms, low wage firms may face relatively low tax costs to high turnover and this offers one explanation for low skilled workers' turnover rates. Evidence on other UI tax effects on the demand for unskilled workers is virtually non-existent although a number of authors have suggested that the effect (especially in combination with the effect of the employer's share of OASDI taxes) may be substantial.

Probably the most important policy implication of the research on UI financing is the simple though often overlooked observation that taxes can have important incentive effects and that formulas should be designed so as to produce desirable results. Most economists who have written on the subject seem to favor moving toward more complete experience rating as a way of reversing incentives toward unemployment that exist under the present system. The principal argument against such a move seems to be that this would compromise some of the insurance aspects of UI. It is not clear, however, why the present system, under which the degree to which firms are effectively experience-rated is extremely haphazard, should be considered preferable. Incentives toward layoffs might be further reduced by changing the current stringent partial benefit schedules under UI to permit workers on reduced hours to receive compensation for their losses.⁴ Current "work-sharing" provisions in California UI law permit this possibility as do provisions in the Trade Adjustment Assistance program. There is as yet no clear evidence on how such provisions affect layoff rates nor whether experience rating (as in California though not in TAA) is an important component of the programs. Finally, a number of suggestions have been made about how incentives of the existing UI wage base might be

⁴Although, as Munts (1970) has shown, partial benefits schedules provide a variety of incentive features on their own.

ameliorated. Most simply, UI taxes could be imposed as a percentage of the payroll rather than being related to each worker's wages. Such a plan would not only reduce whatever undesirable effects that current financing policy has on the demand for low wage workers, but it might also reduce whatever (presumably beneficial) effect current policy has on reducing turnover.

III. A General Critique

The research briefly surveyed in the previous section clearly represents an important addition to the study of UI and to the more general literature on the operations of the labor market. It represents a useful re-direction of prior work on UI away from purely descriptive analyses of distributional and administrative issues toward a more basic treatment of the effects of what has become a large and important transfer program. In the last ten years policy makers have become more attentive to such questions and, through the research efforts of the authors surveyed here (and of many others), a great deal has been learned about the direction and potential size of UI impacts. Having stated these desirable outcomes it is also important, and probably more useful, to indicate a few general areas in which the UI research output has fallen short of what might have been desired. Two such criticisms seem most salient. First, the review in the previous section most likely erred on the side of making the results of empirical studies on UI seem more certain than they in fact are. In reality many of the studies suffer from a common set of statistical shortcomings: Their overall explanatory power is weak and their point estimates of UI effects are uncertain, not particularly robust, and subject to a number of potential biases. Four factors seem to account for most of those failures. First, much of the recent UI research has relied on state-by-state variation in UI laws to obtain estimates of UI effects. Use of such cross sectional variation is subject to a number of well known pitfalls, perhaps the most important being that state UI laws are generally devised as a response to labor market circumstances and therefore to draw conclusions about the laws' effects can be a hazardous undertaking. A second similar problem arises in statistical studies that make use of "natural variation" in UI parameters such as wage

replacement rates or receipt of special ES services. If variation in such parameters is in fact affected by the outcomes being observed (as, for example, was discussed above in connection with the difficulties of evaluating the ES), substantial biases may be introduced into the analysis. Third, although UI data sources have improved substantially in recent years, available data still suffer from many imperfections: recipients' self-reports of UI benefit histories are notoriously inaccurate; some data sets do not include crucial variables (for example the length of individuals' unemployment spells) and proxy variables (for example data on weeks of compensation received) must be used; similarly UI administrative data generally do not include very much data on workers' backgrounds and on their family circumstances; and data with which to test individual firms' reactions to UI are generally unavailable. Finally, many subjects that warrant close empirical examination do not have sufficiently well developed theoretical models to permit a careful and unambiguous testing. Given these shortcomings, it is important to retain a healthy skepticism about all studies which purport to estimate "the" effect of UI on some outcome of interest. Because of the difficulties involved in making such estimates relatively wide confidence intervals should be attached to them.

A second general criticism of existing UI research is that the focus of much of it has been chosen for academic interest and analytical tractability rather than for direct policy relevance. This is illustrated, for example, by the huge literature that is devoted to measuring the disincentive effects from UI wage replacement levels despite the observed fact that such levels tend to change over time rather slowly if at all and are unlikely to be a major focus of policy debate.⁵ This over-attention to disincentive effects of wage-

⁵ Even when special policies raise wage replacement ratios substantially (as in the Trade Adjustment Assistance and Redwood Workers Assistance programs)

replacement might be contrasted to the relatively meager research on UI duration effects and on the effectiveness of employment services questions for which the immediate payoff in terms of policy might be expected to be great. The lack of attention to policy relevance of much UI research is also reflected in its failure to consider tradeoffs and how policy makers might go about making them. Pointing out that UI affects workers' and firms' decisions is only a first step in laying out the implications of various policy options. But many authors do not go beyond that step, thereby diminishing the value of their work to policy makers. Individuals involved in establishment of UI policy must themselves share some of the blame for this state of affairs since they have not been particularly helpful in laying out various policy options that are being considered so that researchers can provide independent evaluations of them.

Of course criticisms similar to the two made here could be raised about practically all recent research on social policy. And, to some extent, no research will ever be completely free of such criticism. One potential solution to some of the difficulties posed by UI research has, somewhat surprisingly, received relatively little attention. Policy experimentation has been widely used in other areas of social policy (income maintenance, education, health insurance, and housing, to name a few) and would seem to offer a number of advantages for the case of UI: Systematic treatment variation could be introduced in a much more precise way than is available with existing data; data collection efforts could be sharply focused on experimental participants

policymakers seem to pay relatively little attention to the likely disincentive effects. Implicitly they rank compensation goals above efficiency.

rather than being spread over very large numbers of UI recipients; and an experimental context would provide an opportunity to specify the relevant range of policy options in a very careful way. Of course policy experimentation is not itself a guarantee of useful research information. Experiments raise difficult statistical problems of their own (witness the income maintenance experiments) and often pose moral dilemmas as well. Experimenting with existing programs (such as UI) is made additionally difficult because of entrenched interests, legal restrictions, and nearly universal entitlement to a basic set of benefits. And experiments are simply very expensive to conduct properly. Nevertheless, a well thought out program of experimentation in UI policy, perhaps including such areas as duration, disqualification, employment services, and experience rating, could provide a useful supplement to existing research methodologies.

IV. Research on the Distributional Impact of UI

A. General Context

Until recently most research on Unemployment Insurance concerned what might, somewhat loosely, be called its distributional impact. That is, the research focused on how much in UI benefits was paid to different classes of workers and on how well benefit payments compensated for lost earnings. In this section we will briefly survey the research on these two related topics (compensation and distribution). In addition to describing various authors' quantitative results, attention is also paid to the various conceptual problems that have arisen in the research since a certain ambiguity about the relationship between the insurance and distributional functions of UI runs throughout literature on the subject.

B. UI as Compensation for Earnings Losses

From the program's inception the principal function of UI benefits has been to replace earnings lost through involuntary unemployment. Since no state provides even approximately complete earnings replacement and since a number of features of state laws (maximum benefit levels, dependents' allowances, waiting weeks, and duration provisions) affect individuals differently, it is generally not possible to evaluate UI earnings replacement rates on a priori grounds. Rather, it is necessary to have survey data that take into account individuals' circumstances in relationship to their UI benefits. The first studies to do this relied exclusively on UI administrative records to calculate the ratio of UI benefits to gross wages earned on the pre-unemployment job. These found average gross replacement rates of around 45-50 percent with variations about this average being accounted for primarily by interstate variation in benefit levels, by the

effect of prevailing maximum benefit standards, and by redistributive features that are built into some states' benefit formulas. Because of data limitations relatively few studies have been able to improve on these gross estimates. A recent study of UI exhaustees (Nicholson and Corson, 1976) did attempt to account for taxes and work related expenses incurred while employed in computing "net" wage replacement ratios. The authors found that taking such factors into account raised estimated average replacement rates somewhat (to the 55-60 percent range) and introduced wider variation into the rates as a result of differing income tax rates faced by individuals. Nearly 40 percent of white married females with children, for example, had net replacement rates over 0.8 whereas virtually none had gross replacement rates that high. Although these findings referred only to exhaustees in four specific urban areas, they probably reflected fairly closely the situation for more general groups of UI claimants.⁶

Related to the studies of UI wage replacement are a series of analyses of UI "benefit adequacy" (see Haber and Murray, 1966 for a review of earlier work and Burgess and Kingston, 1978 for a recent example). These compare UI benefits to families' "non-deferrable" expenses in an effort to judge

⁶Recently Corson and Nicholson (1980) have proposed a more general "earnings replacement" concept for examining the compensation issue that takes into account benefit duration as well as weekly benefit amount. As might be expected earnings replacement rates are much lower for exhaustees (who experience uncompensated weeks) than for non-exhaustees. A similar finding is reported for Trade Adjustment Recipients by Jacobson (1978) and by Corson and Nicholson (1979).

whether or not those expenses are adequately covered. Authors of such studies have to cope with a number of ambiguities including how "non-deferrable" expenses are to be defined, how those expenses are to be apportioned among other earners in the family, and how "adequate" coverage is to be defined. The net effect of these ambiguities combined with differing household consumption patterns and differing net wage replacement ratios is to produce results that show wide variation among individuals in whether or not UI benefits are indeed "adequate". Probably the most interesting results of the studies is their documentation of the ways in which families adjust to a short term income decline through cuts in consumption, decreased savings, extra work effort by other household members, and use of other transfer benefits (see Burgess and Kingston, 1978b). Although the precise mix of these adjustments differs considerably from one family to another, most adjustments seem to be made relatively early in the unemployment spell thereby illustrating the ways in which individuals change their long term plans in response to changed circumstances.

One difficulty with both the wage replacement and the benefit adequacy research is that it takes little account of the duration of benefits. By focusing on the ratio of two weekly amounts such studies implicitly disregard the fact that UI benefits may run out. That research gap has been traditionally filled by studies of UI exhaustions many of which were conducted in the 1950's and 1960's (see Murray, 1974). Results of these are relatively similar to the benefit adequacy studies in that they find individuals making rather smooth adjustments to their reduced incomes rather than responding sharply to their exhaustion of benefits. The studies find

that in normal times about 25 percent of all UI claimants exhaust their benefits and that during recessions exhaustion rates may rise to around 35-40 percent. A clear implication is that if exhaustion rates of 25 percent are considered to be "adequate" earnings compensation during normal times than maintenance of that adequacy requires extensions of potential durations during recessions. The extent to which benefits should be extended for that purpose has been extensively analyzed for the case of the 1974-75 recession by Corson and Nicholson (1980) and by Katz and Ochs (1980). They reach similar conclusions that the Federal Supplemental Benefits program of extended benefits in those years may have over-compensated for the effects of worsening economic circumstances on individuals exhaustion and earnings compensation rates.

C. Effects of UI on the Distribution of Income

Because UI policy goals are usually phrased in terms of providing insurance-type compensation for lost earnings, more general treatment of the distributional effects of UI transfers has been given only cursory attention. This lack of attention has been compounded by the absence of adequate information on the subject: UI administrative records do not usually contain information on family income and data sources that do focus on family income (the March Current Population Survey, for example) contain substantial reporting errors for UI benefits. Despite these problems, there are a number of reasons why a more general approach to the distributional effects of UI seem warranted. Unemployment Insurance is, after all, a major transfer program that has both significant distributional effects on it own and several important interactions with other transfer programs. Many questions of policy, such as whether UI benefits

should be extended during recessions or how UI benefits should be taxed (if at all) are debated mainly on distributional grounds. And, more generally, estimates of the effects of UI benefits (on, for example, aggregate purchasing power) depend importantly on knowing how benefits are distributed.

Recent interest in the overall distributional effect of the UI program was initially sparked by Feldstein's (1974) estimate that "most... benefits go to middle and upper income families". In support of that assertion he reported a data set based on the (1967) Survey of Economic Opportunity that imputed underreported UI benefits and made other adjustments to income (the Brookings MERGE file). These data showed that UI benefits were, if anything, slightly "regressive" in their distribution: that is, relatively larger amounts in benefits went to high than to low income families. For example, the lowest 28 percent of all families (in terms of pre-UI income) received only 17 percent of total UI benefits and the pattern is even more marked when adjustment are made to the data to take account of the tax exempt character of the benefits. There are several explanations for these at first rather surprising results: low income workers may often be ineligible for UI; higher wage workers receive both higher UI benefits and are more likely to have relatively short periods of joblessness followed by recall; and multiple earner families that collect some UI usually also have an employed member whose earnings maintain a relatively high family income level. Of course, given the nature of Feldstein's data, his precise estimates are subject to a number of uncertainties. But more recent research has come to essentially the same conclusion: it is simply incorrect to view UI as a

program with any substantial anti-poverty, equalizing influences.

More intensively studied than the general distributional effects of UI has been the distributional effects of UI extensions. For this study, the methodology is more straightforward than for the general distributional question and it relies primarily on surveys of UI exhaustees. Two questions are usually asked using such data: (1) How does exhaustion of UI benefits affect exhaustees' incomes?, and (2) Are other transfer programs available that effectively provide income lost through UI benefit exhaustion? With respect to the first of these questions, several studies (Corson and Nicholson, 1976, Kingston and Burgess, 1978b) clearly show that exhaustion of benefits causes substantial numbers of claimants families to experience relatively low incomes. Perhaps as many as 35-40 percent of exhaustees' families have incomes that place them below the official poverty line, at least for some period of time. At the same time, however, a substantial portion of exhaustees have fairly high incomes even without UI benefits. Hence, extending benefits for exhaustees results in paying more out to both needy and non-needy families. If extended benefits programs are viewed primarily as serving a distributional role (although they obviously serve other roles as well), they achieve that end rather inefficiently and some more effective targetting of benefits based on need might be considered.

Although substantial numbers of exhaustees are "poor" immediately following exhaustion of UI benefits, relatively few qualify for other means-tested programs. With the exception of the Food Stamps program, most other means-tested programs are categorical in nature and few exhaustees fit into the programmatic categories. Some versions of

"welfare reform" packages mitigate this problem, but they still leave many exhaustees with incomes substantially below what they received while in UI. If income maintenance programs are to be relied upon to prevent such outcomes they may have to be specifically designed for that purpose.

D. Conclusion

The general conclusion from distributional research on UI then is that the welfare implications of UI benefits are somewhat ambiguous. On the one hand they seem to provide a reasonably high level of after-tax compensation to most unemployed workers although they do less well for high wage workers and for exhaustees. From a more general distributional perspective, however, the evidence is mixed since significant amounts of benefits go to high income families. This mixed judgement probably reflects a certain ambiguity in "insurance" versus "welfare" philosophies for UI and, for the most part, it is probably inevitable. What the research makes clear, however, is that care must be taken in drawing welfare implications about potential changes in UI policy.

V. State and Administrative Research

A growing and important body of research on UI concerns administrative questions such as predicting UI caseloads and costs, estimating workloads for ES offices and simulating effects of various alterations in UI laws. Some of that research is conducted at the Federal level though much more is conducted by the states through their own employment security research divisions. Because of the quantity and diversity of those studies and because the present author knows very little about them, it is not possible to provide even a partial survey here. Instead, this section will offer a few random thoughts by an "outsider" about what appear to be useful grounds for future UI administrative research and how that research might relate to the topics surveyed previously in this paper. Four specific topics provide focus to the discussion: case-load projections; UI administration and enforcement; delivery of ES services; and UI financing records.

All states utilize some method to project UI caseloads and costs. In some cases those methods are quite sophisticated, utilizing macroeconomic models and special time series techniques. Researchers who develop such models and more general UI researchers have a great deal to learn from each other. The state models, for example, seldom take account of the UI disincentive literature nor do they incorporate what is known about differences in labor supply behavior by various population subgroups. The general researchers who use individual or state data on the other hand seldom recognize such intricacies of these data as the importance of seasonal factors, the precise ways in which UI entitlements are calculated, or the importance of specific industry practices to some labor markets. Increased availability of UI data to researchers through the recent Continuous Wage-Benefit History (CWBH) System will probably

magnify these problems. Similar criticisms also apply to macroeconomic researchers who often must predict aggregate UI benefits in their models but who adopt extremely simple methods for doing so rather than relying on the states' experiences.

With regard to states' administrative and enforcement activities, these would appear to generate a great deal of information that would be useful to researchers. Such data tend to be of high quality and to be relevant to a broad range of issues such as beneficiaries' job search and acceptance behavior, details on the nature of claimants' job separations, and the operational activities associated with processing a claim. Unfortunately these data are neither widely available to nor well understood by researchers outside the UI system. Variations in state data collection and recording practices exacerbate such problems. It seems clear, however, that the administrative data provide a great deal of information about newly laid-off workers that could be of substantial value to researchers on unemployment and its causes.

State data generated by Employment Service activities concern primarily how clients are sorted, how various UI eligibility provisions are enforced, and which specific services clients receive. While some of these data have been used in state research activities and a limited subset are available to other researchers through the ESARS data base, they remain relatively untouched. That state of affairs is particularly unfortunate given the increasing policy interest in developing programs of positive adjustment to aid permanently dislocated workers. A greater use of ES administrative records would aid in estimating the population of such workers, help to devise screening devices to identify them, and permit an evaluation of the ways in which the existing mix of services might be supplemented in an effort better to meet their needs. Other uses of ES administrative records might examine effects of various

enforcement procedures or provide additional details on employers' decisions about which jobs to list with the ES. All of these topics would add to current understanding of labor market dynamics by raising issues that cannot be addressed with available data sets.

Finally, investigations of UI financing could be greatly improved through greater access to state data and administrative analyses. As was pointed out in previous sections, most previous studies of UI financing have had to rely on aggregated data and on various proxy measures of the true tax parameters facing firms. State administrative analyses of their tax collections have typically had access to much better data, but data confidentiality problems have prevented these being available to a wider community. These might be overcome in two ways. First, states could provide more detailed data to researchers in aggregated form and those data might be supplemented with various estimates (on effective experience rating, for example) based on individual tax returns. Second, thought might be given to development of a data set drawn from a sample of firms' records in much the way that CWBH records are created. Confidentiality could be preserved in such a data set by requiring that samples only be taken from relatively large population cells, by using only general industry and locational codes, and, of course, by removing all specific identifying information. Availability of such data would not only improve researchers' abilities to analyze specific features of UI financing, but it would also permit analysis of more general issues related to firms' hiring and labor turnover decisions that it is only possible to study currently using rather indirect methods.

This selective list of suggestions is only a brief indication of the ways in which administrative records and state research efforts might be of more use

to outside researchers. While development of specific projects requires far more detail than has been presented here, it is hoped that the discussion has been sufficiently precise to indicate potential benefits to be derived from greater communication between the two groups. Federal initiatives might be directed toward fostering that communication.

VI. Conclusions and Suggested Research Strategies

This paper has attempted to provide a selective summary of a vast body of literature on UI research. It has also tried to indicate some of the ways in which that research might be improved through a closer attention to policy issues, development of better data bases, and use of more appropriate analytical methods. Two general lessons emerge from this discussion. First, that UI has major effects on the U.S. economy and that it is important for policy makers to know those effects. Much remains to be done to increase the reliability of what estimates we have, however. Second is the general lesson that UI is a more complex program and that its distributional effects are less straightforward than is often assumed. State-to-state variations in benefit formulas and financing provisions, the connection between UI and the Employment Service, and the fact UI benefits are based on prior earnings rather than on family income combine to make it especially difficult to generalize about the impact of the program and potential changes in it. Here, more so than in many other cases, offhand comments and political sloganeering are no substitute for careful analysis.

To conclude this review with a specific set of suggestions for future

research would be both duplicative of prior sections⁷ and, perhaps, too analytical for present purposes. Rather, a more useful set of concluding remarks might be directed toward ways in which the process of generating and disseminating UI research results might be improved. Three rather obvious suggestions come to mind. First, individuals involved in UI policymaking might provide more explicit details about policy options that are under current consideration and the relevant trade-offs that will influence the final choice. A series of short, provocative option papers, for example, might do much to focus and stimulate research efforts.

Second, much could be done both to increase researchers' knowledge of existing UI data sources and to supplement those sources. Much of the empirical research on UI to date has utilized data which are in many respects second best and the widespread presumption that the data are of low quality has probably deterred many researchers. In fact, however, as has been pointed out at several places in this review, the quality and accessibility of UI-related data have improved markedly in recent years and that improvement promises to continue--particularly as the CWBH data become more widely available. What is needed is some sort of central cataloging of all UI data together with the technical ability to provide data and other assistance to would-be users. The cost of this would probably be low since it would not involve additional data collection and it could be set up as part of an established institution (for example, the CWBH Data Center).

Finally, there is the need to facilitate the dissemination of UI research

⁷The major policy issues in UI have changed little since the reviews of Haber and Murray (1966) and Blaustein (1968) and these provide a useful supplement to the discussion in this paper.

results. Few surveys of the UI literature have been published and most that have been (such as this one) do little to span the existing gap between academic and administrative research. In addition, reporting of UI research is spread over many journals, and unpublished papers circulate rather randomly. Hence no researcher is likely to be able to keep up with all that is of interest. Hopefully the UI Research Exchange can be broadened and strengthened in ways that help to mitigate these problems.

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APPENDIX

Instructions for Submittal of Items for UI Research Exchange

Items for inclusion should be camera-ready, on heavy weight 8 by 10½ inch bond paper. Margins should be one inch all around. Typing should be single spaced with double spaces between paragraphs and before and after headings.

For research projects planned or in progress, the descriptions should include the following (not exceeding one single-spaced typewritten page):

Study title
Problem to be studied
Method

- Any hypotheses to be tested
- Sampling design
- Data sources
- Method of analysis

Expected completion date
Name, address and telephone number of investigator
contact person for project

For completed research projects, the description should include the following (not exceeding two single-spaced typewritten pages):

Study title
Author
Date of report or publication (if published)
Results, including findings and any conclusions and
policy implications
Method

- Any hypotheses rested
- Sampling design
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- Methods of analysis

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