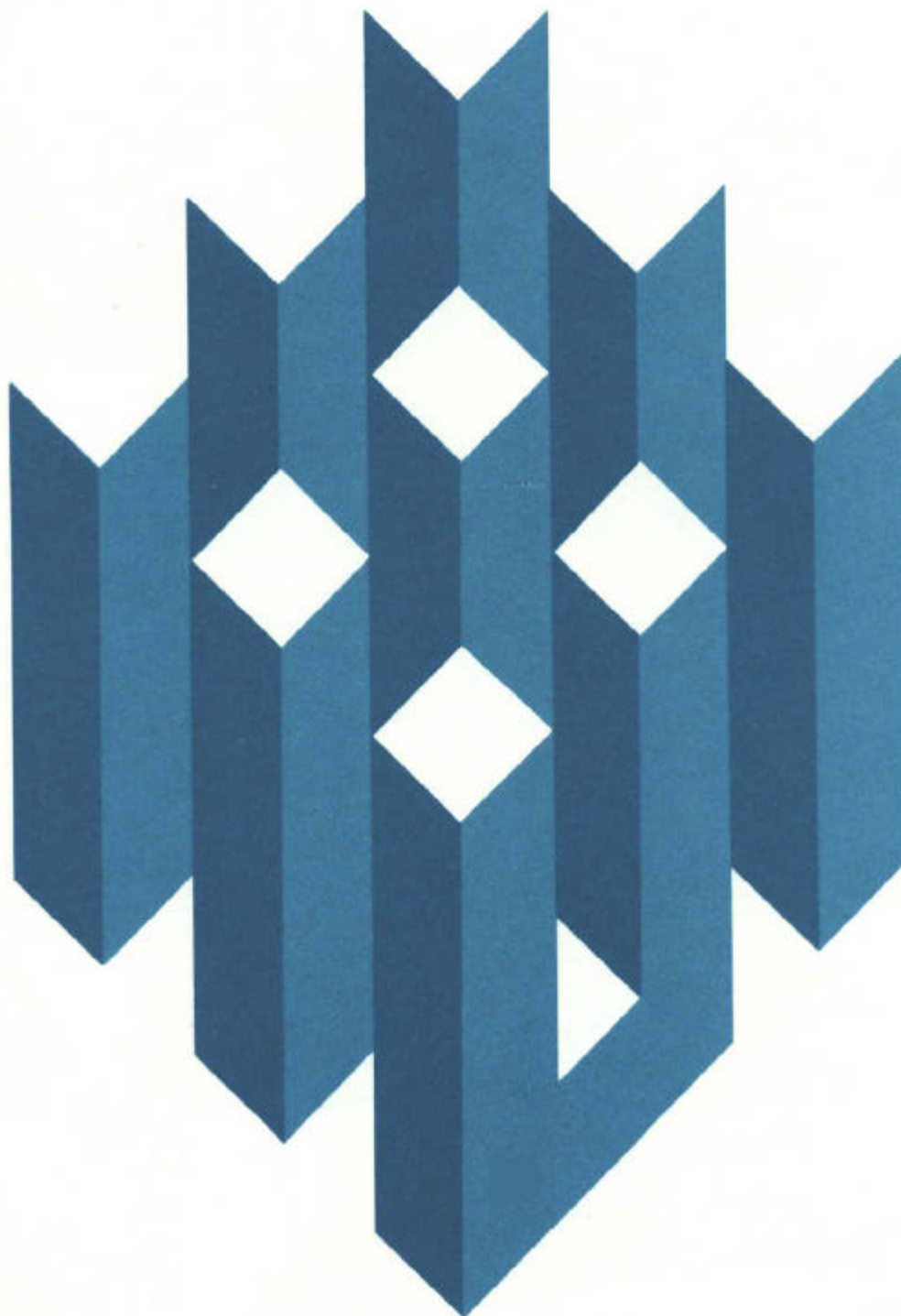


# The Adequacy of Unemployment Insurance Benefits: An Analysis of Weekly Benefits Relative to Preunemployment Expenditure Levels



U. S. Department of Labor  
Employment and Training Administration



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U.S. Department of Labor  
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Employment and Training Administration  
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Assistant Secretary for Employment and Training  
Unemployment Insurance Service  
1978

This report was prepared by Paul L. Burgess and Jerry L. Kingston, Associate Professors of Economics, Arizona State University, and Chris Walters, Director of Contract Research, Unemployment Insurance Bureau, Arizona Department of Economic Security, under sponsorship of the Unemployment Insurance Service of the Employment and Training Administration, U.S. Department of Labor. Because researchers are encouraged to express their own viewpoints, the opinions offered in this document do not necessarily represent the official position or policy of the Department of Labor.



## PREFACE

This is the first of several reports on the Arizona Unemployment Insurance Benefit Adequacy Study. Initiated in July 1975, the investigation constitutes the most comprehensive examination yet undertaken of the adequacy of the UI weekly benefit amount. The entire study, including an analysis of the postexhaustion experiences of those in the study group who exhausted their UI benefits, is scheduled for completion in January 1979.

Although this report provides a brief overview of historical developments in benefit adequacy research, emphasis is placed on the formulation and results of the empirical analysis conducted in the first phase of this study. The analysis at this stage emphasizes comparisons between weekly UI benefit amounts received by beneficiaries while unemployed and the standard of living (as measured by expenditure levels) maintained by their households prior to the spell of unemployment. Further analysis of benefit adequacy, including investigation of the types of adjustments undertaken by beneficiaries during the period of unemployment or following benefit exhaustion, will be undertaken. This analysis will be presented in subsequent reports.

The important contributions of Roger Rossi, Helen Manheimer, and Dr. Robert Crosslin of the Unemployment Insurance Service, Employment and Training Administration, to the overall development of the project are greatly appreciated. We are indebted to Vince Cullinane of the Arizona Department of Economic Security who provided administrative leadership for the project, especially during its formative stages. We are grateful also to the staff of the Research and Reports Section,



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## PROJECT OVERVIEW AND PRINCIPAL FINDINGS

- The basic rationale for this study of benefit adequacy is that the "average" needs of unemployed workers should be used as a basis for establishing benefit formulas because unemployment insurance is a social insurance program. Analysis of the extent to which weekly benefits meet the group needs of the unemployed provides a basis for determining what proportion of lost wages "should" be replaced by UI benefits, even though an individual's entitlement does not and should not depend on individually demonstrated needs.
- The study group was asked to provide information on the beneficiary's gross and net earnings, as well as detailed information on household income and living expenses, for that month out of the last two calendar months prior to unemployment that was more "typical" of the beneficiary's usual employment. This month is denoted as the "preunemployment" or "employed" month.
- Only "necessary and obligated" expenses were included in the analysis for comparison with the beneficiary's weekly UI benefit payment. These expenses are defined as the "necessary" expenditures for goods or services acquired and consumed on a regular basis and those expenses that are expected to be met on a regular basis because of established commitments, legal or otherwise. Expenses that meet this definition are assumed to constitute the "core" component of the household standard of living. Therefore, the extent to which UI benefits prevent "too much hardship" may be determined by comparing benefits with these expenses. The ten categories included as necessary/obligated expenses were housing, food purchased in grocery stores, medical care, credit/loan payments, clothing, transportation, insurance, services/other regular payments, continuing/regular support of persons outside the household and lump-sum payments for property and income taxes.



- For comparison with the weekly benefit payment, the beneficiary's share of necessary/obligated expenses is defined as the ratio of the beneficiary's gross earnings in the preunemployment month to gross recurring household income during the same month. The rationale for this definition is that only the portion of these expenses sustained by the beneficiary's wage prior to unemployment is relevant for comparison with the weekly benefit amount.
- The measure of benefit adequacy utilized in the analysis is each beneficiary's weekly benefit amount divided by his or her (weekly) share of the necessary/obligated household expenses that were paid during the preunemployment month. No "critical value" for this measure of benefit adequacy is selected a priori to determine whether benefits are "adequate" for an individual beneficiary. The emphasis is on the relative degree of benefit adequacy found for the total group and for certain subgroups, rather than on the percentage of claimants who had any predetermined proportion of (their share of) expenses covered by UI benefits. This approach recognizes that whether benefits are judged to be "adequate" is an almost totally subjective decision. Thus, the evidence is presented to enable each reader to make the subjective judgment on just how "adequate" or "inadequate" benefits appear to be.
- The definition of the household unit is an important issue for any benefit adequacy study. It is essential to develop a definition that facilitates the collection of accurate income and expense data for the household unit in which the beneficiary lives. For this study, the household is defined as the beneficiary and, if present, the spouse plus all persons who resided with the beneficiary and who received 50 percent or more of their monthly support from the beneficiary and spouse. The pretest results had supported the need to have a definition that revolved around the beneficiary (rather than around the "head" of a household as conventionally defined) in order to obtain more accurate income and expense data for the household unit. Subsequent analysis revealed that this household definition proved to be valuable from an analytical viewpoint, in addition to being necessary for the collection of reliable

information. Seven household types were developed for the analysis. These household types were based on factors such as the number of household members, number of earners, and whether a spouse was present.

•The sample selected for the study was drawn randomly throughout the twelve-month period beginning in mid-September, 1975. Only claimants who qualified for benefits under Arizona's benefit formula were included. In addition, only claimants who filed a first claim in their benefit years were included, so that the adequacy of benefits could be related to the experiences of the study group at specified points in time during their first unemployment spell and for a complete benefit year. Furthermore, only those who received payment for at least five consecutive weeks of unemployment were included in the study. A total of 4468 claimants were chosen for the study and completed interviews were obtained for 3348 of these beneficiaries. The analysis is based on the 3196 claimants for whom the expense and income data (considered together) appeared to be sufficiently accurate for purposes of analysis. The sample selection began just as a weak recovery from the 1974-75 recession was underway. The unemployment rate averaged 9 percent during the intake period. Construction, manufacturing, and mining were especially hard hit by the recession, and the slow recovery of these industries was reflected by relatively high claims loads from workers in each of these industries.

•Males comprised two-thirds of the study group, and half of all claimants were under the age of 35 years. Whites accounted for 80 percent of the study group, and persons with Spanish surnames made up 14 percent of the total. Workers last employed in professional/technical/managerial, clerical/sales and structural work occupations dominated the occupational distribution. Contract construction and trade each represented the industry of previous employment for over one-fourth of the sample, whereas manufacturing and services each accounted for about one-sixth of the sample. Nearly one-fifth of the sample had gross weekly earnings of \$300 or more in the preunemployment month, and about 45 percent had weekly earnings of at least \$175

during that month. Just over half of the sample qualified for the maximum weekly benefit payment of \$85. The characteristics of the study group are remarkably similar to the characteristics of all Arizona claimants. Also, comparisons of the characteristics of respondents and nonrespondents revealed very few statistically significant differences between the two groups; apparently, there were no nonresponse biases introduced that would affect materially the results of the study.

- Because the emphasis of the study is on the extent to which weekly benefits met the beneficiary's share of necessary/obligated expenses during the preunemployment month, the wage-replacement ratios emphasized are for the wages earned during that same month. Weekly benefits amounted to at least half of the weekly wage during the preunemployment month for 35 percent of the study group in terms of gross wages and for 58 percent in terms of net wages. Overall, the average benefit-wage ratio was 44 percent for gross wages and 56 percent for net wages.
- In addition to the loss of wages, a large proportion of the beneficiaries lost one or more important fringe benefits. Medical insurance and vacation leave each were lost by about three-fifths of the sample. Life insurance and sick leave each were lost by at least three-tenths of the study group. Disability insurance, retirement fund rights and merchant discounts each were lost by at least one-fifth of the sample.
- Nearly two-thirds of these beneficiary households had necessary/obligated expenses for the preunemployment month of \$300-\$899; only one-tenth had expenses below this range, and the remaining one-fourth of the households had necessary/obligated expenses of \$900 or more for the month. Housing and food represented the largest two expense categories (as a percent of total necessary/obligated expenses) followed by credit/loan payments and transportation expenses. The two smallest expense categories were taxes and regular/continuing support of members outside of the household.

- For nearly two-thirds of the sample, necessary/obligated expenses represented at least 80 percent of total household expenses. For some household types, however, large differences were found between necessary/obligated and total expenses. For example, necessary/obligated expenses amounted to at least 80 percent of total expenses for less than four-tenths of those beneficiaries who had no other household members and lived with relatives.
- The beneficiary's share of necessary/obligated expenses was identical to the total of these expenses for the entire household for just over half of the study group, and equal to at least four-fifths of the household total for just over 60 percent of the sample. The beneficiary's share of these monthly expenses amounted to less than \$500 for just over half of the study group, and under \$700 for about three-fourths of the sample. As would be expected, the dollar amount of the beneficiary's share of expenses tended to be much larger for those who were sole earners and had relatively large households than for those in any other household type.
- Overall, the beneficiaries encompassed by this study had an average of 63 percent of their share of necessary/obligated household expenses covered by their weekly UI benefit payments. This average, however, conceals considerable disparity among individual beneficiaries. For example, 11 percent of the beneficiaries could meet only 35 percent or less of their share of necessary/obligated expenses in the preunemployment month with their weekly benefit payments, but 14 percent had benefits sufficient to cover 100 percent or more of their share of these expenses. Between these extremes, 21 percent had 36-50 percent of their expenses covered by their weekly benefits, 23 percent fell in the 51-65 percent adequacy category, 22 percent were in the 66-85 percent category and 9 percent had benefits sufficient to meet from 86-99 percent of their share of necessary/obligated expenses.

- By household type, benefits were more adequate for beneficiaries who had no other household members and lived with relatives than for those in any other household type. In contrast, benefits clearly were less adequate for beneficiaries who were sole earners in relatively large households (three-or-more persons, including a spouse) than for those in any other household type.
- Benefits were more adequate for females than for males, and for younger than for middle-age workers.
- The relative degree of benefit adequacy declined markedly for those with successively higher gross (or net) wages in the preunemployment month, in large part because of the maximum weekly benefit of \$85.
- As expected, benefits were less adequate for those who received the maximum weekly benefit amount than for those in any other weekly benefit category. An unexpected finding, however, is that benefits also were relatively inadequate for those at the bottom of the WBA scale (\$15-\$44).
- Conclusions on the degree of benefit adequacy for the total sample would be substantially the same whether weekly benefits were compared with all necessary/obligated expenses (the measure emphasized) or with just the six major expense categories for the sample--housing, food purchased at grocery stores, credit/loan payments, transportation, insurance, and medical care.
- The time claimants' delayed filing for benefits after their job-separation dates was virtually unrelated to the adequacy of benefits available to these workers.
- The changes in the relative degree of benefit adequacy that would result from altering the existing benefit formula were analyzed. The changes considered were: increases in only the existing maximum weekly benefit amount of \$85; increases in only the existing minimum weekly benefit amount of \$15; increases

in both the existing maximum and minimum benefit amounts, on the assumption that the existing wage-replacement ratio (1/25 of high quarter earnings) would continue to be used; increases in both the existing maximum and minimum weekly benefit amounts, together with an increase in the existing wage-replacement ratio from 1/25 to 1/22 of high quarter earnings; and the addition of a dependents allowance to the existing benefit formula. The major findings of this analysis of alternative benefit formulas are summarized below.

- The increases in just the maximum weekly benefit amount (with no change in the existing wage-replacement ratio) would provide some additional income for over two-fifths of the total sample. The percentages of the total group that could have qualified for a higher maximum benefit were 44 percent for the \$95 maximum, 37 percent for the \$105 maximum and 27 percent for the \$127 maximum.
- Successive increases in the maximum weekly benefit amount (with no change in the existing wage-replacement ratio) to \$95, \$105, and \$127 each would increase somewhat (but not markedly) the percentage of beneficiaries in the top benefit adequacy categories. It also should be noted that each of these changes would decrease the percentage of claimants in the lowest benefit adequacy categories.
- An increase in the minimum weekly benefit from \$15 to \$35 (with no change in either the wage-replacement ratio or the maximum benefit payment) would affect only 6 percent of the study group, and would have very little effect on the overall degree of adequacy recorded for the total sample.
- The effect of simultaneously increasing the minimum benefit amount to \$35 and the maximum to \$95, with no change in the wage-replacement ratio, would increase only slightly the relative degree of benefit adequacy recorded for the total sample.

- An increase in the minimum WBA to \$35 and the maximum to \$95, but with an increase in the wage-replacement ratio from 1/25 to 1/22 of high quarter earnings, would have a much more pronounced impact than the immediately preceding change summarized. This formula would place 33 percent of the beneficiaries in the top two benefit adequacy categories (86% or more), compared with only 23 percent under the existing formula. At the lower end of the adequacy scale, 43 percent of the sample would fall in the lowest three adequacy categories (65% or less) under this revised formula, compared with 55 percent under the existing formula.
- The dependents allowance considered would provide \$5 for any nonearning spouse and for each dependent child under 18 years of age, up to a maximum allowance equal to the lesser of \$15 or one-half of the beneficiary's weekly benefit amount; otherwise the formula would be identical to the existing one. Interestingly, the overall effect on benefit adequacy of this change would be nearly the same as the effect of just an increase in the maximum benefit to \$105. Comparing the dependents allowance formula with the existing formula, 28 percent vs. 23 percent of the beneficiaries would fall in the top two adequacy categories, whereas 25 percent vs. 32 percent would be in the bottom two benefit adequacy categories.
- The differential effects on the adequacy of weekly benefits for beneficiaries in the different household types were explored for the \$105 maximum formula and the dependents allowance formula. For each of these formula changes, those at the top of the benefit adequacy scale under the existing formula--especially beneficiaries who had no other household members and lived with relatives--would benefit least. In contrast, the ones who would benefit the most from either change are those at the bottom of the adequacy scale under the existing formula--especially sole earners with three-or-more household members, including a spouse. The important implication of this finding is that either of these benefit formula changes (and presumably most of the other ones considered) would reduce considerably the disparity in benefit adequacy found among the seven household types.

## CHAPTER I

### OVERVIEW OF UNEMPLOYMENT INSURANCE AND THE ISSUE OF BENEFIT ADEQUACY

The Unemployment Insurance (UI) program was established primarily to reduce the financial hardships experienced by covered workers as a result of involuntary unemployment. The emphasis of the program from the outset has been on "insuring" the wages lost by unemployed workers. Accordingly, the benefit entitlement of workers is based solely on previous earnings in most states. Traditionally, the notion that UI benefits should replace one-half of lost wages, at least up to some maximum benefit amount, has been relied on quite consistently in developing benefit formulas. Although it generally has been accepted that the needs of the unemployed to maintain their standards of living must be balanced against the disincentive that may result from providing a weekly benefit payment that is too high, it is not at all obvious that replacing half of lost wages is the appropriate goal. Rather, this standard seems to have been accepted mainly as a matter of conventional wisdom, unsupported by substantive analysis. Hopefully, this study will provide a more concrete basis for evaluating how high weekly benefits should be set, at least in terms of meeting the needs of the unemployed.

The overall effectiveness of the UI program depends on numerous factors other than the size of the weekly benefit amount, including:

- (1) the prior earnings requirements workers must meet to qualify for benefits;
- (2) other provisions workers must meet to be eligible for benefits, including job search requirements;
- (3) the procedures available to workers and employers for appealing decisions;
- (4) the potential duration of weekly benefits.

The focus of a benefit adequacy study, however, is restricted almost solely to the weekly benefit amount, to the exclusion of these other features of the UI system.<sup>1</sup> Nonetheless, the specific provisions of the UI program are relevant to any analysis of benefit adequacy, and these provisions are determined by individual states (enacted to conform with federal standards). Because various mixes of these components are found among the different states,



studies of the adequacy of UI benefits have been based on information about beneficiary experiences within individual states. The present study conforms to this pattern and is based on the experiences of a group of beneficiaries who became unemployed in Arizona during 1975 and 1976.

Philosophical issues obviously are an integral part of any consideration of benefit adequacy, but these issues receive little treatment in this study because of the thorough treatment accorded most of them by Father Joseph Becker.<sup>2</sup> The orientation of this and subsequent reports on the Arizona Benefit Adequacy Study is to provide background research that is necessary for informed policy decisions about the adequacy of weekly benefits. Before turning to that analysis, the remainder of the chapter provides a general discussion of the concept of benefit adequacy, and presents a brief summary of the main provisions of Arizona's UI system under which the claimants analyzed drew benefits.

#### THE CONCEPT OF BENEFIT ADEQUACY

Because conclusions about the adequacy of weekly benefits necessarily are subjective, adequacy assessments reasonably cannot be undertaken without prior consideration of the norms by which adequacy is to be measured. As Father Joseph Becker noted some years ago, the relevant norms are "needs-related," even though an individual's entitlement to benefits should not (and does not) depend on individually demonstrated needs.<sup>3</sup> Rather, it is the presumed or average needs of a general class that should be used to establish benefit formulas. It is this characteristic that provides unemployment insurance with its basic orientation as a social insurance program. In effect, analysis of the extent to which weekly benefits meet the group needs of the unemployed provides a basis for making a subjective judgment about the proportion of lost wages that should be replaced by UI benefits. Otherwise, it would be necessary to establish benefit formulas arbitrarily and without reference to the relation of benefits to living expenses. Such an approach would be taken if the UI program were a private insurance system, but certainly group needs should be addressed by a social insurance program.<sup>4</sup> The issues of vertical and horizontal equity--defined, respectively, as unequal treatment of those in different circumstances and equal treatment of

those in the same circumstances--certainly are relevant to the benefit adequacy issue and to the determination of an appropriate benefit formula. In this regard, dispute arises as to how "equal treatment" and the "same circumstances" should be defined. In particular, one must make judgments about which expenses are relevant for consideration. Obviously, other goals of unemployment insurance temper the extent to which horizontal and vertical equity, whether defined in terms of earnings or needs, can be reflected in any actual benefit schedule. Nonetheless, these equity considerations are relevant to the entire benefit adequacy concept and, therefore, to the subsequent analysis provided.

Several features of the present UI program indicate that adequacy norms are related to group (but not individual) needs. The existence of the program itself is a result of the unmet needs of specific groups of workers in an industrial society--persons who have demonstrated a strong attachment to the labor force and experience spells of involuntary unemployment. Individual state laws, which define the UI benefit structure, each contain minimums and maximums for weekly UI benefit payments. Statutory lower limits partly may reflect judgments as to the most fundamental needs which should be met through the receipt of UI benefits. At the other extreme, the existence of a maximum weekly benefit amount may imply a judgment that beneficiary needs do not rise proportionately with earnings levels throughout the entire earnings range; higher-earnings persons apparently are expected to provide for more of their own assistance than are those who earn less. Similarly, implicit judgments as to the greater needs of beneficiaries with dependents apparently are responsible for the existence in 12 states of provisions that permit the payment of higher benefits to claimants with dependents. Although the presumed needs of the group are basic to the benefit structure, individual entitlements to weekly benefits are determined by a legally established "right" to benefits, based on prior earnings (not on individually demonstrated needs). An obvious result of such a system is that the extent to which benefits adequately meet the needs of the unemployed will vary considerably among claimants who have the same earnings prior to unemployment.

Although the degree of adequacy may vary considerably, it long has been recognized that the overall benefit structure must be developed in light of

a somewhat conflicting objective--providing "adequate" support but without impairing work incentives. A 1952 study of UI benefit adequacy conducted by the Florida Industrial Commission, for example, identified two basic limiting principles upon which the weekly benefit structure was to be based: (1) the WBA should not be so high as to leave the benefit recipient without a strong incentive to return to work; and (2) the WBA schedule should not be so low as to necessitate its supplementation by relief agencies or private charities.<sup>5</sup> The first principle implicitly provides a "negative" perspective on benefit adequacy, whereas the second reflects a "positive" perspective. Renewed emphasis on the negative perspective has flourished during the last half-decade, both as a result of and as a reaction to the development of new theories of "voluntary" and "job-search" unemployment.<sup>6</sup> Concern about the possible disincentives of unemployment insurance also probably has been enhanced by the significant increases in the comprehensiveness of program coverage.

Empirical investigations which have focused directly on the adequacy of the weekly UI benefit payment necessarily have utilized standards against which the adequacy of weekly benefit levels have been compared. In his 1961 study, Becker suggested four criteria for assessing the extent to which UI benefits meet the needs of the unemployed.<sup>7</sup> The first of these suggested criteria was that benefits would be adequate if they equalled at least half of lost wages. The other criteria suggested by Becker were that benefits might be judged to be adequate if beneficiaries did not experience "too much" hardship, where too much hardship is measured by:

- (1) a reduction in living standards or net assets;
- (2) unemployment benefits inadequate to meet "nondeferrable" expenses;
- (3) unemployment benefits inadequate to prevent beneficiaries from entering relief rolls.

The standard utilized to assess benefit adequacy in the present study--the extent to which weekly benefits meet the claimant's share of "necessary/obligated" expenses--is discussed in the following chapter.

## ARIZONA BENEFIT PROVISIONS

Arizona's weekly UI benefit payment is equal to the lesser of \$85 or 1/25 of earnings in the high quarter (\$15 is the minimum payment because of earnings requirements for eligibility). No dependents allowances are provided by the Arizona formula. The maximum weekly benefit amount of \$85 amounted to 47 percent of the 1975 state-wide average weekly wage in covered employment. On this basis, and excluding dependents allowances paid by any state, Arizona (and Missouri) rank 44th in a listing of all states (including the District of Columbia and Puerto Rico) in which the states are ranked from high to low by the ratio of the maximum WBA to the state-wide average weekly wage in covered employment.<sup>8</sup>

Other elements of Arizona Employment Security law may be summarized briefly here as background for this report. In order to qualify for benefits, a claimant must satisfy the following earnings requirements: (1) wages paid for insured work during the base period (the first four of the last five completed calendar quarters) must equal at least one and one-half times the wages paid in the quarter of highest earnings in the base period; and (2) wages paid for insured work in one calendar quarter of the base period must equal at least \$375. In addition, a claimant must meet other "nonmonetary" requirements to be eligible for benefits. For example, claimants must be able and available for work and must not refuse "suitable" work in order to receive benefits. Under Arizona law, a claimant also must serve a "waiting week" without compensation prior to the receipt of benefits during a benefit year.<sup>9</sup> The total benefits that can be received by a beneficiary during a benefit year are given by the lesser of base period wages divided by three or 26 times the weekly benefit amount. Thus, the effective limit on receiving the full WBA is 26 weeks, although workers could receive partial benefits for a longer period because of odd-job income (which would reduce benefits one dollar for each dollar of earnings after the \$15 earnings forgiveness). The 26-week upper limit to potential duration for total unemployment (i.e., no partial earnings) is quite common among states.

The impact of Arizona's benefit formula may be illustrated with data for claimants filing for benefits during FY 1976.<sup>10</sup> During this period,

79,319 claimants were certified as monetarily eligible for benefits, whereas 31,201 claims for benefits were disallowed because those filing them did not satisfy the prior earnings requirements that must be met to receive benefits. The relatively large number of claimants who failed to qualify for benefits is an indication that even relatively modest earnings requirements screen substantial numbers out of the program because of insufficient labor market attachment.<sup>11</sup>

#### THE ISSUES ANALYZED

The focus of this report is on:

- (1) the extent to which weekly benefits replaced the earnings beneficiaries had during a recent month of "typical" employment;
- (2) how adequately weekly benefits cover the beneficiaries' share of certain household expenses;
- (3) the impact on benefit adequacy of changing the existing benefit formula in any of several different ways.

A subsequent report will provide further insights on benefit adequacy by analyzing (separately for those with 13 and 25 consecutive weeks of unemployment):

- (1) changes in household income following unemployment;
- (2) the adjustments in household expenses made following unemployment;
- (3) other adjustments undertaken because of unemployment, such as depletion in assets;
- (4) the job search conducted by UI beneficiaries.

Also included in subsequent reports will be analyses of the relationship of benefit adequacy to:

- (1) the adjustments in household income and expenses made up to the 13th and 25th weeks of unemployment by persons unemployed for 25 consecutive weeks;
- (2) other adjustments made up to the 13th and 25th weeks of unemployment by persons unemployed for 25 consecutive weeks;
- (3) various dimensions of the jobs secured by those who returned to work;
- (4) the post-exhaustion experiences of those who received all the benefits to which they were entitled.

Thus, this report should be viewed as the basic foundation for evaluating benefit adequacy, but the subsequent reports also must be considered for a full picture of the issue. Before addressing the main issues analyzed in this report, the next chapter contains a discussion of the overall design utilized for the study. The characteristics of the claimants analyzed also are discussed in Chapter II.

## FOOTNOTES FOR CHAPTER I

<sup>1</sup>For excellent discussions of many dimensions of unemployment insurance in this country and abroad, see the following: Daniel S. Hamermesh, *Jobless Pay and the Economy*. New York: John Hopkins University Press, 1977; and Saul J. Blaustein and Isabel Craig, *An International Review of Unemployment Insurance Schemes*. Kalamazoo: The W.E. Upjohn Institute for Employment Research, 1977.

<sup>2</sup>Joseph Becker, *The Adequacy of the Weekly Benefit Amount in Unemployment Insurance*. Kalamazoo, Michigan: The W.E. Upjohn Institute for Employment Research, 1961.

<sup>3</sup>Ibid., pp. 16-18.

<sup>4</sup>For a dissenting view, see Daniel S. Hamermesh, op. cit., Chapter 5. Hamermesh apparently rejects even the analysis of group needs in establishing benefit formulas. He contends instead that the wage-replacement ratio should be determined a priori.

<sup>5</sup>Florida Industrial Commission, *Analysis of Weekly Benefit Amount Formula Development*. Unemployment Compensation Research Memorandum No. 1, Tallahassee: Florida Industrial Commission, 1952, p. 9.

<sup>6</sup>Concern about the potential effects of UI benefit payments on work incentives has existed since the formation of the UI program. In recent years, however, these effects have been the subject of numerous investigations. Much of the recent work-incentives controversy was stimulated by Martin Feldstein's testimony before the Joint Economic Committee. See Testimony of Martin Feldstein, U.S. Congress, Joint Economic Committee, 1973 "Hearings before the Joint Economic Committee, Congress of the United States, Ninety-third Congress, Second Session, October 17, 18, and 26, pp. 27-28." Prior to that time, however, several studies of the impact of UI benefit payments on the duration of unemployment had already appeared. See, for example: Charles Lininger, *Unemployment Benefits and Duration* (Ann Arbor: University of Michigan Institute for Social Research, 1963) 120 pp; Gene Chapin, "Unemployment Insurance, Job Search, and the Demand for Leisure," *Western Economic Journal* 9 (March, 1971), pp. 102-107; Jerry L. Kingston and Paul L. Burgess, "Unemployment Insurance, Job Search and the Demand for Leisure: Comment," *Western Economic Journal* 9 (December, 1971), pp. 447-450; and D. I. MacKay and G. L. Reid, "Redundancy, Unemployment and Manpower Policy," *Economic Journal* 82 (December, 1972), pp. 1256-1272. Since his original testimony, Professor Feldstein has developed his arguments in "Unemployment Insurance: Time for Reform," *Harvard Business Review* (March-April, 1975) pp. 51-61; "The Economics of the New Unemployment," *The Public Interest* 33 (Fall, 1973), pp. 3-42; and "Unemployment Compensation: Adverse Incentives and Distributional Anomalies," *National Tax Journal* 27 (June, 1974), pp. 231-244. Other empirical studies of the relationship between UI support levels and the duration of unemployment include: Paul L. Burgess and Jerry L. Kingston, *Impact of Unemployment Insurance Benefits on Unemployment Duration of Reemployed Workers* (Washington: U.S. Department of Labor, Manpower

Administration, Unemployment Insurance Service, 1973); Raymond Munts and Irwin Garfinkel, *The Work Disincentive Effects of Unemployment Insurance*, (Washington: The W. E. Upjohn Institute for Employment Research, 1974); Steven T. Marston, "The Impact of Unemployment Insurance on Job Search," *Brookings Papers on Economic Activity*, 1 (1975), pp. 13-48, with comments by Robert Hall (pp. 49-51), Charles Holt (pp. 51-52), and Martin Feldstein (pp. 52-58); Jerry L. Kingston and Paul L. Burgess, "Unemployment Insurance and Unemployment Duration," *Quarterly Review of Economics and Business*, 15 (Winter, 1975), pp. 65-79; Ronald G. Ehrenberg and Ronald L. Oaxaca, "Unemployment Insurance, Duration of Unemployment, and Subsequent Wage Gain," *American Economic Review*, 66 (December, 1976), pp. 754-766; Gary S. Fields, "Direct Labor Market Effects of Unemployment Insurance," *Industrial Relations*, 16 (February, 1977), pp. 1-14; and Jerry L. Kingston and Paul L. Burgess, "How Do UI Benefits Affect the Benefit Utilization Rate?" *Industrial Relations*, 16 (February, 1977), pp. 15-25. Studies which have estimated the effect of UI support levels on reemployment experiences (wage rates or earnings levels) include: Paul L. Burgess and Jerry L. Kingston, "The Impact of Unemployment Insurance Benefits on Reemployment Success," *Industrial and Labor Relations Review*, 30 (October, 1976), pp. 25-31; and Ronald Ehrenberg and Ronald Oaxaca, loc. cit. Also see, *Industrial and Labor Relations Review*, 30 (July, 1977), pp. 431-526, for a collection of papers on the economics of unemployment insurance.

<sup>7</sup>Becker, op. cit., pp. 21-22.

<sup>8</sup>Paul L. Burgess, Jerry L. Kingston, Robert D. St. Louis and Chris Walters, *The Unemployment Insurance Weekly Benefit Amount: A Comparison of Arizona Provisions with Other States*. Phoenix: Arizona Department of Economic Security, Unemployment Insurance Bureau, November, 1976, 44 pp. This study was prepared for the Arizona Unemployment Insurance Task Force of the Arizona Department of Economic Security.

<sup>9</sup>For a detailed picture of Arizona's eligibility provisions, see Joseph P. Anderson, Sheryl Greenberg, Donald Merwin, Paul L. Burgess, Jerry L. Kingston, and Robert D. St. Louis, *Arizona's Unemployment Insurance System: An Overview From the Claimant's Perspective*. Phoenix: Arizona Department of Economic Security, Unemployment Insurance Bureau, June, 1977, 27 pp.

<sup>10</sup>The information utilized in the text was obtained from data collected for the Arizona Unemployment Insurance Task Force. The data on ineligible claims will be provided in a forthcoming Task Force report, whereas that on eligible claimants is contained in *The Unemployment Insurance Weekly Benefit Amount*, op. cit., pp. 5 and A-1. All data relate to regular UI claimants.

<sup>11</sup>About one-third of those ineligible for benefits had insufficient base period or high quarter earnings, and nearly one-half failed to meet the requirement that base period earnings must equal at least one and one-half times high quarter earnings.



## CHAPTER II

### PROJECT DESIGN AND STUDY GROUP CHARACTERISTICS

The degree of hardship experienced as a result of unemployment by a particular claimant depends on many factors, including: the number of persons dependent on the claimant's wage income, total household expenses, the number of other earners, household assets, and the duration of the beneficiary's unemployment. Each of these factors is accounted for in assessing benefit adequacy in either this or subsequent reports. Although UI benefits typically are based only on the prior earnings of individual claimants, most beneficiaries are part of a household, and the household circumstances just noted certainly are relevant in assessing how adequately a given benefit formula meets the needs of those who receive benefits. The consideration of household circumstances is appropriate even though any policy decisions almost certainly would be implemented through a wage-related formula which would not account for the individual needs or household circumstances of beneficiaries (with the possible exception of dependents allowances). The justification for such an approach is, as Becker has explained, grounded in the necessity to determine group needs as a basic input in determining a particular benefit structure. Thus, a number of factors that ultimately will not be included in any benefit formula are included in the study to provide perspective for evaluating the adequacy of existing or hypothetical wage-based formulas.

In this chapter, the two fundamental issues encountered in any benefit adequacy study--the standard utilized to measure benefit adequacy and the definition of the household unit--are discussed. Following a brief overview of the mechanics of identifying and selecting the sample, the characteristics of the group analyzed then are summarized.

#### THE STANDARD OF BENEFIT ADEQUACY

The broad standard of benefit adequacy utilized throughout this report is the ratio of the weekly benefit amount (WBA) to the beneficiary's "share" of household "necessary and obligated" expenses paid during a month of

"typical" employment prior to the onset of unemployment. This basic standard for evaluating benefit adequacy is expense related because weekly benefits relative to "appropriate" expenses should provide the most direct means of analyzing whether beneficiaries as a group experience "too much hardship." A number of issues arise in defining the standard of benefit adequacy utilized. Although each of these issues is discussed in further detail as they are analyzed in subsequent chapters, an overview of each is provided here because of their importance to the conceptual framework of the study.

The "typical" month chosen for analysis was identified by the beneficiary as that one out of the last two calendar months prior to unemployment more typical of his or her usual employment.<sup>1</sup> (Throughout this report, this "typical" month of employment is referred to as the employed month or the preunemployment month; in most cases this month was the last full calendar month prior to claims filing.) It should be noted that some of the beneficiaries who had anticipated their subsequent unemployment may have adjusted their expenses during the preunemployment month. There is no basis for measuring the extent to which such adjustments actually were made. Even whether "normal" expenditures would have been increased or decreased is not known, although most might be expected to cut back spending in anticipation of unemployment. In any case, there is no basis for assuming that any such expenditure adjustments were a major factor. Thus, the expenditure data collected are assumed to be quite representative of the pattern of expenses that would be recorded by these claimants during a month of typical employment.

The method utilized to determine the beneficiary's share of expenses requires some elaboration. As Becker has noted:

In strict logic, since unemployment benefits are calculated on the basis of previous wages earned, they should be expected to sustain only that proportion of nondeferrable expenditures which the beneficiary's wages sustained while he or she was employed. Presumably, that proportion is given by the ratio of the beneficiary's wage to family income.<sup>2</sup>

In this study, the beneficiary's share of household expenses is given by the ratio of the beneficiary's gross earnings in the preunemployment month to gross recurring household income during the same month.<sup>3</sup> Following Becker, the assumption is that, regardless of what household expenses are considered,

the claimant's share of these expenses is given by the ratio of the claimant's earnings to household income.

The concept of "necessary and obligated" expenditures used in this analysis represents an extension of the "nondeferrable" expenditures concept employed by Becker,<sup>4</sup> and the "recurring" expense concept used by Blaustein and Mackin.<sup>5</sup> In the studies reviewed by Becker, expenditures for food, housing, clothing, and medical care were defined as nondeferrable.<sup>6</sup> The "recurring" expense concept was somewhat broader in scope and encompassed, in addition to the items described above, regular monthly payments made on installment loans and other outstanding indebtedness.<sup>7</sup> The concept of necessary and obligated expenses utilized in the present study is one which encompasses the "necessary" expenditures for goods or services acquired and consumed on a regular basis and those expenses that are expected to be met on a regular basis because of established commitments, legal or otherwise. The rationale for this definition is rooted in the concept of the standard of living established by the beneficiary's household. Expenses which meet one or more of the criteria defined above are assumed to constitute the "core" component of the household's standard of living. Generally, the household unit becomes accustomed and financially obligated to this living standard, and rapid downward adjustments in it are difficult to make. Moreover, the extent to which UI benefits prevent "too much hardship" surely should be related in some way to the essential components of the family's standard of living.

The items included in the necessary and obligated expense definition are the following:

- (1) housing (including utilities and necessary maintenance);
- (2) food purchased in grocery stores;
- (3) medical care (including prescriptions and payments on past medical care);
- (4) credit and loan payments;
- (5) clothing;
- (6) transportation (including gasoline and maintenance);
- (7) insurance (including union dues);
- (8) services and other regular payments;

- (9) continuing and regular support of persons outside the household;
- (10) lump-sum payments for property and income taxes.

Further perspective on this expense concept is provided by indicating what items were excluded by the necessary and obligated criterion. The following expenditures were excluded:

- (1) expenses for remodeling, rather than maintaining a house;
- (2) contributions to charity;
- (3) payments for gifts;
- (4) the purchase of meals/snacks away from home;
- (5) entertainment expenses;
- (6) out-of-town travel or vacation expenses;
- (7) educational expenses;
- (8) other important payments (e.g., legal or accounting fees); and
- (9) lump-sum payoffs of past debts or purchases of major consumer durables.

It should be emphasized that the ratio of a particular household's necessary/obligated expenditures to its total income will affect the adequacy of benefits, as measured in this report. That is, the higher the percentage of income spent on these expenses, the lower the degree of benefit adequacy recorded. Therefore, two households with equal incomes, beneficiary earnings, and weekly benefits--but with different necessary/obligated expenses--would have different levels of benefit adequacy. In this example, benefits would be less adequate for the beneficiary who had the higher ratio of spending to income.<sup>8</sup>

Once a standard of benefit adequacy has been defined, the issue arises whether a specific criterion then should be chosen to indicate that benefits are or are not adequate for any particular claimant. According to one of the criteria used by Becker, weekly UI benefits were judged to be adequate if benefits covered at least 100 percent of the beneficiary's share of nondeferable expenditures, and inadequate if they did not.<sup>9</sup> Blaustein and Mackin also utilized the 100 percent criterion to define whether benefits were adequate, but they applied the criterion to the claimant's share of recurring expenses.<sup>10</sup> In the present study, no such criterion is utilized as the critical value to determine that benefits are or are not adequate for individual

beneficiaries. Nonetheless, for those who may wish to employ the 100 percent criterion, information is provided on the percentage of beneficiaries who had at least 100 percent of their share of necessary and obligated expenses covered by the WBA. The emphasis in the analysis, however, is on the distribution of claimants throughout the range of values for the benefit adequacy standard utilized.<sup>11</sup> This emphasis results in a focus on the relative degree of benefit adequacy found for the total group and for certain subgroups of the total sample, rather than just on the percentage of claimants who met the 100 percent criterion.<sup>12</sup> This view explicitly recognizes that whether benefits are judged to be adequate is an almost totally subjective question. In one sense, the approach taken may be somewhat unsatisfactory because it leads to no "definitive" statements about the proportion of claimants for whom benefits were or were not adequate. The goal, however, is to provide the analysis required for each reader to make that judgment and to determine how many beneficiaries did or did not experience too much hardship. Actually, this approach is in the spirit of one of the criteria utilized by Becker:

The second criterion is less precise than the first in its measurement of adequacy but probes more deeply into underlying causes. It states, in effect, that benefits are adequate when beneficiaries do not experience "too much" hardship, and it defines hardship to include a lowering of their living standards and worsening of their net-asset position. Although "too much" is not actually specified in this criterion, the criterion is not useless. One may not be able to specify in advance what his measure of "too much" is, but he may be able to say after he has seen the evidence that what he has seen is or is not "too much." (emphasis added.)<sup>13</sup>

As already explained, the only standard of benefit adequacy utilized in this report is the expense-related one described above. Another standard of benefit adequacy that has been discussed by Becker and others, however, is the extent to which weekly benefits replace lost wages. If the "proper" wage-replacement ratio could be identified, little further study would be required. Historically, the "critical" value utilized for wage-replacement ratios has been at least 50 percent--if the weekly benefit amount does not represent at least 50 percent of lost wages, it often has been suggested that benefits are inadequate.<sup>14</sup> The perspective taken here is that the benefit adequacy implications of the expense-related standard should be

utilized as an input in determining the appropriate wage-replacement formula. Nonetheless, information on the wage-replacement ratios found for the study group provides useful background for considering the standard of benefit adequacy utilized in this study. Obviously, wage-replacement ratios are an important element that affect the relative degree of benefit adequacy subsequently emphasized. The specific wage-replacement ratios considered are detailed in the following chapter.

#### THE HOUSEHOLD DEFINITION

The identification of an appropriate household unit is a major issue in any benefit adequacy study, because expenses and income are obtained for this entire unit. The definition of the household unit employed in this study revolves around the beneficiary rather than around the "head" of the household as is done in census or Bureau of Labor Statistics surveys. The reason for this difference is that the beneficiary is the focus of concern for the UI program and certainly for benefit adequacy research. The household is defined as the beneficiary and, if present, the spouse plus all persons who reside with the beneficiary and receive 50 percent or more of their monthly support from the beneficiary and spouse. Spouses are included in the household unit on the assumption that spouses have shared expenses and income. The appropriate basis for including/excluding other persons in the household unit is more difficult to determine, however.<sup>15</sup> The essential issue for a benefit adequacy study was the need to develop a definition that would facilitate the collection of accurate income and expense data for the household unit. Also, it obviously was necessary to have a definition that was sensible for analyzing the adequacy of weekly benefits.

The pretest results of this study strongly supported the need to base the household definition on something other than family relationship (except for spouses). For example, the expenses and income of the total household unit, defined conventionally in terms of relationship, are not the appropriate concepts for a beneficiary who lives at home with his parents. Analysis of the various possibilities suggested that the household definition should be

based on support provided by the beneficiary (and spouse), rather than on pooled income to meet common expenses. The arbitrary rule chosen was to count as a household member any person (related or not) who received at least half of his or her support from the beneficiary/spouse.<sup>16</sup> The interviewing experience for the study confirmed that this definition was a very workable one in terms of obtaining apparently accurate income and expense data, partly because substantial support typically implies that the beneficiary has access to the needed information for all household members.

The household definition utilized also made it possible to identify several different household types for analysis. Past studies have shown that number of earners and number of household members are importantly related to the adequacy of benefits. Accordingly, these factors, together with information on the living arrangement for one-person households and whether a spouse was present for other households, were employed to define the following seven household types:

<u>Household Type</u>	<u>Code Name</u>	<u>Description</u>
1	1E-1HH-NR	A one-person household (1HH), single earner (1E) who lives alone or with nonrelated (NR) persons.
2	1E-1HH-REL	A one-person household (1HH), single earner (1E) who lives with related (REL) persons.
3	1E-2HH-SP	A two-person household (2HH), single earner (1E), spouse present (SP).
4	2E-2HH-SP	A two-person household (2HH), two earners (2E), spouse present (SP).
5	1E-3+HH-SP	A three-or-more person household (3+HH), a single earner (1E), spouse present (SP).
6	2+E-3+HH-SP	A three-or more person household (3+HH), two or more earners (2+E), spouse present (SP).
7	1+E-2+HH-SA	A two-or-more person household (2+HH), one or more earners (1+E), spouse absent (SA). Nearly all units included here have only one earner, but those with two or more earners were included because there were too few of them for separate analysis. <sup>17</sup>

## SAMPLE SELECTION

The sample for this study was drawn throughout the twelve-month period beginning in mid-September, 1975. During this period, one-fourth of the claimants who filed for benefits (and had wage statements produced) were selected randomly for potential inclusion in the study. From this initial group, only those who had filed the first claim in their benefit years and had qualified for benefits under Arizona's benefit formula were screened further. The latter criterion was utilized because only those who qualified for benefits under Arizona's formula were relevant to an analysis of the adequacy of the benefits provided by that formula. Those who had previously initiated a benefit year were excluded so that the adequacy of benefits could be related to the experiences of the study group at specified points during their first unemployment spell and for a complete benefit year. Because adjustments to unemployment were to represent an important portion of the analysis, it was important to include only claimants who were beginning their unemployment experiences. The claimants remaining at this point were screened further seven weeks after they first were identified for potential inclusion in the study. At this final screening, those who had received payment for five consecutive weeks of unemployment (they had filed valid benefit claims for six consecutive weeks, counting the waiting week) were selected for the preunemployment month interview, except that the following claimants were excluded from the study:

- (1) those who had moved out of state, because household interviews could not be conducted for them;
- (2) those who had entered "approved training," because their adjustments to unemployment most likely would reflect their unusual circumstances;
- (3) those who had delayed filing for benefits for more than 21 days after their job separation date and those who had been filing for benefits immediately prior to the current unemployment spell but in a different benefit year ("transitional claims"), because their adjustments to unemployment likely would differ substantially from those of persons just beginning unemployment and because of the possible difficulty involved in accurately providing information for their last "typical" month of employment;<sup>18</sup>



- (4) "true partials" (those who continue to work for their last employer but receive partial UI benefits because their earnings have been reduced sufficiently to meet the qualifying requirements), because their adjustments to unemployment would reflect their "partial" employment.

For the interested reader, the sequence of steps taken in selecting the claimants for the study are detailed in Appendix A, Chart 1. (To provide an overview of the entire study, flow charts for the 13th week and 25th week interviews and for the postexhaustion interview also are included in Appendix A).

Household interviews were planned for each of the beneficiaries chosen for the study within two weeks after their selection for inclusion in the project. The questionnaire utilized in the study was mailed to each beneficiary prior to the interview to facilitate the interview process. (A copy of this questionnaire is provided in Appendix A.) This allowed the claimant some time prior to the interview to locate and organize any financial records that would be of use in documenting income and expenditures during the preunemployment month. In addition, this procedure allowed the beneficiary to become familiar with the questionnaire. The pretest results had indicated that the best results would be obtained by an interviewer-administered questionnaire in the beneficiary's home, and this procedure was followed whenever possible. Because it was too costly to provide interviewers for the most rural and isolated parts of the state, however, the household questionnaire was self-administered in some cases, but with appropriate verification by the project staff. A more detailed discussion of the procedures employed to develop, pretest and administer the household interviews, and other aspects of project administration are discussed in Appendix B of this report.

A total of 4468 persons were chosen for inclusion in the study during the twelve-month interval which began in September of 1975. Interviews were obtained for 3348, or 75 percent, of these beneficiaries. The reasons why completed interviews were not obtained for the remaining 1120 persons are as follows:

- (1) moved/can't locate (230);
- (2) refusals (380);
- (3) not at home (213);

- (4) beneficiary unavailable (18);
- (5) too much lapsed time since preunemployment month (224);
- (6) other (55).

Because extensive information was obtained for both the income and expenditures of the beneficiary household during the preunemployment month, it was possible to obtain a rough check on the accuracy of the data obtained by conducting a "balancing differences" test. Total itemized expenditures of the beneficiary household during the preunemployment month were compared with the total income of that household for the same period. If the ratio of expenses to income fell between 0.75 and 1.25, the information was accepted as given (unless obvious problems were found by the project staff during the editing process); any questionnaire with a ratio outside of these bounds was subjected to additional verification with the beneficiary to account for the apparently large discrepancy between household income and expenses. Discrepancies between household expenses and income could not be reconciled for 152 cases (4.5% of the completed interviews), and these cases are not included in the analysis, which is based upon the remaining 3196 beneficiary households.

Economic conditions obviously were a major factor in determining the types of claimants who were included in the study and the adjustments they made to unemployment. Thus, a brief picture of the economic conditions confronted by these beneficiaries is presented as background for the subsequent analysis. The recession of 1974-75 was the longest and deepest since the Great Depression of the 1930s. Moreover, Arizona was especially hard hit, given the previous history of high growth rates and lower unemployment rates than those for the nation as a whole. The unemployment rate in Arizona peaked in May, 1975, at 11.0 percent (seasonally adjusted). A weak recovery began to gain momentum in September of 1975, about when the first persons had been chosen for the study. At this time, the seasonally adjusted unemployment rate in Arizona (10.8 percent) was 2.5 points above the national rate. By August, 1976--when the last claimants were being selected for the study--Arizona's unemployment rate (7.9 percent) matched that for the nation. The average unemployment rate in the state during the study period was 9.0 percent,

with an average of 81,400 persons unemployed during the period (compared with an average of about 32,000 unemployed persons during the early 1970s).

The industries hardest hit during the recession were construction, manufacturing, and mining. These industries also responded slowly once general recovery had begun. Manufacturing was the only one of the three to show substantial growth over the study period, but employment in that industry still was substantially below its peak during 1974. Mining added only 1,000 workers over the study period, but construction was the industry most severely affected by the recession in Arizona. The recession in construction started a year earlier, reached lower levels and lasted longer than was the case for any other industry. While the economy had turned the corner and generally was headed toward recovery by September, 1976, employment in construction decreased by 2,300 during the study period--from 45,100 to 42,800. These severe conditions in construction obviously resulted in a very heavy claims load from this industry.

#### STUDY GROUP CHARACTERISTICS

Selected characteristics of the study group are presented in Table II-1. Males comprised two-thirds of the group. Half of all claimants were under 35 years of age. Whites accounted for over 80 percent of the study group and those with Spanish surnames made up 14 percent of the total. Workers last employed in professional/technical/managerial, clerical/sales, and structural work occupations dominated the sample. Contract construction and trade each represented the industry of previous employment for over one-fourth of the sample. The other major industries--each of which accounted for about one-sixth of the sample--were manufacturing and services. Nearly one-fifth of the study group had gross weekly earnings of \$300 or more in the preunemployment month, and about 45 percent had weekly earnings of at least \$175 during that month. Just over half of the sample qualified for the maximum weekly benefit payment of \$85.

TABLE II-1  
SELECTED CHARACTERISTICS OF CLAIMANT SAMPLE

<u>Characteristic</u>	<u>Percent of Beneficiaries</u>
<u>Sex:</u>	
Male	67.4
Female	32.6
<u>Age:</u>	
Less than 25 years	23.4
25-34 years	30.4
35-44 years	17.9
45-54 years	16.4
55 years and up	12.0
<u>Ethnic:</u>	
White	82.2
Spanish Surname	14.1
Other	3.7
<u>Occupation:</u>	
Prof., Tech., Mgrl.	20.2
Clerical and Sales	23.4
Services	8.6
Farming	1.2
Processing	1.5
Machine Trades	5.4
Bench Work	4.8
Structural Work	25.7
Miscellaneous	9.4
<u>Industry:</u>	
Mining	1.8
Contract Construction	26.5
Manufacturing	16.6
Trans., Comm., and Pub. Utilities	2.9
Finance, Insurance, and Real Estate	5.3
Services	17.2
Government	1.1
Agriculture	1.3
Trade	27.2
<u>Gross Weekly Earnings in Preunemployment Month:<sup>a</sup></u>	
\$74 or less	6.1
\$75-\$124	24.2
\$125-\$174	24.5
\$175-\$224	14.2
\$225-\$299	12.8
\$300 or more	18.1

(continued)

TABLE II-1 (continued)

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<u>Characteristic</u>	<u>Percent of Beneficiaries</u>
<u>Weekly Benefit Amount:</u>	
\$15-\$44	12.1
\$45-\$54	8.6
\$55-\$64	10.0
\$65-\$74	8.9
\$75-\$84	9.2
\$85	51.3

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<sup>a</sup>Obtained from household interview. Based on earnings in the preunemployment month (the most recent calendar month of "typical" employment prior to unemployment).

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### Study Group Vs. All Arizona Claimants

A comparison of the characteristics of the study group with those of all Arizona claimants is provided in Appendix Table C-2. The purpose is to determine how closely the characteristics of the study group approximated those of all Arizona claimants (which is not the group sampled, as explained above). The major conclusion to be drawn from these comparisons is that the characteristics of the two groups are remarkably similar, particularly considering that those who drew benefits for less than five consecutive weeks were excluded from the study.<sup>19</sup> This conclusion should enhance the usefulness of the results for policy formulation, since it was not expected that the study group would be so similar to all claimants. This conclusion seems warranted even though, as can be seen in Appendix Table C-2, there are some statistically significant differences between the two groups in terms geographic distribution, industry and occupation. In part, these differences are attributable to the more intensive follow-up procedures that could be utilized in the Phoenix metropolitan area, and the differences between the industrial/occupational mix in the Phoenix area and the rest of the state.

### Respondents Vs. Nonrespondents

An important issue in any study such as this is whether any nonresponse bias is introduced by the failure to obtain completed interviews from all of those selected. Percentage distributions of various characteristics for respondents and nonrespondents are presented in Appendix Table C-3. The results of the tests reported in that table indicate that there were no statistically significant differences between the two groups in terms of sex, weekly benefit amount and potential duration of regular benefits. However, a greater percentage of respondents than nonrespondents were under 25 years of age (23.4% vs. 18.2%), whereas the reverse was the case for the 25-34 years category (30.4% vs. 35.4%, respectively). Although each of these differences is statistically significant, it is interesting to note that they are almost exactly offsetting--53.8 percent of the respondents were under 35 years of age, compared with 53.6 percent of the nonrespondents. The only other significant difference is that whites accounted for 82.2 percent of the respondents, but only 78.3 percent of nonrespondents.

Overall, these results indicate that there probably were no nonresponse biases introduced that materially would affect interpretation of the results of this study.

#### Study Group Distribution by Household Type

Because of the importance of household composition in a study of benefit adequacy, the distribution of beneficiaries among the seven household types analyzed is presented in Table II-2. Male beneficiaries were concentrated in the households which had a sole earner, two or more household members and a spouse present; these household types (3 and 5) accounted for 46 percent of all men. One-fourth of the male claimants resided in households that had at least one other earner (household types 4 and 6). In contrast, 45 percent of the female beneficiaries resided in these latter two household types, which had at least two earners. Also in sharp contrast with the situation for men, one-fifth of the female claimants resided in households in which the spouse was absent (household type 7); typically, the beneficiary was the only earner in these two-or-more person households.<sup>20</sup> About one-fourth of both the male and female beneficiaries had no other household members living with them (household types 1 and 2).

For those interested in a more comprehensive picture of these household units, a profile of the "typical" claimant included in each of the seven household types is provided in Appendix C.<sup>21</sup> Only three of the main findings of those profiles are discussed here. Most of the beneficiaries in household type 2 were young adults still living with their parents; an advantage of the study definition in terms of obtaining relevant and accurate data is that these relatively low-earning persons are treated as one-person households, rather than as a part of a larger household unit which includes their parents. A second point to be emphasized is that males were the beneficiaries in over nine-tenths of the households with only a single earner and three or more members, including a spouse (household type 5); interestingly, four-fifths of all prime-age (25-54 years) male beneficiaries were found in these units. Finally, it should be noted that female beneficiaries outnumbered males only in household type 7--units with two or more persons, no spouse present and, in 90 percent of the cases, only the beneficiary as an earner. Average weekly

earnings for the beneficiaries in these latter units were quite low, and the typical claimant was a divorced woman with children.

TABLE II-2  
DISTRIBUTION OF BENEFICIARIES BY HOUSEHOLD TYPE

Study Household Type	Percentage Distribution by Household Type:		
	Male	Female	Total
1 (1E-1HH-NR)	15.4	16.3	15.7
2 (1E-1HH-REL)	8.6	8.9	8.7
3 (1E-2HH-SP)	12.6	5.9	10.4
4 (2E-2HH-SP)	9.1	16.2	11.4
5 (1E-3+HH-SP)	33.6	4.8	24.1
6 (2+E-3+HH-SP)	16.7	27.5	20.3
7 (1+E-2+HH-SA)	3.9	20.3	9.3 <sup>a</sup>
TOTAL	100.0%	100.0%	100.0%

<sup>a</sup>Actually, nearly nine-tenths of the HHT-7 units had only one earner. That is, HHT-7 units with only one earner accounted for 8.2 percent of the total sample, whereas HHT-7 units with two or more earners accounted for only 1.1 percent of the total sample. Because so few of these latter units were found, they were combined with the former for analysis.



## FOOTNOTES FOR CHAPTER II

<sup>1</sup>In a very few cases an earlier month was used to reflect typical employment.

<sup>2</sup>Becker, op. cit., p. 45.

<sup>3</sup>A number of issues, which are not discussed at this point in the text, arise in the calculation of the beneficiary's share of household expenses. This share may be calculated on the basis of either gross or net earnings and income. Another issue is whether all household income (including that from unusual sources, such as insurance settlements) is to be considered, or only "recurring" household income. Both issues are discussed further in Chapter IV.

<sup>4</sup>Becker, op. cit., p. 22.

<sup>5</sup>Saul Blaustein and Paul Mackin, *Job Loss, Family Living Standards and the Adequacy of Weekly Unemployment Benefits*, (unpublished report, prepared for the U.S. Department of Labor, Unemployment Insurance Service), p. 48.

<sup>6</sup>Becker, op. cit., p. 43.

<sup>7</sup>Blaustein and Mackin argue that the historical concept of the minimum necessities of life--food, clothing, shelter, and medical care--is not an appropriate concept for evaluating the adequacy of weekly UI benefits today. They contend that a broader concept, one which is closely tied to the overall standard of living established by the beneficiary household is required. See Saul Blaustein and Paul Mackin, *Development of Techniques for Evaluation of the Weekly Benefit Amount in Unemployment Insurance* (unpublished paper prepared for the U.S. Department of Labor, Unemployment Insurance Service, 1975), pp. 8-9.

<sup>8</sup>Presumably, the ratio of necessary/obligated expenditures to total income declines as income increases. Cross-sectional budget studies, referenced in any standard text on macroeconomics, show that the proportion of household income spent on consumption declines as income increases.

<sup>9</sup>It should be emphasized again that the nondeferrable expenditures used by Becker included only food, clothing, medical care, and housing. The concept of recurring expenses employed by Blaustein and Mackin, and especially the necessary and obligated concept employed in the present study are broader in scope. Hence, the 100 percent criterion for WBA adequacy used by Becker actually would represent a much more liberal criterion, if applied to necessary and obligated expenses.

<sup>10</sup>Blaustein and Mackin, *Job Loss*, op. cit., p. 123.

<sup>11</sup>Becker recognized the usefulness of information on the distribution of claimants, but was constrained by the data available for his analysis (Becker, op. cit., p. 45-46).

<sup>12</sup>Although Blaustein and Mackin utilized the 100 percent criterion in their report on the South Carolina study (*Job Loss*, op. cit., p. 123), they subsequently suggested (*Development of Techniques*, op. cit., p. 5) that a concept of the "relative degree of adequacy" is required since no acceptable benefit formula can provide complete adequacy under a chosen standard for all members of the population. This is the case because of the conflicting criteria which must be considered in developing the appropriate WBA. These factors include consideration of income maintenance, benefit costs, work incentives and similar factors.

<sup>13</sup>Becker, op. cit., pp. 21-22.

<sup>14</sup>No explicit conceptual basis exists for the 50 percent criterion, yet it seems to have been accepted as a matter of "conventional wisdom" since the inception of the UI program. This criterion has been a general guideline consistently considered by state legislatures in developing benefit formulas. The criterion for benefit formulas has been stated in terms of gross wages but, because UI benefits are not taxable, many argue that benefit adequacy should be analyzed in terms of net wages. Certainly, the difference between gross and net wages has increased over time due to: 1) inflationary trends which, given nominal tax rates, have pushed covered workers into higher marginal tax brackets; and 2) the imposition of both state and local income taxes in numerous states. Furthermore, increases in both the tax rate and the tax base for social security contributions has widened the gap between gross and net wages.

<sup>15</sup>The South Carolina study convinced Blaustein and Mackin that some arbitrary rule was required for the inclusion/exclusion of an individual in the beneficiary household. They had defined the household to include all related persons who resided with the beneficiary. They concluded that this definition was unsatisfactory because many of the income and expenses recorded for the household, so defined, apparently were irrelevant to an evaluation of benefit adequacy for the beneficiary. On the basis of this experience, Blaustein and Mackin suggested a rule that, to be included, each household member contribute at least 50 percent of income to meet common household expenses or receive half or more of his/her support from the beneficiary. The approach taken in this study differs somewhat from this suggestion, as explained in the text. See Blaustein and Mackin, *Development of Techniques*, op. cit., pp. 7-8.

<sup>16</sup>The importance of basing inclusion in the household on this criterion, rather than on pooled income may be illustrated by considering a single beneficiary who lives with his parents. Although the beneficiary may pool half or more of his income for common expenses with his parents, let us assume he would not provide half or more of their support (the typical case). Under the definition utilized in this study, the parents of such a beneficiary

would not be included in the beneficiary's household. In this case, no information on the income and expenses of the beneficiary's parents is required; this is a clear advantage because, in many cases, such a beneficiary could not provide accurate information on his parents' income and expenses. Moreover, even if accurate information could be obtained, the real concern in this case is with the income and expenses of the beneficiary, not with the income and expenses of his parents.

<sup>17</sup>Only one-ninth of the households included in this category had more than one earner.

<sup>18</sup>The problems associated with claimant recall of past income and expenditures have been substantial in previous benefit adequacy studies. In the studies reviewed by Becker, income and expenditure information encompassed an entire year; interviews averaged about three hours in length, with some requiring as much as fourteen hours of interviewer time (see Becker, *op. cit.*, p. 23). Similarly, in the Blaustein-Mackin study in South Carolina, a period of nine months (in some instances) had elapsed prior to the interview which was designed to obtain information related to income and expenditures in the preunemployment period (see Blaustein and Mackin, *Development of Techniques*, *op. cit.*, p. 14). To reduce the magnitude of this problem, the screening requirements were quite stringent in the present study.

<sup>19</sup>Another important issue relates to the possibility that the earnings of those who did/did not draw benefits for five consecutive weeks might differ significantly. If this were the case, the earnings bias introduced by the sample selection process might affect the conclusions of the study. To investigate this possibility, a random sample of all claimants who filed for benefits during fiscal year 1976 was utilized. The same screening criteria applied to the study group (see Appendix A) were applied to this random sample to obtain claimants comparable to those analyzed in this report; then, the earnings distributions for those who did/did not draw benefits for five consecutive weeks were compared. These comparisons revealed very little difference between the earnings of these two groups. For example, mean high quarter earnings were \$2618 vs. \$2541 for those who received fewer than five vs. at least five consecutive payments during their initial unemployment spell. This similarity in high quarter earnings for the two groups also holds throughout the entire range of these earnings distributions.

<sup>20</sup>For both sexes together, the beneficiary was the sole earner in nearly 90 percent of these households. Because so few of these household type 7 units (only 1.1% of the total sample) had two or more earners, they were not analyzed separately.

<sup>21</sup>Also included in Appendix C is a comparison of household size, as defined in this study and as defined for the Current Population Survey.

## CHAPTER III

### PRIOR EARNINGS AND THE BENEFIT-WAGE RATIO

The purpose of this chapter is to provide further background for the analysis of benefit adequacy presented in the following chapter. Obviously, the findings on benefit adequacy will be related importantly to the prior earnings of these beneficiaries. The issue of how to best approximate the "usual" wage of UI claimants is discussed. Information is presented on the average weekly earnings and fringe benefits lost by the study group as a result of unemployment. Then, the percentage of the lost wages replaced by weekly UI benefits is examined for the group as a whole and for those in each of the different household types analyzed.

### PRIOR EARNINGS AND THE USUAL WAGE

The data available for this study made it possible to compute four different measures of average weekly wages prior to unemployment. These measures are based on earnings reported for the following periods:

- (1) gross earnings during the base period used to determine entitlement to benefits;
- (2) gross earnings during the high quarter of the base period;
- (3) gross earnings during the preunemployment month;
- (4) net earnings during the preunemployment month (gross earnings less the sum of federal/state income taxes and social security taxes withheld).

It is important to emphasize that, because weeks of work are not reported, the first two weekly averages are calculated by dividing base period earnings by 52 and high quarter earnings by 13. The last two weekly averages are based upon earnings for the preunemployment month divided by 4.3.

Each of the above measures of prior earnings has both advantages and disadvantages as proxies for either the "usual" wage of an unemployed worker or the opportunity cost of unemployment to the worker. Average gross weekly earnings in the base period is based on earnings in a twelve-month period (the first four of the last five calendar quarters prior to benefit filing).

An entire year could be used to measure "usual" or "typical" earnings. In many cases, of course, a limitation of this measure is the possibility that the individual was not at work and perhaps not even in the labor force during each week of the base period. It could be argued that labor force withdrawal or spells of unemployment during the base period would result in an understatement of lost wages during the present unemployment period. Certainly, it would understate for many persons their usual weekly wages while employed. Hence, the value of this measure depends on how one thinks weeks of no (covered) earnings should be treated in determining the usual wage.

The second measure--average gross weekly earnings in the high quarter of the base period--reduces but certainly does not remove the possibility that measured earnings reflect weeks without pay (because of labor force withdrawal or unemployment). On the other hand, it could be argued that this second measure would overstate "usual" or "typical" earnings for many workers (e.g., those with large and perhaps regular quarter-to-quarter earnings fluctuations, such as construction workers).

The last two wage measures greatly reduce the problems associated with unusual patterns of work or pay during the base period or the high quarter, because wages are measured for a "typical" month, as explained in the previous chapter. However, it could be argued that a problem with these latter measures is that standards of living, which both the income and expenditure data in this study are designed to reflect, are determined by income flows over longer periods than a single month (even if it is a typical month of employment).<sup>1</sup> The only issue in selecting one of these two measures is whether the gross or net wage represents the more appropriate measure. Net wages were calculated by deducting the federal/state income taxes and social security taxes actually withheld from the individual's gross pay.<sup>2</sup> Because UI benefits are not subject to federal/state income taxes or to social security taxes, many have argued that the appropriate measure of wage-loss replacement probably is one which compares the weekly benefit payment with the beneficiary's weekly wages after taxes.<sup>3</sup> On the other hand, some argue that the gross wage is the appropriate measure, because of the loss of fringe benefits by unemployed workers. Hamermesh argues that the effect of lost fringe benefits, along with wage inflation and the waiting week, almost exactly offsets the

gain to the unemployed of receiving nontaxable UI benefits.<sup>4</sup> Further light may be shed on this difference of opinion by the information presented below on the types of fringe benefits lost by UI beneficiaries.

The wage distributions of the study group for each of the four wage measures, including cross tabulations of these wage measures by household type, are reported in Appendix D. Because the benefit adequacy measure subsequently analyzed is based on expenditures in the employed month, the most relevant wage measures for this study are the two for the preunemployment month. Also, earnings in that month clearly are the best proxy in this study for the claimant's usual wage while employed. However, the wage distributions themselves provide only descriptive background, whereas the interest for this study is the extent to which UI benefits replaced wages in the employed month.<sup>5</sup> This is the focus because benefit-wage ratios for the employed month obviously will be related to the ability of these beneficiaries to meet their share of household expenses. These benefit-wage ratios are presented in the next section.

#### BENEFIT-WAGE RATIOS

The benefit-wage ratios, based on gross and net wages in the preunemployment month are presented in Table III-1. (The benefit-wage ratios for the other two wage measures, as well as cross tabulations of each benefit-wage ratio by household type, are reported in Tables D-6 through D-10.) As earlier noted, a benefit-wage ratio of at least 50 percent often is considered as a policy guideline in developing benefit formulas. Weekly benefits amounted to at least half of the weekly wage during the preunemployment month for 35 percent of the study group in terms of gross wages and for 58 percent in terms of net wages (see Table III-1). It also should be noted that the benefit-wage distributions for gross and net wages differ substantially throughout the entire range of values, not just for the percentage with ratios of half or more. Overall, the average benefit-wage ratio was 44.1 percent for gross wages and 56.3 percent for net wages. Thus, which measure is viewed as the appropriate one makes a substantial difference. However, even if net wages were the appropriate measure, over two-fifths of these beneficiaries had benefit-wage ratios of less than one-half.<sup>6</sup>

TABLE III-1  
 BENEFIT-WAGE RATIOS BASED ON THE WEEKLY WAGE  
 IN THE PREUNEMPLOYMENT MONTH

Percent of Previous Weekly Earnings Replaced by WBA	Percentage Distribution by Benefit-Wage Ratios For:	
	Gross Weekly Wage	Net Weekly Wage <sup>a</sup>
Less than 30%	23.0	10.6
30 - 39%	17.6	16.0
40 - 49%	24.0	15.2
50 - 59%	22.6	20.4
60 - 69%	6.8	21.0
70% or more	<u>6.0</u>	<u>16.8</u>
TOTAL	100.0	100.0

<sup>a</sup>The net weekly wage is equal to the gross weekly wage less the sum of federal/state income taxes and social security taxes withheld from the beneficiary's pay.

Some interesting patterns, which have implications for the analysis of benefit adequacy presented in the next chapter, emerge from an analysis of the benefit-wage ratios found for beneficiaries in the seven different household types analyzed (see Tables D-9 and D-10). As would be expected, these benefit-wage ratios tended to be smallest for those households in which beneficiaries had the highest preunemployment weekly earnings, typically the case for persons in households with a sole earner and two or more members, including a spouse (household type 3 and 5). Beneficiaries in these two households had lower benefit-wage ratios than those in any of the other five household types. Interestingly, each benefit-wage distribution was quite similar across the other five household types, except that those in household type 6 (households with two or more earners and three or more persons, including a spouse) had benefit-wage ratios somewhat below those found for beneficiaries in the remaining households.

#### LOST FRINGE BENEFITS

The benefit-wage ratios discussed above are based on the money wage, excluding the value of fringe benefits. Whether the appropriate benefit-wage ratio should be based on gross or net wages depends partly on the value of fringe benefits lost by the unemployed. Empirical estimates of this value obviously would be difficult to develop, but information on the types of fringe benefits lost because of unemployment was obtained for a subset of the entire study group.<sup>7</sup> This information is presented in Table III-2. Hospital/medical insurance and vacation leave each were lost by about three-fifths of this sample. Other benefits associated with the previous jobs for at least one-fifth of these claimants were life insurance (36.5%), sick leave (34.8%), disability insurance (24.7%), retirement fund rights (21.4%) and merchant discounts (20.4%). Benefits lost by at least one-tenth of the claimants were savings plans, profit sharing and credit unions. Although the monetary value of these benefits is unknown, a substantial proportion of this group lost one or more important benefits.



TABLE III-2  
FRINGE BENEFITS LOST BECAUSE OF UNEMPLOYMENT<sup>a</sup>

<u>Fringe Benefit</u>	<u>Percent of Beneficiaries Who Lost Specified Benefit</u>
Vacation Leave	57.6
Sick Leave	34.8
Hospital/Medical Insurance	60.7
Life Insurance	36.5
Disability Insurance	24.7
Automobile Insurance	7.3
Retirement Fund	21.4
Deferred Compensation	3.9
Employee Merchant Discounts	20.4
Profit Sharing	13.2
Stock Options	5.0
Credit Union	10.4
Savings Plan	14.0
Educational Leave With Pay	2.2
Books/Tuition for Job-Related Education	6.3
Child Care	1.1
Other	3.6

<sup>a</sup>Because information on fringe benefits lost was not obtained until the second interview, this table is based on a subset of those analyzed throughout the rest of this report--specifically, persons who drew benefits for 13 consecutive weeks. The difference is that, of the 3,196 persons for whom preunemployment data are analyzed, information on lost fringe benefits was available for 1,611 persons who were unemployed for 13 consecutive weeks. This table is based on the 1,611 persons.

## FOOTNOTES FOR CHAPTER III

<sup>1</sup>However, it should be emphasized that the field experience for this study strongly suggests that reliable income and expenditure data for a longer period very likely could not be obtained.

<sup>2</sup>A potential limitation of this procedure is that individuals may be required to pay additional taxes when they file their income tax returns, or they may receive tax refunds. To the extent to which either additional taxes are paid or refunds are received by the beneficiary, the estimates of mean net weekly wages in the preunemployment month would be inaccurate. Nonetheless, this approach appears to be the only practical one for a study such as this. In any case, it probably is true that take-home pay is the more relevant measure for the workers' perception of well-being and in terms of meeting current expenses.

<sup>3</sup>See Chapter I for a list of studies which emphasize the incentive effects of UI benefit payments. The fact that weekly UI benefits are not taxable becomes an important issue in that controversy.

<sup>4</sup>Hamermesh, *op. cit.*, Chapter II.

<sup>5</sup>One interesting comparison among the wage measures presented in Appendix D should be noted because of its potential policy implications. Comparisons of the gross weekly wages for the high quarter and the preunemployment month, both for the total sample and for each of the seven household types, reveal a striking similarity between these two wage distributions (see Tables D-1, D-3, and D-4). Thus, at least for the aggregated wage classes reported in those tables, it appears that weekly wages in the high quarter represent a very good proxy for weekly wages during a month of "typical" employment.

<sup>6</sup>An interesting comparison, related to the discussion in footnote 5 above of the similarity (for aggregated wage classes) between high quarter earnings and gross earnings in the preunemployment month, emerges from Table D-6. Although the distributions of claimants among aggregated classes of these two wage measures were remarkably similar, it is apparent there are some differences between the two measures within these wage classes, because of the differences in the benefit-wage ratios found. For example, benefit-wage ratios of at least half were recorded for 52.3 percent of these claimants for high quarter earnings, but this was the case for 35.4 percent of the group for gross earnings in the preunemployment month. Moreover, 12.8 percent had benefit-wage ratios of over 60 percent for the latter measure, whereas this was the case for none of the claimants in terms of the former measure (which is legally constrained to a benefit-wage ratio of not more than 52 percent). Thus, although these two wage measures are very similar for broad wage classes, the benefit-wage ratio for high quarter earnings (defined in law and known for every claimant) apparently can not be used to directly impute the benefit-wage ratio for a recent month of typical employment.

<sup>7</sup>Because information on fringe benefits lost was not obtained until the second interview, these data relate only to those who drew 13 consecutive weeks of benefits. The difference is that, of the 3,196 persons for whom preunemployment data are analyzed, information on fringe benefits was available for 1,611 persons who were unemployed for 13 consecutive weeks.

## CHAPTER IV

### THE BENEFIT ADEQUACY STANDARD: WEEKLY BENEFITS VS. WEEKLY EXPENSES

The standard of benefit adequacy utilized in this report is the extent to which the weekly benefit amount met the beneficiary's share of certain expenses during the preunemployment month, as explained in Chapter II. The relative degree of benefit adequacy for the total sample and the various subgroups of the total is emphasized, although no single value of the benefit-expense ratio is selected to indicate that benefits are or are not adequate. Obviously, the higher this benefit-expense ratio is for any individual or subgroup, the higher is the relative degree of adequacy for that individual or group. How high the ratio should be to indicate that benefits are (are not) adequate is almost totally a subjective issue, and that judgment is left for each reader to make.

#### UTILIZING THE BENEFIT ADEQUACY STANDARD

Four basic issues arise in utilizing the ratio of WBA to the beneficiary's expenses in the preunemployment month as the standard of benefit adequacy:

- (1) What types of household expenses are relevant to a consideration of a proper level for the WBA?
- (2) Are paid expenses or total consumption expenses to be measured?
- (3) What proportion of household expenses represents the beneficiary's share of expenses for comparisons with the WBA?
- (4) What percentage of the beneficiary's share of these expenses should be sustained by the weekly UI benefit payment during the unemployment period? Each of these issues is addressed below.

#### Types of Household Expenditures

As noted in Chapter II, the set of expenditures to which the beneficiary's WBA is compared has widened considerably as the benefit adequacy research has evolved over the last two decades. Regardless of the set chosen, the selection

criterion necessarily is somewhat arbitrary. The goal is to approximate the "appropriate" expenses that constitute the relevant set for comparison with the WBA, but there exists no objective basis for defining what is appropriate. Thus, it appears that the best that can be done is to:

- (1) define the set of expenses arbitrarily selected for analysis;
- (2) provide the rationale for the selection criterion;
- (3) provide detail on each expense type and total expenses, so that each reader can evaluate the extent to which these expenses represent the "relevant" ones.

This is the approach taken here.

The expense set emphasized in this study consists of "necessary and obligated" expenses. Included are expenses for necessary goods or services that are acquired and consumed on a regular basis; also included are necessary expenses expected to be met on a regular basis that result from established commitments, legal or otherwise. The rationale is that such expenses represent the basic standard of living for a household. If one accepts the premise that UI benefits should prevent "drastic" short-run reductions in living standards or should help beneficiaries avoid "too much" hardship, then it seems appropriate to focus on this basic standard of living. (This still leaves unanswered the extent to which the WBA should preserve this standard, an issue discussed below.) It again should be emphasized that the purpose is to identify the expenses that are appropriate in defining the living standard for the group, not for a particular beneficiary. It is this group standard that is relevant for a social insurance program. The items included in the necessary/obligated expense concept were presented in Chapter II, but are repeated here for ease of reference:

- (1) housing (including utilities and necessary maintenance);
- (2) food purchased in grocery stores;
- (3) medical care (including prescriptions and payments on past medical care);
- (4) credit and loan payments;
- (5) clothing;
- (6) transportation (including gasoline and maintenance);
- (7) insurance (including union dues);

- (8) services and other regular payments;
- (9) continuing and regular support of persons outside the household;
- (10) lump-sum payments for property and income taxes.

It is important to emphasize that any expenses in the above ten categories were defined as necessary/obligated expenses. No attempt was made to evaluate how "necessary" individual expenditures actually were. The result is that expenditures for any of the above items were included on an equal basis. For example, expenditures for filet mignon and hamburger both would be included as necessary/obligated expenses (if purchased in a grocery store), even though most would agree the latter is in some sense more necessary than the former. Obviously, however, it would not be practical to scrutinize each dollar of spending to determine how necessary it was. The only practical basis for inclusion of expenses is to determine the broad categories that will be accepted.

It may prove useful to provide the rationale for including expenses not encompassed by the "nondeferrable" expenditures--food, housing, clothing and medical care--that were analyzed in most of the early benefit adequacy studies conducted during the 1950s. Credit and loan payments were included because of the widespread use of credit (especially bank cards) to purchase some of the basic items that enter the standard of living of many households. Because it often is difficult to allocate credit/loan payments to the correct expenditure category, they were included as a separate category when such allocation was not possible. Transportation expenses were defined as necessary because of the importance of mobility in today's world and because UI recipients are required to actively seek work. Because of the importance of insurance to the security of the household's living standard, payments for fire, life, health, and auto insurance and union dues were included as necessary expenses; union dues provide for insurance benefits in some cases and in others effectively represent a necessary expense in facilitating reemployment. Payments for certain services (e.g., hair cuts, or nursing care for elderly household members) appear to be as important as many other "necessary" expenses. Because the regular support of persons outside the household (e.g., an aged grandmother) appears to be at least as important (if rare) as many of the items consumed by the

members of the household itself, these payments were included as obligated expenses in the few instances when applicable. A few beneficiaries made tax payments above those reflected in withholding deductions and regular housing payments, and these payments were included as legally obligated expenses when applicable; in most instances these payments were for property taxes.

The level of necessary/obligated expenses reported for the preunemployment month by the households included in the study is presented in Appendix Table E-1. Nearly two-thirds of these households had necessary/obligated expenses for the preunemployment month of \$300-\$899; only one-tenth had expenses below this range, and the remaining one-fourth of the households had necessary/obligated expenses of \$900 or more during the month. The level of these expenses does, of course, vary considerably among the various household types. As would be expected, the level of necessary/obligated household expenses tends to be greater for larger households and for households with more than one earner (see Appendix Table E-1).

The importance of each of the ten expense categories to total necessary and obligated expenses provides further perspective on the appropriateness of including any particular category in the total. This information is provided in Table IV-1. (The same information for each of the seven household types is presented in Appendix F; also included in that appendix is more detail for the total sample than that provided in Table IV-1.) As would be expected, housing and food represent the two largest categories of necessary and obligated expenses. Housing amounted to at least 30 percent of necessary/obligated expenses for about half of all beneficiaries, whereas food amounted to this percentage of necessary/obligated expenses for about one-fourth of the sample. The next largest expense category was credit/loan payments, which represented at least one-fifth of necessary/obligated expenses for 35.8 percent of the beneficiaries. The only other expense category that represented at least one-fifth of necessary/obligated expenses for even 10 percent of the sample was transportation. The two smallest expense categories were regular/continuing support of members outside of the household and taxes: these categories represented less than 5 percent of necessary/obligated expenses for 93.3 percent and 96.5 percent, respectively, of all beneficiaries.

TABLE IV-1  
DISTRIBUTION OF HOUSEHOLDS BY PERCENT OF NECESSARY/OBLIGATED EXPENSES  
ACCOUNTED FOR BY INDIVIDUAL EXPENSE CATEGORIES

<u>Percent of Total Necessary/Obligated Expenses</u>	<u>Housing</u>	<u>Food</u>	<u>Medical</u>	<u>Credit/ Loan</u>	<u>Clothing</u>	<u>Trans.</u>	<u>Insur.</u>	<u>Services/ Other</u>	<u>Regular Support</u>	<u>Taxes</u>
	<u>Percentage of Beneficiary Households:</u>									
Less than 5%	5.8	5.7	62.9	28.9	72.6	16.9	52.1	80.1	93.3	96.5
5% - 9%	2.6	5.5	19.8	9.8	17.7	36.2	23.0	10.4	2.2	1.6
10% - 19%	14.5	31.9	12.0	25.5	7.2	31.1	17.8	7.1	2.9	0.9
20% - 29%	27.8	33.6	3.0	20.4	1.7	8.8	4.7	1.7	0.9	0.6
30% - 39%	25.6	15.9	1.2	10.0	0.4	3.9	1.4	0.4	0.4	0.2
40% - 49%	14.9	5.1	0.6	3.4	0.1	1.4	0.5	0.2	0.1	0.1
50% - 74%	8.2	2.1	0.5	2.0	0.1	1.3	0.4	0.1	0.1	0.2
75% -100%	<u>0.6</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.3</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



Another perspective on necessary and obligated expenses is provided by considering the importance of the expenses excluded by the necessary and obligated criterion (see Chapter II for the list of excluded items). The relative importance of necessary/obligated expenses to total expenses is shown in Table IV-2. For only 4 percent of these beneficiaries were necessary and obligated expenses identical to total expenses. For nearly two-thirds of the sample, necessary/obligated expenses represented at least 80 percent of total expenses. In contrast, necessary/obligated expenses amounted to less than 60 percent of total expenses for 11.9 percent of these beneficiaries. Obviously, there is enough difference between the two concepts to make an important difference in terms of the subsequent analysis of benefit adequacy. Moreover, the difference between the two expense concepts differs considerably by household type, as would be expected (see Appendix Table E-2). The proportion of total expenses accounted for by necessary and obligated expenses tended to be somewhat less for the smaller household types than for the sample as a whole. Perhaps the most striking difference is that between the beneficiaries in household type 2 (the beneficiary is the only household member and lives with relatives) and the remainder of the sample. Necessary/obligated expenses amounted to at least 80 percent of total expenses for less than 40 percent of this group, compared with 64 percent of the total sample. In fact, necessary/obligated expenses accounted for less than half of total expenses for 23 percent of the beneficiaries in household type 2, compared with only 6 percent of the total sample. This large difference is explained by the fact that many of those in household type 2 had very few or no expenses during the preunemployment month for important categories of necessary/obligated expenses (e.g., food and housing), because their relatives provided these items at little or no cost.

#### Paid Expenses Vs. Total Consumption Expenses

As previously explained, the position taken in this study is that the extent to which UI benefits prevent too much hardship should be measured in terms of the standards of living established by beneficiary households. Obviously, however, there is no feasible way to measure directly standards of living, even if defined solely in terms of the consumption of goods and

TABLE IV-2  
 DISTRIBUTION OF BENEFICIARIES BY NECESSARY/OBLIGATED EXPENSES  
 AS A PERCENT OF TOTAL EXPENSES<sup>a</sup> DURING PREUNEMPLOYMENT MONTH

<u>Necessary/Obligated Expenses As Percent of Total House- hold Expenses</u>	<u>Percent of Total Beneficiaries</u>
Less than 30%	1.1
30% - 39%	1.9
40% - 49%	3.3
50% - 59%	5.6
60% - 69%	8.7
70% - 79%	15.5
80% - 89%	26.2
90% - 99%	33.7
100%	<u>4.0</u>
TOTAL	100.0

<sup>a</sup>The only payments excluded from total expenses were lump-sum payments for major consumer durables (e.g., cars, washing machines, and television sets).

services which are purchased in the market place. For example, there certainly is no satisfactory method in a study such as this to impute the value of services received from various consumer durables during some given time period. Thus, a proxy for living standards is required. The proxy chosen was the sum of necessary and obligated expenses paid during the preunemployment month. Unless paid expenses vary substantially from month to month or unless they do not closely approximate the actual living standard of the household, it appears that this procedure should prove to be a very satisfactory one. Paid expenses were selected for analysis over paid plus due-but-not-paid expenses because it did not appear feasible to allocate accurately the portion of due-but-not-paid expenses attributable to just the preunemployment month.

#### The Beneficiary's Share of Household Expenses

It would not be appropriate to compare weekly benefits to all necessary/ obligated expenses in cases where those expenses reflect nonwage income or the earnings of other household members, given the present philosophy and structure of unemployment insurance in this county. As previously noted, a convenient method of determining the beneficiary's share of household expenditures is to use the ratio of the beneficiary's wage income to total household income during the preunemployment month, a technique suggested by Becker.<sup>1</sup> It is the beneficiary's share of expenses that is relevant in a study of benefit adequacy, since UI benefits should be expected to sustain only those expenses which were related to the beneficiary's earnings during the preunemployment month. However, to arrive at this share of expenses, two issues arise: (1) whether all or only some household income should be counted; and (2) whether gross or net beneficiary wages and household income should be utilized. Although these issues are important from a methodological viewpoint, they represent a detour from the analysis of benefit adequacy presented in this chapter. Thus, these issues and related ones are discussed in some detail in Appendix G. Only the main results of that discussion are noted here. Most importantly, it should be noted that the beneficiary's share of household expenses is defined as: the ratio of the beneficiary's gross wage

in the preunemployment month to the gross recurring income of the entire beneficiary household during that month.

The beneficiary's share of necessary/obligated expenses is shown for the study group in Table IV-3. In slightly more than half of all households the beneficiary's share of necessary/obligated expenses was identical to the total of these expenses for the household; stated differently, these households had no recurring income other than the beneficiary's wages during the preunemployment month. In contrast, the beneficiary's share of necessary/obligated household expenses was less than 60 percent for one-fourth of the sample and less than 40 percent for one-tenth of the households. As would be expected, the beneficiary's share of expenses differs substantially among the various household types (see Appendix Table G-2). The beneficiary's share of necessary/obligated expenses was very high in household types with only one earner; in fact, this share was 100 percent for 71 percent to 95 percent of all such units. In contrast, the beneficiary's share of expenses in households with at least two earners was considerably smaller; from 61 percent to 68 percent of the beneficiaries in these two households had expense shares of less than three-fifths.<sup>2</sup>

The dollar level of the beneficiary's share of household expenses, both for the total sample and for each household type, is reported in Appendix Table G-3. This share during the preunemployment month was under \$500 for just over one-half of the study group, and under \$700 for about three-fourths of all study claimants. Only about 12 percent of the beneficiaries had monthly expenses of over \$900 for their share of the household's necessary/obligated expenses. There is, of course, considerable variation in the beneficiary's share of expenses among the seven household types (see Appendix Table G-3).<sup>3</sup> As would be expected, the beneficiary's share of expenses tended to be much larger for those who were sole earners and had (relatively) large households (those in household type 5), compared with the beneficiary's share of expenses in any other household type.

TABLE IV-3  
THE BENEFICIARY'S SHARE OF  
NECESSARY/OBLIGATED HOUSEHOLD EXPENSES

<u>Beneficiary's Share of Expenses</u>	<u>Percent of Total Beneficiaries</u>
Less than 40%	9.5
40% - 59%	15.2
60% - 79%	13.9
80% - 99%	7.4
100%	<u>54.0</u>
TOTAL	100.0

The Standard of Benefit Adequacy: Is There a Critical Value?

As previously explained, no critical value to indicate that benefits are/are not adequate for a particular beneficiary or for the group as a whole is selected for the purposes of this report. Rather, the emphasis is on providing analysis so that others can make individual and subjective judgments on what the appropriate critical value is for the standard of benefit adequacy utilized--each beneficiary's WBA divided by his or her (weekly) share of the necessary/obligated household expenses that were paid during the pre-unemployment month.

THE BENEFIT ADEQUACY STANDARD: EMPIRICAL RESULTS

The results for the benefit adequacy standard are presented in this section. These results indicate the relative degree of benefit adequacy found for the study group as a whole and for several subgroups. The categories utilized for this benefit-expense ratio in the remaining tables are the following: 35 percent or less, 36-50 percent, 51-65 percent, 66-85 percent, 86-99 percent, and 100 percent or more. These groupings are referred to as benefit adequacy categories in the remainder of the report.

### Total Sample

The relative degree of benefit adequacy found for the total sample is recorded in Table IV-4. Just over one-tenth of these beneficiaries fell in the lowest benefit adequacy category (35 percent or less), and an additional 21.0 percent were in the next category (36-50 percent). That is, almost one-third of the claimants received a WBA which would support half or less of their share of the necessary/obligated expenses recorded during the preunemployment month. In contrast, 14 percent of these beneficiaries were in the highest benefit adequacy category; clearly, benefits were adequate for these persons, who had WBAs equal to 100 percent or more of their share of necessary/obligated expenses. Nearly one-fourth of the beneficiaries were in the two highest adequacy categories (86 percent or more), and 45 percent had benefit-expense ratios equal to at least 66 percent. Overall, these beneficiaries had an average of 63 percent of their share of necessary/obligated expenses covered by their weekly UI benefits.

Benefit-Expense Ratios for Subgroups. Although the standard of benefit adequacy emphasized in this report is the one just discussed, it also is important to determine the extent to which the weekly benefit amount covers weekly expenses for various components of all necessary and obligated expenses, e.g., food at home. Such an analysis helps to provide further insight into both the value and limitations of a single standard of benefit adequacy.

The expense categories in Table IV-5 are arranged from the most to the least important, with food ranked first and clothing last. This classification is based upon the collective and subjective judgement of a number of persons associated with this project. Although the readers of this report may disagree with this ranking, it nevertheless presents a point of departure which provides additional information on the adequacy of the unemployment insurance weekly benefit amount. The ranking presumes short-term support for previously employed persons who temporarily are without work. Thus, clothing is ranked as the least important necessary/obligated expense category, even though it was included as a nondeferrable expense in early studies.

TABLE IV-4  
DISTRIBUTION OF BENEFICIARIES BY BENEFIT ADEQUACY CATEGORIES

<u>Benefit Adequacy Category</u>	<u>Number of Beneficiaries</u>	<u>Percent of Total Beneficiaries</u>
35% or less	339	10.8
36% - 50%	656	21.0
51% - 65%	727	23.2
66% - 85%	680	21.7
86% - 99%	287	9.2
100% or more	<u>441</u>	<u>14.1</u>
TOTAL	3130	100.0

Number of Missing Observations = 66.

The results in Table IV-5 indicate that almost all beneficiaries had their share of food expenses covered by weekly benefits. However, when food and housing expenses are considered together weekly benefits were too low to cover even nine-tenths of the beneficiary's share of these two expenses for nearly 28 percent of the sample. The difficulties involved in deciding on a weekly benefit amount policy that applies equally to all beneficiaries is illustrated by the fact that one-third of the beneficiaries had weekly benefits equal to at least 150 percent of their food and housing expenses. The great variation in the extent to which food and housing expenses were covered by the weekly benefit amount reflect, among other things, the variation in consumer decisions on how to spend their money.

When expenses for transportation and medical payments are included with food and housing expenses the weekly benefit amount was adequate to cover the beneficiary's share of these four expenses for about one-half of the study group. For 29 percent of the beneficiaries, however, the weekly benefit amount was not sufficient to cover 70 percent of their portion of food, housing, transportation and medical expenses. At the other extreme, weekly benefits amounted to at least 150 percent of the beneficiary's share of these four expenses for 15 percent of the sample.

TABLE IV-5  
NECESSARY/OBLIGATED EXPENSE CATEGORIES: DISTRIBUTION OF BENEFICIARIES  
BY WEEKLY BENEFITS AS PERCENT OF BENEFICIARY'S SHARE OF WEEKLY EXPENSES

WBA As Percent of Weekly Expense Categories	Percentage Distribution of Total Sample by Expense-Replacement Ratios For:									
	EXP1 (Food)	EXP2 (Food + Housing)	EXP3 (Food + Housing + Transportation)	EXP4 (Food + Housing + Transportation + Medical)	EXP5 (Food + Housing + Transportation + Medical + Credit-Loan)	EXP6 (Insurance Payments + EXP5)	EXP7 (Support Persons Outside House- hold + EXP6)	EXP8 (Taxes + EXP7)	EXP9 (Services- Other + EXP8)	EXP10 (Clothing + EXP9) = Total Necess./Obl. Expenses
Less than 30%	0.2	0.4	1.0	1.5	2.7	3.5	3.7	3.8	4.4	5.2
30% - 49%	0.0	2.5	5.9	8.5	16.9	21.3	21.9	22.2	23.6	25.1
50% - 69%	0.4	9.6	16.4	19.2	25.6	27.2	27.4	27.7	29.1	30.0
70% - 89%	1.5	15.0	19.9	20.4	22.4	21.6	21.4	21.5	20.4	19.4
90% -109%	2.5	15.5	16.5	16.4	14.1	11.8	11.7	11.3	10.9	10.4
110% -149%	8.3	24.6	21.2	18.8	11.2	9.5	8.9	8.7	7.4	6.4
150% -189%	13.0	13.1	8.7	7.0	3.5	2.7	2.5	2.5	2.1	1.8
190% or more	<u>74.1</u>	<u>19.4</u>	<u>10.4</u>	<u>8.1</u>	<u>3.6</u>	<u>2.5</u>	<u>2.4</u>	<u>2.3</u>	<u>2.1</u>	<u>1.8</u>
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



The sum of food, housing, transportation, medical, credit/loan, and insurance payments is represented by EXP6 in Table IV-5. About one-fourth of all beneficiaries were able to meet at least 90 percent of their share of these six expenses with their weekly benefits. In contrast, one-fourth of the group could not pay for even half of their share of these expenses with their weekly benefit check. An important result shown in Table IV-5 is that there is little difference between the number of claimants who could meet given percentages of these six expenses with their weekly benefits and the number who could meet the same percentages of all ten expense categories included in total necessary and obligated expenses. For example, 80 percent of the beneficiaries were unable to meet at least nine-tenths of their share of all necessary/obligated expenses with their weekly benefits, compared with 74 percent unable to meet the same proportion of these six expenses. Similarly, benefit-expense ratios of less than half were found for 25 vs. 30 percent of the sample for these six expenses and total necessary/obligated expenses, respectively. Thus, it certainly appears that any conclusions on the relative degree of benefit adequacy for this sample would be substantially the same whether just the first six expenses or all ten necessary and obligated expense categories are analyzed. The remaining analysis in the report is restricted to all ten necessary and obligated expenses.

Benefit Adequacy Vs. Delayed Filing. The level of benefit adequacy available to individual claimants may affect their decision on how quickly to file for benefits once they become unemployed. Information on the relationship between benefit adequacy and delayed filing time for the total sample is presented in Table IV-6. Because the format utilized in Table IV-6 is the basis of most of the tables presented in the rest of the report, the format for the cross tabulation in this table will be described in general terms before discussing the implications of the results for delayed filing time. Three categories for delayed filing time are arrayed horizontally in this table and the six benefit adequacy categories are arrayed vertically. Two numbers appear in each cell of the table. (See, for example, the cell corresponding to delayed filing of six days or less and the benefit adequacy category of 35 percent or less). The upper value of 64.3 percent represents the number of persons in this cell as a percentage of all persons who fell in

TABLE IV-6  
 CROSS TABULATION OF ELAPSED TIME FROM JOB SEPARATION  
 TO BENEFIT FILING BY BENEFIT ADEQUACY CATEGORY\*

<u>Benefit Adequacy Category</u>	<u>6 Days or Less</u>	<u>7-13 Days</u>	<u>14 Days Or More<sup>a</sup></u>	<u>Row Total Row Pct.</u>
35% or less	64.3 (10.3)	23.3 (13.1)	12.4 (10.2)	339 10.8
36% - 50%	67.4 (20.9)	20.9 (22.7)	11.7 (18.6)	656 21.0
51% - 65%	68.0 (23.4)	19.4 (23.3)	12.7 (22.3)	727 23.2
66% - 85%	68.8 (22.1)	15.4 (17.4)	15.7 (25.9)	680 21.7
86% - 99%	70.0 ( 9.5)	16.0 ( 7.6)	13.9 ( 9.7)	287 9.2
100% or more	65.5 (13.7)	21.8 (15.9)	12.5 (13.3)	441 14.1
Column Total	2113	604	413	3130
Column Pct.	67.5	19.3	13.2	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).

Number of missing observations = 66.

<sup>a</sup>At the time of sample selection, those who delayed filing for 21 or more days, according to information contained in computer records, were excluded from the study. Nonetheless, interview data revealed that a small percentage of the claimants believed they had delayed filing for 21 or more days. This was the case for 3.4 percent of the sample.

the lowest benefit adequacy category (the sum of all persons represented in the first row). The reported value indicates that 64.3 percent of all beneficiaries in the lowest benefit adequacy category waited six days or less after job separation to file for benefits. The row total located at the far right-hand edge of the table indicates that a total of 339 persons were in this benefit adequacy category. (Although the absolute number of persons in each cell is not reported, it easily can be calculated. In the present example, 64.3 percent of 339 persons equals 218 persons, the number in the lowest benefit adequacy category who delayed filing for no longer than six days.) The other number located at the far right-hand edge of the table and directly below the row total of 339 indicates that 10.8 percent of all claimants included in the entire cross tabulation were in the benefit adequacy category of 35 percent or less. The second number in each cell within the table (set off in parentheses) is the column percentage. This number (10.3 percent in the present example) indicates that of all beneficiaries who delayed filing for six days or less--2,113 persons in this example, as indicated by the column total at the bottom of the 6 days-or-less column--10.3 percent of them were in the lowest benefit adequacy category. The column percentage, located directly below the column total (67.5 percent in this example), indicates that 67.5 percent of all beneficiaries included in this cross tabulation delayed filing for six days or less. By definition, the row totals and column totals each sum to the number of persons included in the cross tabulation (in this case 3,130, the number in the lower right-hand corner of the table); similarly, any set of row or column percentages sums to 100 percent (except possibly because of rounding). Generally, some observations are not included in each table; the number of missing observations in any table is equal to the total sample (3,196) less the number of individuals actually included in that cross tabulation. In the present instance, 3,130 persons were included and 66 were excluded (the number missing is noted at the bottom of each table). The number of exclusions may differ from one cross tabulation to another; this is the case because complete information was not available for every claimant.

Over two-thirds of the total sample filed for benefits within six days of their job-separation date, one-fifth waited for 7-13 days and about one-eighth didn't file for benefits until at least two weeks after their

last jobs ended. (It should be recalled that those who delayed filing for 21 or more days were excluded from the study.) The interesting pattern contained in Table IV-6 is that delayed filing time was virtually unrelated to the relative degree of benefit adequacy that would be provided by unemployment insurance benefits. This pattern holds for each of the six benefit adequacy categories reported in the table. For example, no fewer than 64.3 percent and no more than 70.0 percent of those in any benefit adequacy category filed for benefits within six days of their separation date. Thus, in terms of delayed filing time (for those who actually file for benefits), the adequacy of unemployment insurance benefits apparently has no differential incentive effects. Certainly, this was the case for the study group.

#### Subsets of the Total Sample

The adequacy of unemployment insurance benefits for beneficiaries as a whole necessarily is the primary issue in a social insurance program. Nonetheless, it still is important to understand how adequate benefits are for various subgroups of the total sample, although the same benefit formula applies uniformly to all beneficiaries. Obviously, no benefit formula could provide for the same relative degree of adequacy for the many different types of claimants served by unemployment insurance. How the degree of adequacy varies among different subgroups, however, provides further perspective for assessing the overall degree of adequacy that results from the present formula. It should be emphasized that the variations in benefit adequacy discussed below for subsets of the total sample are related importantly to the previous earnings of the beneficiary, household size and expenses and the availability of other (recurring) income or the earnings of other household members. The subgroups of the total sample analyzed are based on the following factors:

- (1) household type;
- (2) sex;
- (3) ethnic status;
- (4) age;
- (5) the weekly wage in the preunemployment month;
- (6) weekly benefit amount;
- (7) benefit-wage ratios.

Household Type. The relative degree of benefit adequacy differed considerably for the seven household types considered (see Table IV-7). As would be expected from the previous analysis of earnings and expenses, benefits were more adequate for beneficiaries who had no other household members and lived with relatives (household type 2) than for those in any other household type. Just over two-fifths of the beneficiaries in this household classification received a WBA equal to 100 percent or more of their share of necessary and obligated expenses. For only 13 percent of the claimants in household type 2 were benefits insufficient to meet at least half of their necessary/obligated expenses.

As would be expected, the household type with the next largest percentages in the higher benefit adequacy categories was household type 4 (husband/wife units in which both members worked). About one-fourth of the claimants in these household units were in the highest benefit adequacy category (100 percent or more), and 40 percent of them were in the highest two categories. At a somewhat lower absolute level of relative adequacy, beneficiaries in the other single person household (household type 1) and in the three-or-more person households which had at least two earners (household type 6) had a very similar pattern of benefit adequacy, defined in terms of expense coverage. For each of these two household types, just under one-sixth of the beneficiaries were in the highest benefit adequacy category, and just over one-fourth had benefit-expense ratios of at least 86 percent. In contrast, 21 percent of those in these single-person units and 24 percent of those in household type 6 had benefits that met half or less of their necessary/obligated expenses.

Clearly, benefits were least adequate for persons in household type 5. These were relatively large households (three-or-more persons, including a spouse) in which only the beneficiary was an earner during the preunemployment month; well over half (56.1 percent) of these claimants received a WBA equal to half or less of their share of weekly necessary/obligated expenses. Only 18 percent of the beneficiaries in these households were in the top three benefit adequacy categories, and only 2 percent of them had at least 100 percent of their share of expenses covered by weekly UI benefits. Benefits also were relatively inadequate for household type 3 (husband/wife units in which only the beneficiary had earnings); 39 percent of these beneficiaries could meet only half or less of their share of expenses. In contrast, one-third

TABLE IV-7  
CROSS TABULATION OF HOUSEHOLD TYPE<sup>a</sup> BY BENEFIT ADEQUACY CATEGORIES\*

Benefit Adequacy Category	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
35% or less	8.7 ( 6.0)	3.6 ( 4.4)	12.0 (12.4)	2.1 ( 2.0)	50.0 (22.2)	13.0 ( 6.9)	10.5 (12.2)	332 10.8
36% - 50%	11.7 (15.4)	3.7 ( 8.8)	13.4 (26.7)	5.3 ( 9.7)	39.3 (33.9)	16.6 (17.2)	10.0 (22.2)	643 20.8
51% - 65%	16.3 (24.1)	4.7 (12.5)	11.4 (25.5)	9.5 (19.4)	26.8 (25.7)	22.5 (26.1)	8.8 (21.9)	718 23.3
66% - 85%	19.6 (27.2)	8.9 (22.1)	9.3 (19.6)	15.0 (28.8)	14.7 (13.3)	22.1 (24.0)	10.4 (24.3)	674 21.8
86% - 99%	19.6 (11.5)	10.5 (11.0)	7.0 ( 6.2)	20.6 (16.8)	6.6 ( 2.5)	23.8 (11.0)	11.9 (11.8)	286 9.3
100% or more	17.8 (15.8)	25.1 (41.1)	7.2 ( 9.6)	18.9 (23.4)	3.9 ( 2.3)	21.2 (14.8)	5.1 ( 7.6)	433 14.0
Column Total	486	272	322	351	746	621	288	3086
Column Pct.	15.7	8.8	10.4	11.4	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 110.

<sup>a</sup>See Chapter II for the definition of each household type.

of the beneficiaries were in the top three adequacy categories (66 percent or more), and only one-tenth had benefits sufficient to meet their entire share of expenses.

As expected, the relative degree of benefit adequacy for claimants in household type 7 (households with two or more persons, an absent spouse and usually only the beneficiary as an earner) was in some sense intermediate. The relative degree of adequacy for these persons clearly was above that for those in household type 5 and somewhat above that for those in household type 3, but below that for beneficiaries in the other four household types. The intermediate position of household type 7 beneficiaries reflects the alimony/child support payments received by some of these beneficiaries and the fact that a few of these households contained more than one earner.

Sex. The distribution of males and females among the benefit adequacy categories is provided in Table IV-8. The results reveal clearly that benefits were more adequate for females than for males, given the standard of benefit adequacy utilized in this report. Nineteen percent of the females but only 12 percent of the males were in the highest benefit adequacy category. Moreover, 61 percent of the females but only 37 percent of the males fell in the highest three benefit adequacy categories (66 percent or more). In contrast, 38 percent of the males but only 20 percent of the females received a weekly benefit which amounted to half or less of their share of necessary and obligated expenses.

Ethnic Status. The distributions of whites, Spanish surnamed persons and the remaining claimants among the six benefit adequacy categories are presented in Table IV-9. For the only two groups with a substantial number of claimants, whites and persons with Spanish surnames, the pattern of relative benefit adequacy is very similar, although slightly in favor of whites. For example, 46 percent of whites but only 39 percent of those with Spanish surnames had at least 66 percent of their share of necessary/obligated expenses covered by UI benefits.

TABLE IV-8  
 CROSS TABULATION OF SEX BY BENEFIT ADEQUACY CATEGORY\*

<u>Benefit Adequacy Category</u>	<u>Male</u>	<u>Female</u>	<u>Row Total</u> <u>Row Pct.</u>
35% or less	81.4 (13.1)	18.6 ( 6.2)	339 10.8
36% - 50%	79.3 (24.6)	20.7 (13.4)	656 21.0
51% - 65%	72.4 (24.9)	27.6 (19.8)	727 23.2
66% - 85%	58.7 (18.9)	41.3 (27.6)	680 21.7
86% - 99%	50.2 ( 6.8)	49.8 (14.1)	287 9.2
100% or more	56.2 (11.7)	43.7 (19.0)	441 14.1
Column Total	2113	1017	3130
Column Pct.	67.5	32.5	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 66.



TABLE IV-9  
 CROSS TABULATION OF ETHNIC CATEGORY BY BENEFIT ADEQUACY CATEGORY\*

<u>Benefit Adequacy Category</u>	<u>White</u>	<u>Spanish Surname</u>	<u>Other</u>	<u>Row Total</u> <u>Row Pct.</u>
35% or less	78.2 (10.3)	16.2 (12.4)	5.6 (16.8)	339 10.8
36% - 50%	82.0 (20.9)	14.0 (20.8)	4.0 (23.0)	656 21.0
51% - 65%	80.6 (22.8)	16.6 (27.3)	2.8 (17.7)	727 23.2
66% - 85%	82.2 (21.7)	13.8 (21.2)	4.0 (23.9)	680 21.7
86% - 99%	86.8 ( 9.7)	11.5 ( 7.4)	1.7 ( 4.4)	287 9.2
100% or more	85.5 (14.6)	10.9 (10.8)	3.6 (14.2)	441 14.1
Column Total	2574	443	113	3130
Column Pct.	82.2	14.2	3.6	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 66.

Age. Weekly benefits clearly were relatively more adequate for younger workers than for middle-aged workers (see Table IV-10). This pattern obviously has some relation to the findings for household type previously discussed. Twenty-seven percent of those in the youngest age category and 20 percent of those 22-24 years of age were in the highest adequacy category. Moreover, two-thirds of the youngest group and over half of those in the next youngest age group were in the highest three adequacy categories (66 percent or more). For middle-aged workers (35-54 years of age), however, benefits were substantially less adequate; only about one-tenth of these workers were in the highest adequacy category. Further, only 34.7 percent of those 35-44 years of age and 38.1 percent of those 45-54 years old had at least 66 percent of their share of necessary/obligated expenses replaced by UI benefits.

Gross Weekly Wages in Preunemployment Month. The percentage of beneficiaries who received a WBA equal to either 86 or 100 percent or more of their share of necessary/obligated expenses declines markedly as the level of preunemployment wages increases (see Table IV-11). Just over half of the persons in the lowest wage category (less than \$75/week) were in the highest two benefit adequacy categories (86% or more); the comparable proportion declines steadily to 35 percent, 32 percent, 17 percent, 6 percent, and 4 percent for those in successively higher wage categories. A contrasting pattern is evident for the claimants who fell in the two lowest benefit adequacy categories (50 percent or less); beginning with the lowest wage class (less than \$75/week), the proportion of claimants who received this level of support rises steadily from 15 percent to 69 percent for those in the top wage class (\$300/week or more). In terms of meeting the beneficiary's share of necessary/obligated expenses, benefits were relatively inadequate for higher earning claimants, especially those with preunemployment weekly earnings of \$300 or more. Obviously, the maximum WBA of \$85 is a major factor in explaining the inadequacy of benefits for those with high earnings. As would be expected, a pattern of benefit adequacy similar to that just described also is apparent for net weekly wages in the preunemployment month (see Appendix Table H-1).

TABLE IV-10  
 CROSS TABULATION OF AGE BY BENEFIT ADEQUACY CATEGORY\*

<u>Benefit Adequacy Category</u>	<u>Under 22 Years</u>	<u>22-24 Years</u>	<u>25-34 Years</u>	<u>35-44 Years</u>	<u>45-54 Years</u>	<u>55+ Years</u>	<u>Row Total Row Pct.</u>
35% or less	5.9 ( 5.4)	7.7 ( 7.1)	28.6 (10.1)	24.8 (15.1)	22.1 (14.6)	10.9 (10.1)	339 10.8
36% - 50%	6.1 (10.9)	9.6 (17.1)	29.7 (20.4)	22.7 (26.7)	19.7 (25.0)	12.2 (21.9)	656 21.0
51% - 65%	8.3 (16.3)	11.3 (22.3)	35.8 (27.2)	18.0 (23.5)	15.8 (22.3)	10.9 (21.6)	727 23.2
66% - 85%	15.7 (29.1)	11.6 (21.5)	31.0 (22.0)	13.8 (16.8)	15.7 (20.8)	12.1 (22.5)	680 21.7
86% - 99%	14.6 (11.4)	14.6 (11.4)	30.7 ( 9.2)	14.6 ( 7.5)	14.3 ( 8.0)	11.1 ( 8.8)	287 9.2
100% or more	22.4 (26.9)	17.2 (20.2)	23.8 (11.0)	13.2 (10.4)	10.9 ( 9.3)	12.5 (15.1)	441 14.1
Column Total	368	368	956	558	515	365	3130
Column Pct.	11.8	11.8	30.5	17.8	16.4	11.7	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 66.

TABLE IV-11  
 CROSS TABULATION OF GROSS WEEKLY WAGES IN THE  
 PREUNEMPLOYMENT MONTH BY BENEFIT ADEQUACY CATEGORY\*

Benefit Adequacy Category	Less than 75\$	\$75-\$124	\$125-\$174	\$175-\$224	\$225-\$299	\$300 or more	Row Total Row Pct.
35% or less	3.8 ( 6.9)	12.4 ( 5.5)	13.0 ( 5.7)	8.3 ( 6.3)	11.5 ( 9.7)	51.0 (30.5)	339 10.8
36% - 50%	2.4 ( 8.5)	13.1 (11.3)	14.3 (12.2)	14.5 (21.4)	22.6 (36.9)	33.1 (38.2)	656 21.0
51% - 65%	4.4 (16.9)	19.2 (18.4)	22.9 (21.7)	19.9 (32.7)	18.1 (32.9)	15.3 (19.5)	727 23.2
66% - 85%	4.9 (17.5)	33.2 (29.8)	31.9 (28.2)	14.7 (22.6)	8.5 (14.5)	6.8 ( 8.1)	680 21.7
86% - 99%	8.0 (12.2)	35.9 (13.6)	38.0 (14.2)	10.8 ( 7.0)	5.6 ( 4.0)	1.7 ( 0.9)	287 9.2
100% or more	16.3 (38.1)	36.7 (21.3)	31.5 (18.1)	10.0 ( 9.9)	1.8 ( 2.0)	3.6 ( 2.8)	441 14.1
Column Total	189	759	770	443	401	568	3130
Column Pct.	6.0	24.2	24.6	14.2	12.8	18.2	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses)  
 Number of missing observations = 66.

WBA. The effect on benefit adequacy of the statutory maximum on the weekly benefit amount is further clarified by the information presented in Table IV-12. Benefits were less adequate for persons who received the maximum WBA of \$85 than for those in any other WBA category. Only 9 percent of the claimants who received the maximum weekly benefit amount were in the highest benefit adequacy category. Furthermore, only 32 percent of those at the maximum WBA could pay for at least 66 percent of their share of necessary/obligated expenses with their \$85 UI payment.

The relative degree of adequacy is quite similar for workers who qualified for WBAs of \$55-\$84. For example, the percentages of beneficiaries in the highest two benefit adequacy categories (86 percent or more) range from 35 percent to 40 percent for those in these three WBA groups. Furthermore, the percentage of workers in each of these three intermediate WBA categories who fell in the highest three adequacy categories (66 percent or more) varied between only 63 and 70 percent.

The data in Table IV-12 also indicate that the beneficiaries who received lower weekly benefits experienced a relative degree of benefit adequacy somewhere between the lower level for those at the maximum WBA and the higher level for those in the \$55-\$84 WBA categories. Interestingly, however, those in the lowest WBA category (\$15-\$44) had a relatively low degree of benefit adequacy (closer to those at the maximum WBA), whereas those in the \$45-\$54 WBA category were closer to the higher level of adequacy found for those in the \$55-\$84 WBA categories. For persons in the \$15-\$44 category, for example, 21 percent received a WBA that constituted 35 percent or less of their share of necessary and obligated expenses, and 40 percent received a WBA which was equal to half or less of their share of these expenses (the latter figure is very close to that recorded for those at the maximum WBA). Also similar to the situation for those at the maximum WBA, only 41 percent of those in the lowest WBA category had benefits sufficient to cover at least 66 percent of their share of necessary and obligated expenses. Thus, an interesting pattern of adequacy emerges from this analysis--quite clearly benefits were least adequate for those at the two extremes of the WBA scale.

TABLE IV-12  
CROSS TABULATION OF WBA BY BENEFIT ADEQUACY CATEGORY\*

<u>Benefit Adequacy Category</u>	<u>\$15-\$44</u>	<u>\$45-\$54</u>	<u>\$55-\$64</u>	<u>\$65-\$74</u>	<u>\$75-\$84</u>	<u>\$85</u>	<u>Row Total</u> <u>Row Pct.</u>
35% or less	23.3 (21.1)	5.0 ( 6.4)	3.2 ( 3.5)	2.4 ( 2.8)	1.8 ( 2.1)	64.3 (13.6)	339 10.8
36% - 50%	10.8 (18.9)	5.2 (12.7)	5.6 (11.8)	5.2 (12.1)	3.8 ( 8.7)	69.4 (28.4)	656 21.0
51% - 65%	9.6 (18.7)	8.0 (21.7)	8.9 (20.7)	8.5 (22.0)	7.8 (19.8)	57.1 (25.9)	727 23.2
66% - 85%	10.7 (19.5)	12.1 (30.7)	12.6 (27.4)	11.5 (27.7)	12.6 (29.9)	40.4 (17.1)	680 21.7
86% - 99%	10.1 ( 7.7)	10.1 (10.9)	14.6 (13.4)	11.1 (11.3)	19.9 (19.8)	34.1 ( 6.1)	287 9.2
100% or more	12.1 (14.1)	10.7 (17.6)	16.6 (23.2)	15.4 (24.1)	12.8 (19.8)	32.4 ( 8.9)	441 14.1
Column Total	375	267	314	282	288	1604	3130
Column Pct.	12.0	8.5	10.0	9.0	9.2	51.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 66.

Benefit-Wage Ratio. Table IV-13 contains information on the relationship between relative benefit adequacy and the benefit-wage ratio for gross weekly wages in the preunemployment month. As would be expected, there is a fairly strong relationship between the two ratios. Generally, low (high) benefit-wage ratios correspond to low (high) benefit-expense ratios. For example, the percentage of claimants in the highest benefit adequacy category rose markedly from only 3.5 percent for those with the lowest benefit-wage ratios (less than 30 percent) to 52.9 percent for those with the highest benefit-wage ratios (70 percent or more). The relationship between the benefit-expense ratio and the benefit-wage ratios for the other three wage measures utilized also is quite strong, although less pronounced (especially for base period and high quarter wages) than that found for gross wages in the preunemployment month; see Appendix Tables H-2, H-3, and H-4 for these results.

#### SUMMARY

The purpose of this chapter was to utilize the standard of benefit adequacy developed to measure the adequacy of weekly benefit payments. The expenses considered relevant for consideration were defined as the beneficiary's "proportionate share" of the "necessary/obligated" expenses that were paid by the beneficiary household during the preunemployment month. The "proportionate share" of expenses was given by the ratio of the beneficiary's gross wages to gross recurring household income during the preunemployment month. The beneficiary's share of necessary/obligated expenses was identical to the total of these expenses for the entire household for just over half of the total sample, and equal to at least four-fifths of the household total for just over three-fifths of the sample. Necessary/obligated expenses are defined as those expenses for "necessary" goods and services that are acquired and consumed on a regular basis, and those "necessary" expenses that were expected to be met on a regular basis because of established commitments, legal or otherwise. The basis of this expense concept is that these expenses represent the basic standard of living of an "average" household and therefore for the sample as a whole, even though these expenditures may not appropriately define the standard of living experienced by each individual

TABLE IV-13  
 CROSS TABULATION OF BENEFIT-WAGE RATIO FOR GROSS WEEKLY WAGES  
 IN PREUNEMPLOYMENT MONTH BY BENEFIT ADEQUACY CATEGORY\*

Benefit Adequacy Category	Less than 30%	30%-39%	40%-49%	50%-59%	60%-59%	70% or more	Row Total Row Pct.
35 % or less	70.8 (33.2)	16.5 (10.2)	8.6 ( 3.9)	2.7 ( 1.3)	1.5 ( 2.3)	0.0 ( 0.0)	339 10.8
36% - 50%	40.2 (36.5)	28.4 (33.9)	19.5 (17.2)	8.2 ( 7.6)	2.3 ( 7.0)	1.4 ( 4.8)	656 21.0
51% - 65%	18.0 (18.1)	23.4 (31.0)	31.6 (30.8)	19.5 (20.0)	4.7 (15.9)	2.8 (10.7)	727 23.2
66% - 85%	8.1 ( 7.6)	13.1 (16.2)	29.1 (26.5)	36.9 (35.3)	8.5 (27.1)	4.3 (15.5)	680 21.7
86% - 99%	2.8 ( 1.1)	7.3 ( 3.8)	22.3 ( 8.6)	43.9 (17.7)	13.2 (17.8)	10.5 (16.0)	287 9.2
100% or more	5.7 ( 3.5)	6.1 ( 4.9)	21.9 (13.0)	29.2 (18.1)	14.5 (29.9)	22.4 (52.9)	441 14.1
Column Total	723	549	746	711	214	187	3130
Column Pct.	23.1	17.5	23.8	22.7	6.8	6.0	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 66.



beneficiary. The ten categories included as necessary/obligated expenses are housing, food purchased in grocery stores, medical care, credit/loan payments, clothing, transportation, insurance, services/other regular payments, continuing/regular support of persons outside the household and lump-sum payments for property and income taxes.

The standard of benefit adequacy utilized in the analysis is each beneficiary's weekly benefit amount divided by his or her (weekly) share of the necessary/obligated household expenses that were paid during the preunemployment month. No "critical value" for this standard of benefit adequacy was selected a priori to determine whether benefits were "adequate" for an individual beneficiary. Instead, the emphasis is on providing factual evidence related to the benefit-expense ratio to facilitate individual and subjective judgements as to whether unemployment benefits were adequate for the total sample, or for selected subsets of the total.

Overall, the beneficiaries encompassed by this study had an average of 63 percent of their share of total necessary/obligated expenses covered by their weekly UI benefit payments. This average, however, conceals considerable disparity among individual beneficiaries. For example, 11 percent of the beneficiaries could meet only 35 percent or less of their share of necessary/obligated expenses in the preunemployment month with their weekly benefit payments, but 14 percent had benefits sufficient to cover 100 percent or more of their share of these expenses. Between these extremes, 21 percent had 36-50 percent of their expenses covered by their weekly benefits, 23 percent fell in the 51-65 percent adequacy category, 22 percent were in the 66-85 percent category and 9 percent had benefits sufficient to meet from 86-99 percent of their share of necessary/obligated expenses. That a single benefit formula, based on prior earnings, inevitably will represent vastly different proportions of the actual living expenses of different beneficiaries also is indicated by the extent to which weekly benefits met the beneficiary's weekly share of food, housing, transportation and medical expenses during the preunemployment month. Weekly benefits were sufficient to cover at least the beneficiary's share of these four expenses for about half of the sample, but insufficient to cover even 70 percent of these expenses for 29 percent of the sample. In contrast, weekly benefits amounted to at least 150 percent of the

beneficiary's share of these four expenses for 15 percent of the sample.

Analysis of the adequacy of benefits for various subgroups of the total sample revealed the following patterns:

- (1) By household type, benefits were more adequate for beneficiaries who had no other household members and lived with relatives than for those in any other household type; the next highest level of adequacy was found for husband/wife households in which both members worked. In contrast, benefits clearly were less adequate for beneficiaries who were sole earners in relatively large households (three-or-more-persons, including a spouse) than for those in any other household type; the next lowest level of adequacy was recorded for beneficiaries who were the sole earners in a husband/wife household.
- (2) Clearly, benefits were more adequate for females than males.
- (3) The relative degree of benefit adequacy recorded for whites and those with Spanish surnames is very similar, but slightly in favor of whites.
- (4) Unemployment insurance benefits clearly were more adequate for younger workers than for middle-aged workers.
- (5) The relative degree of benefit adequacy declined markedly for those with successively higher gross (or net) wages in the preunemployment month, in large part because of the maximum weekly benefit of \$85.
- (6) As expected, benefits were less adequate for those who received the maximum weekly benefit amount than for those in any other weekly benefit category. An unexpected finding, however, is that benefits also were relatively inadequate for those at the bottom of the WBA scale (\$15-\$44).
- (7) As expected, a fairly strong relationship was found between relative benefit adequacy and benefit-wage ratios, especially those defined in terms of gross or net weekly wages in the preunemployment month. Generally, low (high) benefit-expense ratios corresponded to low (high) benefit-wage ratios.

Other findings were that:

- (1) The time claimants delayed filing for benefits after their job-separation dates was virtually unrelated to the adequacy of benefits available to these workers.
- (2) Conclusions on the degree of benefit adequacy for the total sample would be substantially the same whether weekly benefits were compared with all necessary/obligated expenses (the measure emphasized) or with just the six major expense categories for the sample--housing, food purchased at grocery stores, credit/loan payments, transportation, insurance, and medical care.

## FOOTNOTES FOR CHAPTER IV

<sup>1</sup>Becker, *op. cit.*, p. 45.

<sup>2</sup>The situation for beneficiaries in household type 7, which had one earner in most cases but more than one in some cases, is very nearly the average of the two extremes just discussed in the text. For example, the share of expenses was 100 percent for nearly half of the beneficiaries in these households, whereas the share was less than 60 percent for one-fourth of this group. At first, the intermediate position of the beneficiaries in these households might appear to be due to the variation in the number of earners in these units. This is only part of the explanation because, as previously noted, nearly 90 percent of these units had only the beneficiary as an earner. The other reason for the intermediate position of these units is that, as noted in Appendix C, divorced women with children predominate in this household type. Thus, even single earners would not be allocated 100 percent of household expenses in cases where alimony or child support had been received.

<sup>3</sup>This variation is not as great as that for the necessary/obligated expenses for the entire household, however, because of the adjustment made for other household income in calculating the beneficiary's share of expenses.

## CHAPTER V BENEFIT FORMULA CHANGES

The purpose of this chapter is to examine the effect on the relative degree of benefit adequacy that would result from the implementation of several alternative benefit formulas. The analysis provided is illustrative since any number of formula changes could be considered. Four different types of formula changes are considered:

- (1) increases in only the maximum WBA;
- (2) increases in only the minimum WBA;
- (3) increases in both the minimum and maximum WBA;
- (4) a formula with a dependents allowance.

Each change is analyzed for the sample as a whole, and the effects of two selected formulas on the relative degree of benefit adequacy for beneficiaries in different household types are investigated.

### INCREASES IN THE MAXIMUM WBA

The current Arizona benefit formula provides for a maximum WBA of \$85. The three hypothetical formulas considered in this section provide for maximum WBAs of:

- (1) \$95 (50% of the statewide average weekly wage of \$190 in covered employment during 1976);
- (2) \$105 (55% of the average weekly wage);
- (3) \$127 (67% of the average weekly wage).

Although the latter maximum would represent an increase of one-half in Arizona's current maximum WBA, it is considered because of the Nixon administration suggestion that the maximum benefit ceiling be set in each state at two-thirds of the average wage for the covered workers in that state. Thus, consideration of the \$127 maximum will indicate what the effect on benefit adequacy would have been for the study group if such a policy had been implemented in Arizona.

The weekly benefit amount distributions in Table V-1 show the impact of each maximum formula, relative to the existing formula which has a maximum WBA of \$85. It should be noted that the same high-quarter earnings fraction (1/25 high-quarter earnings) and the same minimum of \$15 are used in computing every person's WBA under each formula--only the maximum WBA constraint varies. Under the existing formula, 51 percent of all beneficiaries were eligible for the maximum payment of \$85, but most of these claimants would have qualified for higher benefits if the maximum were raised. For example, with a maximum of \$95, 44 percent of the sample would have qualified for this maximum. Thirty-seven percent of the total sample would have qualified for the maximum under the \$105 formula, and 27 percent of all beneficiaries would have qualified for the \$127 maximum provided by the most generous formula. Thus, over half of those who received the \$85 maximum WBA actually could have qualified for a maximum of \$127 (an increase of about 50%), given the existing high-quarter earnings fraction contained in the law.

The effect on the relative degree of benefit adequacy that would result from these formula changes also is shown in Table V-1. The increase in the maximum to \$95 certainly would have no marked effect on the relative degree of benefit adequacy found under the existing formula. For example, 26 percent of the sample would fall in the top two benefit adequacy categories (86% or more) with a \$95 maximum, compared with 23 percent under the existing formula. Similarly, 50 percent could pay for at least 66 percent of their share of necessary/obligated expenses if the maximum were \$95, compared with 45 percent presently. Increasing the maximum to \$105 would increase only slightly the percentages in the top benefit adequacy categories--28 percent would fall in the 86 percent or more range and 54 percent would fall in the benefit adequacy categories of 66 percent or more. A maximum of \$127 would increase further but not markedly the percentages in the top benefit adequacy categories. Given this rather substantial increase in the maximum WBA, 33 percent (vs. 23 percent for the existing formula) would be able to meet at least 86 percent of their share of necessary and obligated expenses out of their weekly benefits. Although the increases in the percentages of beneficiaries in the higher benefit adequacy categories is not especially large,

TABLE V-1  
DISTRIBUTION OF STUDY GROUP BY WEEKLY BENEFIT AMOUNT AND  
BENEFIT ADEQUACY CATEGORY, GIVEN ALTERNATIVE MAXIMUM WEEKLY BENEFIT AMOUNTS

Weekly Benefit Amount:	Percent Distribution of Beneficiaries For:			
	Existing Formula	\$95 Maximum (50% Average Weekly Wage)	\$105 Maximum (55% Average Weekly Wage)	\$127 Maximum (67% Average Weekly Wage)
\$15 - \$44	12.1	12.1	12.1	12.1
\$45 - \$54	8.6	8.6	8.6	8.6
\$55 - \$64	10.0	10.0	10.0	10.0
\$65 - \$74	8.9	8.9	8.9	8.9
\$75 - \$84	9.2	9.2	9.2	9.2
\$85	51.2	----	----	----
\$85 - \$94	----	7.2	7.2	7.2
\$95	----	44.0	----	----
\$95 - \$104	----	----	7.0	7.0
\$105	----	----	37.0	----
\$105 - \$114	----	----	----	4.8
\$115 - \$126	----	----	----	4.8
\$127	----	----	----	27.4
TOTAL	100.0	100.0	100.0	100.0
Benefit Adequacy Category				
\$35% or less	10.8	8.1	6.7	5.2
36% - 50%	21.0	19.0	16.3	12.7
51% - 65%	23.2	22.8	22.8	21.5
66% - 85%	21.7	24.2	25.9	27.7
86% - 99%	9.2	10.0	10.8	12.7
100% or more	14.1	15.9	17.4	20.1
TOTAL	100.0	100.0	100.0	100.0

it also should be noted that any increase in the maximum would represent an increase in beneficiary income for nearly half of these workers. Moreover, the increase in beneficiaries in the top categories is offset mainly by a decrease in beneficiaries in the bottom two adequacy categories. The percentage of beneficiaries who could meet half or less of their share of necessary/obligated expenses would decline from 32 percent under the present formula to 27 percent for the \$95 maximum, 23 percent for the \$105 maximum and 15 percent for the \$127 maximum.<sup>1</sup>

#### INCREASES IN THE MINIMUM WBA

The weekly benefit amount and benefit adequacy distributions for the existing formula (which has a minimum WBA of \$15) and a formula with the same maximum but a minimum WBA of \$35 are presented in Table V-2. The same high quarter earnings fraction presently utilized (1/25) is assumed. In effect, then, this change represents a more stringent earnings requirement to qualify for benefits. Under the present formula, those with high-quarter earnings of \$375 qualify for the minimum WBA of \$15; high-quarter earnings of \$862.50 would be required to qualify for a minimum WBA of \$35. Only 5.8 percent had weekly benefits of \$15-\$34 under the present formula, and these beneficiaries would not be eligible for any benefits if the maximum were increased to \$35. Obviously, any benefit formula change which affects so few beneficiaries is unlikely to have much impact on the overall level of benefit adequacy for these beneficiaries. Comparison of the benefit adequacy distribution for this change and that for the present formula indicates there would be no significant change in the relative degree of benefit adequacy. The very slight difference reported in the table simply reflects the effect of excluding from the adequacy distribution for the \$35 minimum WBA those with WBAs below \$35 under the current formula.<sup>2</sup> Obviously, benefits would be more "inadequate" for those who receive benefits under the present formula but would not receive benefits under a new formula, although these persons are not shown in the distribution for the \$35 minimum.



TABLE V-2  
 DISTRIBUTION OF STUDY GROUP BY WEEKLY BENEFIT AMOUNT AND  
 BENEFIT ADEQUACY CATEGORY, GIVEN ALTERNATIVE  
 MINIMUM WEEKLY BENEFIT AMOUNTS

<u>Weekly Benefit Amount:</u>	<u>Percent Distribution of Beneficiaries For:</u>	
	<u>Existing Formula</u>	<u>\$35 Minimum<sup>a</sup> WBA</u>
\$15 - \$24	2.3	---
\$25 - \$34	3.5	---
\$35 - \$44	6.3	6.6
\$45 - \$54	8.6	9.1
\$55 - \$64	10.0	10.6
\$65 - \$74	8.9	9.6
\$75 - \$84	9.2	9.8
\$85	<u>51.2</u>	<u>54.4</u>
TOTAL	100.0	100.0
<u>Benefit Adequacy Category:</u>		
35% or less	10.8	9.4
36% - 50%	21.0	21.2
51% - 65%	23.2	23.7
66% - 85%	21.7	22.1
86% - 99%	9.2	9.5
100% or more	<u>14.1</u>	<u>14.2</u>
TOTAL	100.0	100.0

<sup>a</sup>The effect of increasing the minimum WBA, given no other change in the benefit formula, is to exclude claimants with earnings too low to qualify for weekly benefits of at least \$35. In this example, the effect was to exclude the 186 claimants who, under the present formula, qualified for a WBA of \$15-34. The persons excluded were those who had high quarter earnings of \$375 (the minimum required for a \$15 payment under the present formula) to \$862.50 (the minimum required for a \$35 weekly payment).

INCREASED MINIMUM AND MAXIMUM  
WEEKLY BENEFITS

The results for a formula which would provide for a minimum WBA of \$35 and a maximum WBA of \$95 are reported in Table V-3. The effect on the WBA distribution of this change is a combination of the individual changes summarized above. That is, 5.8 percent no longer would qualify for benefits under this revised formula and, of those remaining eligible for benefits, 7.7 percent would have WBAs of \$85-\$94 and 46.7 percent would qualify for the maximum of \$95. As noted above, the increase of the minimum WBA alone had no discernable effect on the relative degree of benefit adequacy and the increase in the maximum to \$95 had only a small effect. Thus, as would be expected, this formula change would result in very little change in the overall level of adequacy for those who still would be covered. Under this formula, 51 percent of the beneficiaries would fall in the top three benefit adequacy categories (66 percent or more), compared with 46 percent of the beneficiaries in the same adequacy range under the existing formula.

Another change considered was to raise the minimum WBA to \$35 and the maximum WBA to \$95, together with an increase from 1/25 to 1/22 in the fraction of high-quarter wages replaced by the WBA. The effect of this change would be to require high-quarter earnings of at least \$759 to qualify for the minimum WBA of \$35 and high quarter earnings of at least \$2079 to qualify for the maximum WBA of \$95; under the previous formula (with a 1/25 high-quarter earnings fraction), the earnings required for these same minimum and maximum WBAs would be \$862.50 and \$2,362.50, respectively. In terms of the WBA distribution, the impact of this change would be a relative shift from lower to higher WBAs, because of the higher wage-replacement fraction utilized. For example, 63 percent of these beneficiaries would qualify for a weekly benefit of \$85 or more under this formula, compared with only 51 percent under the existing formula.

The effect of increasing the high-quarter fraction to 1/22 on the relative degree of benefit adequacy would be considerably more pronounced than would be the case if the same minimum and maximum WBAs were based on the existing high-quarter fraction of 1/25 (the previous formula discussed). For example, 33 percent of the beneficiaries would fall in the top two benefit

TABLE V-3  
 DISTRIBUTION OF STUDY GROUP BY WEEKLY BENEFIT AMOUNT AND  
 BENEFIT ADEQUACY CATEGORY, GIVEN \$35 MINIMUM  
 WBA AND \$95 MAXIMUM WBA

Weekly Benefit Amount	Percent Distribution of Beneficiaries For:		
	Existing Formula	\$35 Minimum and \$95 Maximum (1/25 HQE Fraction) <sup>a</sup>	\$35 Minimum and \$95 Maximum (1/22 HQE Fraction) <sup>b</sup>
\$15 - \$34	5.8	----	----
\$35 - \$44	6.3	6.6	4.1
\$45 - \$54	8.6	9.1	7.2
\$55 - \$64	10.0	10.6	8.7
\$65 - \$74	8.0	9.6	8.7
\$75 - \$84	9.2	9.8	8.3
\$85	51.2	----	----
\$85 - \$94	----	7.7	8.1
\$95	----	46.7	54.9
TOTAL	100.0	100.0	100.0
<u>Benefit Adequacy Category</u>			
35% or less	10.8	6.4	5.6
36% - 50%	21.0	19.1	17.0
51% - 65%	23.2	23.2	20.0
66% - 85%	21.7	24.8	24.8
86% - 99%	9.2	10.3	10.9
100% or more	14.1	16.2	21.7
TOTAL	100.0	100.0	100.0

<sup>a</sup>Excludes the 186 claimants who qualify for weekly benefits of \$15-\$34 under the existing formula, as explained in Table V-2. The weekly benefit amount of \$35-\$95 provided by this hypothetical formula is defined as high quarter earnings divided by 25 (up to a WBA of \$95); this is the same fraction utilized in the existing formula.

<sup>b</sup>Excludes the 129 claimants who qualified for weekly benefits of \$15-\$30 under the existing formula, because these persons would not qualify for the minimum of \$35 under this change. The weekly benefit amount of \$35-\$95 provided by this hypothetical formula is defined as high quarter earnings divided by 22, up to the maximum WBA of \$95.

adequacy categories (86 percent or more) under this change, compared with 26.5 percent for the \$35-95 formula based on a high-quarter fraction of 1/25. At the lower end of the benefit adequacy scale, only 43 percent would fall in the lowest three benefit adequacy categories, compared with 49 percent under the \$35-\$95 formula based on a high-quarter fraction of 1/25. It is interesting to note that an increase in the high-quarter fraction to 1/22, with a benefit range of \$35 to \$95, actually would place about the same proportion of claimants in the top two benefit adequacy categories as would an increase in the maximum WBA to \$127 based on no change in the minimum WBA or the high-quarter fraction (see Table V-1).<sup>3</sup>

#### A DEPENDENTS ALLOWANCE

One dependents allowance is considered in this study. The formula chosen would provide \$5 for any nonearning spouse and for each child (under 18 years of age) who depends on the beneficiary/spouse for half or more of his or her support, up to a maximum dependents allowance equal to the lesser of \$15 or one-half of the beneficiary's WBA. Because so few claimants received weekly benefits of \$30 or less, the effective constraint for virtually the entire sample would be the \$15 limit. The results for this formula are reported in Table V-4. In this case, 16 percent of all beneficiaries would receive an \$85 payment, 25 percent of the study group would qualify for a WBA of \$86-\$95, and 16 percent would qualify for a payment of \$96-\$100. Altogether, 56 percent of these beneficiaries would receive payments of \$85 or more, compared with 51 percent at the maximum of \$85 under the present formula. Unlike the other formulas considered, with the exception of the one based on an increase in the high-quarter fraction, a dependents allowance can result in increased benefits for those with present WBAs throughout the entire \$15-\$85 range. With a dependents allowance, for example, only 17 percent of the sample would have WBAs below \$55, compared with the 21 percent in this WBA range under the existing formula.

The effect on benefit adequacy of this dependents allowance also is shown in Table V-4. Only 6.9 percent would remain in the lowest adequacy category of 35 percent or less for the dependents allowance formula, compared with 10.8 percent in that category under the existing formula. The percent-

TABLE V-4  
DEPENDENTS ALLOWANCE FORMULA

Weekly Benefit Amount:	Percent Distribution of Beneficiaries For:	
	Existing Formula	WBA + \$5/Dependent Up to Lesser of WBA/2 or \$15
\$15 - \$44	12.1	9.5
\$45 - \$54	8.6	7.2
\$55 - \$64	10.0	9.6
\$65 - \$74	8.9	9.0
\$75 - \$84	9.2	8.6
\$85	51.2	15.7
\$86 - \$95	----	24.6
\$96 - \$100	----	15.8
TOTAL	100.0	100.0
<u>Benefit Adequacy Category:</u>		
35% or less	10.8	6.9
36% - 50%	21.0	18.3
51% - 65%	23.2	22.2
66% - 85%	21.7	24.3
86% - 99%	9.2	11.2
100% or more	14.1	17.1
TOTAL	100.0	100.0

age of claimants in the bottom two benefit adequacy categories would be 25 percent under this dependents formula, compared with 32 percent under the existing formula. In contrast, 28 percent of the beneficiaries would fall in the top two adequacy categories (86 percent or more) if this benefit formula were in effect, compared with 23 percent in this benefit adequacy range with the existing formula. It is interesting to note that the change in the benefit adequacy distribution that would result from this dependents allowance is nearly identical to that for the \$105 maximum considered above (see Table V-1).

BENEFIT FORMULA CHANGES:  
DIFFERENTIAL EFFECTS BY HOUSEHOLD TYPE

The formulas considered above generally do not affect dramatically the pattern of benefit adequacy recorded for the total sample. As emphasized in the previous chapter, however, the extent of benefit adequacy differs considerably for the seven household types analyzed (see Table IV-7). Moreover, formula changes that do not have a marked effect on the pattern of adequacy for the total group may well have very different effects for the various household types. Obviously, quite different effects would result for one-person and multiple-person households if a dependents allowance were established. To illustrate these potentially differential effects, two formulas--the \$105 maximum and the dependents allowance--are analyzed for each household type. These two formulas are chosen because their overall effects were quite similar for the total sample. The cross tabulations of household type by benefit adequacy category are presented in Table V-5 for the \$105 maximum WBA formula and in Table V-6 for the dependents allowance formula.

The existing and dependents allowance formulas obviously provide for identical benefits for those in the two one-person households (household types 1 and 2). Moreover, the \$105 maximum WBA makes virtually no difference for those beneficiaries who live with relatives but have no other household members (household type 2), and increases only slightly the relative degree of benefit adequacy for those in the other one-person household (household type 1).

TABLE V-5  
 CROSS TABULATION OF HOUSEHOLD TYPE BY BENEFIT ADEQUACY CATEGORY  
 FOR \$105 MAXIMUM WBA\*

Benefit Adequacy Category (\$105 Max. WBA)	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
35% or less	11.6 ( 4.9)	5.8 ( 4.4)	8.7 ( 5.6)	2.4 ( 1.4)	43.0 (11.9)	14.0 ( 4.7)	14.5 (10.4)	207 6.7
36% - 50%	11.5 (12.0)	4.0 ( 7.4)	13.3 (20.8)	4.6 ( 6.6)	39.4 (26.5)	15.3 (12.4)	11.9 (20.8)	503 16.3
51% - 65%	14.7 (21.2)	4.4 (11.4)	11.7 (25.5)	7.3 (14.5)	33.0 (31.0)	20.2 (22.9)	8.7 (21.2)	701 22.7
66% - 85%	17.4 (28.7)	7.5 (22.1)	10.7 (26.7)	13.4 (30.5)	20.2 (21.7)	21.6 (27.9)	9.2 (25.7)	801 26.0
86% - 99%	19.6 (13.6)	9.2 (11.4)	7.1 ( 7.5)	18.4 (17.7)	11.3 ( 5.1)	25.2 (13.7)	9.2 (10.8)	337 10.9
100% or more	17.7 (19.6)	22.0 (43.4)	8.4 (14.0)	19.2 (29.3)	5.2 ( 3.8)	21.4 (18.5)	6.0 (11.1)	536 17.4
Column Total	485	272	322	351	746	621	288	3085
Column Pct.	15.7	8.8	10.4	11.4	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 111.

TABLE V-6  
CROSS TABULATION OF HOUSEHOLD TYPE BY BENEFIT ADEQUACY CATEGORY  
FOR DEPENDENTS ALLOWANCE\*

Benefit Adequacy Category (Dependents Allowance)	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
35% or less	13.6 ( 6.0)	5.6 ( 4.4)	12.7 ( 8.4)	3.3 ( 2.0)	42.3 (12.1)	11.3 ( 3.9)	11.3 ( 8.3)	213 6.9
36% - 50%	13.4 (15.4)	4.3 ( 8.8)	14.3 (24.8)	6.1 ( 9.7)	38.4 (28.8)	14.1 (12.7)	9.5 (18.4)	560 18.1
51% - 65%	17.0 (24.1)	4.9 (12.5)	10.9 (23.3)	9.9 (19.4)	28.8 (26.5)	19.9 (22.1)	8.4 (20.1)	687 22.3
66% - 85%	17.5 (27.2)	8.0 (22.1)	9.3 (21.7)	13.4 (28.8)	19.9 (20.1)	21.8 (26.4)	10.1 (26.4)	753 24.4
86% - 99%	16.2 (11.5)	8.7 (11.0)	9.0 ( 9.6)	17.1 (16.8)	16.2 ( 7.5)	21.7 (12.1)	11.0 (13.2)	345 11.2
100% or more	14.6 (15.8)	21.2 (41.2)	7.4 (12.1)	15.5 (23.4)	7.0 ( 5.0)	26.9 (22.9)	7.4 (13.5)	528 17.1
Column Total Column Pct.	486 15.7	272 8.8	322 10.4	351 11.4	746 24.2	621 20.1	288 9.3	3086 100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 110.



Husband/wife households in which both persons worked (household type 4) obviously would not be affected by the dependents allowance formula (because they have earning spouses and no other household members). The effect of the \$105 maximum, however, would be significant. For example, the percentage of these beneficiaries in the highest two adequacy categories (86% or more) would increase from the 40 percent (existing formula) to 47 percent (\$105 maximum); see Tables IV-7 and V-5.

The results for those in households with two or more persons, usually one earner and an absent spouse (household type 7) vary substantially, depending on the formula change considered. The \$105 maximum only marginally increases the relative degree of benefit adequacy for these beneficiaries--the top three adequacy categories (66% or more) contain 44 percent of these beneficiaries under the present formula, compared with 48 percent under the \$105 maximum. The dependents allowance has an even larger impact on benefit adequacy for this group. For example, the claimants in the top three adequacy categories would increase to 53 percent (vs. 44 percent under the existing formula) and the percentage in the highest two categories would increase to 27 percent (vs. 19 percent under the existing formula).

The effects of either of these two formula changes would be quite large for the beneficiaries in the remaining three household types. This improvement would be especially large for the beneficiaries who were single earners and had three-or-more household members, including a spouse (household type 5); the beneficiaries in these households clearly had the least adequate benefits recorded for any household type under the existing formula. Only 5 percent and 18 percent of the beneficiaries in household type 5 had benefit-expense ratios of at least 86 percent and at least 66 percent, respectively, under the existing formula. The percentage of household type 5 beneficiaries who would fall in these higher adequacy categories would increase to 9 percent and 31 percent, respectively, if the maximum WBA were increased to \$105; for the dependents allowance formula, these percentages would be even larger (12 percent and 33 percent, respectively). The increase in adequacy that would result from either formula change also would be considerable for those in husband/wife households with only the beneficiary as an earner (household type 3) and for those in three-or-more person households with a spouse present and at least two earners (household type 6); the relative improvement, however,

would be somewhat larger for those in household type 3. For example, the percentage of beneficiaries in household type 3 in the top three adequacy categories (66 percent or more) would increase from 35 percent (existing formula) to 48 percent (\$105 maximum formula) and 43 percent (dependents allowance formula); the comparable change for those in household type 6 would be an increase from 50 percent in these top three adequacy categories (existing formula) to 60 percent (\$105 maximum formula) and 61 percent (dependents allowance formula).

The overall change in benefit adequacy among the seven household types that would result if either of these formulas were implemented is most interesting. In each case, those for whom benefits presently are (relatively) most adequate would benefit least. Conversely, the ones who would gain the most are those with the least adequate benefits under the existing formula. This differential effect can be illustrated by comparing the percentages of claimants in the highest two benefit adequacy categories for each of the three formulas. Under the existing formula, the percentage of beneficiaries in each household type with benefit-expense ratios of 86 percent or more ranges from only 5 percent to 52 percent; under the \$105 maximum WBA and the dependents allowance formulas, the comparable ranges would be 9-55 percent and 13-52 percent, respectively. Similarly, the percentage of beneficiaries with benefit-expense ratios of 66 percent or more for the existing benefit formula ranges from 18-74 percent for the seven household types; under the \$105 maximum WBA and dependents allowance formulas, the ranges would be 31-77 percent and 33-74 percent, respectively. In short, either of these changes in the benefit formula would reduce considerably the present disparity in the relative degree of benefit adequacy observed for these seven household types, although the overall increase in benefit adequacy for the sample considered as a whole would be less striking in each case. In particular, sole earners with relatively large households--the households presently at the bottom of the adequacy scale--would benefit substantially from either change, whereas single-person households--especially those beneficiaries who live with relatives and presently have the most adequate benefits--would benefit very little from either change.

## SUMMARY

The purpose of this chapter was to explore the impact on the relative degree of benefit adequacy that would result from the implementation of any one of several different weekly benefit formulas. The types of formulas considered include those which would provide for: increases in only the maximum weekly benefit amount; increases in only the minimum weekly benefit amount; increases in both the maximum and minimum benefit amounts, on the assumption that the existing wage-replacement ratio (1/25 of high quarter earnings) would continue to be used; increases in both the maximum and minimum weekly benefit amounts, together with an increase in the existing wage-replacement ratio to 1/22 of high quarter earnings; and the addition of a dependents allowance to the existing benefit formula.

The major findings of the analysis may be summarized as follows:

- (1) Any increase in just the maximum weekly benefit amount (with no change in the existing wage-replacement ratio) would provide some additional income for a large portion of the sample. Under the existing formula, 51 percent of the total sample qualified for the maximum payment of \$85. However, 44 percent of the total sample had sufficient earnings to qualify for the \$95 maximum considered; this benefit amount constitutes 50 percent of the statewide average weekly wage in covered employment during 1976. Moreover, 37 percent of the total sample could have qualified for a \$105 maximum (55 percent of the statewide average weekly wage), and 27 percent of the study group actually could have qualified for a maximum weekly benefit payment of \$127 (67 percent of the statewide average weekly wage).
- (2) The effect of the above changes in the maximum weekly benefit amount on the relative degree of benefit adequacy obviously varied. Although 44 percent of all beneficiaries would have received an additional \$10/week with a \$95 maximum, the overall effect of such a change on the relative adequacy of benefits for the sample would be quite modest. Successive increases in the maximum to \$105 and \$127 each would further increase somewhat (but not markedly) the percentage of beneficiaries in the top benefit adequacy categories. It should be noted, however, that each change does decrease the percentage of claimants in the lowest benefit adequacy categories, in addition to increasing the percentage of workers in the top benefit adequacy categories.

- (3) An increase in the minimum weekly benefit from \$15 to \$35 (with no change in either the wage-replacement ratio or the maximum benefit payment) would affect only 6 percent of the study group--those who qualified for benefits of \$15-\$34 under the existing formula. Hence, this change would have very little effect on the overall degree of adequacy recorded for the total sample, although benefits obviously would be less "adequate" for those who would be excluded from benefits by this change.
- (4) The effect of simultaneously increasing the minimum benefit amount to \$35 and the maximum to \$95, with no change in the wage-replacement ratio, obviously would represent a combination of the individual effects of these changes discussed above. Under this "combined" change, 51 percent of the beneficiaries would fall in the top three benefit adequacy categories (66% or more), compared with 45 percent of the beneficiaries in the same adequacy range under the existing formula.
- (5) An increase in the minimum WBA to \$35 and the maximum to \$95, but with an increase in the wage-replacement ratio from 1/25 to 1/22 of high quarter earnings, would have a much more pronounced impact than the "combined" change just summarized. Under this "revised" formula, there would be a shift in the total WBA distribution from lower to higher values, because of the increased wage-replacement ratio for all beneficiaries. Sixty-three percent of the sample could have qualified for weekly benefits of \$85 or more under this formula, compared with only 54 percent under the "combined" formula change and 51 percent under the existing formula. In addition, this revised formula would place 33 percent of the beneficiaries in the top two benefit adequacy categories (86% or more), compared with only 27 percent of the sample under the \$35-\$95 formula based on a high-quarter fraction of 1/25 and 23 percent under the existing formula; in fact, the percentage of beneficiaries in the top two adequacy categories under this "revised" formula would be about the same as the percentage in these categories under the \$127 maximum WBA formula. At the lower end of the adequacy scale, 43 percent of the sample would fall in the lowest three adequacy categories (65% or less) under this revised formula, compared with 49 percent under the \$35-\$95 formula based on a high-quarter fraction of 1/25 and 55 percent under the existing formula.

- (6) The dependents allowance considered would provide \$5 for any nonearning spouse and for each dependent child under 18 years of age, up to a maximum allowance equal to the lesser of \$15 or one-half of the beneficiary's weekly benefit amount; otherwise the formula would be identical to the existing one. Interestingly, the overall effect on benefit adequacy of this change would be nearly the same as the effect of just an increase in the maximum benefit to \$105. Comparing the dependents allowance formula with the existing formula, 28 percent vs. 23 percent of the beneficiaries would fall in the top two adequacy categories, whereas 25 percent vs. 32 percent would be in the bottom two benefit adequacy categories.
- (7) The differential effects on the adequacy of weekly benefits for beneficiaries in the different household types were explored for the \$105 maximum formula and the dependents allowance formula. The \$105 maximum formula would have almost no effect on the adequacy of benefits for beneficiaries who had no other household members, and the dependents allowance formula would, by definition, have no effect on benefits for this group. In contrast, the effect would be more substantial for beneficiaries who were single earners and had three-or-more household members (including a spouse) than for those in any other household type. The effects on benefit adequacy of either formula change also would be quite large for those husband/wife households in which only the beneficiary was an earner, and for beneficiaries in three-or-more person households with a spouse present and at least two earners. The overall change in benefit adequacy that would result from either formula change is especially interesting. In each case, those at the top of the adequacy scale under the existing formula--especially beneficiaries who had no other household members and lived with relatives--would benefit least from either change. In contrast, the ones who would benefit the most from either change are those at the bottom of the adequacy scale under the existing formula--especially sole earners with three-or-more household members, including a spouse. The important implication of this finding is that either of these benefit formula changes--and presumably most of the other ones considered in this chapter--would reduce considerably the disparity in benefit adequacy found among the seven household types. This would be the case even though the impact on the overall level of adequacy for the entire sample of households would be much less striking than the impact on those households for which benefits presently are relatively inadequate.

## FOOTNOTES FOR CHAPTER V

<sup>1</sup>Although the results are not reported in the text, a maximum WBA of \$114 (60 percent of the average weekly wage) also was analyzed. Obviously, the effect on benefit adequacy of this change in the formula falls between that of the \$105 and \$127 maximums reported in Table V-1.

<sup>2</sup>The effect of increasing the minimum WBA to \$25 would be even smaller, since only 2.3 percent of the sample received WBAs of \$15-\$24. Thus, the results of such a change are not reported in Table V-2.

<sup>3</sup>One other formula change considered was to base the weekly benefit on base period, rather than high-quarter earnings. This formula defined the WBA as 1.25 percent of base-period earnings up to the current maximum WBA of \$85. The effect of this change on benefit adequacy would be to increase the proportion of claimants in the lower benefit adequacy categories and to decrease the proportion of claimants in the higher adequacy categories.



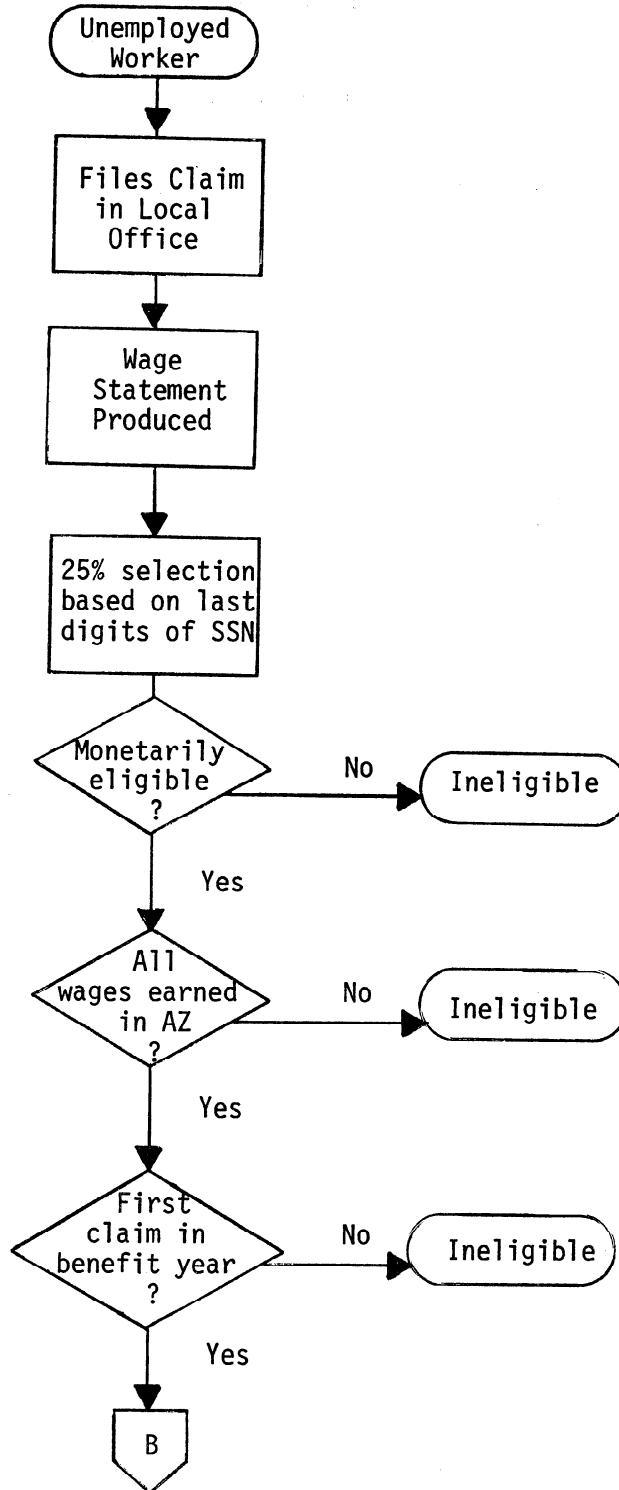
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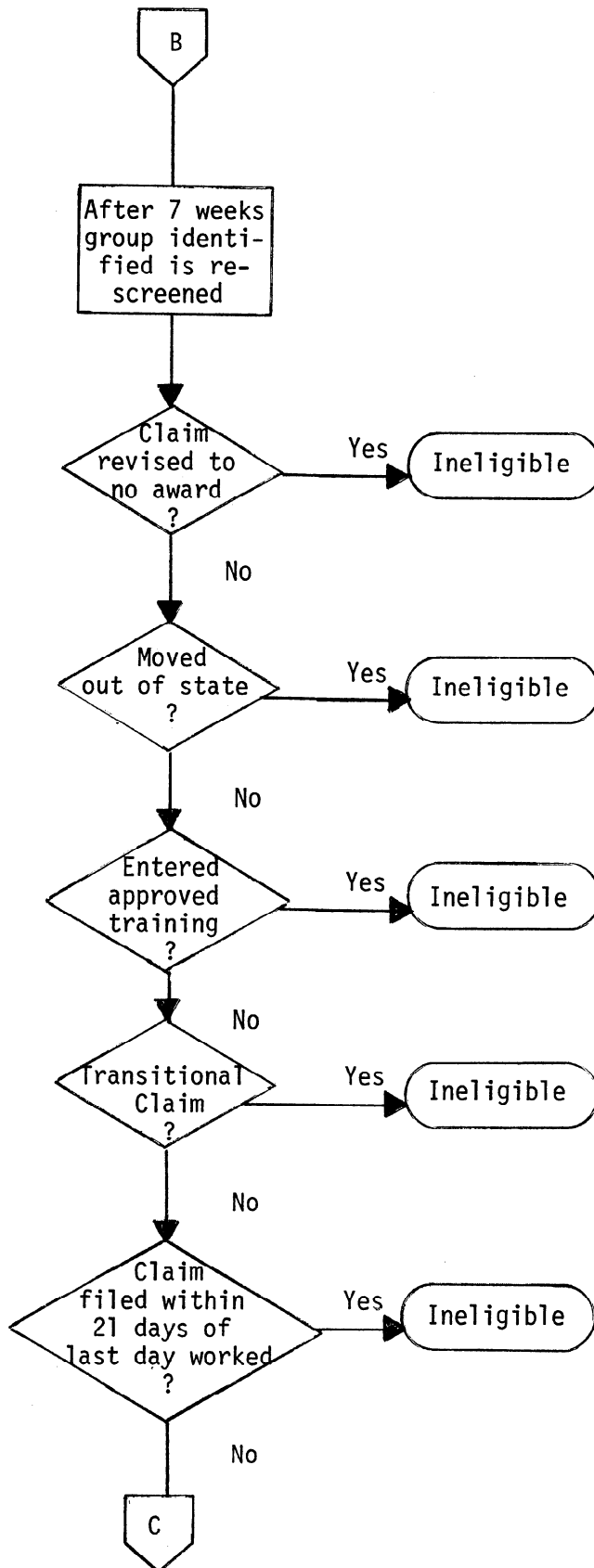
APPENDIX A  
INTERVIEW SELECTION FLOW CHARTS AND  
QUESTIONNAIRE FOR FIFTH WEEK INTERVIEW



The procedure utilized to select claimants for the preunemployment month interview is detailed in Chart A-1. To provide an overview of the interview process for the subsequent portions of the study, the selection of claimants for the 13th and 25th week interviews and for the postexhaustion interview also is outlined in Charts A-2, A-3, and A-4. Because the present report is based on the fifth week interview, only the questionnaire for that interview is included in this appendix.

CHART A-1  
ARIZONA BENEFIT ADEQUACY STUDY:  
FIFTH WEEK INTERVIEW SELECTION





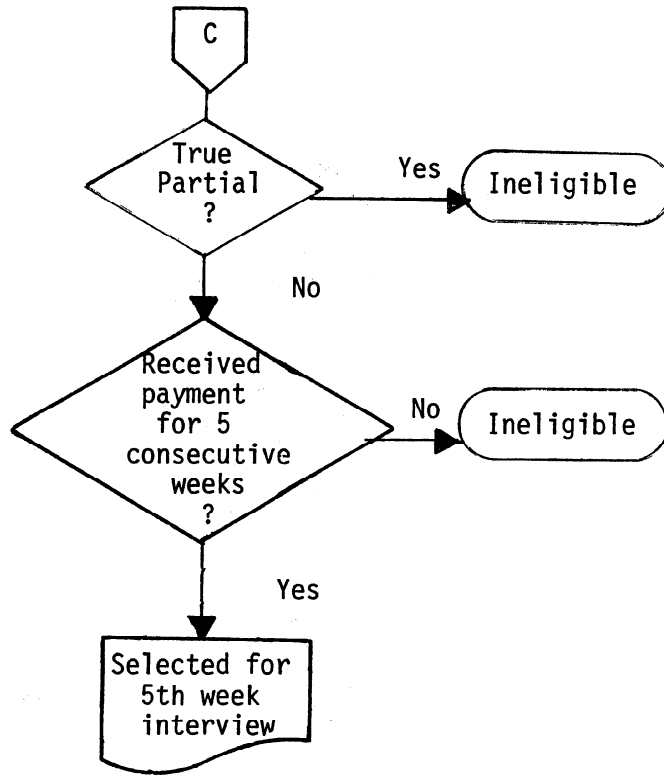


CHART A-2  
ARIZONA BENEFIT ADEQUACY STUDY:  
THIRTEENTH WEEK INTERVIEW SELECTION

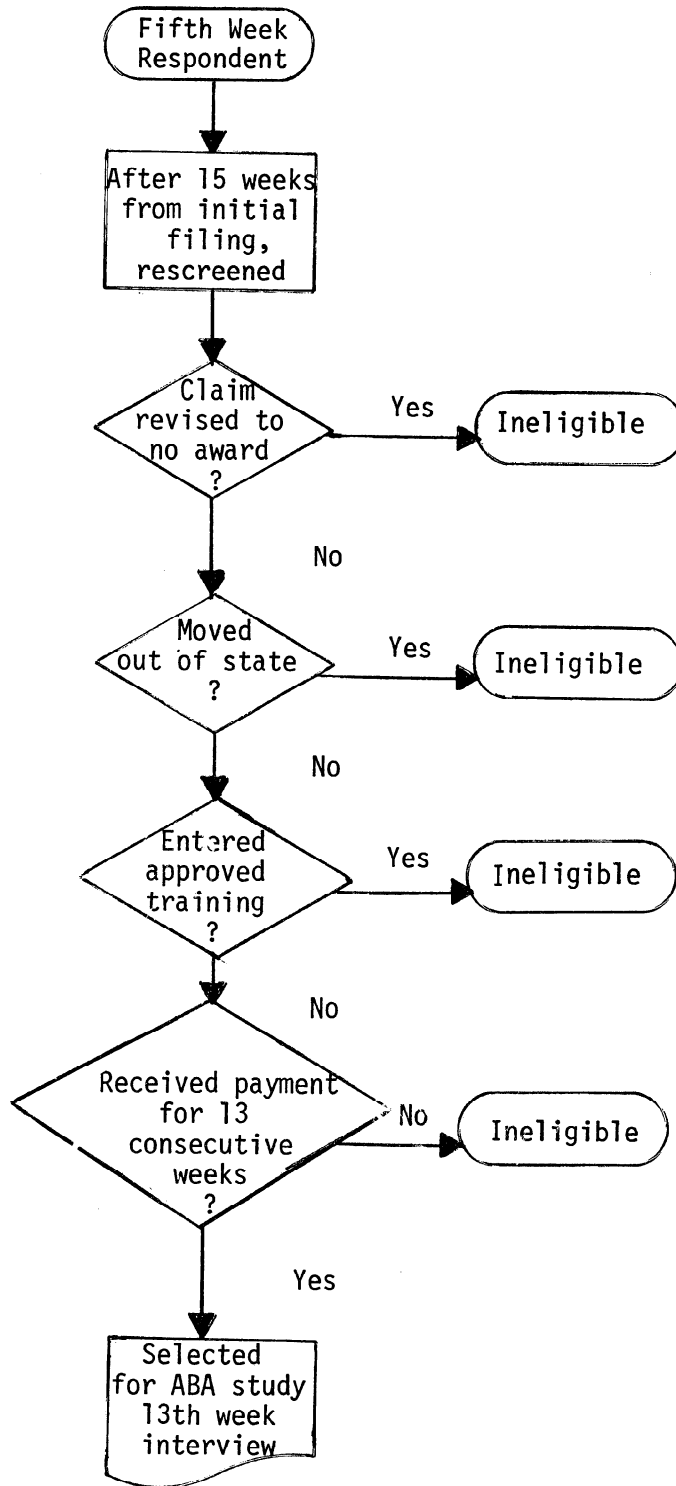


CHART A-3  
ARIZONA BENEFIT ADEQUACY STUDY:  
TWENTY-FIFTH WEEK INTERVIEW SELECTION

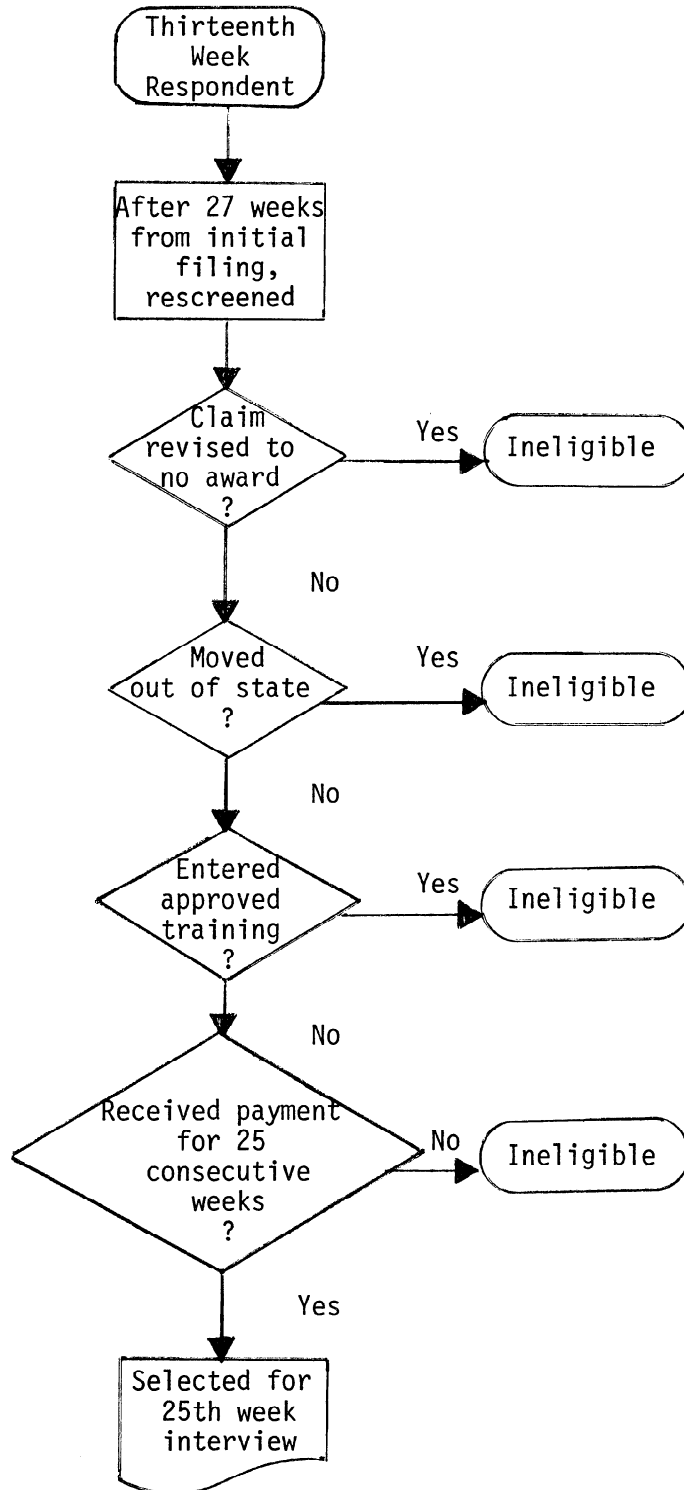
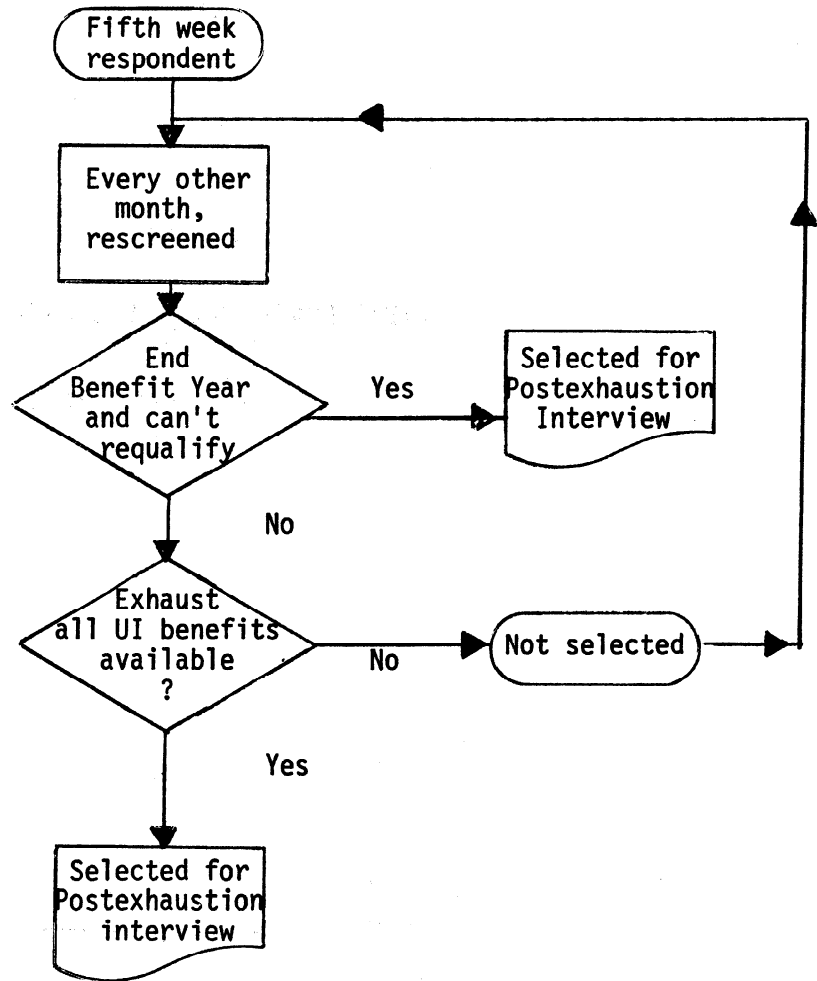


CHART A-4  
ARIZONA BENEFIT ADEQUACY STUDY:  
POSTEXHAUSTION



Arizona Department of Economic Security  
Phoenix, Arizona  
TX-166 (10-75)

**UNEMPLOYMENT INSURANCE STUDY QUESTIONNAIRE**

**CONFIDENTIAL**

Name \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

I.D. Number \_\_\_\_\_



Part I

Employment and Job Search Information

1A. What were the last two calendar months you worked?

\_\_\_\_\_ and \_\_\_\_\_  
month year month year

B. During which one of these months did you more nearly receive your usual monthly wages?  
(If both months were equal, record the most recent month.)

\_\_\_\_\_ year  
month

The month you recorded above will be referred to as your "employed month" throughout this questionnaire.

C. About how many hours per week did you work in your employed month?

About \_\_\_\_\_ hours per week.

Questions 2, 3, & 5, refer to the employer during your employed month.

2. How long did you regularly work with that employer? (check one)

\_\_\_\_\_  weeks  
 months  
 years

3. Do you expect to be called back to work by that employer?

Yes  No

4A. Were you looking for another job before you became unemployed?

No  
(go to No. 5)

Yes

B. How long were you looking for a new job before you became unemployed? (check one)

\_\_\_\_\_  weeks  
 months

C. How did you find out about new jobs? (See list below and enter number)

Main way \_\_\_\_\_ 2nd way \_\_\_\_\_ 3rd way \_\_\_\_\_

- |                                      |                             |
|--------------------------------------|-----------------------------|
| 1 - Arizona State Employment Service | 5 - Union                   |
| 2 - Friends and relatives            | 6 - Go to employer directly |
| 3 - Private employment agencies      | 7 - Other (specify) _____   |
| 4 - Newspaper and magazine ads       |                             |

5A. Before you stopped working did your employer notify you that your job was going to end?

No  
(go to No. 6)

Yes

B. About how long before you stopped working did you know?  
(check one)

\_\_\_\_\_  weeks  or always knew  
 months

(Please go to reverse side of page)

6A. Did you wait 7 days or longer after you stopped working before you filed for your unemployment benefits?

No  
(go to No. 7)

Yes  
B. How long did you wait? \_\_\_\_\_ days

C. What was the main reason you waited? (circle one number)

1 - Thought I would find another job soon

5 - Didn't think I would qualify for benefits

2 - Sick

6 - Didn't want to take the time required to file

3 - Took a vacation

7 - Didn't want to accept unemployment benefits

4 - Didn't know about unemployment insurance

8 - Other \_\_\_\_\_  
(specify)

7. On your job during your employed month:

A. what wage were you making? (check one)

hour  
 week  
 month  
\$ \_\_\_\_\_ per

B. how many minutes did you travel one-way daily to your job? About \_\_\_\_\_ minutes

8. The week after your job ended:

A. what was the lowest wage you would accept for a new job? (check one)

hour  
 week  
 month  
\$ \_\_\_\_\_ per

B. at the wage rate above, how long would a job have to last for you to accept it? (check one)

\_\_\_\_\_  weeks  
 months  
 years

C. at that wage rate, how many minutes would you travel one-way daily to a job?

About \_\_\_\_\_ minutes

9. How do you find out about new jobs? (See list below and enter number)

Main way \_\_\_\_\_ 2nd way \_\_\_\_\_ 3rd way \_\_\_\_\_

1 - Newspaper and magazine ads

5 - Union

2 - Friends and relatives

6 - Go to employer directly

3 - Private employment agencies

7 - Other

4 - Arizona State Employment Service

\_\_\_\_\_  
(specify)

10A. Is transportation a problem for you in looking for a job?  Yes  No

B. How do you usually get around to look for a job? (circle one)

1 - Own car

4 - Bus

2 - Borrow a car

5 - Other \_\_\_\_\_

3 - Ride with friends & relatives

\_\_\_\_\_  
(specify)

(Please go to next page)

If you returned to work, were you recalled by your former employer? [ ]Yes [ ]No

11A. Are you still filing for unemployment insurance benefits?

Yes  
(go to 13)

No

B. Why not? (circle one)

1 - Returned to work (Go to 12)

2 - No longer looking for work

3 - Disqualified

4 - Other (specify)

(Go to 13)

12A. On what date did you return to work?

Mo. / Day / Yr.

B. What wage are you making now? (check one)

\$ \_\_\_\_\_  
 hour  
 week  
 month

C. How long do you think your job will last? (check one)

\_\_\_\_\_  weeks  
 months  
 years

D. How many minutes do you travel one-way daily to your job? About \_\_\_\_\_ minutes

E. Is this the same type of work you had during your employed month?  Yes  No

F. About how many hours per week do you work? About \_\_\_\_\_ hours per week (Go to 16)

13. Last Week:

A. what was the lowest wage you would accept for a new job? (check one)

\$ \_\_\_\_\_  
 hour  
 week  
 month

B. at the wage rate above, how long would a job have to last for you to accept it? (check one)

\_\_\_\_\_  weeks  
 months  
 years

C. at that wage rate, how many minutes would you travel one-way daily to a job?

About \_\_\_\_\_ minutes

14. How long do you think it will take to find a suitable job? (check one)

\_\_\_\_\_  weeks  
 months

15. How much do you expect to make when you start working regularly again? (check one)

\$ \_\_\_\_\_  
 hour  
 week  
 month

(Please go to reverse side of page)

Part II

HOUSEHOLD COMPOSITION AND INCOME INFORMATION

16. Please complete items A through L for all persons, including yourself, who had your address as their permanent address during your employed month. Exclude roomers and boarders. Be careful not to omit persons who were away on business, on vacation, at school, or in a hospital, etc.

	HOUSEHOLD MEMBERS															
	1		2		3		4		5		6		7		8	
A. Relationship to yourself (for example, spouse, child, parent)	Self															
B. Sex (Check male or female)	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
C. Age on last birthday																
D. Education (Number of year completed)	***** NOT APPLICABLE *****															
E. Marital Status (Check (✓), married or single)	M	S	M	S	M	S	M	S	M	S	M	S	M	S	M	S
F. For those over 16, check (✓), if not able to work because of a physical disability or mental infirmity.																
G. For those over 16, check (✓) if a full-time student.																
H. Which persons receive 50% or more of their support from you and/or your spouse. Check (✓).	✓															
I. Which persons contributed 100% (all) of their income to the expenses that you &/or your spouse normally pay. (✓)	✓															
J. Wages, salaries, tips, and commissions received during employed month* (*Before any payroll deductions & taxes) for person(s) checked in I.	\$	per	\$	per	\$	per	\$	per	\$	per	\$	per	\$	per	\$	per
K. Wage, salaries, & tips received during employed month* after federal income taxes, state income taxes, and Social Security contributions for person(s) checked in I.	\$	per	\$	per	\$	per	\$	per	\$	per	\$	per	\$	per	\$	per
L. Amount contributed by person(s) not checked in I, if any, to the expenses that you &/or your spouse paid in your employed month.	NOT APPLICABLE		\$	per	\$	per	\$	per	\$	per	\$	per	\$	per	\$	per

\*Your employed month is the one you gave in Question 1.

(Please go to next page)

17. If you are a member of a multi-person household, please go to No. 18.

If you are a member of a one-person household, please indicate whether you:

live alone

live with non-related persons

live with related persons

THE FOLLOWING THREE QUESTIONS REFER TO THE PERSONS CHECKED IN I OF QUESTION 16.

18. During your employed month, did anyone checked in I receive regular monthly income from sources such as alimony and child support, cash contributions from persons not living in your household, dividends, interest, rents, self-employed income, social security, and welfare payments? (Please specify type and record the amount received)

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

19. During your employed month, did anyone checked in I receive any other revenue not normally received each month such as, cash settlements from accidents or legal matters, income tax refunds and rebates, workmen's compensation, illness, and accident benefits over what was needed for expenses? (Please specify type and record the amount received.)

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

20. During your employed month, did anyone checked in I purchase food using food stamps?

No

Yes

A. How much did you pay for the stamps? \$ \_\_\_\_\_

B. How much was this amount of stamps worth when it came to buying food?

\$ \_\_\_\_\_

(Please go to reverse side of page)

Part III

HOUSEHOLD EXPENDITURE INFORMATION

This section of the questionnaire lists several expenses. Please record the cash paid or the amount due but not paid in your employed month. The questions refer to the expenses normally paid by you, your spouse and anyone else checked in I of question 16. We realize this section is very detailed, and you may not have all these expenses. The detail is included to help you organize your expenditures and thus insure more accurate responses. Complete and accurate responses are required if the study is to be used to improve the present unemployment insurance system.

	Cash Paid During Employed Month	Due During Employed Month But Not Paid
21. Rent or mortgage payment. <i>If interest, taxes, and insurance are included in your mortgage payment, include them in the amount you specify here. Also if you must pay a fixed maintenance fee in addition to your mortgage payment as a condition for living at your place of residence, include that amount here.</i>	\$ _____	\$ _____
22. Payments for utilities:		
gas/electricity	\$ _____	\$ _____
water, sewage and garbage collection	\$ _____	\$ _____
telephone ( <i>including long distance</i> )	\$ _____	\$ _____
other ( <i>e.g., fuel oil</i> )	\$ _____	\$ _____
23. Total payments on purchases made on installment plans, charge accounts, such as payments on appliances and others.	\$ _____	\$ _____
24. Total payments made on loans. These might include: car loans, business loans, student loans, etc.	\$ _____	\$ _____
25. Payments for food and other household items bought in grocery stores or delivered to your door, exclude cigarettes and liquor ( <i>include cost of food stamps, if used</i> )	\$ _____	\$ _____
26. Payments for gasoline, parking fees, taxi, bus fare.	\$ _____	\$ _____
27. Payments for necessary automobile maintenance and repairs.	\$ _____	\$ _____

(Please go to next page)

	Cash Paid During Employed Month	Due During Employed Month But Not Paid
28. Payments for necessary services such as barber, laundry, cleaners, child care, and care of disabled members living with you.	\$ _____	\$ _____
29. Payments for clothing.	\$ _____	\$ _____
30. Payments for continuing and regular support of persons living outside your dwelling unit. These might include child support, alimony, care of aged persons, room and board for a student, or other such items.	\$ _____	\$ _____
31. Payments for past hospital, doctor, dentist, or medical bills.	\$ _____	\$ _____
32. Payments for prescription drugs or other health needs.	\$ _____	\$ _____
33. Payments for medical and dental services, including hospital expenses.	\$ _____	\$ _____
34. Payments for necessary house repair <i>(Do not include sums spent to remodel or otherwise improve, as opposed to repair, your house.)</i>	\$ _____	\$ _____

*(Please go to reverse side of page)*

35. For the expenses listed below, please enter the amount you paid per year and the amount paid or due but not paid during your employed month. Report the total amount, including any payroll deductions.

	Amount Paid Per Year	Amount of Cash Paid in Employed Month	Amount Due During Employed Month But Not Paid
A. Payments for hospital or medical insurance.	\$ _____	\$ _____	\$ _____
B. Automobile Insurance	\$ _____	\$ _____	\$ _____
C. Homeowners Insurance, if not included in rent or mortgage payment.	\$ _____	\$ _____	\$ _____
D. Life insurance	\$ _____	\$ _____	\$ _____
E. Disability insurance	\$ _____	\$ _____	\$ _____
F. Any other types of insurance  (Specify) _____ _____	\$ _____	\$ _____	\$ _____
G. Union or professional dues	\$ _____	\$ _____	\$ _____
H. Payments for education including books, tuition, and supplies.	\$ _____	\$ _____	\$ _____
I. Property tax not included in mortgage.	\$ _____	\$ _____	\$ _____
J. Income tax not deducted from wages.	\$ _____	\$ _____	\$ _____

(Please go to next page)



- |  | Cash Paid During<br>Employed Month | Due During Employed<br>Month But Not Paid |
|--|------------------------------------|---|
| 36. Payments for meals and snacks eaten away from home, exclude cigarettes and liquor.   | \$ _____                           | \$ _____                                  |
| 37. Payments for entertainment and recreation activities such as movies, sports, and social clubs, reading materials, tobacco items, and liquor. | \$ _____                           | \$ _____                                  |
| 38. Payments for travel or vacations.  | \$ _____                           | \$ _____                                  |
| 39. Contributions to churches and charities.   | \$ _____                           | \$ _____                                  |
| 40. Payments for gifts.  | \$ _____                           | \$ _____                                  |
| 41. Did you buy any major household items during your employed month? (Such as a car or washing machine.)  |                                    |   |

No  
(go to No. 42)

Yes

B. Please specify the item(s) and the down payment. If you paid for the item in full, enter the purchase price.

Item	Down Payment or Purchase Price	Check one (✓)	
		Replaced	Never Owned Before
	\$ _____		
	\$ _____		
	\$ _____		
	\$ _____		

- |  | Paid During<br>Employed<br>Month | Due During<br>Employed Month<br>But Not Paid |
|--|----------------------------------|--|
| 42. Any other <i>regular</i> monthly payments you made in your employed month. (Please specify and record the amount)                  |                                  |  |
| _____  | \$ _____                         | \$ _____                                     |
| _____  | \$ _____                         | \$ _____                                     |
| _____  | \$ _____                         | \$ _____                                     |
| 43. Any other important payments during employed month that you do not normally pay each month. (Please specify and record the amount) |                                  |  |
| _____  | \$ _____                         | \$ _____                                     |
| _____  | \$ _____                         | \$ _____                                     |
| _____  | \$ _____                         | \$ _____                                     |

(Please go to reverse side of page)

44. Did you save and/or invest any money from your income during your employed month?

No  Yes

If yes, about how much? \$ \_\_\_\_\_

45A. Did you withdraw from savings to meet household expenses during your employed month?

No  Yes

If yes, about how much? \$ \_\_\_\_\_

B. Did you sell any items (*other than trade-ins*) during your employed month?

No  Yes

If yes, about how much? \$ \_\_\_\_\_

C. Did you take out a loan to meet household expenses during your employed month?

No  Yes

If yes, about how much? \$ \_\_\_\_\_

46. Has your unemployment caused anyone in your household:

A. to work more hours?  Yes  No <sup>(check)</sup>

B. start working?  Yes  No

C. to look for work?  Yes  No

47A. What is the average amount of money you spend each week looking for work? (*For example, money spent for transportation, clothing, babysitter, care of disabled persons living with you, postage, and typing.*)

About \$ \_\_\_\_\_ per week.

B. About how much of the above is for transportation?

About \$ \_\_\_\_\_

48. Did you look for work: (*check those that apply*)

in your local community

outside your local community

outside the county you live in

outside Arizona

49. How long have you lived in this county?

(*check*)

months

years

<b>For Office Use Only:</b>	
<b>HMM:</b>	_____
<b>TOTGY:</b>	_____
<b>TOTNY:</b>	_____

We might need to get in touch with you again.

Please list the name, address, and telephone number of someone who will always be able to forward mail to you.

Name \_\_\_\_\_

Address \_\_\_\_\_  
*Number* *Street*

\_\_\_\_\_ *City* *State* Phone \_\_\_\_\_

What is your mailing address?

\_\_\_\_\_ *Number* *Street*

\_\_\_\_\_ *City*

\_\_\_\_\_ *ZIP Code*

What is your telephone number?

Telephone Number \_\_\_\_\_

Thank you very much for your cooperation.

**APPENDIX B**

**ADMINISTRATION OF HOUSEHOLD SURVEYS**

The purpose of this Appendix is to outline the procedures utilized in administering the household surveys and implementing the followup procedures for the Arizona Benefit Adequacy study. The administrative procedures for the present study were carefully developed and consistently implemented. Thus, the data base that is utilized for the analysis presented in this and subsequent reports is believed to be both comprehensive and accurate. In this regard, we believe the ABA data base can be used with complete confidence by policy makers. This Appendix is subdivided into three basic sections: 1) Administration and Analysis of Pretest Results; 2) Office Procedures and Administrative Control; and 3) Interviewer Training Procedures. The information presented in these sections is provided only in summary form. More detailed specifications of the topics addressed here are found in The Arizona UI Benefit Adequacy Study: Administration and Control Procedures; this report is in progress and will be available at a later date for those interested in evaluating or replicating the ABA administrative structure.

#### ADMINISTRATION AND ANALYSIS OF PRETEST RESULTS

Previous studies of benefit adequacy have utilized different types of questionnaires and survey designs. Some investigations have been based on questionnaires filled out by claimants in the local UI office at the time of claims filing, whereas others have emphasized detailed questionnaires completed in the home with assistance from specially trained interviewers. Relevant factors to consider in adopting a survey design include the costs of acquiring the required data, the accuracy of the information obtained, and the amount of information requested from each beneficiary. The more detailed the questionnaire, for a given degree of response accuracy, the greater will be the cost of obtaining the relevant data.

The amount and type of information to be obtained from each beneficiary household was specified in great detail in the RFP for this investigation. The form of the questionnaire and the specific questions designed to elicit this information, however, were to be developed as a part of the overall experimental design for the project. Copies of the questionnaires used in several previous studies of benefit adequacy were reviewed, and numerous

draft questionnaires were developed and revised prior to the pretest period. Because both the organization of the questionnaire and the procedural details (e.g., the specific wording of questions and the nature of instructions to be provided) were importantly dependent on the environment within which the questionnaire would be filled out by the beneficiary (e.g., at home, in the local UI office, etc.), it was determined that several preliminary questionnaires would be developed. Each was to be utilized for a specific type of setting within which the questionnaire was to be completed.

Four methods for the administration of the questionnaires were selected for the pretest: 1) a self-administered questionnaire with review by an interviewer in the respondent's home; 2) a self-administered questionnaire with review by an interviewer in an office location; 3) an interviewer-administered questionnaire in an office location; and 4) an interviewer-administered questionnaire in the respondent's home. The self-administered questionnaires were mailed out in advance of the interview, along with a cover letter to explain the purpose of the study and how the respondent would be contacted. Persons who were to receive an interviewer-administered questionnaire were sent a letter which explained the purpose of the study and how they could be contacted. Sixteen interviews of each type were assigned to experienced interviewers in both urban and rural areas of the state.

The overall response rate on the pretest was 77 percent. There were some important differences, however, in the proportion of beneficiaries for whom complete information was obtained at the time of initial contact. For example, only 54 percent of the beneficiaries kept their initial appointment for an interview at an office location, and substantial follow-up was required for this group. It also was learned that attempts at self-administration, though largely unsuccessful in total, did provide an opportunity for the respondent to become familiar with the type of information requested, and consequently to be better prepared to assist an interviewer in obtaining the required information. Based on the pretest results, it was determined that option (1) above was most efficient for the types of information to be obtained in this study, and the experimental design of the study was premised on self-administered questionnaires prepared in the respondent's home, with review and modification (as required) by a specially trained interviewer.

The interviewer contacted the respondent in the latter's home shortly after the questionnaire had been mailed.

The pretest also provided additional information of importance for the design and administration of the survey research component of this study. Examples are provided below:

1. In those instances in which the questionnaire was mailed to the respondent's home in advance of the interviewer's home visit, interviewing time was about 50 percent less than in those instances in which the questionnaire was not mailed to the respondent in advance of the interviewer's home visit.
2. Household interview costs averaged about \$6.30 per completed interview, based on \$2.50 per hour for the interviewer cost and \$0.15 per mile for travel. A higher cost rate was observed in rural than in urban areas.
3. A number of the questions in the questionnaire were rewritten to make them more understandable to the average respondent.
4. A number of short case studies were prepared and added to the interviewer training procedures to prepare the interviewers for various household situations which they would encounter.
5. The sample selection rate was based on an approximate 77 percent response rate.
6. To facilitate the coding of the questionnaires, some expense categories were rearranged to reflect the concept of "necessary and obligated" and other expenditure categories.
7. The great majority of beneficiaries made honest attempts to recall and document income and expenditures in the employed month. Very few recall problems were encountered and in most instances the information obtained appeared sufficiently accurate for the purposes of this study.
8. Bilingual interviewers were hired and trained, because approximately 5 percent of the beneficiaries surveyed spoke only Spanish.

Based on these conclusions and additional insights gained through the pretesting process, the questionnaire was redesigned, additional interviewers were hired and the interviewer-training procedures were modified accordingly.

## OFFICE PROCEDURE AND ADMINISTRATIVE CONTROL

Administration and control of the survey portion of the study required the development of specific procedures to schedule, monitor and report on the progress of the household interviews and followup procedures. To facilitate the control process a number of forms were developed. Both the procedures and the control forms are described below.

Procedures

The major office tasks which had to be administered are identified below:

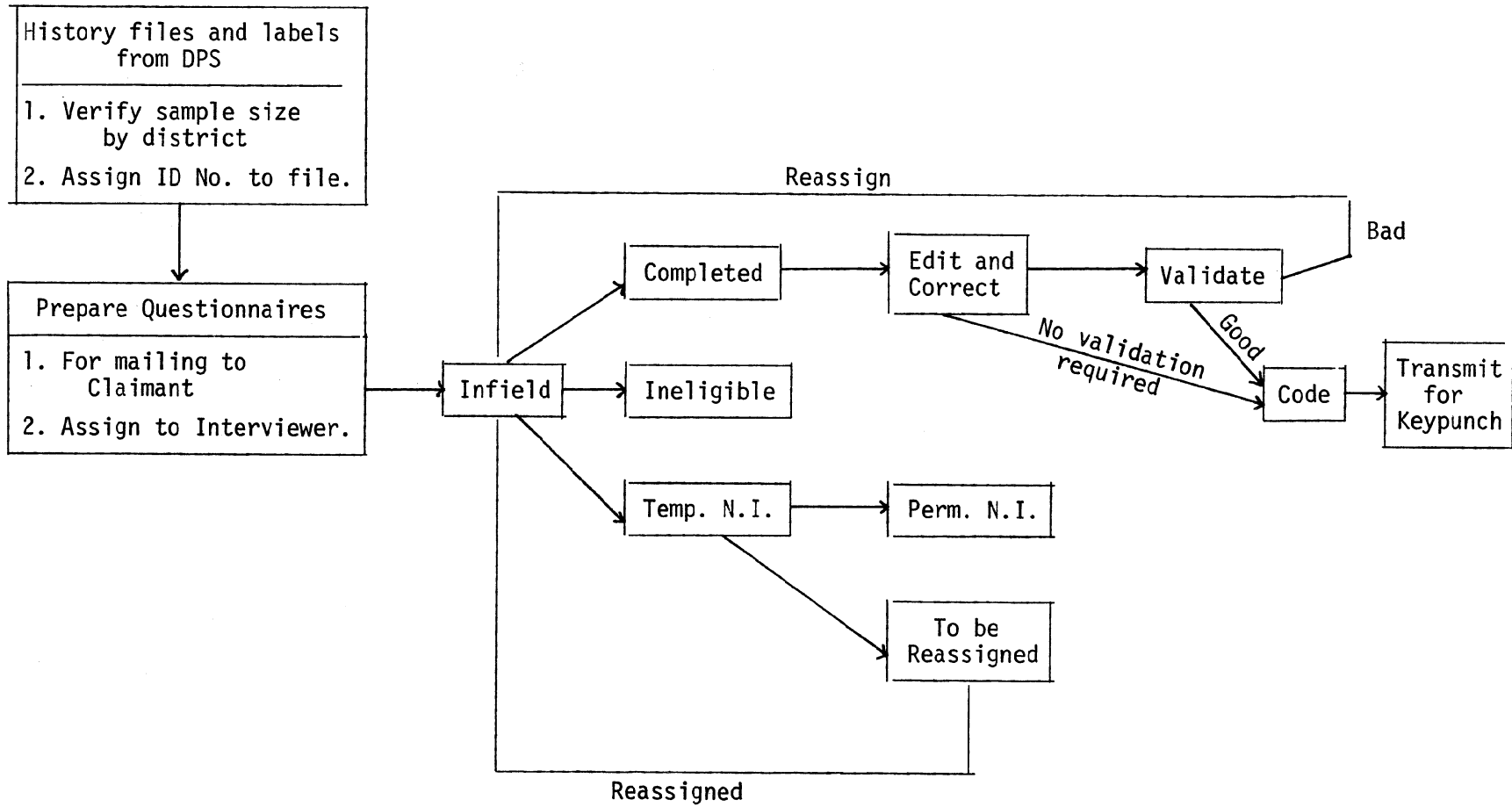
1. Interviewer training;
2. Receipt of history files and mailing labels from data processing unit;
3. Preparation of questionnaires for mailing;
4. Interviewer assignment;
5. Weekly receipt and documentation of completed interview work;
6. Editing and correction of completed interview forms;
7. Validation of completed interview forms;
8. Reassignment of interview forms not completed;
9. Editing and correction of reassigned interview forms;
10. Coding of completed interview forms;
11. Weekly delivery of coding forms to keypunch;
12. Receipt of completed worksheets;
13. Monthly review of coding problems;
14. Bimonthly reports to Unemployment Insurance Service, U.S. Dept. of Labor;
15. Semimonthly reports to payroll of interview time and expenses;
16. Replacing interviewers lost through attrition and training of new interviewers; and
17. Maintenance of the Master Control Log.

Figure 1 describes the flow of work from the receipt of the history files from the data processing unit to the keypunch phases of operation.



FIGURE I

FLOW DIAGRAM FOR FIELD INTERVIEWING AND OFFICE PROCESSING IN BENEFIT ADEQUACY SURVEY



### Control Forms

Several different control forms were developed to monitor progress of the household interviews and to prepare interview forms for data processing. Each of these forms is described briefly below.

The MASTER CONTROL LOG provided information on the status of each interview assigned. Entries were made to the MCL as a result of interviewing, editing, and coding. Every beneficiary encompassed by this study was assigned a number and was entered into the MCL, and the status of each beneficiary's interview form at a point in time could be monitored from the MCL.

The INTERVIEWER WEEKLY STATUS REPORT (WSR) was completed by each interviewer to report progress as of the end of each week for each case assigned to that interviewer. The WSR was mailed every week to the ABA study office along with completed questionnaires and the NONINTERVIEW REPORT (NIR) forms. This latter form was completed by the interviewer for each case in which a completed questionnaire could not be obtained; a determination was made in the ABA study office whether to declare the case a "final incomplete" or whether the case should be reassigned. Reassignments were made for: first refusals (unless a call from the ABA study office indicated otherwise); language problems (if a Spanish or Navajo-speaking interviewer could complete the interview); or difficulties believed to be temporary or minor in nature. The WSR and NIR forms were reviewed in the ABA study office each week and periodic discussions with the interviewers were held to resolve any apparent difficulties.

The INTERVIEWER ASSIGNMENT RECORD (IAR) form contained all interviewer assignments to date. This record was used to plan assignments for interviewers, to record actual interview assignments and to monitor the progress achieved by each interviewer on all assigned cases.

An EDIT SHEET was used in the ABA study office to list all questionnaires edited on a certain day. Questionnaires were either "ready for coding" or "needed additional information." The IAR forms periodically were updated from the edit sheets.

A PROGRESS REPORT form was completed twice monthly by the ABA study office. This form accounted for all cases sent to keypunch to date, current sample size, and number and type of noninterviews to date, the number of cases in the field, and the current response rate.

A KEYPUNCH TRANSMITTAL form was used to verify the number of cases sent to keypunch to date, and to record the specific I.D. numbers of cases contained in each shipment.

The INTERVIEWER INDIVIDUAL CASE RECORD SHEET (CRS) was used to assign each case. This record of calls was useful in identifying the personal/telephone call success rate, times of day and days of week that seemed to yield most successful interviewing results, and other information of use in counseling and training interviewers. This sheet also contained directions for locating the household (especially for followup interviews) and provided for the interviewer's assessment of the reliability of the information obtained during the interview.

A SUBSTITUTION form was used to determine if proper substitution procedures were followed in the event that the respondent was someone other than the beneficiary. Although Part I of the questionnaire could be completed only by the beneficiary (and thus some followup would be required), it was possible for another household member (preferably the beneficiary's spouse) to provide much of the additional information.

An INTERVIEW EVALUATION form was used to give the interviewers weekly feedback on the quality of their previous week's work. In addition, the interviewers were observed in the field. An OBSERVATIONAL INTERVIEW form was used by the interviewer's supervisor to rate the interviewers on their ability in reading questions, probing, and in their general conduct of the interview.

#### INTERVIEWER TRAINING PROCEDURES

The interviewers utilized in the ABA study primarily were housewives, retirees and students who were employed on a part-time basis. Individuals were selected from 18 locations throughout the state in September and October of 1975, and in November these individuals came to Phoenix for a

1-1/2 day training session. The purpose of the session was to inform the interviewers of the background, sponsoring organization and general purposes of the survey. In addition, the session stressed the basic techniques of interviewing and provided practice sessions for the recording and editing of beneficiary responses. Detailed question-by-question instructions were provided for each part of the questionnaire. Also, case studies were used to prepare the interviewers for the different household situations they would encounter. A supervised practice period was held during the last afternoon of the training session.

An interviewer training manual was prepared and distributed to each of the interviewers employed on the project. The content of this manual is quite detailed and will not be reviewed here. The basic field procedures specified by the manual, however, are summarized below.

The interviews were personal and face-to-face in nature with a pre-designated respondent (or spouse) in the respondent's home. Appointments were made between the respondent and the interviewer by letter when the questionnaire was mailed. The beneficiary was given the name and phone number of the interviewer and was asked to call if the appointed time for the interview was not convenient. The interviewer was provided with the phone number of the respondent (if available), and trained to call and confirm the appointment before arriving at the respondent's home. The pre-designated respondent was to answer Part I of the questionnaire (the job search questions); however, if necessary, the spouse could be substituted as a respondent for the information requested in Parts II and III of the questionnaire. For those claimants who lived too far from an interviewer to be interviewed at home, the questionnaire was mailed from the office. Phone calls and a certified mailing were used to improve the response rate. These questionnaires were validated by phone if a phone number was available.

Interviewing situations covered in the manual include:

- 1) what to do if the respondent had moved;
- 2) what to do if the interviewer knew the person to be interviewed;
- 3) how to substitute a spouse if the beneficiary was not present;

- 4) what to do if no phone number was available and no one was home on the first visit; and
- 5) what to do if the respondent was unable to be interviewed (e.g., because of a refusal, illness, drunkenness, or language, sight, hearing, or speech difficulties).

The method of conducting the interview played an important part in assuring accurate responses. The "ten commandments" of interviewing that were emphasized in the manual are:

- 1) always remain neutral;
- 2) ask all questions exactly as they are worded;
- 3) ask all questions in the same order as they appear;
- 4) do not accept a "don't know" without further probing;
- 5) always use neutral probes;
- 6) assure the respondent that answers are confidential;
- 7) discourage irrelevancies;
- 8) do not explain words in a question unless the question-by-question directions so specify;
- 9) make relevant notations; and
- 10) edit each interview right after finishing it.

Since continued cooperation was needed from all respondents, it was important to leave the respondent with the impression that he had taken part in an interesting and worthwhile experience.

A "balancing differences" test was used to check income and expenditures. The ratio of total household expenditures to total household net income had to be between .75 and 1.25 for the information to be accepted. If not in this range, the interviewer had to probe expense and income figures to determine the reason for the discrepancy. Interviewers in Phoenix and Tucson were provided with pocket calculators to assist them in calculating the balancing ratio. Many of the interviewers in the outlying areas had calculators and also made this test while in the home interviewing. For those who did not have calculators, the test was done in the office and, if the balancing difference was not within the acceptable range, the case was either reassigned to the interviewer or the respondent was contacted by phone from the office. Only 152 (4.5%) of the "problem" fifth week questionnaires could not be validated, and were therefore unusable.

Some problems were not foreseen at the time of the training session; changes were made whenever necessary to handle these problems. During the survey phase of the project, weekly "newsletters" were mailed to the interviewers to boost morale, communicate clarifications to questions raised by interviewers, and relate changes made by the office. A three-page summary of important procedures was given to the interviewers for quick reference when they were in doubt about what to do.



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APPENDIX C  
CLAIMANT CHARACTERISTICS



## SEX-SPECIFIC CHARACTERISTICS OF THE CLAIMANT SAMPLE

The sex-specific characteristics of the study group are reported in Table C-1.

## CLAIMANT SAMPLE VS. ALL ARIZONA CLAIMANTS

A comparison of selected characteristics of the claimant sample used in the Arizona Benefit Adequacy Study and all regular UI claimants in Arizona is provided in Table C-2. Table C-2 also includes, for each comparison, the probability of obtaining differences (due to chance alone) in the proportions for the sample and the population as large as the differences actually observed (on the assumption that the sample was randomly drawn from this population). A very small probability indicates that:

- (1) an extremely unlikely random sample was selected;
- (2) the sample was not random; or
- (3) the population from which the sample was drawn differs from the population of all Arizona UI claimants.

Given the criteria utilized to initially screen individuals for potential inclusion in the project (e.g., new, initial claim in the benefit year), and the secondary screening criteria utilized for selection of the final sample (e.g., did not delay filing for more than 21 days), small probability coefficients for some characteristics might well be expected, and these generally are interpreted in light of (3) above; this is the case because it is known the sample was not chosen from all regular claimants.

There are 32 categories for which percentages are presented in Table C-2 and five variables (sex, age, occupation, industry, and planning district) from which these categories were developed. As a result, there are 27 independent tests (32-5) reported in the table. Given the 27 independent tests summarized, it should be emphasized that, at the .95 level of confidence, the probability is approximately  $(1-(.95)^{27}) = .750$  that one or more of the 27 independent probability values presented in Table C-2 would be less than .05 even if the study population and the population of all Arizona UI claimants were identical, and a random sample had been selected.

TABLE C-1  
CHARACTERISTICS OF THE CLAIMANT SAMPLE

<u>Characteristic</u>	<u>Percentage Distributions</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>
<u>Sex:</u>			
Male	----	----	67.4
Female	----	----	32.6
<u>Age:</u>			
Less than 25 years	22.4	25.3	23.4
25-34 years	30.6	30.0	30.4
35-44 years	17.7	18.3	17.9
45-54 years	16.3	16.4	16.4
55 years and up	12.9	10.1	12.0
<u>Ethnic:</u>			
White	81.6	83.5	82.2
Spanish Surname	14.6	13.3	14.1
Other	3.8	3.3	3.7
<u>Education:</u>			
8 years or less	13.8	8.2	12.0
9-11 years	14.8	14.2	14.6
12 years or GED	39.9	48.3	42.6
13-15 years	21.0	22.6	21.5
16 years or over	10.5	6.8	9.3
<u>Children Under 18 Years:</u>			
0	51.9	56.1	53.3
1	17.0	17.5	17.2
2	16.4	14.7	15.8
3 or more	14.7	11.7	13.7
<u>Occupation:</u>			
Prof., Tech., Mgrl.	21.4	17.7	20.2
Clerical and Sales	9.6	51.9	23.4
Services	5.4	15.1	8.6
Farming	1.8	0.0	1.2
Processing	1.6	1.3	1.5
Machine Trades	7.4	1.2	5.4
Bench Work	2.7	8.9	4.8
Structural Work	37.4	1.5	25.7
Miscellaneous	12.7	2.4	9.4
<u>Industry:</u>			
Mining	2.3	1.0	1.8
Contract Construction	36.9	5.1	26.5
Manufacturing	16.6	16.5	16.6
Trans., Comm., and Pub.Ut.	3.3	2.0	2.9
Finance, Insur., and R.E.	3.2	9.6	5.3
Services	12.8	26.4	17.2
Government	0.7	2.0	1.1
Agriculture	1.2	1.3	1.3
Trade	23.1	35.8	27.2

(continued)

TABLE C-1 (continued)

<u>Characteristic</u>	<u>Percentage Distributions</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>
<u>Gross Weekly Earnings in the Base Period<sup>a</sup></u>			
\$ 74 or less	17.1	39.7	24.5
\$ 75 - \$124	22.0	36.6	26.8
\$125 - \$174	20.9	18.5	20.1
\$175 - \$224	14.1	3.9	10.8
\$225 - \$299	14.4	1.2	10.1
\$300 or more	11.5	0.1	7.8
<u>Gross Weekly Earnings in the High Quarter<sup>b</sup></u>			
\$ 74 or less	4.1	15.4	7.8
\$ 75 - \$124	14.4	41.1	22.9
\$125 - \$174	18.7	29.4	22.4
\$175 - \$224	18.0	10.8	15.6
\$225 - \$299	18.8	2.6	13.5
\$300 or more	26.0	0.8	17.8
<u>Gross Weekly Earnings in Preunemployment Month<sup>c</sup></u>			
\$ 74 or less	2.8	12.9	6.1
\$ 75 - \$124	13.7	45.8	24.2
\$125 - \$174	21.2	31.5	24.5
\$175 - \$224	17.8	6.8	14.2
\$225 - \$299	17.7	2.7	12.8
\$300 or more	26.8	0.3	18.1
<u>Net Weekly Earnings in Preunemployment Month<sup>d</sup></u>			
\$ 74 or less	4.5	22.7	10.4
\$ 75 - \$124	24.6	58.1	35.5
\$125 - \$174	25.4	16.1	22.4
\$175 - \$224	17.0	2.8	12.4
\$225 - \$299	17.5	0.3	11.9
\$300 or more	11.0	0.0	7.4
<u>Potential Duration of Benefits</u>			
12-15 weeks	6.6	10.3	7.8
16-18 weeks	7.4	9.8	8.2
19-21 weeks	7.0	10.5	8.1
22-25 weeks	10.9	15.0	12.2
26 weeks	68.1	54.5	63.7
<u>Weekly Benefit Amount</u>			
\$15 - \$44	6.3	24.0	12.1
\$45 - \$54	5.1	15.8	8.6
\$55 - \$64	6.9	16.4	10.0
\$65 - \$74	6.5	13.9	8.9
\$75 - \$84	7.7	12.1	9.2
\$85	67.4	17.8	51.3

(continued)

TABLE C-1 (continued)

<u>Characteristic</u>	<u>Percentage Distributions</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>
<u>DES Planning District</u>			
1	65.4	68.9	66.7
2	15.7	15.9	15.8
3	6.3	3.8	5.5
4	3.8	3.7	3.7
5	3.0	2.2	2.7
6	5.8	5.5	5.6

<sup>a</sup>Based on wages reported for UI purposes by base period employers. The weekly average is determined by dividing yearly earnings by 52 because weeks of work are not reported.

<sup>b</sup>Based on wages reported for UI purposes by base period employers. The weekly average is determined by dividing quarterly earnings by 13 because weeks of work are not reported.

<sup>c</sup>Obtained from household interview. Based on earnings in the preunemployment month (the most recent calendar month of "typical" employment prior to unemployment).

<sup>d</sup>Obtained from household interview. Based on earnings in the pre-unemployment month (the most recent calendar month of "typical" employment prior to unemployment). Net earnings equal gross earnings less the sum of federal/state income taxes and social security taxes withheld.

TABLE C-2  
CHARACTERISTICS OF STUDY CLAIMANTS  
AND ALL ARIZONA CLAIMANTS

<u>Characteristic</u>	<u>Percentage Distribution for:</u>		
	<u>ABA Study Percentage Distribution<sup>a</sup></u>	<u>All Arizona Claimant Percentage Distribution<sup>b</sup></u>	<u>Probability of Obtaining the Observed Difference Due to Chance<sup>c</sup></u>
<u>Sex:</u>			
Male	67.4	68.0	.2327
Female	32.6	32.0	.2327
<u>Age:</u>			
Less than 25 years	23.4	22.4	.0869
25-34 years	30.4	30.7	.3557
35-44 years	17.9	18.2	.3300
45-64 years	16.4	15.6	.1056
65 years and up	12.0	13.1	.0322
<u>Occupation:</u>			
Prof. Tech. Mgrl.	20.2	13.6	.0000*
Clerical and Sales Services	23.4	21.8	.0139
Farming	8.6	9.3	.0853
Processing	1.2	1.3	.3050
Machine Trades	1.5	1.8	.0985
Bench Work	5.4	6.1	.0485
Structural Work	4.8	6.0	.0020
Miscellaneous	25.7	29.1	.0000*
	9.4	11.0	.0018*
<u>Industry:</u>			
Mining	1.8	4.3	.0000*
Contract Construction	26.5	29.4	.0002*
Manufacturing	16.6	17.9	.0268
Transport. Comm. & Pub. Ut.	2.9	3.2	.1660
Trade	27.2	21.6	.0000*
Finance, Insurance and Real Est.	5.3	4.5	.0139
Government	1.1	1.8	.0014*
Agriculture	1.3	0.8	.0005*
Unclassified	0.0	0.9	.0436
Services	17.2	15.6	.0060
<u>Planning District:</u>			
I (Maricopa)	66.7	62.0	.0000*
II (Pima)	15.8	16.8	.0643
III (Apache, Coconino, Navajo, Yavapai)	5.5	7.6	.0000*
IV (Mohave, Yuma)	3.7	3.7	----
V (Gila, Pinal)	2.7	4.3	.0000*
VI (Cochise, Graham, Greenlee, Santa Cruz)	5.6	5.6	----

(continued)

TABLE C-2 (continued)

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<sup>a</sup>Based on the 3,196 persons analyzed in this study.

<sup>b</sup>Based on information contained in the Monthly Summary of Claims and Claimants published by the Unemployment Insurance Bureau of the Arizona Department of Economic Security. Included are those who filed continued claims for unemployment.

<sup>c</sup>These values indicate the probability of obtaining a difference (due to chance alone) between the sample and population proportions as large or larger than the one actually observed if the sample had been drawn from this population. The probability is .05 that one or more of the 27 independent probability values would be less than  $.05/27$  or .0019 due to chance along. Hence, only those probability coefficients of .0019 or smaller are identified with an \* in the table, to indicate statistically significant differences.

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Moreover, the probability is .05 that one or more of the independent probability values would be less than  $.05/27$  or .0019 due to chance alone. Hence, only those probability coefficients of less than .0019 are identified with an asterisk in the table, to draw attention to those instances in which there is strong evidence that the characteristic in the sample is significantly different from the same characteristic for the population of all Arizona UI claimants. Further, it should be noted that relatively small probability coefficients do not necessarily indicate that the study sample is not representative (in a practical sense if not a technical sense) of the population of all Arizona UI claimants with respect to a specific characteristic; this is the case because the sample size is so large that sample proportions which are very close to population proportions may have low probabilities of occurrence. (For example, the probability of obtaining a sample proportion of .48, given a population proportion of .50 is only .01; nevertheless, .48 is quite close to .50). The researcher must decide for himself whether the observed difference is large enough (in absolute terms) to be of practical importance in the study. Finally, it should be emphasized that some differences are expected, given the nature of the sample selection process. Any such differences would not call into question the sampling process, nor would they invalidate the results of the study. Rather, the emphasis is on how closely the characteristics of the study group happen to approximate the characteristics of all regular UI claimants (which is not the population actually sampled). Thus, all results should be viewed in light of the above considerations.

#### RESPONDENTS VS. NONRESPONDENTS

It is possible to provide some comparisons between the characteristics of the 3196 persons actually utilized for this analysis and the 1272 persons who, although initially identified as a part of the final sample, were not included in the final sample because of nonresponse or differences between income and expenses that could not be reconciled. Because both the respondent and nonrespondent groups constitute samples, the appropriate statistical test is one which permits an assessment of whether these two samples were drawn from the same or different populations. Given the 15 independent tests

(20 categories minus five variables) reported in Table C-3, the probability is .05 that one or more of these probability values would be less than .05/15 or .0033 due to chance alone, if the two samples were drawn from the same population. Thus, only those proportions tests in which the probability is equal to .0033 or less are denoted with an asterisk in Table C-3, to call attention to cases which are statistically significant at the .05 level.

#### HOUSEHOLD TYPE PROFILE

To provide an indication of the typical claimant found in each household type, some of the main characteristics of the claimants found in each of the seven household units are summarized in this section. Also, household size, as defined for the purposes of this study, is compared with household size as it would be defined for purposes of the Current Population Survey.

##### Household Type 1 (1E-1HH-NR)

This household type is composed of single persons who live alone or with unrelated persons. Two-thirds of the beneficiaries in these units were male and one-third were female. The average age of these persons was 33.4 years, and the average number of years of education they had completed was 13 years. Their average gross weekly wage was \$165, but the average for males of \$188 was more than 50 percent above that for females (\$122). Forty percent of all these beneficiaries received the maximum WBA of \$85.

##### Household Type 2 (1E-1HH-REL)

The beneficiary is the only member of these households and most are young adults still living at home. Two-thirds of beneficiaries in HHT-2 were males, one-third female. The average age of these persons was 25.1 years, and they had completed an average of 12 years of education. The average gross weekly wage in the preunemployment month was \$133. Males, again, earned more than females--an average of \$148 for males, compared with \$103 for females. Only twenty-one percent of beneficiaries in HHT-2 received the maximum WBA of \$85, consistent with the relatively low earnings recorded for this group.



TABLE C-3  
CHARACTERISTICS OF RESPONDENTS AND NONRESPONDENTS

Characteristic	Percentage Distributions for		Probability of Obtaining Observed Difference due to Chance <sup>c</sup>
	Respondents <sup>a</sup>	Nonrespondents <sup>b</sup>	
<u>Sex:</u>			
Male	67.4	71.1	.0071
Female	32.6	28.9	.0071
<u>Age:</u>			
Less than 25 years	23.4	18.2	.0000*
25-34 years	30.4	35.4	.0001*
35-44 years	17.9	20.8	.0139
45-54 years	16.4	14.8	.0885
55 years and up	12.0	10.8	.1230
<u>Ethnic:</u>			
White	82.2	78.3	.0017*
Spanish Surnamed & other	17.8	21.7	.0017*
<u>Potential Duration:</u>			
12-15 weeks	7.8	10.0	.0110
16-18 weeks	8.2	8.3	.4562
19-21 weeks	8.1	8.6	.2912
22-25 weeks	12.2	11.9	.3897
26 weeks	63.7	61.2	.0594
<u>Weekly Benefit Amount:</u>			
\$15-44	12.1	14.1	.0375
\$45-54	8.6	10.5	.0268
\$55-64	10.0	8.7	.0838
\$65-74	8.9	8.3	.2546
\$75-84	9.2	7.9	.0764
\$85	51.3	50.5	.0104

<sup>a</sup>Total respondents equal 3196.

<sup>b</sup>Total nonrespondents equal 1272. This group is comprised of 1120 nonrespondents and 152 persons eliminated from the analysis on the basis of the "balancing differences" test.

<sup>c</sup>These values indicate the probability of obtaining a difference due to chance alone between the two sample proportions as large or larger than the one actually observed if the two samples were drawn from the same population. The probability is .05 that one or more of the 15 independent probability values would be less than .05/15 or .0033 due to chance alone. Hence, only those probability coefficients of .0033 or smaller are identified with an \* in the table to indicate statistically significant differences.

Household Type 3 (1E-2HH-SP)

These two-member households were comprised of beneficiaries who worked and spouses who did not. Mainly, the persons in these units were older couples who had no children or grown children no longer living at home. Four-fifths of the beneficiaries in these units were male. For all beneficiaries in HHT-3, the average age was 46.9 years, older than for any of the other household types. The average years of education completed was 11.6 years for this group. The average gross weekly wage in the employed month was \$208 for the group as a whole, but males earned substantially more than females (\$229 vs. \$126). Two-thirds of the beneficiaries in these units received the maximum WBA of \$85 per week.

Household Type 4 (2E-2HH-SP)

These units also are husband-wife households but both the beneficiary and spouse in these households worked during the preunemployment month. Essentially, these households were made up of two groups of about equal size-- young, married couples and middle-aged couples without dependents. Unlike most other household types, the beneficiaries were divided quite evenly between males and females (54% and 46%, respectively). The average age for all beneficiaries in HHT-4 was 32.5 years. However, the average age for females (25.5 years) was considerably below that for males (38.5 years). The average educational attainment for all beneficiaries was 12.7 years. The average gross weekly wage for all beneficiaries was \$166, with that for males (\$202) substantially above that for females (\$124). Forty-three percent of the beneficiaries in these households received the maximum WBA of \$85.

Household Type 5 (1E-3+HH-SP)

These units were three-or-more-person households in which the beneficiary was the sole earner and a spouse was present. In 94 percent of these units, the beneficiary was a male. Interestingly, four-fifths of all prime-age males (those 25-54 years) were in these households. The average number of dependents in these households (not including the spouse) was 2.1. For the total group, the average age was 37.6 years, and the average years of education completed was 11.7 years. The average gross weekly wage of \$233 for these households was the highest for any household type; the average for males was twice that for females (\$241 vs. \$119). Consistent with the relatively high earnings

distribution found for these persons, three-fourths of them received the maximum WBA of \$85.

Household Type 6 (2+E-3+HH-SP)

Household Type 6 consists of three-or-more-member households in which both the beneficiary and spouse work. There was an average of 1.9 dependents (excluding spouses) in these units. As was the case for HHT-4, these beneficiaries were fairly evenly divided between males (56%) and females (44%). The average age for all beneficiaries was 37.2 years, and average educational attainment was 12.1 years. The average gross weekly wage for the beneficiaries in HHT-6 was \$180; the average was \$227 for males and \$120 for females. Fifty percent of these persons received the maximum WBA of \$85.

Household Type 7 (1+E-2+HH-SA)

Household Type 7 (HHT-7) is made up of two or more persons and no spouse is present. As noted above, 90 percent of these units had the beneficiary as the only earner, with one or more additional earners present in the remaining 10 percent of these households. This is the only household type for which female beneficiaries outnumber males; women were the beneficiaries in 72 percent of these units. Moreover, the typical beneficiary is a divorced woman with children. The average number of dependents in these households was 1.3. The average age of the beneficiaries in these households was 34.7 years, the average years of education completed by them was 12.0 years. The average gross weekly wage for these beneficiaries was the next to lowest (after HHT-2) at \$145; males again earned more than females (\$191 vs. \$126). Only 29 percent of the beneficiaries in HHT-7 received the maximum WBA of \$85.

Household Type Vs. CPS Household Size

Because the household definition utilized in this study differs from the Current Population Survey household concept, a comparison of the two concepts is provided in this section. The purpose is to show how the study definition, the more relevant one for a study of benefit adequacy, relates to the familiar CPS definition of household size. The relevant information is provided in Table C-4. The sizes of household types 1, 3, and 4, as

TABLE C-4  
 PERCENTAGE DISTRIBUTIONS OF STUDY HOUSEHOLD TYPES  
 BY CURRENT POPULATION SURVEY DEFINITION OF HOUSEHOLD SIZE

Study Household Type	CPS HOUSEHOLD SIZE						Total Number	(Percent)
	1	2	3	4	5	6 or more		
1 (1E-1HH-NR)	98.6	0.8	0.4	----	----	0.2	494	(100.0)
2 (1E-1HH-REL)	11.4	11.0	34.9	20.0	8.6	14.1	255	(100.0)
3 (1E-2HH-SP)	----	95.1	1.5	2.1	0.3	0.9	328	(100.0)
4 (2E-2HH-SP)	----	95.9	2.2	1.1	0.6	0.3	360	(100.0)
5 (1E-3+HH-SP)	----	0.5	30.6	31.0	19.8	18.0	757	(100.0)
6 (2+E-3+HH-SP)	----	0.6	34.2	32.5	17.4	15.2	637	(100.0)
7 (1+E-2+HH-SA)	<u>13.0</u>	<u>34.2</u>	<u>24.7</u>	<u>11.0</u>	<u>7.9</u>	<u>9.2</u>	<u>292</u>	<u>(100.0)</u>
TOTAL	17.8	25.5	20.0	17.2	9.9	9.5	3123	(100.0)

<sup>a</sup>For 73 beneficiaries, the necessary information was not available to relate household type to Current Population Survey household size.

defined for the study, correspond very closely to the CPS definition of size. Nearly 99 percent of the one-person HHT-1 units also have one person according to the CPS definition. Similarly, over 95 percent of the two-person units for the study (HHT-3 and HHT-4) have two persons by CPS standards. Although exact comparisons cannot be made for the three-or-more person units (HHT-5 and HHT-6), it appears that the two definitions would result in the same size in most cases; virtually none of these units had fewer than three persons by CPS standards. Household types 2 and 7 are the two cases in which rather large differences are found between the study and CPS definitions of size, but these differences were to be expected. Only 11.4 percent of the HHT-2 units (one-person households) also would be classified as one-person units by the CPS definition, and over 40 percent of these units actually would have four or more members if the CPS definition were utilized. This large difference is due, of course, to the fact that relationship is the key for the CPS definition, but support provided by the beneficiary is the key for the study definition. This same factor also is the explanation for the differences for HHT-7--the CPS definition would place 13 percent of these units in the one-person category, whereas all have two or more persons for study purposes. Nonetheless, except for these unusual cases which must be handled differently in a study such as this, the two concepts of size are quite similar.

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APPENDIX D  
MEASURES OF PRIOR EARNINGS  
AND BENEFIT-WAGE RATIOS

TABLE D-1  
 DISTRIBUTION OF BENEFICIARIES BY AVERAGE WEEKLY EARNINGS  
 PRIOR TO UNEMPLOYMENT AND THE WEEKLY BENEFIT AMOUNT

<u>Variable</u>	<u>Percent of Beneficiaries</u>
<u>Gross Weekly Earnings in the Base Period:<sup>a</sup></u>	
\$ 74 or less	24.5
\$ 75 - \$124	26.8
\$125 - \$174	20.1
\$175 - \$224	10.8
\$225 - \$299	10.1
\$300 or more	7.8
<u>Gross Weekly Earnings in the High Quarter:<sup>b</sup></u>	
\$ 74 or less	7.8
\$ 75 - \$124	22.9
\$125 - \$174	22.4
\$175 - \$224	15.6
\$225 - \$299	13.5
\$300 or more	17.8
<u>Gross Weekly Earnings in Preunemployment Month:<sup>c</sup></u>	
\$ 74 or less	6.1
\$ 75 - \$124	24.2
\$125 - \$174	24.5
\$175 - \$224	14.2
\$225 - \$299	12.8
\$300 or more	18.1
<u>Net Weekly Earnings in Preunemployment Month:<sup>d</sup></u>	
\$ 74 or less	10.4
\$ 75 - \$124	35.5
\$125 - \$174	22.4
\$175 - \$224	12.4
\$225 - \$299	11.9
\$300 or more	7.4

<sup>a</sup>Based on wages reported for UI purposes by base period employers. The weekly average is determined by dividing yearly earnings by 52 because weeks of work are not reported.

<sup>b</sup>Based on wages reported for UI purposes by base period employers. The weekly average is determined by dividing high quarter earnings by 13 because weeks of work are not reported.

(continued)

TABLE D-1 (continued)

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<sup>c</sup>Obtained from household interview. Based on earnings in the preunemployment month (the most recent calendar month of "typical" employment prior to unemployment).

<sup>d</sup>Obtained from household interview. Based on earnings in the pre-unemployment month (the most recent calendar month of "typical" employment prior to unemployment). Net earnings equal gross earnings less the sum of federal/state income taxes and social security taxes withheld.

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TABLE D-2  
CROSS TABULATION OF HOUSEHOLD TYPE BY GROSS WEEKLY WAGES IN BASE PERIOD\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than \$75	19.7 (31.0)	18.1 (50.9)	7.6 (18.0)	10.6 (22.8)	11.2 (11.5)	19.7 (24.0)	13.0 (34.6)	775 24.7
\$75 - \$124	18.6 (31.8)	9.0 (27.6)	7.8 (20.1)	14.2 (33.3)	17.3 (19.2)	21.8 (28.9)	11.3 (32.5)	844 26.8
\$125- \$174	15.2 (19.3)	6.2 (14.2)	11.0 (21.0)	13.9 (24.2)	24.1 (19.9)	20.1 (19.8)	9.6 (20.5)	627 19.9
\$175- \$224	14.1 ( 9.7)	4.1 ( 5.1)	12.6 (13.1)	7.6 ( 7.2)	35.8 (16.1)	19.9 (10.7)	5.9 ( 6.8)	341 10.8
\$225- \$299	8.8 ( 5.7)	1.6 ( 1.8)	15.1 (14.6)	8.2 ( 7.2)	41.6 (17.4)	21.5 (10.7)	3.2 ( 3.4)	317 10.1
\$300 or more	5.0 ( 2.4)	.4 ( .4)	17.9 (13.1)	7.9 ( 5.3)	50.4 (15.9)	15.8 ( 6.0)	2.5 ( 2.1)	240 7.6
Column Total	493	275	328	360	759	637	292	3144
Column Pct.	15.7	8.7	10.4	11.5	24.1	20.3	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 52.

TABLE D-3

CROSS TABULATION OF HOUSEHOLD TYPE BY GROSS WEEKLY WAGES IN THE HIGH QUARTER OF THE BASE PERIOD\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than \$75	17.9 ( 8.9)	20.3 (18.2)	9.3 ( 7.0)	10.2 ( 6.9)	11.4 ( 3.7)	18.3 ( 7.1)	12.6 (10.6)	246 7.8
\$75 - \$124	18.9 (28.2)	15.5 (41.5)	7.1 (15.9)	14.3 (29.2)	8.9 ( 8.6)	20.3 (23.4)	15.0 (37.7)	734 23.3
\$125- \$174	19.8 (28.0)	9.2 (23.3)	6.5 (13.7)	13.2 (25.6)	18.2 (16.7)	21.8 (23.9)	11.3 (27.1)	697 22.2
\$175- \$224	17.7 (17.6)	4.9 ( 8.7)	12.4 (18.6)	12.0 (16.4)	23.8 (15.4)	22.2 (17.1)	6.9 (11.6)	491 15.6
\$225- \$299	11.3 ( 9.7)	3.8 ( 5.8)	13.7 (17.7)	8.5 (10.0)	36.4 (20.3)	20.6 (13.7)	5.7 ( 8.2)	423 13.5
\$300 or more	6.7 ( 7.5)	1.3 ( 2.5)	16.1 (27.1)	7.8 (11.9)	48.5 (35.3)	17.2 (14.9)	2.5 ( 4.8)	553 17.6
Column Total	493	275	328	360	759	637	292	3144
Column Pct.	15.7	8.7	10.4	11.5	24.1	20.3	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).

Number of missing observations = 52.

TABLE D-4  
 CROSS TABULATION OF HOUSEHOLD TYPE BY GROSS WEEKLY WAGES IN PREUNEMPLOYMENT MONTH\*

<u>Classification</u>	(1) <u>1E-1HH- NR</u>	(2) <u>1E-1HH- REL</u>	(3) <u>1E-2HH- SP</u>	(4) <u>2E-2HH- SP</u>	(5) <u>1E-3+HH- SP</u>	(6) <u>2+E-3+HH- SP</u>	(7) <u>1+E-2+HH- SA</u>	<u>Row Total</u> <u>Row Pct.</u>
Less than \$75	17.4 ( 6.9)	17.4 (12.4)	12.3 ( 7.3)	10.8 ( 5.8)	6.7 ( 1.7)	25.1 ( 7.7)	10.3 ( 6.8)	195 6.2
\$75 - \$124	17.8 (27.5)	15.0 (41.8)	6.9 (16.2)	14.4 (30.6)	11.0 (11.1)	20.4 (24.5)	14.5 (38.0)	765 24.3
\$125- \$174	19.8 (30.8)	10.0 (28.0)	7.4 (17.4)	13.4 (28.6)	17.0 (17.3)	20.0 (24.2)	12.4 (32.5)	769 24.5
\$174- \$224	16.0 (14.6)	5.8 ( 9.5)	11.6 (15.9)	10.9 (13.6)	26.2 (15.5)	21.8 (15.4)	7.8 (12.0)	450 14.3
\$225- \$299	13.4 (10.9)	3.5 ( 5.1)	13.2 (16.2)	10.0 (11.1)	36.8 (19.5)	18.7 (11.8)	4.5 ( 6.2)	402 12.8
\$300 or more	8.2 ( 9.3)	1.6 ( 3.3)	15.8 (27.1)	6.6 (10.3)	47.0 (34.9)	18.6 (16.5)	2.3 ( 4.5)	564 17.9
Column Total	494	275	328	360	759	631	292	3145
Column Pct.	15.7	8.7	10.4	11.4	24.1	20.3	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 51.

TABLE D-5  
 CROSS TABULATION OF HOUSEHOLD TYPE BY NET WEEKLY WAGES IN PREUNEMPLOYMENT MONTH\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than \$75	18.9 (12.8)	19.5 (23.6)	9.0 ( 9.1)	10.5 ( 9.7)	5.7 ( 2.5)	24.3 (12.7)	12.0 (13.7)	333 10.6
\$75 - \$124	19.5 (44.1)	13.1 (53.1)	6.7 (22.9)	14.8 (45.8)	12.8 (18.8)	19.1 (33.4)	14.1 (54.1)	1118 35.5
\$125- \$174	17.3 (24.7)	5.8 (14.9)	11.4 (24.4)	11.5 (22.5)	22.7 (21.1)	22.2 (24.5)	9.1 (21.9)	704 22.4
\$175- \$224	13.1 (10.3)	4.1 ( 5.8)	13.1 (15.5)	9.5 (10.3)	37.5 (19.2)	19.3 (11.8)	3.3 ( 4.5)	389 12.4
\$225- \$299	7.0 ( 5.3)	1.6 ( 2.2)	15.0 (17.1)	6.7 ( 6.9)	44.5 (21.9)	22.0 (12.9)	3.2 ( 4.1)	373 11.9
\$300 or more	6.1 ( 2.8)	.4 ( .4)	15.8 (11.0)	7.5 ( 4.7)	54.8 (16.5)	13.2 ( 4.7)	2.2 ( 1.7)	228 7.2
Column Total	474	275	328	360	759	637	292	3145
Column Pct.	15.7	8.7	10.4	11.4	24.1	20.3	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 51.

TABLE D-6  
BENEFIT-WAGE RATIOS, TOTAL SAMPLE

Percent of Previous Weekly Earnings Replaced by WBA	Percentage Distribution by Benefit-Wage Ratio for Following Weekly Earnings Measures:			
	Base Period Earnings	High Quarter Earnings	Gross Earnings, Preunemployment Month	Net Earnings, Preunemployment Month
Less than 30%	8.7	19.6	23.0	10.6
30 - 39%	10.4	13.7	17.6	16.0
40 - 49%	10.6	14.4	24.0	15.2
50 - 59%	21.3	52.3	22.6	20.4
60 - 69%	14.8	----	6.8	21.0
70% or more	<u>34.3</u>	<u>----</u>	<u>6.0</u>	<u>16.8</u>
TOTAL	100.0%	100.0%	100.0%	100.0%

TABLE D-7  
CROSS TABULATION OF HOUSEHOLD TYPE BY WBA/MEAN GROSS WEEKLY WAGES IN THE BASE PERIOD\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 30%	5.9 ( 3.2)	.4 ( .4)	17.3 (14.3)	7.4 ( 5.6)	50.4 (18.1)	16.5 ( 7.1)	2.2 ( 2.1)	272 8.7
30% - 39%	8.5 ( 5.7)	1.8 ( 2.2)	15.2 (15.2)	8.2 ( 7.5)	42.4 (18.3)	20.1 (10.4)	3.7 ( 4.1)	328 10.4
40% - 49%	14.8 ( 9.9)	4.8 ( 5.8)	13.0 (13.1)	8.1 ( 7.5)	32.8 (14.4)	21.1 (11.0)	5.4 ( 6.2)	332 10.6
50% - 59%	15.2 (20.7)	8.8 (21.5)	9.7 (19.8)	15.1 (28.1)	17.2 (15.2)	21.2 (22.3)	12.8 (29.5)	670 21.3
60% - 69%	16.2 (15.2)	8.8 (14.9)	9.1 (12.8)	14.9 (19.2)	18.1 (11.1)	21.8 (15.9)	11.2 (17.8)	464 14.8
70% or more	20.7 (45.2)	14.1 (55.3)	7.5 (24.7)	10.8 (32.2)	16.2 (23.1)	19.8 (33.4)	10.9 (40.4)	1078 34.3
Column Total	493	275	328	360	759	637	292	3144
Column Pct.	15.7	8.7	10.4	11.5	24.1	20.3	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 52.

TABLE D-8

CROSS TABULATION OF HOUSEHOLD TYPE BY WBA/MEAN GROSS WEEKLY WAGES IN THE HIGH QUARTER OF BASE PERIOD\*

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Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 30%	6.5 ( 8.1)	1.3 ( 2.9)	16.1 (30.2)	8.3 (14.2)	46.0 (37.3)	19.2 (18.5)	2.6 ( 5.5)	615 19.6
30% - 39%	13.4 (11.8)	4.2 ( 6.5)	13.4 (17.7)	8.6 (10.3)	36.1 (20.6)	18.5 (12.6)	5.8 ( 8.6)	432 13.7
40% - 49%	18.1 (16.6)	5.3 ( 8.7)	11.9 (16.5)	12.1 (15.3)	23.3 (14.0)	22.0 (15.7)	7.3 (11.3)	454 14.4
50% - 59%	19.1 (63.5)	13.7 (81.8)	7.1 (35.7)	13.2 (60.3)	13.0 (28.2)	20.6 (53.2)	13.3 (74.7)	1643 52.3
Column Total	493	275	328	360	759	637	292	3144
Column Pct.	15.7	8.7	10.4	11.5	24.1	20.3	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 52.

TABLE D-9

## CROSS TABULATION OF HOUSEHOLD TYPE BY WBA/MEAN GROSS WEEKLY WAGES IN PREUNEMPLOYMENT MONTH\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 30%	10.0 (14.6)	5.3 (13.8)	13.8 (30.5)	7.1 (14.2)	41.8 (39.8)	17.3 (19.6)	11.8 (12.0)	723 23.0
30% - 39%	16.1 (18.0)	6.7 (13.5)	12.3 (20.7)	10.5 (16.1)	29.1 (21.2)	16.8 (14.6)	8.5 (16.1)	553 17.6
40% - 49%	17.4 (26.5)	9.8 (26.9)	9.3 (21.3)	12.1 (25.3)	18.0 (17.9)	23.4 (27.8)	10.1 (26.0)	755 24.0
50% - 59%	18.5 (26.5)	10.8 (28.0)	7.9 (17.1)	14.8 (29.2)	14.2 (13.3)	20.0 (22.3)	13.8 (33.6)	710 22.6
60% - 69%	16.4 ( 7.1)	10.7 ( 8.4)	9.8 ( 6.4)	14.0 ( 8.3)	15.0 ( 4.2)	24.3 ( 8.2)	9.8 ( 7.2)	214 6.8
70% - 79%	18.9 ( 7.3)	13.7 ( 9.5)	6.8 ( 4.0)	13.2 ( 6.9)	14.2 ( 3.6)	25.3 ( 7.5)	7.9 ( 5.1)	190 6.0
Column Total	494	275	328	360	759	637	292	3145
Column Pct.	15.7	8.7	10.4	11.4	24.1	20.3	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 51.



TABLE D-10  
CROSS TABULATION OF HOUSEHOLD TYPE BY WBA/MEAN NET WEEKLY WAGES IN PREUNEMPLOYMENT MONTH\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 30%	9.3 ( 6.3)	2.7 ( 3.3)	12.9 (13.1)	7.2 ( 6.7)	47.3 (20.8)	15.3 ( 8.0)	5.4 ( 6.2)	334 10.6
30% - 39%	8.9 ( 9.1)	5.8 (10.5)	15.1 (23.2)	8.5 (11.9)	37.9 (25.2)	18.8 (14.9)	5.0 ( 8.6)	504 16.0
40% - 49%	15.3 (14.8)	6.9 (12.0)	12.6 (18.3)	10.3 (13.6)	28.9 (18.2)	18.2 (13.7)	7.8 (12.7)	477 15.2
50% - 59%	15.6 (20.2)	8.6 (20.0)	9.3 (18.3)	10.1 (18.1)	20.1 (17.0)	24.4 (24.6)	12.0 (26.4)	643 20.4
60% - 69%	21.1 (28.1)	12.1 (29.1)	7.9 (15.9)	16.7 (30.6)	12.0 (10.4)	18.8 (19.5)	11.5 (26.0)	660 21.0
70% or more	20.1 (21.5)	13.1 (25.1)	7.0 (11.3)	13.1 (19.2)	12.1 ( 8.4)	23.3 (19.3)	11.2 (20.2)	527 16.8
Column Total	494	275	328	360	759	637	292	3145
Column Pct.	15.7	8.7	10.4	11.4	24.1	20.3	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 51.

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APPENDIX E  
CROSS TABULATIONS OF HOUSEHOLD TYPE  
BY EXPENSE MEASURES

TABLE E-1  
CROSS TABULATION OF HOUSEHOLD TYPE BY NECESSARY AND OBLIGATED EXPENSES

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than \$300	31.2 (20.5)	48.6 (57.4)	4.4 ( 4.3)	1.6 ( 1.4)	5.0 ( 2.1)	0.9 ( 0.5)	8.4 ( 9.3)	321 10.4
\$300 - \$499	34.7 (42.8)	13.3 (29.4)	14.5 (26.9)	5.6 ( 9.7)	15.1 (12.2)	2.7 ( 2.6)	14.1 (29.4)	602 19.5
\$500 - \$699	15.1 (21.9)	3.0 ( 7.7)	13.5 (29.6)	14.2 (28.8)	28.0 (26.6)	13.9 (15.9)	12.3 (30.1)	710 23.0
\$700 - \$899	7.1 ( 9.2)	1.9 ( 4.4)	10.3 (20.1)	17.4 (31.3)	30.3 (25.6)	26.0 (26.4)	7.0 (15.2)	631 20.4
\$900 - \$1099	4.1 ( 3.7)	0.7 ( 1.1)	8.6 (11.7)	14.8 (18.5)	27.7 (16.3)	39.1 (27.7)	5.0 ( 7.6)	440 14.2
\$1100 or more	2.3 ( 1.8)	0.0 ( 0.0)	6.2 ( 7.4)	9.3 (10.3)	32.9 (17.1)	43.2 (27.0)	6.2 ( 8.3)	389 12.6
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 103.

TABLE E-2

CROSS TABULATION OF HOUSEHOLD TYPE BY NECESSARY AND OBLIGATED EXPENSES AS PERCENT OF TOTAL EXPENSES\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 30%	17.1 ( 1.2)	45.7 ( 6.0)	14.3 ( 1.6)	11.4 ( 1.2)	5.7 ( .3)	5.7 ( .3)	.0 ( .0)	35 1.1
30% - 39%	22.0 ( 2.7)	32.2 ( 7.1)	11.9 ( 2.2)	8.5 ( 1.5)	15.3 ( 1.2)	5.1 ( .5)	5.1 ( 1.0)	59 1.9
40% - 49%	17.0 ( 3.5)	25.0 ( 9.4)	12.0 ( 3.8)	12.0 ( 3.5)	15.0 ( 2.0)	14.0 ( 2.3)	5.0 ( 1.7)	100 3.3
50% - 59%	20.6 ( 7.2)	15.3 ( 9.8)	9.4 ( 5.0)	13.5 ( 6.7)	21.8 ( 5.0)	13.5 ( 3.7)	5.9 ( 3.5)	170 5.6
60% - 69%	17.7 ( 9.7)	13.2 (13.2)	8.3 ( 6.9)	12.0 ( 9.3)	20.7 ( 7.5)	21.1 ( 9.1)	7.1 ( 6.6)	266 8.7
70% - 79%	20.8 (20.1)	9.1 (16.2)	11.0 (16.4)	14.6 (20.1)	20.3 (13.0)	18.4 (14.2)	5.7 ( 9.4)	472 15.5
80% - 89%	17.4 (28.5)	7.8 (23.3)	9.9 (24.8)	11.3 (26.2)	23.9 (26.0)	20.8 (27.0)	9.0 (25.1)	799 26.2
90% - 99%	11.4 (24.0)	3.2 (12.4)	10.7 (34.6)	10.0 (30.0)	28.2 (39.4)	24.1 (40.4)	12.4 (44.6)	1029 33.7
100%	12.4 ( 3.1)	5.8 ( 2.6)	12.4 ( 4.7)	4.1 ( 1.5)	33.9 ( 5.6)	12.4 ( 2.4)	19.0 ( 8.0)	121 4.0
Column Total	487	266	318	343	736	614	287	3051
Column Pct.	16.0	8.7	10.4	11.2	24.1	20.1	9.4	100.0

\*The only expenses excluded from total (and therefore necessary and obligated) expenses were lump-sum payments for major consumer durables (e.g., cars, washing machines, and television sets).

Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 145.



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APPENDIX F  
CROSS TABULATIONS OF HOUSEHOLD TYPE BY  
INDIVIDUAL EXPENSE CATEGORIES  
AS A PERCENT OF TOTAL NECESSARY AND OBLIGATED EXPENSES

TABLE F-1

CROSS TABULATION OF HOUSEHOLD TYPE BY HOUSING EXPENSES/NECESSARY AND OBLIGATED EXPENSES\*

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Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 5%	8.3 ( 3.1)	63.3 (41.9)	4.4 ( 2.5)	3.3 ( 1.7)	6.7 ( 1.6)	6.1 ( 1.8)	7.8 ( 4.8)	180 5.8
5% - 9%	6.2 ( 1.0)	16.0 ( 4.8)	14.8 ( 3.7)	7.4 ( 1.7)	29.6 ( 3.2)	17.3 ( 2.3)	8.6 ( 2.4)	81 2.6
10% - 14%	8.6 ( 3.3)	7.0 ( 4.8)	19.3 (11.1)	8.0 ( 4.3)	28.9 ( 7.2)	23.5 ( 7.1)	4.8 ( 3.1)	187 6.0
15% - 19%	9.9 ( 5.3)	8.8 ( 8.5)	13.7 (11.1)	12.6 ( 9.4)	27.1 ( 9.5)	23.3 ( 9.8)	4.6 ( 4.2)	262 8.5
20% - 24%	13.9 (10.7)	4.8 ( 6.6)	11.8 (13.6)	9.9 (10.5)	26.0 (13.0)	27.3 (16.4)	6.2 ( 8.0)	373 12.1
25% - 29%	10.5 (10.5)	4.5 ( 8.1)	8.4 (12.7)	13.3 (18.5)	26.5 (17.3)	26.9 (21.1)	9.9 (16.6)	487 15.7
30% - 34%	13.3 (11.1)	2.2 ( 3.3)	10.1 (12.7)	13.3 (15.4)	27.3 (14.9)	22.4 (14.6)	11.3 (15.9)	406 13.1
35% - 39%	17.9 (14.1)	2.8 ( 4.0)	9.6 (11.4)	14.5 (16.0)	22.8 (11.8)	21.0 (13.0)	11.4 (15.2)	386 12.5

(continued)

TABLE F-1 (continued)

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
40% - 44%	19.6 (11.5)	6.3 ( 6.6)	7.7 ( 6.8)	10.8 ( 8.8)	28.7 (11.0)	15.0 ( 6.9)	11.9 (11.8)	286 9.2
45% - 49%	24.6 ( 8.8)	6.3 ( 4.0)	14.3 ( 7.7)	10.9 ( 5.4)	19.4 ( 4.6)	12.6 ( 3.5)	12.0 ( 7.3)	175 5.7
50% - 74%	35.4 (18.4)	6.7 ( 6.3)	8.7 ( 6.8)	11.4 ( 8.3)	17.7 ( 6.0)	8.7 ( 3.5)	11.4 (10.0)	254 8.2
75% - 99%	78.6 ( 2.3)	7.1 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	14.3 ( 0.7)	14 0.5
100%	0.0 ( 0.0)	100.0 ( 0.7)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	2 0.1
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 103.



TABLE F-2

CROSS TABULATION OF HOUSEHOLD TYPE BY FOOD EXPENSES/NECESSARY AND OBLIGATED EXPENSES\*

154

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 5%	15.8 ( 5.7)	74.0 (48.2)	0.6 ( 0.3)	1.7 ( 0.9)	2.3 ( 0.5)	0.6 ( 0.2)	5.1 ( 3.1)	177 5.7
5% - 9%	39.2 (13.7)	13.5 ( 8.5)	7.6 ( 4.0)	15.8 ( 7.7)	8.8 ( 2.0)	6.4 ( 1.8)	8.8 ( 5.2)	171 5.5
10% - 14%	26.1 (22.3)	6.7 (10.3)	8.4 (10.8)	18.5 (21.9)	14.1 ( 7.9)	18.0 (12.1)	8.2 (11.8)	417 13.5
15% - 19%	16.2 (18.9)	4.2 ( 8.8)	10.4 (18.2)	18.1 (29.3)	19.7 (15.0)	21.5 (19.6)	9.9 (19.4)	568 18.4
20% - 24%	11.6 (13.5)	3.3 ( 7.0)	9.9 (17.3)	12.3 (19.9)	25.9 (19.7)	28.2 (25.7)	8.8 (17.3)	568 18.4
25% - 29%	10.4 (10.0)	2.6 ( 4.4)	13.6 (19.8)	7.4 (10.0)	30.0 (18.9)	26.2 (19.8)	9.8 (15.9)	470 15.2
30% - 34%	10.6 ( 6.6)	3.3 ( 3.7)	12.9 (12.0)	4.3 ( 3.7)	35.1 (14.2)	22.5 (10.9)	11.3 (11.8)	302 9.8
35% - 39%	11.6 ( 4.5)	4.7 ( 3.3)	13.2 ( 7.7)	6.8 ( 3.7)	37.9 ( 9.6)	15.3 ( 4.7)	10.5 ( 6.9)	190 6.1
40% - 44%	11.2 ( 2.3)	3.1 ( 1.1)	13.3 ( 4.0)	5.1 ( 1.4)	39.8 ( 5.2)	16.3 ( 2.6)	11.2 ( 3.8)	98 3.2
45% - 49%	10.0 ( 1.2)	3.3 ( 0.7)	16.7 ( 3.1)	3.3 ( 0.6)	38.3 ( 3.1)	21.7 ( 2.1)	6.7 ( 1.4)	60 1.9
50% - 74%	7.8 ( 1.0)	14.1 ( 3.3)	10.9 ( 2.2)	4.7 ( 0.9)	42.2 ( 3.6)	6.3 ( 0.6)	14.1 ( 3.1)	64 2.1
75% - 99%	14.3 ( 0.2)	14.3 ( 0.4)	28.6 ( 0.6)	0.0 ( 0.0)	28.6 ( 0.3)	0.0 ( 0.0)	14.3 ( 0.3)	7 .2

continued

TABLE F-2 (continued)

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
100%	0.0 ( 0.0)	100.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	1 0.0
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses)

Number of missing observations = 103.

TABLE F-3

CROSS TABULATION OF HOUSEHOLD TYPE BY MEDICAL CARE EXPENSES/NECESSARY AND OBLIGATED EXPENSES\*

156

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 5%	17.7 (70.5)	9.8 (70.2)	9.6 (57.4)	11.6 (64.1)	21.8 (56.9)	19.9 (62.4)	9.6 (64.7)	1946 62.9
5% - 9%	11.5 (14.3)	3.9 ( 8.8)	10.8 (20.4)	12.3 (21.4)	30.0 (24.5)	23.1 (22.7)	8.5 (18.0)	611 19.8
10% - 14%	15.7 ( 8.6)	6.7 ( 6.6)	10.9 ( 9.0)	10.1 ( 7.7)	28.1 (10.0)	18.4 ( 7.9)	10.1 ( 9.3)	267 8.6
15% - 19%	9.5 ( 2.0)	11.4 ( 4.4)	19.0 ( 6.2)	8.6 ( 2.6)	25.7 ( 3.6)	17.1 ( 2.9)	8.6 ( 3.1)	105 3.4
20% - 24%	13.5 ( 1.4)	13.5 ( 2.6)	13.5 ( 2.2)	17.3 ( 2.6)	21.2 ( 1.5)	15.4 ( 1.3)	5.8 ( 1.0)	52 1.7
25% - 29%	15.4 ( 1.2)	12.8 ( 1.8)	15.4 ( 1.9)	7.7 ( 0.9)	25.6 ( 1.3)	12.8 ( 0.8)	10.3 ( 1.4)	39 1.3
30% - 34%	9.5 ( 0.4)	19.0 ( 1.5)	14.3 ( 0.9)	0.0 ( 0.0)	14.3 ( 0.4)	28.6 ( 1.0)	14.3 ( 1.0)	21 0.7
35% - 39%	12.5 ( 0.4)	25.0 ( 1.5)	6.3 ( 0.3)	6.3 ( 0.3)	12.5 ( 0.3)	18.8 ( 0.5)	18.8 ( 1.0)	16 0.5
40% - 44%	8.3 ( 0.2)	25.0 ( 1.1)	33.3 ( 1.2)	8.3 ( 0.3)	25.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	12 0.4
45% - 49%	0.0 ( 0.0)	0.0 ( 0.0)	28.6 ( 0.6)	0.0 ( 0.0)	28.6 ( 0.3)	28.6 ( 0.3)	14.3 ( 0.3)	7 0.2
50% - 74%	23.5 ( 0.8)	23.5 ( 1.5)	0.0 ( 0.0)	5.9 ( 0.3)	35.3 ( 0.8)	11.8 ( 0.3)	0.0 ( 0.0)	17 0.5
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 103.

TABLE F-4

## CROSS TABULATION OF HOUSEHOLD TYPE BY CREDIT AND LOAN EXPENSES/NECESSARY AND OBLIGATED EXPENSES\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 5%	21.8 (40.0)	13.6 (44.9)	15.0 (41.4)	6.4 (16.2)	21.1 (25.3)	10.4 (15.0)	11.7 (36.3)	895 28.9
5% - 9%	15.1 ( 9.4)	3.9 ( 4.4)	11.5 (10.8)	8.9 ( 7.7)	29.6 (12.0)	19.4 ( 9.5)	11.5 (12.1)	304 9.8
10% - 14%	12.8 ( 9.8)	4.0 ( 5.5)	10.4 (12.0)	10.1 (10.8)	27.7 (13.9)	25.3 (15.3)	9.8 (12.8)	376 12.2
15% - 19%	12.2 (10.2)	3.9 ( 5.9)	10.5 (13.3)	13.1 (15.4)	30.2 (16.6)	22.6 (15.0)	7.5 (10.7)	411 13.3
20% - 24%	11.6 ( 8.6)	4.4 ( 5.9)	5.0 ( 5.6)	14.4 (14.8)	26.3 (12.7)	31.3 (18.2)	6.9 ( 8.7)	361 11.7
25% - 29%	15.3 ( 8.4)	4.9 (4.8)	7.5 ( 6.2)	17.2 (13.1)	22.8 ( 8.2)	25.4 (10.9)	7.1 ( 6.6)	268 8.7
30% - 34%	13.3 ( 5.3)	9.7 ( 7.0)	7.7 ( 4.6)	16.4 ( 9.1)	20.0 ( 5.2)	28.7 ( 9.0)	4.1 ( 2.8)	195 6.3
35% - 39%	18.4 ( 4.3)	7.9 ( 3.3)	5.3 ( 1.9)	11.4 ( 3.7)	21.9 ( 3.3)	23.7 ( 4.3)	11.4 ( 4.5)	114 3.7
40% - 44%	13.3 ( 1.6)	18.3 ( 4.0)	6.7 ( 1.2)	26.7 ( 4.6)	15.0 ( 1.2)	13.3 ( 1.3)	6.7 ( 1.4)	60 1.9
45% - 49%	15.6 ( 1.4)	26.7 ( 4.4)	11.1 ( 1.5)	15.6 ( 2.0)	8.9 ( 0.5)	11.1 ( 0.8)	11.1 ( 1.7)	45 1.5

(continued)

TABLE F-4 (continued)

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
50% - 74%	6.5 ( 0.8)	40.3 ( 9.2)	8.1 ( 1.5)	14.5 ( 2.6)	11.3 ( 0.9)	8.1 ( 0.8)	11.3 ( 2.4)	62 2.0
75% - 99%	0.0 ( 0.0)	100.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	1 0.0
100%	0.0 ( 0.0)	100.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	1 0.0
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 103.

TABLE F-5  
CROSS TABULATION OF HOUSEHOLD TYPE BY CLOTHING EXPENSES/NECESSARY AND OBLIGATED EXPENSES\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 5%	16.2 (74.6)	6.8 (55.9)	10.7 (74.1)	12.4 (79.5)	24.3 (73.0)	20.5 (74.1)	9.2 (71.3)	2247 72.6
5% - 9%	13.8 (15.6)	9.5 (19.1)	12.0 (20.4)	10.6 (16.5)	25.3 (18.6)	20.0 (17.7)	8.7 (16.6)	549 17.7
10% - 14%	17.3 ( 5.9)	16.1 ( 9.9)	6.0 ( 3.1)	6.0 ( 2.8)	23.2 ( 5.2)	19.6 ( 5.3)	11.9 ( 6.9)	168 5.4
15% - 19%	10.9 ( 1.2)	23.6 ( 4.8)	10.9 ( 1.9)	1.8 ( 0.3)	18.2 ( 1.3)	21.8 ( 1.9)	12.7 ( 2.4)	55 1.8
20% - 24%	27.3 ( 1.8)	27.3 ( 3.3)	0.0 ( 0.0)	6.1 ( 0.6)	24.2 ( 1.1)	3.0 ( 0.2)	12.1 ( 1.4)	33 1.1
25% - 29%	15.0 ( 0.6)	30.0 ( 2.2)	10.0 ( 0.6)	0.0 ( 0.0)	10.0 ( 0.3)	20.0 ( 0.6)	15.0 ( 1.0)	20 0.6
30% - 34%	0.0 ( 0.0)	66.7 ( 0.7)	0.0 ( 0.0)	0.0 ( 0.0)	33.3 ( 0.1)	0.0 ( 0.0)	0.0 ( 0.0)	3 0.1
35% - 39%	10.0 ( 0.2)	50.0 ( 1.8)	0.0 ( 0.0)	10.0 ( 0.3)	20.0 ( 0.3)	10.0 ( 0.2)	0.0 ( 0.0)	10 0.3
40% - 44%	0.0 ( 0.0)	100.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	1 0.0

(continued)

TABLE F-5 (continued)

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
45% - 49%	0.0 ( 0.0)	50.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	50.0 ( 0.3)	2 0.1
50% - 74%	0.0 ( 0.0)	66.7 ( 0.7)	0.0 ( 0.0)	0.0 ( 0.0)	33.3 ( 0.1)	0.0 ( 0.0)	0.0 ( 0.0)	3 0.1
75% - 99%	0.0 ( 0.0)	100.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	1 0.0
100%	0.0 ( 0.0)	100.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	1 0.0
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses)  
Number of missing observations = 103.

TABLE F-6

## CROSS TABULATION OF HOUSEHOLD TYPE BY TRANSPORTATION EXPENSES/NECESSARY AND OBLIGATED EXPENSES\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 5%	15.7 (16.8)	5.5 (10.7)	8.6 (13.9)	10.1 (15.1)	25.0 (17.5)	20.8 (17.5)	14.1 (25.6)	523 16.9
5% - 9%	14.3 (32.8)	3.2 (13.2)	10.9 (37.7)	12.2 (39.0)	26.9 (40.4)	23.3 (42.0)	9.2 (35.6)	1121 36.2
10% - 14%	13.9 (18.2)	6.7 (15.8)	10.7 (21.0)	14.1 (25.6)	23.2 (19.8)	22.3 (22.8)	9.1 (20.1)	638 20.6
15% - 19%	18.5 (12.3)	11.4 (13.6)	12.3 (12.3)	10.8 (10.0)	22.8 ( 9.9)	17.2 ( 9.0)	7.1 ( 8.0)	325 10.5
20% - 24%	19.1 ( 6.4)	12.3 ( 7.4)	10.5 ( 5.2)	12.3 ( 5.7)	23.5 ( 5.1)	16.7 ( 4.3)	5.6 ( 3.1)	162 5.2
25% - 29%	26.1 ( 5.9)	17.1 ( 7.0)	12.6 ( 4.3)	6.3 ( 2.0)	18.9 ( 2.8)	12.6 ( 2.3)	6.3 ( 2.4)	111 3.6
30% - 34%	14.3 ( 2.0)	34.3 ( 8.8)	12.9 ( 2.8)	5.7 ( 1.1)	15.7 ( 1.5)	7.1 ( 0.8)	10.0 ( 2.4)	70 2.3
34% - 39%	15.7 ( 1.6)	27.5 ( 5.1)	11.8 ( 1.9)	3.9 ( 0.6)	23.5 ( 1.6)	5.9 ( 0.5)	11.8 ( 2.1)	51 1.6
40% - 44%	25.9 ( 1.4)	44.4 ( 4.4)	0.0 ( 0.0)	7.4 ( 0.6)	14.8 ( 0.5)	3.7 ( 0.2)	3.7 ( 0.3)	27 0.9

continued



TABLE F-6 (continued)

162

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-2+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
45% - 49%	23.5 ( 0.8)	41.2 ( 2.6)	5.9 ( 0.3)	5.9 ( 0.3)	17.6 ( 0.4)	5.9 ( 0.2)	0.0 ( 0.0)	17 0.5
50% - 74%	20.5 ( 1.6)	56.4 ( 8.1)	5.1 ( 0.6)	0.0 ( 0.0)	7.7 ( 0.4)	7.7 ( 0.5)	2.6 ( 0.3)	39 1.3
75% - 99%	0.0 ( 0.0)	100.0 ( 2.2)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	6 0.2
100%	0.0 ( 0.0)	100.0 ( 1.1)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	3 0.1
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 103.

TABLE F-7

CROSS TABULATION OF HOUSEHOLD TYPE BY INSURANCE EXPENSES/NECESSARY AND OBLIGATED EXPENSES\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-2+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total
Less than 5%	17.5 (57.8)	9.1 (54.0)	9.1 (45.4)	10.1 (46.4)	24.2 (52.2)	18.2 (47.3)	11.7 (65.4)	1612 52.1
5% - 9%	13.6 (19.9)	4.8 (12.5)	7.4 (16.4)	13.9 (28.2)	27.7 (26.4)	24.4 (28.0)	8.1 (20.1)	712 23.0
10% - 14%	11.0 ( 8.2)	6.1 ( 8.1)	13.8 (15.4)	10.8 (11.1)	26.0 (12.6)	26.5 (15.4)	5.8 ( 7.3)	362 11.7
15% - 19%	15.3 ( 5.9)	10.6 ( 7.4)	14.3 ( 8.3)	15.9 ( 8.5)	20.6 ( 5.2)	15.9 ( 4.8)	7.4 ( 4.8)	189 6.1
20% - 24%	19.2 ( 3.9)	18.2 ( 6.6)	20.2 ( 6.2)	4.0 ( 1.1)	18.2 ( 2.4)	16.2 ( 2.6)	4.0 ( 1.4)	99 3.2
25% - 29%	17.0 ( 1.6)	19.1 ( 3.3)	27.7 ( 4.0)	14.9 ( 2.0)	8.5 ( 0.5)	10.6 ( 0.8)	2.1 ( 0.3)	47 1.5
30% - 34%	8.3 ( 0.4)	29.2 ( 2.6)	12.5 ( 0.9)	16.7 ( 1.1)	12.5 ( 0.4)	16.7 ( 0.6)	4.2 ( 0.3)	24 0.8
35% - 39%	16.7 ( 0.6)	22.2 ( 1.5)	33.3 ( 1.9)	11.1 ( 0.6)	5.6 ( 0.1)	5.6 ( 0.2)	5.6 ( 0.3)	18 0.6
40% - 44%	41.7 ( 1.0)	8.3 ( 0.4)	16.7 ( 0.6)	16.7 ( 0.6)	8.3 ( 0.1)	8.3 ( 0.2)	0.0 ( 0.0)	12 0.4

(continued)

TABLE F-7 (continued)

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-2+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
45% - 49%	25.0 ( 0.2)	25.0 ( 0.4)	50.0 ( 0.6)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	4 0.1
50% - 74%	9.1 ( 0.2)	63.6 ( 2.6)	9.1 ( 0.3)	9.1 ( 0.3)	0.0 ( 0.0)	9.1 ( 0.2)	0.0 ( 0.0)	11 0.4
75% - 99%	0.0 ( 0.0)	100.0 ( 0.7)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	2 0.1
100%	100.0 ( 0.2)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	1 0.0
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses)  
Number of missing observations = 103.

TABLE F-8  
 CROSS TABULATION OF HOUSEHOLD TYPE BY SERVICES--OTHER NECESSARY EXPENSES/  
 NECESSARY AND OBLIGATED EXPENSES\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-2+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 5%	16.8 (85.2)	8.8 (80.1)	11.6 (88.9)	12.2 (86.3)	26.5 (88.0)	16.7 (66.4)	7.3 (63.0)	2477 80.1
5% - 9%	16.7 (11.1)	10.2 (12.1)	8.0 ( 8.0)	9.3 ( 8.5)	16.4 ( 7.1)	29.4 (15.3)	9.9 (11.1)	323 10.4
10% - 14%	7.3 ( 2.3)	6.7 ( 3.7)	4.0 ( 1.9)	6.0 ( 2.6)	16.0 ( 3.2)	45.3 (10.9)	14.7 ( 7.6)	150 4.8
15% - 19%	5.7 ( 0.8)	2.9 ( 0.7)	1.4 ( 0.3)	5.7 ( 1.1)	10.0 ( 0.9)	42.9 ( 4.8)	31.4 ( 7.6)	70 2.3
20% - 24%	3.0 ( 0.2)	3.0 ( 0.4)	3.0 ( 0.3)	9.1 ( 0.9)	6.1 ( 0.3)	27.3 ( 1.4)	48.5 ( 5.5)	33 1.1
25% - 29%	0.0 ( 0.0)	10.5 ( 0.7)	0.0 ( 0.0)	5.3 ( 0.3)	10.5 ( 0.3)	31.6 ( 1.0)	42.1 ( 2.8)	19 0.6
30% - 34%	10.0 ( 0.2)	10.0 ( 0.4)	10.0 ( 0.3)	10.0 ( 0.3)	10.0 ( 0.1)	10.0 ( 0.2)	40.0 ( 1.4)	10 0.3
35% - 39%	50.0 ( 0.2)	50.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	2 0.1
40% - 44%	0.0 ( 0.0)	33.3 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	66.7 ( 0.7)	3 0.1

(continued)

TABLE F-8 (continued)

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-2+HH- SP	(6) 2+E+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
45% - 49%	0.0 ( 0.0)	0.0 ( 0.0)	50.0 ( 0.3)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	50.0 ( 0.3)	2 0.1
50% - 74%	0.0 ( 0.0)	66.7 ( 0.7)	0.0 ( 0.0)	0.0 ( 0.0)	33.3 ( 0.1)	0.0 ( 0.0)	0.0 ( 0.0)	3 0.1
100%	0.0 ( 0.0)	100.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	1 0.0
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses)  
Number of missing observations = 103.

TABLE F-9

CROSS TABULATION OF HOUSEHOLD TYPE BY CONTINUING AND REGULAR SUPPORT EXPENSES/  
NECESSARY AND OBLIGATED EXPENSES\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-2+HH- SP	(6) 2+E+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 5%	15.2 (90.2)	8.8 (9.38)	10.7 (95.4)	11.3 (92.6)	24.5 (94.5)	20.1 (93.2)	9.4 (93.8)	2886 93.3
5% - 9%	7.4 ( 1.0)	2.9 ( 0.7)	5.9 ( 1.2)	8.8 ( 1.7)	35.3 ( 3.2)	26.5 ( 2.9)	13.2 ( 3.1)	68 2.2
10% - 14%	19.6 ( 2.3)	5.4 ( 1.1)	8.9 ( 1.5)	17.9 ( 2.8)	14.3 ( 1.1)	26.8 ( 2.4)	7.1 ( 1.4)	56 1.8
15% - 19%	31.4 ( 2.3)	20.0 ( 2.6)	5.7 ( 0.6)	8.6 ( 0.9)	11.4 ( 0.5)	20.0 ( 1.1)	2.9 ( 0.3)	35 1.1
20% - 24%	40.0 ( 1.6)	0.0 ( 0.0)	5.0 ( 0.3)	5.0 ( 0.3)	25.0 ( 0.7)	10.0 ( 0.3)	15.0 ( 1.0)	20 0.6
25% - 29%	40.0 ( 0.8)	10.0 ( 0.4)	10.0 ( 0.3)	30.0 ( 0.9)	0.0 ( 0.0)	0.0 ( 0.0)	10.0 ( 0.3)	10 0.3
30% - 34%	33.3 ( 0.4)	0.0 ( 0.0)	16.7 ( 0.3)	50.0 ( 0.9)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	6 0.2
35% - 39%	60.0 ( 0.6)	40.0 ( 0.7)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	5 0.2
40% - 44%	100.0 ( 0.2)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	1 0.0
45% - 49%	33.3 ( 0.2)	33.3 ( 0.4)	33.3 ( 0.3)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	3 0.1
50% - 74%	66.7 ( 0.4)	33.3 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	3 0.1
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 103.

TABLE F-10  
 CROSS TABULATION OF HOUSEHOLD TYPE BY TAX PAYMENT EXPENSES/NECESSARY AND OBLIGATED EXPENSES\*

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-2+HH- SP	(6) 2+E+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 5%	16.1 (98.2)	9.0 (98.5)	10.3 (94.4)	10.9 (92.3)	24.4 (97.6)	20.0 (96.1)	9.4 (96.9)	2984 96.5
5% - 9%	6.1 ( 0.6)	4.1 ( 0.7)	14.3 ( 2.2)	24.5 ( 3.4)	20.4 ( 1.3)	20.4 ( 1.6)	10.2 ( 1.7)	49 1.6
10% - 14%	14.3 ( 0.6)	4.8 ( 0.4)	0.0 ( 0.0)	33.3 ( 2.0)	9.5 ( 0.3)	28.6 ( 1.0)	9.5 ( 0.7)	21 0.7
15% - 19%	0.0 ( 0.0)	0.0 ( 0.0)	28.6 ( 0.6)	14.3 ( 0.3)	28.6 ( 0.3)	28.6 ( 0.3)	0.0 ( 0.0)	7 0.2
20% - 24%	10.0 ( 0.2)	0.0 ( 0.0)	50.0 ( 1.5)	10.0 ( 0.3)	10.0 ( 0.1)	20.0 ( 0.3)	0.0 ( 0.0)	10 0.3
25% - 29%	0.0 ( 0.0)	11.1 ( 0.4)	0.0 ( 0.0)	33.3 ( 0.9)	22.2 ( 0.3)	22.2 ( 0.3)	11.1 ( 0.3)	9 0.3
30% - 34%	0.0 ( 0.0)	0.0 ( 0.0)	50.0 ( 0.6)	50.0 ( 0.6)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	4 0.1
35% - 39%	0.0 ( 0.0)	0.0 ( 0.0)	50.0 ( 0.3)	0.0 ( 0.0)	0.0 ( 0.0)	0.0 ( 0.0)	50.0 ( 0.3)	2 0.1
40% - 44%	0.0 ( 0.0)	0.0 ( 0.0)	50.0 ( 0.3)	0.0 ( 0.0)	50.0 ( 0.1)	0.0 ( 0.0)	0.0 ( 0.0)	2 0.1
50% - 74%	40.0 ( 0.4)	0.0 ( 0.0)	0.0 ( 0.0)	20.0 ( 0.3)	0.0 ( 0.0)	40.0 ( 0.3)	0.0 ( 0.0)	5 0.2
Column Total	488	272	324	351	747	622	289	3093
Column Pct.	15.8	8.8	10.5	11.3	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 103.

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APPENDIX G  
THE BENEFICIARY'S SHARE OF HOUSEHOLD EXPENSES



Two basic issues arise in determining the beneficiary's share of household expenses: (1) whether all or only some household income should be counted; and (2) whether gross or net beneficiary wages and household income should be utilized. These issues and related ones are discussed in this appendix, which also includes some related empirical results.

The first issue identified above revolves around the decision on how to treat irregular or nonrecurring household income (e.g., insurance settlements, income tax refunds, etc.). As shown in Table G-1, only 167 households (or 5.3% of the total sample) had any nonrecurring income during the preunemployment month. Thus, this issue is a relatively minor one for the sample as a whole and actually is irrelevant for almost 95 percent of the study group. However, the distribution of nonrecurring income was not uniform across the seven household types considered (see Table G-1). Therefore, any decision rule would not affect uniformly the different household types (and household type is emphasized in the subsequent analysis). Nine percent of the beneficiaries in HHT-7 (1+E-2+HH-SA), for example, had some nonrecurring household income, whereas only 3.3 percent of the beneficiaries in HHT-2 (1E-1HH-REL) and 3.6 percent of the beneficiaries in HHT-4 (2E-2HH-SP) received any nonrecurring income in the preunemployment month. Because the goal is to reflect "typical" expenses and because such expenses presumably depend on regular income sources, nonrecurring income was excluded in calculating the adjustment ratio for this study (that is, beneficiary wages to recurring household income was the ratio utilized). The other basis for using only recurring, rather than total, household income to calculate the ratio is because, except for taxes, large and irregular expenses were excluded from necessary/obligated expenses. That is, except for the few instances of lump-sum tax payments made--and taxes presumably are necessary, obligated and more "regular" than other large and irregular payments--all other lump-sum payments for nonrecurring expenses (e.g., lump-sum payoffs of past debts or purchases of consumer durables) were excluded from necessary and obligated expenses. Such expenses do not appear to be appropriate for inclusion in the set of expenses that should be maintained to some degree by UI benefits. Given this treatment of expenses, it is appropriate to adjust income in a comparable way--by the exclusion of nonrecurring income.

TABLE G-1

CROSS TABULATION OF HOUSEHOLD TYPE BY GROSS RECURRING INCOME AS PERCENT OF  
GROSS RECURRING PLUS NONRECURRING HOUSEHOLD INCOME\*

<u>Classification</u>	(1) <u>1E-1HH- NR</u>	(2) <u>1E-1HH- REL</u>	(3) <u>1E-2HH- SP</u>	(4) <u>2E-2HH- SP</u>	(5) <u>1E-3+HH- SP</u>	(6) <u>2+E-3+HH- SP</u>	(7) <u>1+E-2+HH- SA</u>	Row Total Row Pct.
Less than 100%	13.8 ( 4.7)	5.4 ( 3.3)	11.4 ( 5.8)	7.8 ( 3.6)	29.9 ( 6.6)	16.2 ( 4.2)	15.6 ( 9.0)	167 5.3
100%	15.8 (95.3)	9.0 (96.7)	10.3 (94.2)	11.7 (96.4)	23.9 (93.4)	20.5 (95.8)	8.9 (91.0)	2971 94.7
Column Total	492	275	326	360	759	636	290	3138
Column Pct.	15.7	8.8	10.4	11.5	24.2	20.3	9.2	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 58.

The second issue in the development of the adjustment ratio needed to determine the beneficiary's share of household expenses is whether this ratio should be constructed on the basis of gross or net beneficiary wages and household income. Conceptually, it may be desirable to compute this ratio on a net basis. The total standard of living established by the beneficiary household is determined largely by spendable (net) earnings, and it may therefore be best to use net income. At the same time, however, household living standards are more sharply reduced than is indicated by lost earnings for beneficiaries who lost fringe benefits (a substantial number, as shown in Chapter III), although the loss of fringe benefits is offset to some extent by the fact that UI benefits are not taxable.

Regardless of whether gross or net figures represent the "proper" measure, practical considerations resolved the issue in this study. This is the case because sufficiently detailed data are not available from this study (nor are such data likely to be available from any benefit adequacy study) to estimate accurately the net income of the entire household. Although some information is available on the amount of payroll deductions (including withholding for federal/state income taxes and social security taxes) from the earned income of other members of the beneficiary household, these deductions do not necessarily accurately reflect the true difference between gross and net wages. More importantly, the extensive interviewing experience gained in this study indicated that gross income could be provided more accurately than net income. In addition, it did not appear practical to attempt to determine the proper tax rate to apply to nonwage income (e.g., rental income, some pensions, dividends and interest); the expense and income information gathered for the preunemployment month was so detailed that the addition of detailed information from tax returns very likely would have affected response rates adversely. As a result, it was determined that the most suitable definition of the beneficiary's share of expenses for this study would be the ratio of the beneficiary's gross wage in the preunemployment month to gross recurring income of the entire beneficiary household. (It may be noted that the ratio utilized actually would be nearly the same as that calculated on a net basis, if one takes the position that household income is subject to a single income tax rate) use of a gross ratio, of course, has no implication for whether benefit-wage ratios should be measured

in terms of gross or net wages. Either approach could be taken. The ratio is utilized solely to determine the beneficiary's share of expenses. Given the above discussion of determining the beneficiary's share of expenses, it may be useful to summarize the allocation procedure for the four general situations encountered in this study:

- (1) Beneficiary lives alone. The beneficiary's share of household expenses for comparison with UI benefits is given by the ratio of the beneficiary's wages during the preunemployment month to all recurring income received by the beneficiary during that same month.
- (2) Beneficiary resides with spouse. It is assumed here that the beneficiary and spouse combine 100 percent of their incomes (if the spouse is an earner). The beneficiary's share of household expenses would be given by the ratio of the beneficiary's wages during the preunemployment month to all recurring income received by the beneficiary and spouse during the same month.
- (3) Beneficiary and spouse reside with a nonspouse earner who provides 100 percent of his or her income to the beneficiary and spouse. In this instance, the nonspouse earner is treated in an identical manner to the spouse-earner in (2) above. The beneficiary's share of household expenses would be given by the ratio of the beneficiary's wages during the preunemployment month to all recurring income received by the beneficiary, the spouse and the nonspouse earner during the same month.
- (4) Beneficiary and spouse reside with a nonspouse earner who combines less than 100 percent of his/her income with that of the beneficiary and spouse. In this instance, the manner in which the beneficiary's share of household expenses is computed is somewhat more complex. Two cases may be distinguished:
  - (a) The exact amounts spent for each specific expense category are known. In this event, neither the nonspouse earner's income nor expenditures are considered in determining the proportionate share of household expenses to be allocated to the beneficiary. For example, if the nonspouse earner had contributed \$25 in total, and knew that \$15 was spent on food and \$10 on housing, these amounts would be subtracted from the total expenditures made by the beneficiary and spouse for food and housing. The beneficiary and spouse were not responsible for such expenses prior to the onset of unemployment and therefore these amounts should not be utilized for comparison with UI benefits.

- (b) The total amount contributed by the nonspouse earner to the beneficiary and spouse is known, as is the expense categories for which that amount was used; the specific dollar amount for each separate expense category is not known. In this event, the contributed income would be "backed out" of the shared expenses on a proportionate basis. For example, if the nonspouse earner had contributed \$25 per month for food and housing, and the beneficiary and spouse had spent a total of \$100 for food and \$150 for housing (including the \$25 provided by the nonspouse earner), the \$25 would be backed out of the food and housing expenses of the beneficiary and spouse in the following manner:

$$\$100 + \$150 = \$250;$$

$$\$100/\$250 = .40;$$

$$\$150/\$250 = .60;$$

.40(\$25) = \$10, to be subtracted from the food expenses of the beneficiary and spouse; and

.60(\$25) = \$15, to be subtracted from housing expenses of the beneficiary and spouse.

These four procedural rules were sufficient to determine the beneficiary's share of household expenses during the preunemployment month for all persons included in this study.

The beneficiary's share of household expenses, as defined for this study, is shown for each of the seven household types in Table G-2. The dollar amount of the beneficiary's share of household expenses for each household type is reported in Table G-3.

TABLE G-2  
 CROSS TABULATION OF HOUSEHOLD TYPE BY  
 BENEFICIARY'S SHARE OF HOUSEHOLD EXPENSES

Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than 40%	.3 (.2)	.0 (.0)	4.0 (3.7)	28.5 (23.6)	2.7 (1.1)	59.1 (27.7)	5.4 (5.5)	298 9.5
40% - 59%	1.9 (1.8)	.0 (.0)	4.6 (6.7)	33.6 (44.4)	5.5 (3.4)	44.3 (33.2)	10.1 (16.5)	476 15.2
60% - 79%	4.6 (4.1)	.5 (.7)	7.1 (9.5)	22.7 (27.5)	9.2 (5.3)	45.4 (31.1)	10.6 (15.8)	436 13.9
80% - 99%	8.2 (3.9)	4.7 (4.0)	12.9 (9.2)	6.9 (4.4)	26.2 (8.0)	21.9 (8.0)	19.3 (15.5)	233 7.4
100%	26.1 (90.0)	15.4 (95.3)	13.6 (70.9)	.0 (.0)	36.8 (82.2)	.0 (.0)	8.0 (46.7)	1696 54.0
Column Total	492	275	326	360	759	636	291	3139
Column Pct.	15.7	8.8	10.4	11.5	24.2	20.3	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses)  
 Number of missing observations = 57.

TABLE G-3

## CROSS TABULATION OF HOUSEHOLD TYPE BY BENEFICIARY'S SHARE OF NECESSARY/OBLIGATED EXPENSES\*

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Classification	(1) 1E-1HH- NR	(2) 1E-1HH- REL	(3) 1E-2HH- SP	(4) 2E-2HH- SP	(5) 1E-3+HH- SP	(6) 2+E-3+HH- SP	(7) 1+E-2+HH- SA	Row Total Row Pct.
Less than \$300	16.6 (22.2)	24.3 (58.1)	6.9 (14.0)	18.6 (34.5)	4.2 ( 3.6)	19.6 (20.5)	9.7 (21.9)	649 21.0
\$300 - \$499	21.4 (42.2)	8.2 (29.0)	9.1 (27.0)	14.2 (38.7)	12.6 (16.2)	23.0 (35.4)	11.5 (38.2)	958 31.0
\$500 - \$699	15.5 (21.8)	2.9 ( 7.4)	12.1 (25.8)	9.5 (18.5)	29.3 (26.9)	20.6 (22.7)	10.1 (24.0)	658 22.2
\$700 - \$899	10.6 ( 9.1)	2.9 ( 4.4)	13.2 (17.1)	4.8 ( 5.7)	43.2 (24.1)	20.1 (13.5)	5.3 ( 7.6)	417 13.5
\$900 - \$1099	7.9 ( 3.3)	1.5 ( 1.1)	15.8 ( 9.9)	2.5 ( 1.4)	51.2 (13.9)	13.3 ( 4.3)	7.9 ( 5.6)	203 6.6
\$1100 or more	4.0 ( 1.4)	0.0 ( 0.0)	11.4 ( 6.2)	2.3 ( 1.1)	65.1 (15.3)	12.6 ( 3.5)	4.6 ( 2.8)	175 5.7
Column Total	486	272	322	351	747	621	288	3087
Column Pct.	15.7	8.8	10.4	11.4	24.2	20.1	9.3	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
Number of missing observations = 109.

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APPENDIX H

CROSS TABULATIONS OF NET WAGES IN THE  
PREUNEMPLOYMENT MONTH AND BENEFIT-WAGE RATIOS  
BY BENEFIT ADEQUACY CATEGORY



TABLE H-1  
 CROSS TABULATION OF NET WEEKLY WAGES IN THE  
 PREUNEMPLOYMENT MONTH BY BENEFIT ADEQUACY CATEGORY\*

<u>Benefit Adequacy Category</u>	<u>Less than \$75</u>	<u>\$75-\$124</u>	<u>\$125-\$174</u>	<u>\$175-\$224</u>	<u>\$225-\$299</u>	<u>\$300 or more</u>	<u>Row Total Row Pct.</u>
35% or less	5.6 ( 5.9)	18.9 ( 5.7)	12.1 ( 5.8)	9.4 ( 8.4)	22.7 (20.7)	31.3 (45.3)	339 10.8
36% - 50%	4.6 ( 9.3)	20.3 (11.9)	18.8 (17.5)	21.0 (36.1)	22.7 (40.1)	12.7 (35.5)	656 21.0
51% - 65%	6.7 (15.1)	29.9 (19.5)	28.4 (29.5)	18.3 (34.8)	12.6 (24.5)	4.0 (12.4)	727 23.3
66% - 85%	11.9 (25.0)	45.7 (27.8)	26.8 (26.0)	8.5 (15.2)	5.4 ( 9.9)	1.6 ( 4.7)	680 21.7
86% - 99%	15.3 (13.6)	57.1 (14.7)	22.0 ( 9.0)	3.5 ( 2.6)	1.7 ( 1.3)	0.3 ( 0.4)	287 9.2
100% or more	22.9 (31.2)	51.5 (20.3)	19.3 (12.1)	2.5 ( 2.9)	2.9 ( 3.5)	0.9 ( 1.7)	441 14.1
Column Total	324	1117	701	382	372	234	3130
Column Pct.	10.3	35.7	22.4	12.2	11.9	7.5	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses)  
 Number of missing observations = 66.

TABLE H-2  
 CROSS TABULATION OF BENEFIT-WAGE RATIO  
 (FOR NET WEEKLY WAGES IN PREUNEMPLOYMENT MONTH)  
 BY BENEFIT ADEQUACY CATEGORY\*

Benefit Adequacy Category	Benefit-Wage Ratio						Row Total Row Pct.
	Less than 30%	30%-39%	40%-49%	50%-59%	60%-69%	70% or more	
35% or less	49.3 (49.6)	27.1 (18.4)	11.5 ( 8.3)	6.8 ( 3.6)	2.7 ( 1.4)	2.7 ( 1.7)	339 10.8
36% - 50%	16.9 (32.9)	30.9 (40.6)	23.0 (32.1)	16.0 (16.5)	8.1 ( 8.0)	5.0 ( 6.3)	656 21.0
51% - 65%	5.0 (10.7)	16.9 (24.6)	22.0 (34.0)	28.3 (32.3)	18.6 (20.5)	9.2 (12.7)	727 23.2
66% - 85%	2.4 ( 4.7)	7.6 (10.4)	11.0 (15.9)	24.6 (26.2)	36.3 (37.5)	18.1 (23.4)	680 21.7
86% - 99%	0.3 ( 0.3)	2.4 ( 1.4)	5.9 ( 3.6)	20.6 ( 9.3)	36.2 (15.8)	34.5 (18.8)	287 9.2
100% or more	1.4 ( 1.8)	5.2 ( 4.6)	6.6 ( 6.2)	17.5 (12.1)	25.2 (16.8)	44.2 (37.1)	441 14.1
Column Total	337	500	471	637	659	526	3130
Column Pct.	10.8	16.0	15.0	20.4	21.1	16.8	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 66.

TABLE H-3  
 CROSS TABULATION OF BENEFIT-WAGE RATIO  
 (FOR GROSS WEEKLY WAGES IN THE BASE PERIOD)  
 BY BENEFIT ADEQUACY CATEGORY\*

Benefit Adequacy Category	Benefit-Wage Ratio						Row Total Row Pct.
	Less than 30%	30%-39%	40%-49%	50%-59%	60%-69%	70% or more	
35% or less	33.3 (40.9)	14.5 (15.1)	6.8 ( 6.9)	10.0 ( 5.1)	5.6 ( 4.2)	29.8 ( 9.5)	339 10.8
36% - 50%	13.4 (31.9)	20.4 (41.2)	14.8 (29.2)	15.2 (14.9)	9.9 (14.2)	26.2 (16.1)	656 21.0
51% - 65%	7.0 (18.5)	11.3 (25.2)	14.3 (31.3)	21.6 (23.3)	15.2 (24.1)	30.6 (20.8)	726 23.2
66% - 85%	2.5 ( 6.2)	5.7 (12.0)	8.5 (17.5)	29.4 (29.7)	16.5 (24.5)	37.4 (23.8)	680 21.7
86% - 99%	1.0 ( 1.1)	3.5 ( 3.1)	7.7 ( 6.6)	29.3 (12.5)	21.6 (13.6)	36.9 ( 9.9)	287 9.2
100% or more	0.9 ( 1.4)	2.5 ( 3.4)	6.3 ( 8.4)	22.2 (14.6)	20.2 (19.5)	47.8 (19.8)	441 14.1
Column Total	276	325	332	673	457	1066	3129
Column Pct.	8.8	10.4	10.6	21.5	14.6	34.1	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).

Number of missing observations = 67.

TABLE H-4  
 CROSS TABULATION OF BENEFIT-WAGE RATIO  
 (FOR GROSS WEEKLY WAGES IN THE HIGH QUARTER)  
 BY BENEFIT ADEQUACY CATEGORY\*

Benefit Adequacy Category	Benefit Wage Ratio				Row Total
	Less than 30%	30%-39%	40%-49%	50%-59%	Row Pct.
35% or less	50.1 (27.6)	10.9 ( 8.5)	2.4 ( 1.8)	36.6 ( 7.6)	339 10.8
36% - 50%	35.2 (37.5)	19.7 (29.6)	12.2 (17.8)	32.9 (13.3)	656 21.0
51% - 65%	18.2 (21.4)	19.8 (33.0)	16.4 (26.4)	45.6 (20.3)	726 23.2
66% - 85%	7.5 ( 8.3)	11.0 (17.2)	18.2 (27.6)	63.2 (26.4)	680 21.7
86% - 99%	4.9 ( 2.3)	7.7 ( 5.0)	15.3 ( 9.8)	72.1 (12.7)	287 9.2
100% or more	4.1 ( 2.9)	6.6 ( 6.7)	17.0 (16.7)	72.3 (19.6)	441 14.1
Column Total	616	436	450	1627	3129
Column Pct.	19.7	13.9	14.4	52.0	100.0

\*Each cell contains a row percentage (without parentheses) and a column percentage (with parentheses).  
 Number of missing observations = 67.

