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Unemployment Insurance
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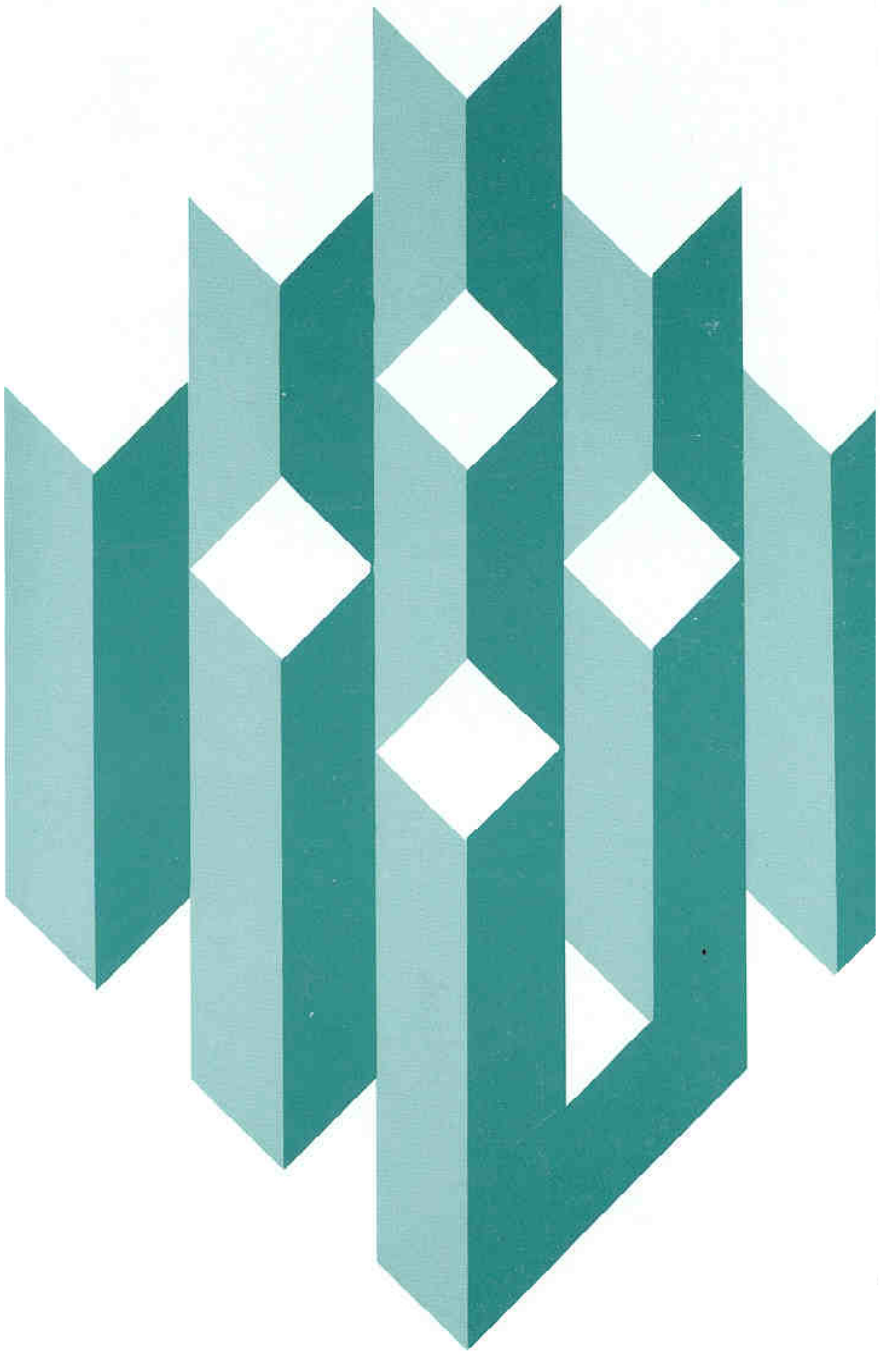
U.S. Department of Labor
Employment and Training Administration



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Employment and Training Administration
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THE DECLINE IN UNEMPLOYMENT INSURANCE CLAIMS ACTIVITY IN THE 1980S

by

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Introduction

During the early 1980s the proportion of unemployed workers receiving unemployment insurance (UI) benefits declined and remained low for the remainder of the decade. The reduced rates of benefit recipiency occurred in both the regular State UI programs (which typically can compensate workers for up to a maximum duration of 26 weeks) and in the Federal-State Extended Benefits program (which can compensate the long term unemployed for up to an additional 13 weeks). This decline in benefit recipiency adversely affects the performance of UI both as an income maintenance program for unemployed workers and their families and as an automatic stabilizer of aggregate economic activity.

The present report which analyzes the decline in UI benefit recipiency is divided into five sections. First, it presents some background facts about the decline. Second, it reviews previous literature that has examined this phenomenon. Third, it presents a descriptive analysis of new survey data collected expressly for the purpose of addressing the question. Fourth, it presents a statistical analysis of application rates and benefit recipiency rates based on the new data. Fifth, a short concluding section speculates on the reasons for the decline in benefit recipiency in light of the previous literature and the analysis of the new survey data.

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I. Some Background Facts

Table 1 displays summary data on unemployment which illustrate the magnitude and persistence of the decline in UI claims activity in the 1980s. The data on insured unemployment (IU) in the sixth column refer to claimants in the regular UI programs for the fifty states and the District of Columbia of whom some 90 to 92 percent are usually in benefit status.[1] The data on total unemployment (TU) in the fourth column refer to all unemployed persons 16 and older as measured in the monthly labor force survey of households. For all years since 1983 the IU/TU ratio in the final column of the table has fallen below .33, a proportion that was never reached in any year between 1947 and 1982. Compared to the average IU/TU ratio of .397 for the 1968-1982 period, the average ratio of .308 for the 1983-1989 period is 22 percent lower. This decline in the IU/TU ratio provides a convenient index of the shrinkage in UI benefit recipiency during the 1980s.

Other "facts" about unemployment in the 1980s seem to rule out two potential explanations for the decline in the IU/TU ratio. When data on benefit recipiency among various demographic groups are examined, adult men are found to be most likely to claim and receive benefits. In the early 1960s the aggregate IU/TU ratio declined and much of the decrease was caused by increasing

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[1] There are also programs in Puerto Rico and the Virgin Islands that form part of the federal-state UI system in the U.S.. In Table 1 and throughout this report claims data and other UI program data have been restricted to the 51 jurisdictions excluding Puerto Rico and the Virgin Islands.

Table 1. Total Unemployment and Insured Unemployment, 1968-1989

Year	Unemployment Rates (percentages)		Unemployment (thousands)			Insured as a Proportion of Total Unemployment
	Persons 16 and Older	Men 25 and Older	Persons 16 and Older (TU)	Duration 27 Weeks and Over	Insured Unemployment (IU)	IU/TU
1968	3.6	1.8	2817	156	1079	0.383
1969	3.5	1.7	2832	133	1065	0.376
1970	4.9	2.8	4093	235	1762	0.430
1971	5.9	3.5	5016	519	2102	0.419
1972	5.6	3.1	4882	566	1800	0.369
1973	4.9	2.6	4365	343	1578	0.362
1974	5.6	3.0	5156	381	2202	0.427
1975	8.5	5.5	7929	1203	3900	0.492
1976	7.7	4.8	7406	1348	2922	0.395
1977	7.1	4.2	6991	1028	2584	0.370
1978	6.1	3.4	6202	648	2302	0.371
1979	5.8	3.3	6137	535	2372	0.387
1980	7.1	4.8	7637	820	3305	0.433
1981	7.6	5.1	8273	1162	2989	0.361
1982	9.7	7.5	10678	1776	3998	0.374
1983	9.6	7.7	10717	2559	3347	0.312
1984	7.5	5.7	8539	1634	2434	0.285
1985	7.2	5.3	8312	1280	2561	0.308
1986	7.0	5.3	8237	1187	2607	0.316
1987	6.2	4.8	7425	1040	2265	0.305
1988	5.5	4.2	6701	809	2048	0.306
1989	5.3	3.9	6528	646	2114	0.324

Source: All data from the U.S. Department of Labor

unemployment shares among younger and female workers. During the 1980s, however, the unemployment shares for adult men have been unusually high. This is illustrated by the unemployment rates in the first two columns of Table 1. In the late 1960s the unemployment rate for men 25 and older was half the overall rate. Between 1970 and 1979 the ratio of the adult male rate to the overall unemployment rate ranged from .53 to .65 and averaged .58. Since 1983, however, the unemployment rate for men 25 and older has averaged .76 of the overall rate. Thus the demographic mix of unemployment in the 1980s changed but towards the group most likely to receive benefits. Using a demographic argument the IU/TU ratio should have increased in the 1980s, not decreased.

The unemployment rates of the 1980s were unusually high, particularly in 1982-1983, and high unemployment is associated with high levels of long term unemployment. Table 1 shows that the number of workers unemployed 27 weeks and longer exceeded 1 million in every year between 1981 and 1987. Long term unemployment leads to UI benefit exhaustions which cause the IU/TU ratio to decline. Note in Table 1, however, that long term unemployment declined by almost three quarters between 1983 and 1989, from 2.559 million to .646 million, while the IU/TU ratio was essentially unchanged. The reduction in long term unemployment has not caused the IU/TU ratio to increase much since 1983.

Economic developments of the 1980s included a number of other unusual phenomena. Of possible importance to UI claims activity were the following: the taxation of UI benefits which began in

1979, UI financing problems in many states which were particularly severe early in the decade, the emergence of a substantial foreign trade deficit and the associated failure of manufacturing employment to rebound in the post-1982 economic recovery, and a change in the regional configuration of unemployment. Each of these factors could also be associated with the decline in UI claims and recipiency rates of the 1980s. Rather than discuss each of these additional "facts" we next turn to the research literature which has examined the decline in UI claims and recipiency.

II. Previous Literature

Because the decline in benefit recipiency is a comparatively recent development there is a rather small amount of research literature. The U.S. Department of Labor has supported two research projects intended to explain the decline; one by researchers at the Brookings Institution (Burtless and Saks (1984) and Burtless (1983)) and one by researchers associated with Mathematica Policy Research, Inc. (Corson and Nicholson (1988)). Policy interest in the question led to a seminar presentation of the latter study that was a part of a series of U.S. Department of Labor seminars on unemployment insurance policy held in 1988.[2] Also relevant to this paper are earlier investigations of the receipt of UI benefits based on micro data for unemployed workers. These papers will be

[2] There were three seminars with papers for each included in a summary volume. See U.S. Department of Labor (1988).

discussed following a review of the two larger studies.

The Brookings project was conducted using primarily quarterly time series data for the period 1968I to 1983II.[3] Their approach linked insured unemployment (IU or active UI claimants) to the number of job losers with unemployment duration of 26 weeks or less (UL26), the latter variable taken from the monthly household labor force survey. Between 1968 and 1979 there was almost an exact one-to-one relation between these two measured unemployment flows. By 1983,however, IU was about 25 percent lower than UL26 and the shortfall was statistically significant. This finding coupled with a parallel analysis between initial claims for UI and very short term unemployment (of 5 weeks or less) confirmed the decline in UI claims activity.

One aspect of the Brookings analysis was to rule out certain explanations for the decline. Three factors were ruled out: changes in the demographic composition of unemployment, changes in the industrial attachment of job losers and changes in the regional distribution of unemployment. As will be seen below the latter two factors have played a prominent role in the explanation offered later by Corson and Nicholson (1988).

With the availability of an additional six years of data it appears that the geographic explanation has merit not recognized in

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[3] The more widely read work from the project is the Burtless (1983) sector report that appeared in the Brookings Papers. This review will be based on the longer report prepared by Burtless and Saks (1984) for the U.S. Department of Labor.

the Brookings analysis.[4] The areas of rapid labor force growth in the South and Mountain states have below-average IU/TU ratios, a long term situation observed in data back to the late 1960s, the earliest years for which CPS data by region are available. As their share of national unemployment has risen this will tend to lower the national IU/TU ratio.[5] This issue will be revisited later in this literature review.

The principal conclusion of Burtless and Sax is that the decline was mostly due to a series of legislative and administrative actions undertaken by the programs themselves. The support for this conclusion is not persuasive. Although they document several federal actions, eg. taxing UI benefits starting in 1979, and state actions, eg. increased disqualification penalties for job leaving, the tie between these actions and the IU/TU ratio is not explicit. The need to have more statutory and administrative detail on these changes, particularly at the state

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[4] Their analysis of geographic effects compared IU/TU ratios by area in 1975-1976 with ratios in 1981-1983.

[5] One way to illustrate the size of a regional effect is to compute a fixed weight average of the IU/TU ratio using fixed weights based on each region's average share of unemployment for the 1967-1989 period. When this was done for the nine Census divisions, the contrast with the aggregate IU/TU ratio was pronounced. Between 1975 and 1989 the actual national ratio declined from .492 to .324 while the fixed weight average of the nine divisional IU/TU ratios declined from .482 to .336. The percentage declines were 34.1 percent in the national ratio and 30.3 percent in the fixed weight index. This calculation suggests a regional effect explains more than 10 percent of the observed decline in IU/TU, at least in a comparison involving the years 1975 and 1989. Since the IU/TU ratio was unusually high in 1975 the size of the regional effect could be even larger in comparisons involving other years.

level, is an area for more work suggested by their research.

The analysis of Corson and Nicholson (1988) does use data with much more state-level detail. Their principal analysis is conducted using quarterly time series data for the period from 1971I to 1986IV. Two analytic samples are used, one an eleven state sample where the eleven are the so called direct use states for which the monthly household labor force survey (CPS) is large enough to publish monthly estimates of the state labor force, unemployment and the TUR.[6] The second is a all-state sample (including the District of Columbia) also examined from 1971I to 1986IV. Corson and Nicholson also confirmed the decline in the IU/TU ratio. The average decline that they emphasize is the 15 percent decline between an average of .413 for the 1970-1979 period and an average of .347 for the 1980-1986 period.

The Corson-Nicholson explanation for the decline in IU/TU emphasizes four classes of explanatory variables; labor market variables, changes in federal laws, changes in state laws and changes in the measurement of unemployment after 1980. Economic effects focus on three influences; high overall unemployment in the 1980s, the decline in unemployment originating in manufacturing and shifts in the geographic distribution of unemployment. The estimation of the effects of changes in state laws utilizes a large data base of statutory provisions and statistical measures of

[6] The eleven are California, Florida, Illinois, Massachusetts, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania and Texas. The eleven account for about half of the national labor force.

program outcomes, eg. denials for job leaving, developed for each state. Of the four broad classes of explanatory variables the largest effects are estimated for the state laws variables.

In a summary exercise they partial out the unexplained decline in the IU/TU ratio (6.2 percentage points in their calculations) into parts contributed by the four factors identified above. There are two summary divisions; one explains all of the 6.2 percentage point decline while the other explains 55 percent of the decline. Their minimum and maximum estimates for the four factors are as follows: economic effects - 19 to 27 percent, federal policy[7] - 7 to 23 percent, state policy[8] - 22 to 39 percent and measurement of unemployment in CPS data - 2 to 12 percent.

Three criticisms of the Corson-Nicholson analysis can be made. First, the regressions explaining the IU/TU ratio do not have a control for exhaustions such as the lagged unemployment rate.[9] This

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[7] This is made up of i) change in the treatment of private pension and Social Security offsets against UI benefits, ii) the change in the income tax treatment of UI benefits, and iii) reduction in the availability of long term UI benefits.

[8] This covers monetary eligibility, job leaving disqualifications, work search, benefit offsets, benefit generosity and potential benefit duration. Most, but by no means all, of these features were tightened in the 1980s. See Kane (1988) for an analysis of state-level data on the administration of the UI program and how it may have affected claims activity in the 1980s. He concludes there is little evidence that program administration was tightened much in the early 1980s.

[9] See the regression analysis of Appendix A. In annual data, for example, the IU/TU ratio is positively related to the current year's unemployment rate (TUR) but negatively related to last year's TUR. Both TUR variables are significant in the majority of states in a specification that also has a control for a downward shift in the IU/TU ratio starting in 1981.

makes it difficult to interpret the other coefficients in the regressions. Second, no attempt was made to control for effects of reason-for-unemployment on UI recipiency. Since job losers are the group among the unemployed most likely to collect UI benefits, the lack of a reason control makes it difficult to know if the manufacturing unemployment variable is capturing an effect of manufacturing application behavior or simply an effect of reason-for-unemployment because layoffs, which create job losers, are more common in that industry. Third, although state legislative actions are identified as contributing the largest amount to the decline in IU/TU, no serious attempt is made to connect state actions with federal loan policy changes of the early 1980s. Borrowing became more expensive for debtor states after 1981 and many responded by reducing benefit availability.[10] Although they acknowledge the change in federal policy regarding loans, as a possible explanation for the decline in IU/TU it is paid only cursory attention by Corson and Nicholson.

The Corson-Nicholson analysis and associated final report was followed by a seminar presentation of their findings at the U.S. Department of Labor. After the completion of the seminar series, several questions still remained regarding their explanation for the decline in the IU/TU ratio. It was less that their analysis was not careful and defensible but rather that it was not definitive. Thus there remained an interest in further work on the question.

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[10] Details of the changes in loan provisions and the responses of the largest debtor states are found in Chapters 1 and 2 of Vroman (1986).

The development of a series of supplements to the monthly household labor force survey (CPS) was a direct outgrowth of this desire to take another approach to the question. The genesis of the survey will be discussed in Part III of this report.

Blank and Card (1989) examined annual state data on the IU/TU ratio to determine which factors were significant in the explanation of interstate variation and the decline of the early 1980s.[11] They examined data for all states from 1977 to 1987 coupled with data from eight states for the earlier 1968 to 1976 period. Their regression models were estimated on a data base with 622 state-year observations. Although several variables were significant in the regressions, the levels of significance of most were sharply reduced when state and year dummies were included in the specifications.

An innovative feature of their analysis was the attempt to measure the proportion of the unemployed eligible for UI, ie. applying state-specific UI eligibility criteria to CPS micro data on reported annual earnings and reason for unemployment. They then could estimate the share of the unemployed actually eligible for benefits by year in each state. Next, they derived estimated application rates. This allowed them to decompose the IU/TU ratio into the product of the proportion eligible for UI and the application rate among eligibles.

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[11] Blank and Card examined not only the IU/TU ratio but also the ratio of weekly beneficiaries to TU. On average, weekly beneficiaries comprise about 90 percent of IU. This distinction is not important for the present review of their work.

One conclusion reached by Blank and Card was that application rates among those eligible for UI fell considerably short of 100 percent and appeared to decline in the early 1980s. Over the same period (1968 to 1987) they inferred that the proportion who were eligible for benefits was essentially unchanged.[12] A second conclusion was that the change in the regional distribution of unemployment accounted for about half of the decline in applications for UI. The other half of the explanation for the decline was left unexplained by their analysis.

The scale of effect attributed by Blank and Card to changes in the regional distribution of unemployment is considerably larger than reached by others. As a rough check on their estimate multiple regressions were fitted to explain annual IU/TU ratios for the 1967-1989 period. The ratios were measured at the state, regional and national levels. Appendix A describes the construction of the data series used in the analysis and presents the regressions in Table A1.

The regressions of Appendix A all have a common specification: the IU/TU ratio is a function of the TUR, the TUR lagged one year and a dummy variable which equals one for years starting in 1981 (D81). The current TUR controls for the increased proportion of job losers in the unemployment pool as unemployment rises while the lagged TUR is a control for exhaustions. The dummy tests for a

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[12] This constancy was the result of two offsetting factors. State laws evolved in the direction of reducing the proportion eligible but the previous earnings of the unemployed was higher in more recent years tending to increase eligibility.

downward shift in the IU/TU ratio starting in 1981. Each regression was fitted from 1967 to 1989. The 51 state-level regressions in Table A1 have many significant coefficients and a common pattern in the signs on the explanatory variables. Typically the TUR enters with a positive coefficient (in 45 equations) while the TUR lagged enters with a negative coefficient (in 45 equations). Of the 51 dummy coefficients 46 have negative signs and 30 are significant at the .05 level.[13] California is the only one of the eleven largest states where the D81 coefficient is not negative.

The final part of Table A1 shows regional and national results. These regressions which weight the states by the size of their respective labor forces have greater significance levels compared to the state regressions. Here it is apparent that the downward shift in the IU/TU ratio in the 1980s varied by region. The largest declines were in the North East, the Midwest and the East South Central division of the South. Only the Pacific division avoided a significant downward shift. The proportional downward shifts were largest in the East South Central and in the Midwest.

As a way of summarizing the effects of regional shifts in unemployment, two regressions involving the national IU/TU ratio were fitted. One dependent variable was the overall national IU/TU ratio. The second was a fixed weight average of IU/TU ratios for the nine Census divisions (the dependent variables in the divisional regressions), weighted by each division's average share

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[13] In these regressions the t ratio needed for significance at the .05 level under a one sided t test is 1.7.

of unemployment over the 1967-1989 period. Both national regressions had the same three explanatory variables, the national TUR, the TUR lagged and the dummy variable from 1981. All three variables were highly significant in both regressions. The dummy variable in the national IU/TU regression had a coefficient which was 23 percent larger than the corresponding coefficient in the fixed weight regression, -.0723 versus -.0558. The results based on this specification suggest that regional shifts in unemployment are responsible for about one quarter rather than one half of the unexplained decline in the IU/TU ratio of the 1980s.

Blank and Card's inference that application rates among the eligible unemployed had declined was also made earlier by Burtless and Saks and by Corson and Nicholson. However, none of these investigations had micro data measuring application rates for all unemployed persons.[14] The CPS data to be described in Part III do allow one to examine application rates for the entire population of unemployed workers.

One other thread of literature to note is earlier analyses of the UI application-receipt process based on micro data. Two early surveys asked questions about UI applications and receipt, a

[14] Blank and Card and Corson and Nicholson examined micro data from the PSID. Since the PSID questions were asked only of household heads, their data base misses many unemployed persons and applies to a subset of the unemployed population that has above-average application rates. Burtless and Saks did not try to estimate application behavior on a micro basis.

supplement to the CPS administered in May 1976[15] and special questions asked from 1980 to 1982 to unemployed household heads in the Panel Survey of Income Dynamics (PSID). One analysis of UI recipiency has been published using the micro data from the 1976 CPS, Barron and Mellow (1981), while two analyses have used the 1980-1982 PSID data, Corson and Nicholson (1988) and Blank and Card (1989).

Barron and Mellow authored a short paper that examines the probability of receiving UI benefits and the level of benefits for recipients. Regarding benefit recipiency their main conclusion is that there are large interstate differences in the probability of receipt. They find that 27 state dummy variables continue to make a significant contribution to explained variance even in regressions that include many personal characteristics of recipients.[16] They did not test for the effect of differences in state UI laws on the probability of receipt. Since their data file is the CPS, one could potentially compare results from the 1976 data with results from a more recent CPS that included questions on the receipt of UI benefits. Such a comparison might yield insights into the reason(s) for the decline in the IU/TU ratio.

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[15] This was termed the Survey of Job Seeking Activities focused mainly on the methods of job search used by the unemployed. However it also asked questions about the receipt of UI benefits in the current spell of unemployment. The survey was a mail questionnaire sent to all unemployed persons in the May 1976 CPS. Usable responses were received from about 3200 persons.

[16] Their CPS file identified several large states individually while smaller states were grouped. Altogether there were 28 separate geographic areas in their data.

Corson and Nicholson examined PSID data for 1980 and 1982 to determine if micro data showed the same pattern of declining use of UI apparent in aggregate data. They were surprised to find that the proportion who received UI benefits was higher in 1982 than in 1980 in the PSID, 62 percent of household heads in 1982 versus 53 percent in 1980. Like Barron and Mellow, they examined the probability of receiving UI benefits. The most significant explanatory variables in their regressions were duration of unemployment (a dummy variable for five weeks or less had a t ratio of about 9), total family income, blue collar occupation, previous employment in manufacturing and expectation of recall. Explanatory variables that reduced the probability were being female, black and age 65 and older.

The only explanatory variable with a potential link to policy was an interaction term on family income above $25,000 to capture the effect of income taxation on the probability of receipt. Although this variable entered significantly the interpretation was not unambiguous. The micro analysis of Corson and Nicholson was not central to the overall thrust of their report. It did not figure in the policy conclusions and recommendations section of their report.

The most recent analysis of micro data was conducted by Blank and Card (1989), also using the PSID, in this case all three available years 1980, 1981 and 1982. Unlike the previous micro analyses their dependent variable was the benefit recipiency rate among persons eligible for UI benefits, not the recipiency rate for all unemployed persons. Among the variables most significant in

regressions to explain the probability of receipt were unemployment duration, age, years of education, and state characteristics, eg. the statewide IU/TU ratio and an estimate of the statewide application rate. Neither of the state characteristics variables is really behavioral since each would be expected to be positively associated with the probability of receipt. Both are macro characterizations of behavior in the states which should be mirrored in micro data of the PSID. Although several variables were significant in their regressions none could explain the decline in the IU/TU ratio of the early 1980s.

Since they developed microsimulation procedures for estimating the UI eligibility of unemployed workers, Blank and Card could check the results of applying their procedures against self reported eligibility in the PSID data. Although they conclude that the hit rate (the percentage of agreements between simulated and self-reported eligibility) was high, about 70 percent, a critical reader could question their interpretation.

Another issue that can be raised in the micro analysis of both Blank and Card and Corson and Nicholson was a decision not to use micro information on reason for unemployment in the analysis of the application-receipt process. As will be seen in the next two parts of this report, job losers are the group most likely to apply for and to receive benefits. Use of reason-for-unemployment as a control variable would probably add precision to the parameter estimates in micro equations. It seems clear that more investigations based on micro data are warranted.

III. New Survey Data and A Descriptive Analysis

Following a lengthy period of discussions and negotiations involving the National Foundation for Unemployment Compensation and Workers' Compensation (NFUCWC), the AFL-CIO, the Unemployment Insurance (UI) Service of the Employment and Training Administration and the Bureau of Labor Statistics, both of the U.S. Department of Labor, and the Census Bureau of the U.S. Department of Commerce an agreement was reached to add a series of supplemental questions to the regular monthly household labor force survey. The monthly survey, commonly referred to as the CPS, is the main source of information on unemployment. It produces monthly estimates of total unemployment (TU) at the national level as well as for regions, states and large metropolitan areas. The CPS data provide the information on TU used in IU-TU comparisons.

The point of the supplemental questions was to generate new information about the low UI recipiency rate among the unemployed. The person most responsible for moving the process forward and coordinating the activities of the parties was Dr. John Matzner formally of NFUCWC. Eventually the UI Service agreed to fund a set of supplemental questions to be asked of the unemployed in the outgoing rotation groups for four months; May, August, and November 1989 and February 1990. Each month two of eight rotation groups

leave the CPS and they account for about one fourth of the sample.[17] It was anticipated that about 4000 observations would be generated.

After agreement to ask the supplemental questions was secured the parties approached me to participate in the formulation of the questions and to perform an initial analysis of the data. The process of choosing the questions involved a number of iterations. We were conscious of the need to limit the number of questions while at the same time wanting to cover the key aspects of the application-receipt process in UI.[18] Ideas for the content of the questions came from the participants and from two earlier questionnaires, the May 1976 Survey of Job Seeking Activities (a supplement to the CPS) and questions about unemployment insurance asked in the 1980-1982 waves of the Panel Survey of Income Dynamics (PSID). As noted, the PSID was the basis of the earlier micro analyses of Corson and Nicholson (1988) and Blank and Card (1989).

The CPS supplements asked a total of seven questions.[19] Three were yes-no questions about applications for UI, the receipt of UI during the current unemployment spell and the receipt of UI last

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[17] Households included in the CPS sample are interviewed for four consecutive months, skipped for eight consecutive months and then interviewed for an additional four consecutive months. Those in their fourth and eighth months of interviews are in the outgoing rotation groups.

[18] Individuals from NFUCWC, the AFL-CIO, the UI Service, BLS, the Census Bureau and the Urban Institute participated in this process.

[19] Appendix B shows the wording of the questions and the possible answers.

week. Three asked the unemployed about their reasons for not receiving UI, not applying for UI and not thinking they were eligible for UI. The final supplemental question determined the union status of each unemployed person. It was included to test for contrasts in application and recipiency rates between union and nonunion workers. The questions were asked in sequence with logical skip patterns so that a nonapplicant was not asked about the receipt of benefits in the current spell or the receipt of benefits last week.

The data were edited at the Census Bureau. Their decision rules were sufficiently inclusive that nearly all interviews with at least one complete answer to a yes-no question were treated as a completed interviews. There were problems, however, which operated to limit the total sample size. About fifteen percent of the interviews were not completed and many interviews were administered to persons who were not unemployed. In the latter situation the person typically had been looking for work for several weeks, but because they had not been actively seeking employment in the week of the survey they were classified as out of the labor force. These problems coupled with the smaller-than-average numbers of unemployed in the outgoing rotation groups meant that the final sample size was less than 3000 compared to an original expectation of 4000.

One objective in conducting the supplemental interviews was to ascertain people's understanding of the UI application-receipt process. Since many respondents in the CPS are other household

members and not the unemployed persons themselves, the other household members might not understand how one becomes an beneficiary, specifically the need to apply before receiving benefits. To pursue this issue one group of instructions to the interviewers was changed after the May 1989 supplement. When a person replied "don't know" to the question about application for UI they were asked the next question about receipt of benefits. This change affected only a few interviews (less than 20 per month) and in nearly all instances the person also responded "don't know" to the question about the receipt of benefits. Thus the change produced no additional useful information on people's understanding of the application-receipt process.

When people were asked why they did not apply, did not receive or did not think they were eligible, several different response categories were provided in the survey instrument. For each of these questions we tried to include the most important reasons as explicit categories. To keep the number of categories limited, however, we also included "don't know" and "other" in the set of possible responses. Unfortunately many of the responses fell into these latter two categories. For example, of the 1841 persons asked about why they didn't apply for UI, 202 were coded as "other" and 155 were "don't know." The two categories combined accounted for about 20 percent of the responses. This means that our attempt to develop an exhaustive set of categories for these reason questions was not successful. Consequently, even after these data were assembled at considerable cost to the UI Service, questions will

remain as to people's motivations in applying for benefits and people's understanding of the UI application-receipt process.

Table 2 displays summary data from the 1989-1990 CPS supplements which emphasize four aspects of unemployment known to be important in the UI application-receipt process; reason for unemployment, unemployment duration, gender and age. Unemployed new entrants into the labor force were excluded from the supplements because UI makes payments only to experienced workers. The number with the other three reasons for unemployment totaled 5.8 million with just over half being job losers. Slightly more than half of the unemployed are male, but women outnumber men in the leaver and reentrant categories. Roughly 30 percent of the sample are younger than age 25, and about one tenth have unemployment duration of 27 weeks or longer.

One limitation of the data file which is apparent in Table 2 is the small numbers of cases in some of the cells. There are 2859 micro observations and 90 interior cells in this four way disaggregation of the data. Thus the average number of micro observations per cell is only 32. The asterisks in Table 2 identify 23 interior cells with fewer than 10 observations. There simply are not many younger persons with long duration spells of unemployment. A detailed breakdown of the underlying cell sizes (unweighted counts) appears in Appendix Table B1.

Table 2. Weighted Counts of Completed Interviews
(000s)

Reason for Unemp.	Unemp. Dur. (weeks)	Women				Men				Total
		16-19	20-24	25+	16+	16-19	20-24	25+	16+	
Job Losers	1-2	11*	40	144	196	30	52	294	378	574
	3-4	18*	40	157	215	37	57	274	369	584
	5-10	15*	27	263	305	31	109	361	501	806
	11-26	12*	33	185	230	8*	78	370	457	687
	27+	1*	8*	88	98	4*	13*	286	302	400
	Total	57	148	837	1043	110	308	1585	2007	3050
Job Leavers	1-2	47	44	113	204	46	33	43	122	326
	3-4	40	45	84	173	23	45	80	149	321
	5-10	20	25	61	107	37	22	71	130	237
	11-26	23*	14	50	87	10*	14*	57	84	171
	27+	0*	**	16	16	**	7*	24	31	48
	Total	130	128	324	587	116	122	277	518	1105
Reen-trants	1-2	45	74	178	300	37	37	65	139	440
	3-4	47	43	187	280	41	31	96	177	457
	5-10	32	47	138	218	36	32	86	154	371
	11-26	17*	19*	104	140	20*	27	68	114	255
	27+	0*	11*	67	78	1*	9*	55	66	144
	Total	143	195	677	1021	135	136	373	653	1674
All Groups	1-2	103	158	435	700	113	122	403	639	1339
	3-4	105	128	427	668	101	133	449	694	1362
	5-10	67	99	463	630	104	163	519	785	1415
	11-26	52	66	339	457	39	119	495	656	1112
	27+	2*	19*	171	192	5*	28	366	399	591
	Total	330	471	1839	2651	361	565	2235	3178	5829

* - Cell with fewer than 10 micro observations. ** - Empty cell.

National Application and Recipiency Rates

A key question to be addressed in this project is the application behavior of the unemployed. Table 3A summarizes application rates by reason, duration, gender and age. The inference of the earlier work by Burtless and Saks, Corson and Nicholson, and Blank and Card that low application rates explain much of the low IU/TU ratio, is supported in these data. The average application rate for job losers, the group most likely to apply, is only .532. For job leavers and reentrants respectively the overall proportions are .112 and .137. For the three categories of unemployment combined the average application rate is only .339.[20] In these 1989-1990 data only about one third of the unemployed tried to receive UI benefits.

Table 3A identifies other strong correlates of application rates besides reason for unemployment. Application rates rise with unemployment duration. The overall average for all persons in the 27+ weeks category (.527) is nearly three times the rate for those unemployed 1 or 2 weeks (.180). Application rates rise sharply with age for both women and men. Contrasts by age are especially noticeable for job losers. Among the two older age groups (20-24 and 25+) and for all persons, the overall application rate is higher for men than for women. When application rates are examined

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[20] The weighted count of persons who responded positively to the question about applications was 1.974 million out of a total of 5.829 million. There were .185 million or 3.2 percent who responded "don't know" to the question about applying for benefits. The "don't knows" have been included with the no responses in computing application rates. The overall application rate would be .350 rather than .339 if the "don't know" respondents were excluded from the calculations.

Table 3A. Application Rates by Reason, Duration, Gender and Age

Reason for Unemp.	Unemp. Dur. (weeks)	Women				Men				Total
		16–19	20–24	25+	16+	16–19	20–24	25+	16+	
Job Losers	1–2	0.000*	0.265	0.424	0.366	0.040	0.217	0.365	0.317	0.334
	3–4	0.143*	0.342	0.530	0.462	0.069	0.380	0.602	0.512	0.494
	5–10	0.205*	0.532	0.592	0.568	0.061	0.392	0.656	0.562	0.564
	11–26	0.174*	0.347	0.683	0.609	0.000*	0.367	0.693	0.624	0.619
	27+	1.000*	1.000*	0.696	0.724	0.000*	0.622*	0.648	0.639	0.660
	Total	0.158	0.391	0.583	0.532	0.052	0.363	0.600	0.532	0.532
Job Leavers	1–2	0.061	0.000	0.070	0.053	0.065	0.114	0.006	0.057	0.054
	3–4	0.088	0.144	0.209	0.159	0.000	0.000	0.149	0.080	0.122
	5–10	0.199	0.000	0.154	0.125	0.000	0.000	0.298	0.163	0.146
	11–26	0.029*	0.030	0.284	0.177	0.000*	0.000*	0.118	0.080	0.129
	27+	0.000*	**	0.235	0.230	**	0.307*	0.133	0.172	0.192
	Total	0.084	0.054	0.163	0.121	0.026	0.048	0.156	0.101	0.112
Reen-trants	1–2	0.000	0.065	0.088	0.068	0.000	0.042	0.152	0.083	0.073
	3–4	0.061	0.074	0.203	0.157	0.057	0.000	0.233	0.139	0.150
	5–10	0.000	0.048	0.188	0.130	0.000	0.304	0.198	0.174	0.148
	11–26	0.250*	0.000*	0.167	0.154	0.000*	0.198	0.106	0.109	0.134
	27+	0.000*	0.283*	0.274	0.274	0.000*	0.000*	0.308	0.261	0.268
	Total	0.050	0.068	0.170	0.133	0.017	0.122	0.197	0.142	0.137
All Groups	1–2	0.028	0.098	0.195	0.147	0.037	0.136	0.292	0.216	0.180
	3–4	0.085	0.182	0.324	0.256	0.048	0.162	0.443	0.324	0.291
	5–10	0.105	0.166	0.413	0.341	0.018	0.321	0.531	0.420	0.385
	11–26	0.135	0.181	0.466	0.387	0.000	0.285	0.547	0.464	0.433
	27+	0.632*	0.583*	0.488	0.499	0.000*	0.353	0.562	0.540	0.527
	Total	0.082	0.166	0.357	0.287	0.031	0.237	0.478	0.382	0.339

* - Cell with fewer than 10 micro observations. ** - Empty cell.

for the separate reason-for-unemployment categories male and female rates are quite similar. The higher overall application rate for men arises from gender differences in the distributions of unemployment by reason, ie. proportionately more men are job losers while proportionately more women are job leavers and reentrants.

It is interesting in Table 3A to note the similarity of application rates for job leavers and reentrants. Average rates for all men and all women fall into a narrow range from .101 to .142, and even among persons 25 and older none of the average application rates exceed .20. Although most job leavers and reentrants do not try to enter the UI system, there is a tendency for their application rates to rise with age and unemployment duration.

The second question in the CPS supplements inquired about receipt of UI benefits since the last job. Because so few younger unemployed workers applied for and received benefits, a table of recipiency rates among applicants (similar to Table 3A) is not displayed. Of the 1.974 million applicants 1.413 million or 71.6 percent reported receiving benefits. Recipiency rates among applicants increase sharply with unemployment duration. For the three reason-for-unemployment categories combined the average recipiency rate increased from .278 for applicants unemployed 1 to 2 weeks to .861 for those unemployed 11 to 26 weeks and then declined to .802 for those unemployed 27 weeks and longer. For a given duration of unemployment job loser applicants were more likely to receive benefits than were job leavers or reentrants. Recipiency rates were quite similar for men and women in comparable

reason-duration situations.

The combined effects of application rates and recipiency rates are summarized in Table 3B which shows beneficiary rates (beneficiaries as a proportion of the unemployed) by reason, duration, gender and age. Overall, about one quarter (.242) of the unemployed in the supplements reported receiving UI benefits. In the short duration categories low recipiency rates reflect both low application rates and low rates of receipt among applicants. Even among job losers aged 25 and older, the group most likely to receive benefits, the average recipiency rate fell below half for both women and men. For job leavers and reentrants the overall averages are less than .10. The only proportions in Table 3B that exceed .60 are for job losers in the 11-26 weeks duration category. Men are more likely to receive benefits than women (overall proportions of .277 and .200 respectively) because a larger proportion of unemployed men are job losers compared to women.

Reasons for Nonreceipt of Benefits

A most useful feature of the CPS supplements is the information they provide on reasons for not applying for UI. Of the 5.8 million persons with unemployment almost two thirds or 3.67 million did not apply for program benefits.[21] Table 4 gives a

[21] The 3.67 million refers to all persons who responded "no" to the question about application for benefits. Those whose application status was not ascertained were not asked about their reason for not applying.

detailed breakdown by reason for unemployment and unemployment duration of various reasons given for not applying. Within each reason-for-unemployment category and overall, the most important reason for not applying was workers' beliefs that they were not eligible. This reason was given by just over half of all nonapplicants (1.938 million of 3.670 million or 52.8 percent). The second most important reason was that workers already had another job (.514 million or 14.0 percent), a reason quite common among workers with short duration spells of unemployment.

The next most important response categories unfortunately were "other" and "don't know." Combined they accounted for more than .7 million workers or about 20 percent of all nonapplicants. These responses were present in substantial numbers in all three reason for unemployment categories. Thus, for each of the three major reasons for unemployment, there remains a gap in the survey data. Based on these data we cannot fully characterize why unemployed workers do not apply for UI benefits.[22]

Table 4 provides information helpful in eliminating certain potential explanations for the low application rate in the UI program. The two categories "too much hassle" and "too much like charity" combined account for only 5.3 percent of all persons not applying. Fewer than 3 percent of nonapplicants said they did not know about the program. Persons who previously exhausted their

[22] Employees of the Census Bureau conducted an analysis of the survey forms with "other" responses in the May 1989 supplement. They have assured us that no individual response category occurred with sufficient frequency to warrant its addition as a separate reason for not applying for UI benefits.

Table 3B. Beneficiary Proportions by Reason, Duration, Gender and Age

Reason for Unemp.	Unemp. Dur. (weeks)	Women				Men				Total
		16–19	20–24	25+	16+	16–19	20–24	25+	16+	
Job Losers	1–2	0.000*	0.081	0.078	0.074	0.000	0.010	0.126	0.100	0.091
	3–4	0.043*	0.248	0.380	0.327	0.069	0.116	0.328	0.268	0.290
	5–10	0.205*	0.400	0.495	0.472	0.000	0.384	0.567	0.492	0.485
	11–26	0.174*	0.347	0.604	0.544	0.000*	0.215	0.632	0.548	0.547
	27+	0.000*	1.000*	0.530	0.560	0.000*	0.407*	0.542	0.530	0.537
	Total	0.104	0.292	0.429	0.392	0.023	0.229	0.455	0.396	0.394
Job Leavers	1–2	0.000	0.000	0.018	0.010	0.000	0.000	0.006	0.002	0.007
	3–4	0.000	0.054	0.126	0.075	0.000	0.000	0.021	0.011	0.046
	5–10	0.199	0.000	0.084	0.084	0.000	0.000	0.264	0.144	0.117
	11–26	0.000*	0.030	0.230	0.138	0.000*	0.000*	0.108	0.073	0.106
	27+	0.000*	**	0.022	0.021	**	0.307*	0.124	0.164	0.116
	Total	0.030	0.022	0.091	0.062	0.000	0.017	0.108	0.062	0.062
Reen-trants	1–2	0.000	0.024	0.040	0.030	0.000	0.043	0.029	0.025	0.028
	3–4	0.000	0.037	0.128	0.091	0.035	0.000	0.142	0.085	0.089
	5–10	0.000	0.014	0.159	0.104	0.000	0.081	0.161	0.107	0.106
	11–26	0.000*	0.000*	0.145	0.107	0.000*	0.000	0.075	0.045	0.079
	27+	0.000*	0.152*	0.188	0.182	0.000*	0.000*	0.272	0.230	0.204
	Total	0.000	0.030	0.119	0.085	0.011	0.031	0.133	0.084	0.085
All Groups	1–2	0.000	0.032	0.047	0.037	0.000	0.017	0.098	0.065	0.050
	3–4	0.007	0.109	0.220	0.163	0.040	0.049	0.234	0.166	0.165
	5–10	0.105	0.114	0.340	0.279	0.000	0.272	0.458	0.359	0.323
	11–26	0.039	0.180	0.407	0.333	0.000	0.141	0.496	0.400	0.372
	27+	0.000*	0.507*	0.349	0.361	0.000*	0.257	0.473	0.452	0.422
	Total	0.030	0.110	0.256	0.200	0.011	0.136	0.358	0.277	0.242

* – Cell with fewer than 10 micro observations. ** – Empty cell.

benefit eligibility accounted for less than 2 percent of nonapplicants. A small proportion, less than 2 percent and predominantly with short durations, indicated they plan to file later. When the preceding five reasons for not applying are summed they account for only 11.4 percent of all nonapplicants (.417 million of 3.670 million).

To summarize the reasons given for not applying five observations can be offered. (1) Most nonapplicants appear to know about UI so that their reason for not applying is not their ignorance of the program's existence. (2) Few people say they are deterred from applying because it is too much hassle or because of the stigma attached to the receipt of benefits. (3) The most common reason for not applying is that workers do not think they are eligible. Regarding this response it should be noted that if the administration of UI programs has become more hard nosed and/or if the conditions of eligibility have become more difficult to satisfy since the late 1970s this response would be more prevalent in 1989-1990 than a decade earlier. Since UI program administration and eligibility criteria can be changed, the question of eligibility is important and it is further explored below. (4) Having another job (or expecting to have another job) is a common reason for not applying. If the rate of job turnover among the unemployed has increased this could be part of the explanation for the decline in the IU/TU ratio. (5) The prevalence of the "other" and "don't know" responses in the supplements limits our ability to fully understand why such a low proportion of the unemployed apply for UI benefits.

Table 4. Main Reason for not Applying
(000s)

Reason for Unemp.	Reason for not Applying	Unemployment Duration (weeks) 1-2	3-4	5-10	11-26	27+	Total
Job Losers	1. Didn't Think Eligible	115	125	140	140	68	589
	2. Plan to File	32	17	1	4	0	53
	3. Didn't Know About UI	6	13	11	6	4	40
	4. Have Another Job	144	40	38	17	7	246
	5. Too Much Hassle	14	16	14	9	8	62
	6. Too Much Like Charity	0	6	16	6	2	31
	7. Previously Exhausted	11	4	8	6	13	42
	8. Other	13	24	55	13	12	118
	9. Don't Know	16	19	23	31	10	98
	10.	8	3	15	5	0	32
	Total	360	269	320	236	125	1309
Job Leavers	1. Didn't Think Eligible	152	119	120	89	26	506
	2. Plan to File	4	1	0	0	0	4
	3. Didn't Know About UI	2	9	3	8	0	23
	4. Have Another Job	67	50	30	14	6	168
	5. Too Much Hassle	6	8	1	0	0	14
	6. Too Much Like Charity	13	7	8	6	0	33
	7. Previously Exhausted	0	0	1	0	0	1
	8. Other	32	33	14	8	5	95
	9. Don't Know	17	32	21	17	1	89
	10.	10	4	3	4	0	21
	Total	303	263	200	147	39	953
Reen-trants	1. Didn't Think Eligible	239	217	180	145	62	844
	2. Plan to File	3	0	1	0	0	5
	3. Didn't Know About UI	4	18	7	7	0	36
	4. Have Another Job	34	19	20	16	11	100
	5. Too Much Hassle	3	10	4	8	2	27
	6. Too Much Like Charity	4	8	6	10	0	27
	7. Previously Exhausted	5	5	7	4	0	21
	8. Other	61	51	37	17	15	184
	9. Don't Know	37	34	43	11	10	134
	10.	13	4	6	1	6	30
	Total	402	364	310	219	105	1408
All Groups	1. Didn't Think Eligible	506	461	440	374	157	1938
	2. Plan to File	39	17	2	4	0	62
	3. Didn't Know About UI	12	40	21	20	4	98
	4. Have Another Job	245	109	87	48	24	514
	5. Too Much Hassle	23	33	19	17	10	103
	6. Too Much Like Charity	17	21	30	21	2	90
	7. Previously Exhausted	16	9	16	10	13	64
	8. Other	106	108	106	38	32	397
	9. Don't Know	70	85	87	59	20	321
	10.	31	12	23	11	6	83
	Total	1065	896	830	601	269	3670

Table 5 summarizes the reasons given by nonapplicants for their ineligibility. About half (.980 million of 1.938 million) said they did not work enough to be eligible. This reason was given by 75 percent of job losers, 45 percent of reentrants and by about 30 percent of job leavers.

Quitting the last job was the most common reason for ineligibility given by job leavers, and it was also frequent among reentrants. Overall, almost one third (.627 million of 1.938 million or 32.4 percent) said they were ineligible due to quitting. The response category "other" accounted for 11.9 percent of responses. Practically no worker reported being fired. Note that most who reported no recent job were reentrants. It appears that monetary ineligibility and the conditions of leaving the last job account for the bulk of worker ineligibility for UI benefits. It would be most interesting to be able to compare these survey responses with program data for the same workers to determine how similar the two distributions of reasons for ineligibility would actually be.

The response distributions summarized in Table 5 provide three pieces of evidence suggesting that the CPS reason-for-unemployment categories are meaningful. The concentration of the "no recent job" responses among reentrants has already been noted. Hardly any job loser or job leaver gave this response. Note also that a very small proportion of job losers reported quitting their last job (.034 million or 5.8 percent of ineligible losers). Quitting primarily affected eligibility among job leavers and reentrants. Finally,

Table 5. Reasons for Ineligibility for UI Benefits (000s)

Reason for Unemp.	Reason for Ineligibility	Unemployment Duration (weeks) 1-2	3-4	5-10	11-26	27+	Total
Job Losers	1. Didn't Work Enough	91	101	99	110	41	442
	2. No Recent Job	0	1	6	3	1	11
	3. Quit Last Job	1	5	16	8	5	34
	4. Fired from Last Job	2	0	7	0	5	14
	5. Other	20	18	12	18	16	85
	6.	1	0	0	2	0	2
	Total	115	125	140	140	68	589
Job Leavers	1. Didn't Work Enough	69	31	33	20	5	158
	2. No Recent Job	0	0	0	0	0	0
	3. Quit Last Job	74	86	73	62	18	313
	4. Fired from Last Job	0	0	0	0	0	0
	5. Other	6	2	11	7	3	29
	6.	3	0	3	0	0	6
	Total	152	119	120	89	26	506
Reen-trants	1. Didn't Work Enough	108	102	75	70	25	380
	2. No Recent Job	22	10	6	5	12	54
	3. Quit Last Job	80	75	66	51	8	281
	4. Fired from Last Job	2	0	0	0	3	6
	5. Other	24	26	34	18	15	117
	6.	3	4	0	0	0	7
	Total	239	217	180	145	62	844
All Groups	1. Didn't Work Enough	268	234	207	201	71	980
	2. No Recent Job	22	11	12	8	13	66
	3. Quit Last Job	155	166	154	121	31	627
	4. Fired from Last Job	5	0	7	0	8	20
	5. Other	50	46	57	44	34	231
	6.	7	4	3	2	0	15
	Total	506	461	440	374	157	1938

although firing was not commonly reported in these data, it affected only job losers and reentrants and not job leavers.

Table 6 summarizes the responses to questions about not receiving benefits among persons who had applied for UI. The largest categories are persons waiting to hear about their applications and persons serving a waiting period (one week in most states). Almost half (.255 million out of .550 million or 46.4 percent) gave one of these responses. Presumably most of these applicants (among those who remained unemployed for additional weeks) received benefits in the weeks following the interviews. Another .178 million or 32.4 percent appear to be persons denied benefits due to exhaustion of eligibility, insufficient base period earnings or having quit their last job. Finally, note that "other" and "don't know" account for almost 20 percent of respondents.

An interesting feature of Table 6 is the numbers of applicants in the 3 to 4 weeks duration category who have applied but have not yet received benefits. Applicants who have applied but not yet heard number .059 million and persons in their waiting week add an additional .046 million. There appear to be longer delays than would be expected in a delivery system with (typically) a one week waiting period and a promptness-of-payment standard that emphasizes payments within 14 to 21 days. Since the cell sizes in the CPS supplements are modest this may only reflect normal statistical noise in the survey data or it could reflect something real indicating longer payment delays than commonly believed.

Table 7 summarizes reasons for nor receiving among persons who

Table 6. Reasons for not Receiving UI Benefits in Current Spell (000s)

Reason for Unemp.	Reason for not Receiving UI Benefits	Unemployment Duration (weeks) 1-2	3-4	5-10	11-26	27+	Total
Job Losers	1. Every Other Week	1	0	0	0	0	1
	2. Exhausted Elig.	2	0	4	0	3	9
	3. Applied, Not Heard	49	50	6	0	1	107
	4. Waiting Period	64	40	3	5	0	112
	5. Didn't Earn Enough	5	12	13	20	20	71
	6. Job Leaver	1	4	8	4	6	23
	7. Other	9	4	16	16	10	55
	8. Don't Know	0	7	9	3	0	19
	9.	7	0	0	0	4	11
	Total	139	118	59	48	45	409
Job Leavers	1. Every Other Week	0	0	0	0	0	0
	2. Exhausted Elig.	0	0	0	0	0	0
	3. Applied, Not Heard	8	5	0	0	0	13
	4. Waiting Period	3	1	1	0	0	5
	5. Didn't Earn Enough	0	8	0	1	0	9
	6. Job Leaver	4	8	5	1	1	20
	7. Other	0	3	0	2	2	6
	8. Don't Know	0	0	0	0	0	0
	9.	0	0	0	0	0	0
	Total	15	25	7	4	4	55
Reen-trants	1. Every Other Week	0	0	0	0	0	0
	2. Exhausted Elig.	2	2	0	0	2	5
	3. Applied, Not Heard	2	4	3	0	0	9
	4. Waiting Period	5	4	0	0	0	9
	5. Didn't Earn Enough	3	9	4	4	1	21
	6. Job Leaver	0	7	3	8	2	20
	7. Other	6	2	6	2	2	18
	8. Don't Know	2	0	0	0	2	5
	9.	0	0	0	0	0	0
	Total	19	28	16	14	9	86
All Groups	1. Every Other Week	1	0	0	0	0	1
	2. Exhausted Elig.	4	2	4	0	5	14
	3. Applied, Not Heard	59	59	9	0	1	129
	4. Waiting Period	72	46	4	5	0	126
	5. Didn't Earn Enough	8	28	18	25	22	101
	6. Job Leaver	6	20	16	13	9	63
	7. Other	15	9	22	20	14	80
	8. Don't Know	2	8	9	3	2	24
	9.	7	0	0	0	4	11
	Total	174	171	81	65	58	550

have received UI since their last job but did not receive benefits in the week of the interview. Benefit exhaustions accounted for more than half of this group (.319 million out of .554 million or 57.6 percent). Note that exhaustions are particularly prevalent among persons in the 27+ weeks duration category. Receipt of benefits every other week is also common, accounting for .145 million persons or 26.2 percent of this group. "Other" and "don't know" were reasons given by about 10 percent of the total.

Regional Application and Recipiency Rates

It was noted in Part II that unemployed workers in different geographic areas have different experiences in receiving UI benefits. Generally recipiency rates are highest in the coastal states and lowest in the South and in the Mountain states. Table 8 uses data on TU from the CPS along with UI program data to illustrate geographic contrasts among states aggregated into regions and divisions as defined by the Census Bureau.[23]

The number receiving UI benefits relative to the total number unemployed can be viewed as having two components: the proportion of the unemployed actively seeking benefits and the proportion of

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[23] Geographic contrasts in IU/TU ratios can also be inferred form Table A1 of Apendix A. That table shows mean IU/TU ratios for the states, Census divisions and the U.S. in annual data covering the 23 yeaars from 1967 to 1989.

Table 7. Reasons for not Receiving UI Benefits Last Week (000s)

Reason for Unemp.	Reason for not Receiving UI Benefits	Unemployment Duration (weeks) 1-2	3-4	5-10	11-26	27+	Total
Job Losers	1. Every Other Week	3	16	56	53	4	132
	2. Exhausted Elig.	3	8	27	42	149	229
	3. Applied, Not Heard	2	0	0	0	0	2
	4. Waiting Period	9	0	3	2	0	14
	5. Didn't Earn Enough	4	0	1	0	2	7
	6. Job Leaver	0	0	0	2	0	2
	7. Other	4	4	5	12	2	27
	8. Don't Know	2	2	8	4	0	16
	9.	0	1	0	2	0	2
	Total	28	31	100	115	156	430
Job Leavers	1. Every Other Week	2	0	0	3	0	5
	2. Exhausted Elig.	0	2	0	3	4	9
	3. Applied, Not Heard	0	0	0	0	0	0
	4. Waiting Period	0	0	0	0	0	0
	5. Didn't Earn Enough	0	0	0	0	0	0
	6. Job Leaver	0	0	0	0	0	0
	7. Other	0	5	0	0	0	5
	8. Don't Know	0	0	0	0	0	0
	9.	0	0	0	0	0	0
	Total	2	7	0	5	4	20
Reen-trants	1. Every Other Week	0	2	0	4	3	8
	2. Exhausted Elig.	8	18	30	7	17	81
	3. Applied, Not Heard	0	0	0	0	0	0
	4. Waiting Period	0	3	0	0	0	3
	5. Didn't Earn Enough	0	0	0	0	0	0
	6. Job Leaver	0	2	2	0	0	4
	7. Other	0	0	0	2	4	6
	8. Don't Know	1	0	0	0	0	1
	9.	0	0	2	0	0	2
	Total	9	25	34	13	24	104
All Groups	1. Every Other Week	5	18	56	59	6	145
	2. Exhausted Elig.	12	28	58	51	170	319
	3. Applied, Not Heard	2	0	0	0	0	2
	4. Waiting Period	9	3	3	2	0	16
	5. Didn't Earn Enough	4	0	1	0	2	7
	6. Job Leaver	0	2	2	2	0	6
	7. Other	4	9	5	14	6	38
	8. Don't Know	3	2	8	4	0	17
	9.	0	1	2	2	0	4
	Total	39	63	135	133	184	554

applicants actually receiving benefits.[24] The former application proportion is approximated with the IU/TU ratio.[25] Data generated by the UI programs on insured unemployment and weeks compensated provide an indication of recipiency rates among applicants. Specifically Table 8 shows the ratio of average weekly number of beneficiaries (weeks compensated/52) to insured unemployment, ie. (Ben/IU). The two ratios are multiplied to produce the ratio of beneficiaries to total unemployment (Ben/TU).

Table 8 shows averages of these ratios by geographic area for two time periods: 1967 to 1980 and 1981 to 1989. In each period common patterns are observed. The IU/TU ratio is highest in the New England, Mid Atlantic and Pacific divisions. It is lowest in the three southern divisions and in the Mountain division. A similar geographic pattern is observed in the Ben/IU ratios although the pattern is more pronounced during 1967-1980 than during 1981-1989. In both periods the ratios for the states in the Midwest divisions occupy an intermediate position.

Thus when one examines CPS data and UI program data, the geographic contrasts in application and beneficiary ratios are pronounced. Note also that the extent to which mountain and

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[24] The reader should note the contrast between this two part breakdown and the breakdown used by Blank and Card. They estimate the proportion eligible and the recipeincy rate among eligibles. The breakdown at issue here is application rates and recipiency rates among applicants. The total number of applicants (proxied by IU) and the associated application rate (proxied by the IU/TU ratio) includes ineligible applicants but excludes eligible nonapplicants.

[25] The word approximation in the statement should be stressed. Exhaustees are not counted in IU but they are included in TU.

Table 8. UI Program Summary Data on Application Rates, Recipiency Rates and Interstate Claims

Region and Division	Averages for 1967-1980			Averages for 1981-1989			1989, Prop. Inter-state Weeks Claimed
	IU/TU	Ben/IU	Ben/TU	IU/TU	Ben/IU	Ben/TU	
North East	0.526	0.900	0.473	0.419	0.915	0.384	0.021
New England	0.542	0.881	0.478	0.450	0.891	0.401	0.027
Mid Atlantic	0.522	0.906	0.473	0.411	0.922	0.379	0.019
Midwest	0.401	0.813	0.326	0.307	0.867	0.266	0.038
E N Central	0.396	0.814	0.322	0.301	0.866	0.261	0.031
W N Central	0.418	0.811	0.339	0.326	0.868	0.283	0.056
West	0.407	0.848	0.345	0.379	0.870	0.330	0.045
Mountain	0.313	0.759	0.238	0.292	0.819	0.239	0.098
Pacific	0.429	0.864	0.371	0.410	0.882	0.361	0.033
South	0.289	0.794	0.230	0.248	0.865	0.214	0.073
S Atlantic	0.285	0.793	0.227	0.250	0.856	0.214	0.073
E S Central	0.360	0.792	0.286	0.261	0.860	0.224	0.062
W S Central	0.248	0.794	0.197	0.236	0.876	0.207	0.079
U.S. Total	0.401	0.846	0.339	0.321	0.878	0.282	0.044

Source: Based on ratios of annual averages of data on TU from the CPS and data on IU and Beneficiaries (weeks compensated/52) from the UI Handbook. 1989 data on intrastate and interstate weeks claimed supplied by the UI Service. Data summarized at the Urban Institute.

southern states fall below the national average is larger when Ben/TU ratios are examined than when IU/TU ratios are examined because Ben/IU ratios are also lower in these areas.[26]

Thus an analysis of Ben/TU ratios rather than IU/TU ratios causes two "facts" to emerge. First, the Ben/TU ratios are obviously the lower of the two so that the shortfall in UI recipiency is even larger when Ben/TU ratios are examined than when IU/TU ratios are examined. A program like UI with a high degree of turnover in its target population must deliver benefits to applicants promptly if a large share of eligibles are to be served. Second, the falloff of the Ben/TU ratio in the 1980s is smaller than the falloff in the IU/TU ratio. To the extent that eligibility has been restricted more sharply among job leavers than among job losers this pattern would be expected. In a program where job leaver applicants spend an above-average share of time in nonbeneficiary status (due to fixed length disqualification periods) restrictions on their access to the program (due to an increased prevalence of disqualifications for indefinite periods) would be expected to lower the IU/TU ratio more than the Ben/TU ratio.

A third geographic aspect of UI applications and recipiency is the uneven geographic distribution of interstate claims. The final

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[26] The contrast can be illustrated with data from the South in the 1967-1980 period. While the national IU/TU ratio averaged .401, the ratio of .289 for the South fell 28 percent below the national average. The national and southern Ben/TU ratios were .339 and .230 respectively, and this southern ratio fell 32 percent below the national average.

column in Table 8 shows interstate weeks claimed as a proportion of all weeks claimed in 1989. States in the mountain and southern divisions pay the largest proportions of interstate claims. While the U.S. average was .044 in 1989, the average in the South was .073. Alhough it is not known where the workers making these claims resided when they previously worked, it seems likely that an above-average proportion were in states with higher IU/TU ratios. If this is the case then the regional contrasts in the IU/TU ratios and the Ben/TU ratios shown in Table 8 understate the full extent to which application and recipiency rates in the mountain and southern states fall below the national average.

Based partly on the preceding analysis of aggregate regional data we examined regional tabulations of data from the CPS supplements. Table 9 displays application rates and recipient rates by reason for unemployment and unemployment duration. Three geographic groupings are distinguished: (1) the New England, Mid Atlantic and the Pacific divisions, (2) the Midwest (East North Central and West North Central divisions) and (3) the South (South Atlantic, East South Central and West South Central divisions) plus the Mountain division. The U.S. lines in Table 9 repeat ratios previously shown in Tables 3A and 3B.

There are several noteworthy aspects to Table 9. First, observe how South-Mountain states again display the lowest application rates. Second, note how the benefit recipiency rates in

these areas are proportionately lower than the application rates.[27] Third, unlike program data discussed above, the overall application rate in the Midwest (ENC,WNC) is higher than in the NE-MA-Pac grouping of states.[28] The benefit recipiency proportions are equal at .277 for the latter two areas.

When the application rates and recipiency rates by reason for unemployment are examined a most interesting regional pattern is observed. The differential between the South-Mountain states and the U.S. average is largest among job losers. For job leavers and reentrants the South-Mountain versus U.S. differential is much smaller. One possible explanation for the decline in the IU/TU ratio in the 1980s could be the increased share of job loser unemployment located in the South. The potential importance of this explanation has not been explored in previous research.[29]

IV. Regression Analysis of the Micro Data

One major advantage of the new CPS data is that the

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[27] The South-Mountain versus U.S. comparison for overall application rates in Table 9 is .282 versus .339 for a 17 percent differential. The corresponding beneficiary ratios of .191 and .242 respectively imply a 21 percent differential for the South-Mountain states.

[28] The difference between .405 in the Midwest and .357 in the NE-MA-Pac states may not be statistically significant.

[29] As noted in Part II regional effects on the national IU/TU ratio have been explored previously, and this report has included some original analysis of this issue. However, the interaction between reason-for-unemployment and region has not been examined previously. To conduct such an analysis one needs a file like the CPS which includes reason for unemployment in the set of variables.

Table 9. Application Rates and Recipiency Rates
by Reason, Duration and Geographic Area

		Unemployment Duration (weeks)					
		1-2	3-4	5-10	11-26	27+	Total
		Application Rates					
Job Losers	NE,MA,Pac	0.380	0.562	0.565	0.560	0.676	0.543
	ENC,WNC	0.439	0.559	0.664	0.729	0.733	0.636
	S,Mt	0.239	0.382	0.498	0.600	0.582	0.452
	U.S.	0.334	0.494	0.564	0.619	0.660	0.532
Job Leavers	NE,MA,Pac	0.003	0.192	0.222	0.124	0.030	0.135
	ENC,WNC	0.121	0.041	0.158	0.107	0.260	0.106
	S,Mt	0.051	0.105	0.085	0.143	0.204	0.096
	U.S.	0.055	0.122	0.146	0.129	0.192	0.112
Reen-trants	NE,MA,Pac	0.025	0.134	0.101	0.102	0.419	0.119
	ENC,WNC	0.151	0.222	0.206	0.149	0.109	0.177
	S,Mt	0.069	0.123	0.152	0.147	0.237	0.126
	U.S.	0.073	0.150	0.148	0.134	0.268	0.136
All Groups	NE,MA,Pac	0.178	0.354	0.398	0.406	0.573	0.357
	ENC,WNC	0.270	0.287	0.460	0.505	0.581	0.405
	S,Mt	0.134	0.229	0.326	0.407	0.452	0.282
	U.S.	0.180	0.291	0.385	0.432	0.527	0.339
		Recipiency Rates					
Job Losers	NE,MA,Pac	0.080	0.407	0.518	0.531	0.575	0.429
	ENC,WNC	0.172	0.264	0.557	0.636	0.576	0.466
	S,Mt	0.053	0.168	0.403	0.498	0.475	0.313
	U.S.	0.091	0.290	0.485	0.547	0.537	0.394
Job Leavers	NE,MA,Pac	0.003	0.066	0.185	0.095	0.000	0.077
	ENC,WNC	0.000	0.018	0.106	0.097	0.160	0.046
	S,Mt	0.014	0.045	0.075	0.119	0.126	0.059
	U.S.	0.007	0.046	0.117	0.106	0.116	0.062
Reen-trants	NE,MA,Pac	0.000	0.128	0.084	0.102	0.308	0.097
	ENC,WNC	0.050	0.066	0.168	0.073	0.000	0.081
	S,Mt	0.037	0.074	0.085	0.066	0.237	0.078
	U.S.	0.028	0.089	0.106	0.079	0.204	0.085
All Groups	NE,MA,Pac	0.036	0.246	0.360	0.382	0.472	0.277
	ENC,WNC	0.091	0.122	0.381	0.425	0.437	0.277
	S,Mt	0.038	0.109	0.255	0.324	0.376	0.191
	U.S.	0.050	0.165	0.323	0.372	0.422	0.242

determinants of UI applications and recipiency can be examined on a micro basis. This allows one to partial out the effects of several factors thought to be important in determining who tries and who succeeds in collecting benefits. As noted in Part II three previous analyses used micro data, the papers by Barron and Mellow (1981), Corson and Nicholson (1988) and Blank and Card (1989).

This section undertakes a micro analysis of the new CPS data fitting linear probability estimates of application and recipiency proportions. The dependent variables are measured as 0-1 variables equal to one if the individual applies or receives UI benefits.[30] Many of the explanatory variables have been used previously. They are also measured as 0-1 variables, both for categorical variables (industry, occupation and region) and continuous variables (duration, age and education).

All of the explanatory variables are taken from the CPS questionnaire. This means that no attempt was made to merge state-level UI variables into the data set. Presumably a subsequent analysis would append (statutory and administrative) program variables to the data file. There were not sufficient resources available to undertake such a merger and conduct the associated analysis in this report.

A clarifying comment about the relationship of this analysis to the previous literature may also be helpful. The questions in the CPS supplements did not ascertain the UI benefit eligibility of

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[30] In other words the dependent variables are micro analogues of the application and recipiency proportions summarized earlier in Tables 3A and 3B.

all individuals. Thus the analysis focuses on application and recipiency rates for all unemployed and not application rates among eligibles. This makes the present analysis closer to that of Barron and Mellow and Corson and Nicholson (who both examined the probability of receiving benefits) than the analysis of Blank and Card (who focused on application behavior among eligibles). At a later time an attempt to attribute eligibility to all micro records could be attempted, and the results could be compared with Blank and Card's results.

A unique feature of the present analysis is a full interaction of reason-for-unemployment with all of the explanatory variables. Separate regressions are fitted for job losers, job leavers, and reentrants. This approach allows the reader to compare coefficients for a given variable in the three reason categories. In the previous analyses the reported coefficients can be interpreted as averages across the three reason categories.

In preparation for the micro regressions there was some attrition in the sample. Records were eliminated for the following reasons: age less than 16, new entrants, no major occupation reported, and armed forces as the previous occupation. The latter were persons who would collect UI for ex-servicemen (UCX) and not state UI. To limit sample attrition, incomplete responses to certain yes-no questions were assigned to the "no" category. This was done for the questions about application for UI, receipt of UI and union status.

Table 10 reports results for six regressions; the application

rates and recipiency rates for losers, leavers and reentrants. The explanatory variables are grouped into seven categories: unemployment duration, age, demographics, industry, occupation, union status and region. For each group the omitted category was chosen on a priori grounds so that the pattern of the coefficients would show deviations that had an intuitively understandable pattern. Thus the duration coefficients show deviations of workers with short durations from workers with durations of 27 weeks and longer.[31] In parenthesis next to each coefficient is its t ratio. Summary measures appear at the bottom of the table.

For both the probability of application and the probability of receipt there is a very steep gradient with unemployment duration among job losers. Those in their first week of unemployment are 36.0 percent less likely to apply and 45.4 percent less likely to receive UI benefits than workers unemployed 27 weeks and longer. The gradients for leavers and reentrants are much less pronounced. The other duration pattern of interest is the higher probability of application and receipt for reentrants in the 27 weeks category compared to the shorter duration categories. Negative coefficients are present in 8 of 9 shorter duration categories and 8 of the 16 t ratios are 1.6 or larger.

The strongest age pattern is the low rate of applications and recipiency among job losers aged 16-19. Most of the age profiles

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[31] The omitted categories are: duration - 27 weeks and longer; age - 55 and older; gender-marital status - women; education - 13 and more years; industry - finance, services, forestry and public administration; occupation - service and precision production; region - New England.

Table 10. Determinants of UI Application and Recipiency Proportions

Explanatory Variables	Application Proportions			Recipiency Proportions		
	Losers	Leavers	Reentrants	Losers	Leavers	Reentrants
Constant	.310(2.3)	.224(0.9)	.372(3.1)	.386(3.0)	.077(0.4)	.266(2.8)
Dur1	-.360(6.2)	-.048(0.6)	-.113(2.1)	-.454(8.1)	-.065(1.1)	-.090(2.1)
Dur2	-.163(3.3)	-.061(0.9)	-.146(2.9)	-.368(7.8)	-.079(1.6)	-.127(3.2)
Dur3	-.082(1.6)	-.051(0.7)	-.008(0.8)	-.297(6.0)	-.061(1.1)	-.041(1.0)
Dur4	-.054(1.0)	-.033(0.5)	-.050(1.0)	-.104(2.1)	-.060(1.1)	-.062(1.6)
Dur5	-.151(2.2)	.028(0.3)	.023(0.3)	-.128(1.9)	.030(0.4)	.011(0.2)
Dur6	-.151(2.5)	-.068(0.8)	-.125(1.8)	-.109(1.9)	-.024(0.4)	-.079(1.4)
Dur7-8	-.013(0.3)	.010(0.1)	-.063(1.2)	-.031(0.6)	-.022(0.4)	-.066(1.5)
Dur9-10	.041(0.7)	-.062(0.5)	-.106(1.6)	.066(1.1)	-.025(0.3)	-.074(1.4)
Dur11-26	.005(0.1)	.023(0.3)	-.098(1.9)	.040(1.0)	.003(0.0)	-.067(1.7)
Age16-19	-.324(4.8)	-.073(0.9)	-.123(2.2)	-.223(3.4)	-.010(0.2)	-.114(2.6)
Age20-24	-.079(1.5)	-.117(1.4)	-.065(1.2)	-.108(2.1)	-.014(0.2)	-.096(2.3)
Age25-34	.059(1.3)	-.013(0.2)	-.057(1.2)	.006(0.1)	.041(0.7)	-.083(2.1)
Age35-44	.101(2.1)	.085(1.1)	.024(0.0)	.040(0.9)	.085(1.5)	-.040(1.0)
Age45-54	.020(0.4)	.065(0.7)	-.085(1.5)	-.013(0.3)	.095(1.5)	-.111(2.5)
White	.060(1.9)	-.011(0.3)	-.095(3.4)	.054(1.8)	-.008(0.3)	-.064(2.9)
Male	-.037(1.0)	-.033(0.9)	-.077(2.4)	-.003(0.1)	-.009(0.3)	-.033(1.3)
MarMale	.116(3.6)	-.078(1.5)	.189(4.4)	.088(2.9)	-.023(0.6)	.080(2.3)
MarFemale	.062(1.5)	-.038(0.9)	-.030(1.0)	.096(2.4)	-.003(0.1)	.002(0.1)
Ed<12	-.016(0.4)	-.059(1.3)	.036(1.1)	-.048(1.3)	-.043(1.3)	.004(0.2)
Ed12	-.005(0.2)	-.024(0.6)	.079(2.8)	.008(0.3)	-.028(1.0)	.049(2.2)
Ag	.245(2.2)	.017(0.1)	-.130(1.4)	.125(1.1)	.059(0.4)	-.081(1.1)
Min-Con	.102(2.5)	.068(1.1)	.142(3.0)	.098(2.5)	.134(3.1)	.084(2.2)
Mfg	.154(4.2)	.007(0.1)	.111(2.9)	.119(3.4)	.046(1.3)	.077(2.5)
Tr-PU	.085(1.5)	-.053(0.7)	-.057(0.9)	.098(1.8)	-.001(0.0)	-.082(1.6)
Trade	.056(1.5)	.008(0.2)	.046(1.6)	-.005(0.1)	.050(1.9)	.016(0.7)
Mgr-Prof	.322(2.8)	.024(0.1)	-.071(0.8)	.199(1.8)	.053(0.4)	.022(0.3)
Tec-Sal-Ad	.330(3.0)	-.048(0.2)	-.133(1.5)	.212(2.0)	-.054(0.4)	-.052(0.7)
Serv	.225(2.1)	-.102(0.5)	-.156(1.8)	.070(0.7)	-.101(0.7)	-.077(1.1)
Opr-Lab	.239(2.2)	-.040(0.2)	-.076(0.9)	.091(0.9)	-.069(0.5)	-.019(0.3)
Union	.173(4.9)	.189(2.8)	.128(2.7)	.136(4.0)	.066(1.4)	.123(3.2)
MAtl	-.112(2.2)	.033(0.5)	.006(0.1)	-.084(1.7)	.059(1.2)	.028(0.6)
ENC	-.088(1.7)	.042(0.7)	.053(1.0)	-.104(2.1)	.040(0.9)	.002(0.0)
WNC	-.057(0.9)	.134(1.9)	.037(0.6)	-.031(0.5)	.062(1.2)	-.017(0.3)
SAtl	-.221(4.1)	.009(0.1)	-.036(0.7)	-.182(3.3)	.033(0.7)	-.009(0.2)
ESC	-.176(2.8)	.056(0.6)	-.022(0.3)	-.166(2.7)	-.025(0.4)	-.033(0.6)
WSC	-.203(3.5)	.024(0.3)	.005(0.1)	-.181(3.3)	.033(0.6)	-.019(0.4)
Mt	-.125(2.2)	.089(1.3)	.049(0.9)	-.109(2.0)	.041(0.8)	.062(1.4)
Pac	-.201(3.6)	.077(1.2)	-.003(0.1)	-.143(2.7)	.073(1.6)	.025(0.5)
Sample Size	1443	494	822	1443	494	822
Mean	.552	.109	.135	.413	.055	.079
Adj. R-Sqd	.176	.049	.122	.224	.061	.095
Std. Error	.452	.305	.320	.434	.220	.257

appear to peak with the 35-44 group, a probable reflection of monetary eligibility patterns, ie. age-earnings profiles peak in the 35-44 category particularly for men in blue collar occupations.

For the set of demographic variables the most striking pattern is the high participation in UI among married men. The marital status-gender interaction was included to test for gender differences in applications and recipiency among married woman and men. The other demographic variables exhibit more varied patterns in the individual equations. Race has a positive effect among losers but a negative effect among reentrants. The only significant effect of education is for high school graduates among the reentrants.

Positive and generally significant industry effects for mining-construction and manufacturing are present.[32] Significant industry effects are observed for reentrants as well as losers. The importance of industry on applications and receipt has been suggested in earlier work, and it is confirmed in Table 10.

Unionization enters all six equations with a positive coefficient. In five of six regressions the coefficient is large and statistically significant. The point estimates suggest that among job losers the probabilities of application and receipt are respectively 17.3 percent and 13.6 percent higher for union members compared to others.

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[32] The high coefficient for agriculture in the application equation for job losers is significant but not quantitatively important since only 4 percent of losers fall into this industry category.

The regional coefficients are generally consistent with the regional patterns of IU\TU ratios in the program data that appear in Table 8 and Table A1 of Appendix A.[33] Coefficients are uniformly negative among job losers for the eight regional dummies which would be expected since New England is the excluded category. Note the large negative coefficients in the three southern divisions. The aberrant coefficient is for the Pacific division. Program data make it clear that the Pacific division has the third highest application rate (exceeded only by the New England and Mid Atlantic divisions in Tables 8 and A1). In Table 10, however, the Pacific division resembles the southern divisions in having the lowest application rates.

Typical of cross section investigations the goodness-of-fit of these regressions is low. No R squared equals .25 and four fall below .15. Thus there is still ample room to test other specifications with these data.

To summarize the results, several factors affect application rates and benefit recipiency rates. The highest significance levels were generally found in the equations for job losers. In these two equations duration, age, marital status, industry, occupation, unionization and region all had significant partial effects. Their coefficients were generally in line with a priori expectations and the findings of earlier studies. Generally lower significance levels were found in the equations for leavers and reentrants.

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[33] Note the means for the nine Census divisions on the second page of Table A1.

The regression shown in Table 10 could be characterized as descriptive cross section equations. The phenomenon which motivated this investigation, however, is a time series phenomenon, the drop in the IU/TU ratio of the early 1980s. Is there anything in these equations that is capable of providing a dynamic interpretation? There are some potential candidates. If any of the following occurred between 1980 and 1982 (singly or in combination) they could explain much or all of the decline in the IU/TU ratio: (1) a decline in the proportion of the unemployed who were job losers, (2) an increase in the proportion of unemployment that is of short duration, (3) an increase in the share of unemployment accounted for by younger persons (particularly workers 16-19), (4) a decline in the share of the unemployed who were married, (5) a decline in unemployment arising from the mining, construction and manufacturing industries, (6) a decline in unionization and (7) an increase in the share of unemployment located in the southern and Mountain divisions.

A brief review of this list suggests the following conclusions. Items (1), (2), (3), and (4) did not occur between 1980 and 1982. Items (5), (6) and (7) did occur between 1980 and 1982, but they were also occurring before and after these years. Items (5), (6) and (7), in other words, probably have contributed to the long term downtrend in the IU/TU ratio, but they do not explain the sharp decline of the early 1980s. Thus the cross section regressions of Table 10 do not appear to have pinpointed the variables capable of providing the explanation for the sharp

drop in the IU/TU ratio in 1980-1982. Recall that UI statutory and administrative provisions were not included in the specifications. This additional analysis should be undertaken before strong negative conclusions can be reached from cross section data like the data in these recent CPS supplements.

V. Concluding Observations

The decline in UI claims activity, the empirical "fact" that motivates the present investigation, is a time series phenomenon that occurred sometime in the 1980-1982 period and persisted in subsequent years. The new information about UI applications and receipt contained in the recent CPS supplements is cross-sectional in nature and by itself does not directly point to a single explanation for the decline in UI claims activity. At the same time, the new data are very useful in ruling out certain explanations that could not be examined with data previously available.

To make a summary assessment of decline in UI claims activity this short concluding section will combine findings based on the new survey data with findings from other research. The summary will not attempt to be exhaustive and will point to areas where more research is needed. The "fact" to be explained is the decline in the IU/TU ratio of about 6 percentage points that took place in the 1980-1982 period. Following the decline, the national IU/TU ratio fluctuated between .28 and .33 for the remainder of the 1980s as

the economy returned to full employment.[34]

One important factor contributing to the decline has been the growing share of U.S. unemployment located in the South and Mountain states, areas where the IU/TU ratio falls considerably below the national average. During 1967-1969 these 25 jurisdictions accounted for 35.5 percent of national unemployment whereas in 1987-1989 they accounted for 43.0 percent. From the time series regressions of Appendix A and the associated discussion of Part II (pages 12-13) it appears this regional shift can account for about one fourth of the unexplained decline in the national IU/TU ratio. The timing of the regional effect, however, is not specific to the 1980-1982 period, but rather it is a long term effect that has been operative throughout the 1970s and 1980s.

Also contributing to the decline in the IU/TU ratio have been the slower than average growth in employment in industries that typically have high claims rates for the unemployed (mining, construction and manufacturing) and the decline in unionization. Both factors significantly raise application and recipiency rates in the micro regression results of Table 10, a result consistent with results of earlier research. These two factors share with the regional explanantion, however, the problem of timing. Both patterns of decline were present before 1980, and they have persisted since 1982.

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[34] The increase in the IU/TU ratio in 1989 apparent in Table 1 has continued into 1990 where a comparable ratio (accounting for claims activity in the regular State programs) in annual data will be about .35. It appears this increase is cyclical and similar in magnitude to the increase of 1979-1980.

An important contribution of the research of Blank and Card is the decomposition of the overall IU/TU ratio into an eligibility proportion and an application rate among eligibles (take-up rate in their terminology). They conclude that the take-up rate fell in the early 1980s while the eligibility proportion was essentially unchanged. Their work is the only research to explicitly make this decomposition. Since there are no time series data on UI eligibility among the unemployed, there are no benchmarks against which to assess their estimates of eligibility proportions and take-up rates.

If Blank and Card are correct, the research question then becomes: What caused application rates among eligibles to decline in the early 1980s? This too is a time series question but one which the new CPS survey data can help to answer. Four potential candidates would seem to be ruled out by the survey responses summarized earlier in Table 4. Combined, the responses "Plan to file," "Didn't know about UI," "Too much hassle," and "Too much like charity," accounted for only 186,000 (or 14.2 percent) of the 1,309,000 nonapplicants among the job losers, the group most likely to be eligible for benefits.

The survey response category "Have another job" was quantitatively more important than the preceding four categories, accounting for 246,000 job loser nonapplicants (or 18.8 percent). If labor market turnover involving short spells of unemployment has increased over time, this reason for nonapplication could be much more important now than in the past. This potential explanation

shares with the regional, industry mix and the unionization explanations, however, the problem of timing. The increased turnover which could be generating this response is probably linked to long term evolutionary changes in the U.S. labor market and not to a sharp discontinuity occurring in the early 1980s.

The other aspect of UI eligibility suggested by the Table 4 responses that could be important is worker understanding of their eligibility status. The most important reason for not applying was "Don't think eligible." If worker understanding of UI eligibility requirements is imperfect, eligible persons could be hidden in this category. The research task suggested by this possibility is to cross-check the survey responses for such persons with their actual monetary and nonmonetary eligibility status. This theoretically could be done if Social Security numbers were used to match the persons back into the UI automated record systems of their respective states. Such an undertaking would not be trivial.

One aspect of the UI application-receipt process not addressed in the analysis of this report is the possible effects of changes in state UI program statutes and administrative procedures. This has been identified as important by previous research, but resource limitations did not allow this explanation to be pursued here. Its potential importance is indicated by the weighting assigned to state statutory changes by Corson and Nicholson, about 40 percent of the total unexplained decline of the early 1980s. It also has the potential merit of coinciding in historic time with the decline in the IU/TU ratio.

To summarize, four concluding observations can be made. (1) This analysis has not uncovered a convincing full explanation for the decline in the IU/TU ratio of the early 1980s. (2) Three factors contributing to the decline in the ratio have been the change in the regional composition of unemployment, the change in the industrial mix of employment and unemployment and the decline in unionization. Earlier research already had identified these factors as important. Results of the new time series and cross section regressions of this report confirm the importance of all three. Each of the three operates more as a long run trend effect than as a treatment with increased effects only during 1980-1982. (3) The new survey data seem to rule out certain potential explanations, eg. application delays, unawareness of the program, difficulties in making applications and stigma attached to UI benefits. (4) Certain areas for further research are indicated. What were the effects of changes in UI laws and administrative practices on the application-receipt process in the early 1980s?[35] How well do workers understand the eligibility criteria for receipt of UI benefits? Finally, more analysis of micro data is needed. A component of this analysis should be a comparison of results of identical specifications based on the recent CPS data to results based on cross section data from the earlier surveys, ie. the PSID data of 1980-1982 and the CPS data of 1976.

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[35] A closely related question is the effect of changes in the federal government's policy towards state UI debts that occurred in the early 1980s. This could have been a major motive behind observed changes in UI laws and administrative practices at the state level.

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Appendix A. IU/TU Ratios by State and Region

Systematic differences in IU/TU ratios by state and region are a persistent feature of the U.S. economy. This appendix discusses the construction of data series that display these differences and fits multiple regressions to characterize the size of the differences.

IU/TU ratios are based on two different data reporting systems. Insured unemployment (IU) is derived from the reporting systems of the state unemployment programs. These are universe data that exist by state annually back to 1947. Data on total unemployment (TU) are survey-based estimates derived from the monthly labor force survey of about 55,000 households conducted by the Census Bureau for the Bureau of Labor Statistics (the Current Population Survey or CPS). The geographic detail on TU in the CPS only goes back to 1967 when estimates for the nine Census divisions started to be made. CPS-based estimates of TU extend back to 1967 for only ten states while CPS-based estimates for all states were first available in 1976.[36]

In a research project supported by the Employment and Training Administration of the U.S. Department of Labor I have constructed annual estimates of TU by state back to 1957. From 1967 to 1975

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[36] The CPS has published annual state estimates of the labor force, unemployment and the TUR for 10 states since 1967, for 27 states since 1970, for 29 states since 1973 and all states since 1976. Generally, the larger the state the further back these data are available.

these estimates incorporate as controls the published divisional estimates from the CPS. Details of the derivation of the state estimates are given in Appendix A of Chapter 1 of the forthcoming report on regional labor market performance. The essence of the estimation procedure involves three components: use of state and regional data from decennial censuses, use of state data on insured unemployment and adjustments of initial estimates of TU (for states where there are no CPS-based estimates) to an external control provided by the national estimate of TU from the CPS. Because regional controls from the CPS could only be used starting in 1967 my constructed state estimates of TU from 1967 to 1975 are more reliable than the estimates from 1957 to 1966.

Table A1 presents regressions to explain the IU/TU ratio for the 1967 to 1989 period. State, divisional and national results are included in the table. A discussion of these regressions is given in Part II of the text of the report.

Appendix B. The CPS Supplements

This appendix provides additional details about the CPS supplements and shows unweighted counts of the sample by reason for unemployment, unemployment duration, gender and age. As noted in the Part III of the text, seven additional question were asked of unemployed persons in the outgoing rotation groups of the CPS. The questions and the response categories were the following.

1. Has ... applied for unemployment compensation since ... last job?

Yes
No
Don't know

2. Has ... received unemployment compensation since ... last job?

Yes
No
Don't know

3. Did ...receive an unemployment compensation check last week?

Yes
No
Don't know

4a. Why didn't ...receive any unemployment compensation last week? or
4b. Why hasn't ... received any unemployment compensation since ... last job?

Gets check every other week
Used up (exhausted) all benefits
Applied but haven't heard yet
Waiting period
Didn't work/earn enough to qualify
Voluntarily left job: dismissed for conduct or cause
Other (specify in notes)
Don't know

5. What is the main reason ... hasn't applied for unemployment compensation since ... last job?

Don't think eligible
Plan to file soon
Don't know about unemployment compensation/how to apply
Expected to get another job soon/be recalled
Too much work/hassle to apply
Too much like charity/welfare
Previously used up unemployment compensation
Other (specify in notes)
Don't know

6. Why didn't ... believe ... was eligible for unemployment compensation?

Didn't earn/work enough

Didn't have a recent job
Had voluntarily left/quit last job
Was fired from last job
Other (specify in notes)

7. Was ...a union member or covered by a union contract on ... last job?

Yes
No

Not all people interviewed provided enough information to meet Census Bureau edit criteria as completed interviews. If a respondent gave an answer to one or more of the first three yes-no questions, the interview was generally considered to be completed. This approach in the data editing meant that most interviews were considered to be completed interviews. It also meant, however, that some records did not have responses to questions 4 through 6. Thus in the tabular displays of data in the text there are some counts in a final reason category which has no explicit identifier. The counts in category 10 of Table 4, for example, give an indication of "completed" interviews that did not have a response to the reason-for-not-applying question.

The unweighted counts of the full sample are shown in Table B1.

Table A1. Time Series Regressions Explaining the IU/TU Ratio, 1967 to 1989

State	Constant	TUR	TURLag	D81	Mean	AdjR2	S.E.	D.W.
Conn.	.602(11.7)	.0156(1.3)	-.0299(2.7)	-.1465(4.5)	0.467	0.552	0.071	1.28
Maine	.598(16.6)	.0028(0.3)	-.0195(2.2)	-.0657(3.0)	0.471	0.492	0.049	1.81
Mass.	.819(26.2)	-.0028(0.4)	-.0407(5.6)	-.0935(4.6)	0.537	0.819	0.045	1.18
N.H.	.466(7.8)	.0367(1.7)	-.0493(2.4)	-.1589(3.4)	0.359	0.462	0.107	1.72
R.I.	.911(22.0)	-.0254(3.2)	-.0162(2.1)	-.0990(3.5)	0.621	0.708	0.065	1.97
Vt.	.512(14.4)	.0170(1.8)	-.0205(2.2)	-.0271(1.3)	0.483	0.183	0.047	2.34
N.J.	.734(28.5)	.0021(0.3)	-.0309(4.7)	-.1110(6.9)	0.512	0.840	0.036	1.86
N.Y.	.688(32.4)	-.0006(0.1)	-.0277(5.0)	-.1065(8.6)	0.464	0.896	0.028	1.70
Penn.	.482(14.5)	.0288(3.3)	-.0232(2.5)	-.0941(3.7)	0.483	0.584	0.048	0.76
Ill.	.305(6.4)	.0333(3.0)	-.0083(0.6)	-.2042(4.4)	0.387	0.579	0.063	1.51
Ind.	.275(12.1)	.0227(4.2)	-.0194(3.1)	-.0578(2.7)	0.276	0.615	0.036	1.38
Mich.	.445(14.7)	.0197(4.0)	-.0206(3.9)	-.1254(5.0)	0.392	0.786	0.045	1.93
Ohio	.247(7.7)	.0327(5.3)	-.0203(3.0)	-.0616(2.1)	0.311	0.556	0.044	0.88
Wisc.	.408(8.5)	.0270(2.4)	-.0157(1.2)	-.1046(2.5)	0.432	0.361	0.065	1.40
Iowa	.347(18.0)	.0213(2.9)	-.0067(0.8)	-.1468(5.7)	0.357	0.756	0.031	1.68
Kan.	.343(7.9)	.0488(4.1)	-.0426(3.4)	.0004(0.0)	0.371	0.429	0.040	1.65
Minn.	.379(8.3)	.0168(1.4)	-.0077(0.6)	-.0822(2.7)	0.392	0.273	0.054	1.50
Misso.	.547(14.8)	.0174(1.8)	-.0322(3.1)	-.1170(3.9)	0.422	0.778	0.048	2.56
Neb.	.210(7.0)	.0149(1.7)	.0249(2.7)	-.0826(3.9)	0.327	0.433	0.033	1.48
N.D.	.142(1.0)	.0231(0.9)	.0336(1.1)	-.0713(1.2)	0.373	-0.020	0.074	0.63
S.D.	.124(1.9)	.0189(1.0)	.0345(1.4)	-.1745(4.2)	0.256	0.490	0.047	1.07
Del.	.388(12.7)	.0108(1.3)	-.0158(1.9)	-.0256(1.3)	0.347	0.157	0.044	2.13
D.C.	.383(7.3)	.0045(0.3)	-.0059(0.4)	-.0142(0.4)	0.380	-0.143	0.076	1.37
Fla.	.181(10.9)	.0165(4.5)	-.0056(1.6)	-.0678(7.3)	0.221	0.765	0.021	1.84
Geo.	.159(5.3)	.0434(5.7)	-.0230(3.0)	-.0351(2.1)	0.262	0.607	0.036	2.04
Md.	.349(9.2)	.0293(2.3)	-.0288(2.1)	-.0221(1.0)	0.343	0.199	0.049	1.30
N.C.	.258(6.9)	.0331(4.2)	-.0217(2.5)	-.0001(0.0)	0.318	0.397	0.049	1.40
S.C.	.202(4.1)	.0433(4.5)	-.0253(2.5)	-.0271(0.9)	0.303	0.448	0.058	1.78
Va.	.069(2.4)	.0371(3.9)	-.0083(0.9)	-.0324(1.9)	0.191	0.511	0.035	1.68
W.Va.	.381(5.3)	.0205(2.0)	-.0239(2.2)	-.0500(0.8)	0.332	0.263	0.074	0.47
Ala.	.311(9.0)	.0103(1.5)	-.0040(0.5)	-.1285(3.8)	0.309	0.530	0.048	1.65
Ky.	.295(4.2)	.0240(2.2)	-.0107(0.8)	-.1557(2.4)	0.324	0.455	0.063	1.12
Miss.	.221(5.0)	.0325(3.8)	-.0247(2.9)	-.0332(0.8)	0.269	0.354	0.049	1.20
Tenn.	.402(12.3)	.0222(3.5)	-.0195(2.8)	-.1421(5.4)	0.381	0.672	0.048	1.26
Ark.	.122(2.2)	.0399(5.0)	-.0030(0.4)	-.1332(4.9)	0.338	0.608	0.038	1.06
La.	.239(3.2)	.0223(1.9)	-.0132(1.3)	-.0501(1.1)	0.296	0.049	0.051	1.20
Okla.	.417(7.4)	-.0002(0.0)	-.0214(1.9)	-.0250(0.6)	0.294	0.298	0.062	1.36
Tex.	.110(3.8)	.0242(3.6)	-.0071(1.1)	-.0307(1.5)	0.193	0.370	0.025	1.78
Ariz.	.295(7.5)	.0162(2.3)	-.0167(2.4)	-.0339(1.5)	0.279	0.263	0.049	1.89
Col.	.086(2.2)	.0218(2.5)	.0080(0.9)	-.0013(0.1)	0.245	0.519	0.038	1.18
Id.	.365(4.8)	.0094(0.8)	-.0061(0.4)	.0140(0.4)	0.392	-0.089	0.057	0.70
Mont.	.272(2.8)	-.0000(0.0)	.0169(0.9)	-.0733(1.8)	0.353	0.026	0.067	0.45
Nev.	.470(11.1)	.0065(0.9)	-.0072(1.0)	-.1338(7.0)	0.412	0.704	0.043	2.04
N.M.	.334(5.4)	.0062(0.7)	-.0108(1.1)	-.0407(1.4)	0.286	0.190	0.047	1.79
Utah	.300(4.2)	.0067(0.6)	.0037(0.3)	-.0643(2.4)	0.336	0.118	0.056	0.76
Wyo.	.339(6.5)	.0119(0.9)	-.0352(3.0)	.1364(3.2)	0.277	0.428	0.058	1.33
Alas.	.971(4.9)	-.0097(0.5)	-.0366(1.7)	.0133(0.3)	0.523	0.101	0.114	0.44
Cal.	.516(25.0)	.0078(2.2)	-.0214(6.0)	.0038(0.5)	0.418	0.646	0.018	1.59
Haw.	.460(11.4)	.0095(0.9)	-.0138(1.4)	-.0321(1.4)	0.422	0.047	0.049	1.56
Ore.	.449(15.8)	.0145(2.7)	-.0156(2.8)	-.0517(3.3)	0.421	0.543	0.032	2.09
Wash.	.439(8.6)	.0171(2.0)	-.0135(1.6)	-.0888(3.6)	0.434	0.429	0.054	1.33

Table A1. (cont.) Time Series Regressions Explaining the IU/TU Ratio, 1967 to 1989

Area	Constant	TUR	TURLag	D81	Mean	AdjR2	S.E.	D.W.
New Eng.	.722(24.5)	.0060(0.8)	-.0375(5.2)	-.1071(5.8)	0.506	0.790	0.042	1.20
Mid Atl.	.617(52.6)	.0152(4.7)	-.0316(9.8)	-.0838(11.6)	0.479	0.948	0.016	1.68
E.N.C.	.330(12.8)	.0288(5.4)	-.0186(3.1)	-.1115(4.9)	0.359	0.749	0.036	1.28
W.N.C.	.387(16.9)	.0342(4.9)	-.0279(3.6)	-.0950(5.3)	0.382	0.803	0.026	1.98
S. Atl.	.191(12.9)	.0400(10.8)	-.0230(6.0)	-.0451(5.5)	0.272	0.867	0.017	1.68
E.S.C.	.302(9.6)	.0288(4.5)	-.0190(2.7)	-.1284(4.5)	0.321	0.724	0.037	1.32
W.S.C.	.172(5.0)	.0308(4.5)	-.0159(2.5)	-.0536(2.5)	0.243	0.456	0.025	1.62
Mount.	.229(7.1)	.0243(4.1)	-.0093(1.5)	-.0411(2.8)	0.305	0.454	0.026	1.65
Pac.	.497(29.2)	.0125(4.2)	-.0222(7.3)	-.0100(1.5)	0.422	0.735	0.015	1.83
U.S.	.379(34.0)	.0290(11.3)	-.0262(9.9)	-.0723(11.4)	0.370	0.943	0.012	2.06
U.S. Fix Div. Wts.	.379(29.4)	.0271(9.2)	-.0256(8.3)	-.0558(7.6)	0.368	0.902	0.014	1.39

Table B1. Unweighted Counts of Completed Interviews

Reason for Unemp.	Unemp. Dur. (weeks)	Women				Men				Total
		16–19	20–24	25+	16+	16–19	20–24	25+	16+	
Job Losers	1–2	7	18	68	93	18	25	142	185	278
	3–4	9	19	74	102	18	27	134	179	281
	5–10	7	12	135	154	15	50	165	230	384
	11–26	5	18	100	123	4	35	189	228	351
	27+	1	4	46	51	1	6	137	144	195
	Total	29	71	423	523	56	143	767	966	1489
Job Leavers	1–2	22	19	50	91	20	14	21	55	146
	3–4	20	24	46	90	12	15	33	60	150
	5–10	10	12	35	57	16	10	28	54	111
	11–26	9	8	32	49	6	8	30	44	93
	27+	1	0	10	11	0	3	15	18	29
	Total	62	63	174	299	54	50	128	232	531
Reen-trants	1–2	27	40	86	153	17	17	31	65	218
	3–4	26	21	96	143	24	15	51	90	233
	5–10	16	27	73	116	18	14	42	74	190
	11–26	8	9	56	73	8	10	37	55	128
	27+	1	5	31	37	1	3	24	28	65
	Total	79	102	344	525	68	60	186	314	839
All Groups	1–2	56	77	204	337	55	56	194	305	642
	3–4	55	64	216	335	54	57	218	329	664
	5–10	33	51	243	327	49	74	235	358	685
	11–26	22	35	188	245	18	53	256	327	572
	27+	3	9	87	99	2	12	176	190	289
	Total	170	236	941	1347	178	253	1081	1512	2859

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