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## Insured Unemployment Data

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# Insured Unemployment Data

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## Executive Summary

The federal-state unemployment insurance (UI) system is an important source of information about unemployment. Weekly counts of all claims filed for UI benefits supply data regularly on the levels of new and continuing insured unemployment in great geographic detail. The system also provides counts of workers in covered jobs and the amount of wages paid to them, by state and industry. Insured unemployment rates are based on covered employment averaged over a 12-month period. UI administrative records contain much additional information about the insured unemployed, covered workers, and covered employers, only a small portion of which is compiled with any regularity.

The data drawn from the UI system are essential for planning and exercising administration of the UI program itself and for evaluations of program policies and financing. National and state insured unemployment rates trigger the start and termination of extended duration of benefits during periods of high unemployment. UI data play an important role in analyses of regional and local economic trends and labor market conditions which support planning for economic development and employment and training programs. Allocations of federal funds to states and areas for various programs under the Comprehensive Employment and Training Act (CETA) depend on levels and rates of total unemployment, most of which the monthly Current Population Survey (CPS) cannot supply. Total unemployment estimates are therefore prepared each month for about 6,000 areas. Using prescribed procedures under the supervision of the Bureau of Labor Statistics, states estimate area totals by adding to insured unemployment estimates of various segments of noninsured unemployed groups. Other federal programs (for community development, public works, procurement, etc.) also use these estimates to allocate funds and to define areas of labor surplus to allow local firms a competitive advantage on contract bidding.

Insured unemployment data have several shortcomings that restrict their potential. One relates to the quality of UI data compilations, which are so decentralized, so varied in procedure among states, and so limited in priority as to raise concern about their accuracy and comparability.

A shortcoming of state and local UI data is that they fluctuate widely during the year but are not usually adjusted for seasonal variation. Short-term changes, therefore, are difficult to interpret and can produce misleading conclusions. When used to determine fund allocations and extensions of UI benefits, unadjusted data can have unintended results. State insured unemployment rates occasionally trigger extended benefits as the result of seasonal rather than cyclical variations in unemployment.

Another problem is that insured unemployment data are not entirely comparable between states and over time because of interstate differences and frequent changes in qualifying requirements, duration provisions, and other program factors. Such noncomparability weakens interstate and time series analyses of insured unemployment as well as our understanding of the relationship between insured and total unemployment.

Conceptual differences between the insured and the total CPS counts of unemployment also impede direct comparisons between them. The CPS count includes, and the insured count excludes, unemployed new entrants and reentrants to the labor force few of whom qualify for UI, unemployed UI exhaustees, disqualified claimants, noncovered workers, and unemployed workers who do not file though eligible. Persons are not counted by the CPS as unemployed if they had any paid employment during the week, while the insured unemployed includes claimants with some limited earnings who draw partial benefits. CPS counts the unemployed by place of residence, whereas insured unemployment reflects place of filing, thereby reducing geographic comparability between the two counts. Total and insured unemployment rates differ so much in concept that there is no comparability between them.

The characteristics of the insured unemployed are quite different in several respects from those of all (CPS) unemployed mainly because the UI program restricts coverage,

eligibility, and benefit duration. Except during recessions when UI duration is extended, less than half the unemployed are insured at any given time. Many unemployed are new entrants to the labor force, largely very young people, and reentrants, mostly women and youths, who do not qualify for UI. The insured unemployed thus tend to be older and are more likely to be male than is the case for all unemployed. These differences, and the fact that UI coverage does not extend to the self-employed, to most domestic household workers, and to many farmworkers, also produce contrasts between the distributions of the insured and all unemployed by the industry of their prior employment.

Some weaknesses and limitations in the insured unemployment data can be overcome or adjusted for in various ways. With regard to data quality, the federal-state UI system has developed and will apply a new validation program to help assure better accuracy and comparability in the various UI statistics, including claims counts, reported by the states. This paper recommends vigorous and continuous validation of UI data and the development of procedures to validate the accuracy of covered employment data.

Seasonal adjustment can reduce the problems posed by seasonal variation in the state data especially as they affect extended benefit triggers. Seasonally adjusted state insured unemployment rates should be used in triggering extended benefits. Seasonal adjustment of all local area data may not be feasible, but use of 3-month averages instead of monthly data for fund allocation purposes can help reduce the problem.

Recent studies of the effects of alternative qualifying requirements and duration provisions suggest a means for adjusting the data to account for interstate differences in UI statutory provisions. A general simulation model built on claimant data bases in all states and applied to a common set of UI provisions could measure the effects of all statutory differences. In improving state unemployment estimating procedures, some conceptual differences between insured and total unemployment are being reconciled by adjusting the former to exclude claimants who report any earnings and by counting claimants by their place of residence instead of where they file. Factors used in estimating noninsured unemployed UI exhaustees, ineligible claimants, noncovered workers, nonfilers and delayed filers should be updated and more broadly based through new special studies.

In addition, this paper urges that more be done to exploit the data available from UI administrative records by pursuing the current effort to develop comprehensive data bases in all states. These Continuous Wage and Benefit History (CWBH) bases, when fully established, should permit more solid applications of the data to the purposes for which they are now used and expansion of applications not presently possible. CWBH, for example, will facilitate analysis of the effects of interstate statutory differences on insured unemployment and powerfully enhance evaluations of alternative UI policies. CWBH will also provide for the first time a capacity for longitudinal analysis of individual employment and unemployment experience. The monthly claimant characteristics report currently submitted by the states should be continued in the meantime and include a separate analysis for exhaustees. Past data supplied from this source, going back almost two decades, should be reviewed for long-term trends and comparisons with CPS unemployed characteristics.

The increasing tendency to use statistical indicators to trigger extended UI benefits or to determine federal grant allocations places a heavy burden on the data and a heavy premium on their precision, perhaps more than they can bear. The data themselves often are only indirect indicators of the problems addressed by the particular programs involved. A slight shift in a statistical measure can produce an "all or nothing" result. It is important that the limits of the data for these purposes be better understood and appreciated, and that the data should not be stretched beyond their capability for such applications.

## Introduction

A major source of information about the unemployed in the United States is the federal-state unemployment insurance (UI) system. Each week, local and state employment security offices count the number of claims filed for unemployment benefits. Based on these counts, statistics are developed and published describing the levels and rates of *insured* unemployment. The great attraction of this information is that it is available every week and in great geographic detail for the entire nation. Its main disadvantages are that it does not reflect all unemployment and it does not reflect entirely the same concepts underlying the measurement of all or total unemployment, as provided by the monthly Current Population Survey (CPS). The weekly *insured* unemployment data represent complete counts of all claims; the *total* unemployment data are based on a monthly household survey conducted on a sample basis, which reduces their reliability the more detailed they are.

This paper reviews the sources and derivation of insured unemployment statistics, their uses, their strengths and weaknesses, and their potentials. A major focus is on how the two sets of data—insured and total unemployment—compare, and how they are and can be used together to broaden our understanding of unemployment. Some suggestions for the improvement of insured unemployment data and their applications are offered.

## Description of UI Data

The data obtained from the operation of the UI programs describe the *insured* unemployed. Most, though not all, are workers separated involuntarily from their jobs, either temporarily or permanently, who file claims for UI benefits. Some are workers who quit their jobs for good cause and, therefore, are eligible for benefits, and workers who are still unemployed after a period of benefit suspension imposed for a disqualifying type of job separation (for example, voluntary leaving or misconduct discharge). The insured unemployed also include separated workers who are collecting partial benefits because they are temporarily working part time and receiving limited earnings. As benefits are payable on a weekly basis, each claim filed (after the initial claim) is for a week of unemployment. Most of the rules governing the entitlement of claimants to benefits are contained in state unemployment insurance laws; federal laws also influence these rules.

### The Federal-State Unemployment Insurance System

UI is provided through a federal-state system established by the Social Security Act of 1935 and by subsequent laws in each state. Independent of this system is a federal program of unemployment insurance administered by the Railroad Retirement Board as part of a comprehensive social insurance system for workers in the railroad industry.<sup>1</sup> This paper deals only with insured unemployment under the federal-state system.

Each of the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands have enacted laws establishing separate UI programs which conform with federal requirements.<sup>2</sup> These programs provide *regular* unemployment benefits available to eligible claimants at all times. In 1970, a federal-state *extended* benefits program was added to the system whereby the duration of protection allowed under each state's regular benefit provisions is increased during periods of high unemployment as denoted by specified state or national rates of insured unemployment. During the two recessions since 1970, the federal government established temporary "emergency" programs providing additional or supplemental benefits for unemployed workers who exhausted their regular and extended benefits. The states administered these temporary federal programs as agents for the federal government.<sup>3</sup>

Separate federal programs provide UI protection for the federal military and civil services. Unemployment compensation for federal employees (UCFE) and for ex-servicemen (UCX) is paid in accordance with the provisions of applicable state law

for regular and extended benefits. These programs are also administered by the state agencies for the federal government.

The federal-state UI system, which includes the UCFE and UCX programs, now covers over 97 percent of all wage and salary employment. The principal categories of employment not covered include work for small agricultural employers (those with fewer than 10 workers or a payroll of less than \$20,000 in a calendar quarter) or for small non-profit organizations (those employing fewer than 4 workers), employment in domestic household service for employers who pay less than \$1,000 in wages for such service during a calendar quarter, and the employment of insurance agents, real estate agents, and members of the clergy and religious orders.<sup>4</sup> Self-employment is not covered by UI, except on a voluntary basis in California.

Each state law specifies the conditions for and the basis of the payment of UI benefits, including eligibility and amount and duration of benefits. These provisions vary a good deal among the states; a record of employment and earnings that would not qualify an unemployed worker in one state may do so in another.<sup>5</sup> While the weekly benefit amount is everywhere calculated in relation to the lost wage, formulas vary so that the same weekly wage can produce different benefit amounts in different states. The duration of benefits allowed also varies by state; the maximum for regular benefits is 26 weeks in most states, but ranges from 28 to 39 weeks in 10 states.<sup>6</sup> Moreover, in most states, subject to the statutory maximum, the duration allowed to claimants varies on the basis of previous employment or earnings under formulas that also vary among states. Elsewhere, claimants may draw up to the statutory maximum. The federal-state extended benefits program, operative during periods of high unemployment, simply extends by half the regular benefit duration allowed the claimant—up to 13 more weeks or a total of 39 weeks. At any given time, extended benefits may be payable in some states and not in others.<sup>7</sup> The temporary federal emergency or supplemental benefits programs during the last two recessions and their aftermaths, in similar fashion, set an overall maximum duration at 52 or 65 weeks, depending on the period and the level of state insured unemployment reached in a state. At various times, these benefits, too, were paid in some states but not in others.

Every state provides for payment of *partial* benefits to a normally full-time worker with limited earnings in temporary part-time work, or with sharply reduced earnings due to a temporarily shortened workweek. The partial weekly benefit amount paid ranges from close to the full benefit amount to a very small amount depending on the formula used, which varies considerably among the states. The full benefit is not reduced for those whose earnings are below specified levels. Workers who receive partial benefits are included among the insured unemployed.

More will be said later about how these provisions affect the insured unemployment data. It is important to keep in mind, however, that the data reflect statutory and administrative factors which vary substantially from state to state.

#### **The Claims Filing Procedure**

Upon separation from a job, a worker may file an *initial* claim. The count of weekly initial claims, therefore, offers evidence of emerging unemployment and represents a sensitive measure of economic change.

Based on an initial claim, the claimant, if eligible, will establish his entitlement for benefits during the next 52 weeks, that is, a benefit year. If the claimant still has benefit entitlement remaining in a benefit year that was established through an earlier initial claim filed in a previous spell of unemployment, the current initial claim is called an *additional* claim.<sup>8</sup>

To maintain eligibility for benefits, the claimant must be able to work, available for work, and actively seeking a job. (S)he must register for work at the public employment service office.<sup>9</sup> If the worker had quit work voluntarily or was fired for misconduct, (s)he may be disqualified and suspended from drawing benefits for a specified period of time or until (s)he has had some subsequent employment. (S)he may also be disqualified if (s)he refuses an offer of a suitable job or is not working because of a labor

dispute in which (s)he is an interested party. State laws and practices with regard to disqualifications vary greatly, often producing different results, state by state, under similar circumstances. Disqualified claimants usually do not file further claims until again eligible; while disqualified, therefore, they are not included among the insured unemployed even though they remain jobless.

After filing an initial claim, an eligible claimant then files a *continued* claim for each week of unemployment (or partial unemployment). It is the count of *continued* weeks claimed that supplies the statistics on the level of insured unemployment.<sup>19</sup>

Several other matters that affect the filing and processing of continued claims need to be understood to appreciate the nature of the data on insured unemployment.

Normally, a claimant is assigned a specific day and time to file a continued claim certifying to unemployment in the preceding week. (S)he may file in person or by mail, depending on state procedures. In the majority of states, claimants are scheduled to file on a biweekly basis and can claim 2 weeks of unemployment when they file. Both weeks claimed are counted for the preceding week even though only one actually refers to that week. As only half the claimants file each week, the counts of weeks claimed generally even out properly from week to week, but there could be some distortion of the count for a local office in a particular week because of some major event such as a large layoff or recall. An administrative adjustment is made in the count to correct for the effects of such an event.

Claimants who do not report as scheduled may be disqualified for the week(s) of unemployment to have been claimed. If the cause for not reporting on time is reasonable and acceptable, claimants may be allowed to file late or retroactively for past weeks. Such claims are counted for the week preceding that in which filed. Moreover, claims by workers whose eligibility for benefits is in dispute, which may take a long time to resolve in some cases, are counted currently even though they may later be ruled invalid. Thus, not every continued claim filed results in a week of benefits. Most states do not pay for the first week claimed in a benefit year (a waiting week) but the claimant must file a continued claim for that week.

The handling of interstate claims also affects the claims counts. Claimants may file for benefits in a state other than that in which their prior or principal employment took place. The latter state, however, is liable for benefits. Their claims, both initial and continued, are forwarded to the liable state, which determines their eligibility and entitlement to benefits and pays them benefits if due. This arrangement permits workers to seek work widely without sacrificing their benefit rights. Interstate claims may also be filed by workers who had commuted to their jobs across state lines. The local office in which an interstate claim is filed includes the claim in its count.

#### **Processing and Publication of the Data**

The number of initial claims and of continued weeks claimed filed each week is reported by every local office to its respective state employment security office. In some states, the claims operation may be more centralized and the counting supplied by a computer. The counts are made separately for each program or type of benefit—regular, state UI, extended benefits, UCFE, UCX, interstate, ect. The state office reports the state totals to the Employment and Training Administration of the U.S. Department of Labor. Once a month, for the week including the 19th, the states also report totals of continued weeks filed, representing unemployment in the previous week claimed under regular state UI programs, in each of 150 major labor market areas.

The national office aggregates the weekly data and calculates rates of insured unemployment for each state and the United States. The rate represents total insured unemployment under the regular state UI program divided by the state's average monthly covered employment. Data on covered employment come from the quarterly UI tax returns which employers file with the state along with any tax payments that are due. On the return, employers indicate the number of employees on their payroll in the pay period including the 12th of each month of the quarter. These monthly

employment figures are aggregated for the state and reported to the U. S. Department of Labor.<sup>11</sup> For each state, and for the nation, a moving annual average is maintained of the monthly aggregates in the last four calendar quarters for which information is available. There is a considerable time lag in obtaining and processing the employer returns; so the covered employment averages in the denominator of the rate calculations are based on a 12-month period ending from 6 to 9 months prior to the week for which insured unemployment is measured.

Weekly data on the volume of initial claims and on the level and rate of insured unemployment, by state and for the United States, are published in *Unemployment Insurance Claims* by the Employment and Training Administration. The report is usually issued about 10 days following the end of the week in which claims are counted; the data on initial claims refer to that week and those on insured unemployment to continued weeks claimed that week and counted for the preceding week. The report gives separate counts for both initial and continued claims filed under the regular state UI, UCFE and UCX programs, for each state and for the United States. The state insured unemployment rates relate only to claims filed under regular state UI programs. The published U. S. insured unemployment data also show separately the volume for the railroad program and an aggregate combining the regular state, UCFE, UCX, extended benefit, and railroad programs and give an estimated total rate in a footnote. A separate table in the report lists the volume, by state, of claims filed for extended benefits.<sup>12</sup> Once a month, the weekly report includes the level of insured unemployment, for the week containing the 12th of the month, under regular state UI programs in each of 150 major labor market areas. Table 1 illustrates the U. S. data for 2 weeks representing the highest and lowest levels during the first half of 1978.

Besides the weekly reports, monthly and annual averages of insured unemployment levels and rates are published in various federal publications. The most detailed monthly averages appear in *Unemployment Insurance Statistics*. Monthly averages also appear regularly in the *Social Security Bulletin*, *Employment and Earnings*, and in *Economic Indicators* (U.S. totals only). Annual averages are published in each of these monthly publications, as well as in the *Handbook of Unemployment Insurance Financial Data*, the *Employment and Training Report of the President*, the *Economic Report of the President*, and the *Handbook of Labor Statistics*. Other government publications that contain insured unemployment data for the United States include *Business Conditions Digest*, *Federal Reserve Bulletin*, and *Survey of Current Business*.

Many states also publish their own data regularly, often with considerable geographic detail.

#### **Characteristics of the Insured Unemployed**

In a separate operation, the federal-state UI system develops data on selected characteristics of the insured unemployed who file claims under regular state UI programs. Each state compiles this information monthly from records either on a sample basis or for all claimants who file for regular benefits during the week including the 19th of the month. The data represent insured unemployment in the week including the 12th of the month, corresponding with the week covered by the monthly CPS.

For each claimant covered by this monthly compilation, the state assembles information on age, sex, color or ethnic category, industry of last employment, occupation, and the duration of the current spell of insured unemployment. The individual data are aggregated for the state and, if a sample is involved, the aggregate is inflated to the insured unemployment total for the week. The state sends its data to the national office of the Bureau of Labor Statistics where they are aggregated for the nation. This office also computes insured unemployment rates by major industry division.<sup>13</sup>

Monthly and annual summaries and various analyses of these data are published in *Unemployment Insurance Statistics*. Some analyses are shown by state; some are on



a national basis only. Annual U.S. averages appear in the *Employment and Training Report of the President* and in the *Handbook of Labor Statistics*.

A number of individual states also publish their own data. They may include more elaborate analyses and additional information about claimants, such as level of educational attainment.

**Table 1. Initial Claims and Insured Unemployment, U.S. Totals, by Program, High and Low Weeks, January-June 1978 [In thousands]**

Type of data and program	High Week		Low Week	
	Ending	Number	Ending	Number
<u>Initial claims<sup>1</sup></u>	January 14		June 3	
Total		590		250
State UI		579		243
UCFE		5		3
UCX		6		4
<u>Insured unemployment<sup>2</sup></u>	January 28		July 1	
Total		3,939		2,235
State UI-regular program		3,318		1,913
UCFE		48		27
UCX		68		43
Railroad		41		9
Extended benefits		464		243

Source: U.S. Department of Labor, Employment and Training Administration, *Unemployment Insurance Claims* (various dates).

<sup>1</sup>Regular UI programs only.

<sup>2</sup>Excludes claims for federal supplemental benefits and special unemployment assistance.

#### Uses of Insured Unemployment Data

Data on UI claims and insured unemployment serve a number of purposes. Basically, they are designed to assist UI program management and evaluations of the program itself.<sup>14</sup> Although used for meeting other needs not related to the program *per se*, data are not always ideal because they are not collected or organized for these specific purposes. The UI data, like many other broad statistical series, become multipurpose and have been adapted or modified to serve various objectives more effectively. More is said in the next section about the problems that arise in this connection. Here are summarized the various areas of analysis and research in which claims and insured unemployment data play a role.

#### UI Program Administration

By following weekly patterns of claims activity, administrators at both state and local levels can plan and adjust their day-to-day management of the program. For example, as claims activity varies, so should the size of the staff assigned to taking and processing claims. Where seasonal patterns in claims are well defined, the necessary adjustments in operations can be well planned. Not all changes in the claimsload can be so readily anticipated, however, as illustrated by the difficulties encountered in many states and local offices in late 1974 and early 1975 when layoffs accumulated rapidly. The increase in claims was unprecedented in most cases, and often unexpected; some loss of administrative effectiveness was probably unavoidable. Claims lines lengthened to embarrassing proportions, sometimes stretching out into

the streets; the payments of benefits needed by jobless workers and their families were often long delayed; and speeding up the process loosened the care usually taken in examining claims validity, and thereby raised the probability of inaccurate and improper payments. As a result, the program suffered serious loss of public confidence at the time. Close attention to the data, their trends, and their indications of near-term developments can and do help management to control operations more effectively.

At the national level, analysis of state claims activity and related operating data is basic to cost control and budgeting for program administrative needs, the costs of which are financed by federal grants to states. Increasingly sophisticated budget planning methods have evolved to handle anticipated workloads. The basic data are now fed into a cost model that generates the analysis necessary to support budget allocations.

#### **Evaluation of Program Content and Benefit Financing**

At state and national levels, there is constant need to review how well the UI program serves its objectives. Hardly a legislative session passes without some consideration of changes in UI laws. The importance of information and research in the process is well recognized, and administrative data figure prominently in that activity.

Legislators become especially concerned about what the data show for their states and districts when unemployment rises. Such information helps to place program evaluations and proposals in appropriate perspectives.

A significant example of how insured unemployment data have been used for UI program purposes at the national level is the way they figured in the development and subsequent application of the federal-state extended benefits program enacted by the Congress in 1970. During the 1960s, analyses of the adequacy of regular state duration provisions showed clearly that when the level of insured unemployment rises steeply during a recession, the number of claimants who exhaust their regular benefits rises even more steeply, to disturbingly high levels. These findings led to the development of a trigger mechanism to begin and terminate temporary extensions of the duration of benefits automatically on the basis of movements in state and national insured unemployment rates. The extended benefits program adopted in 1970 incorporated this mechanism. There is continuing analysis of how well the insured unemployment data serve this role and how improvements can be made in the trigger mechanism. More will be said about this subject in a later section.

Another example of the data's importance in evaluating the program is in its role in research on UI financing. The management of state reserves for paying benefits requires the ability to project needs on some reasonable basis. Much of that process begins with analysis of experience—especially levels of insured unemployment. Projections of financial needs often take the form of alternative scenarios distinguished mainly by alternative levels of unemployment. Such analysis and projections must be kept up to date to assure that the taxes imposed to provide for anticipated needs do not yield too much or too little—not an easy task.

#### **Regional-Local Economic Intelligence and Analysis**

Growing interest in subnational patterns of economic activity has spurred research on that level. Business and government economists increasingly center attention on interregional differences in economic activity, of which important indicators are insured unemployment data, along with other UI program information such as covered employment levels. Published reports by state governmental agencies providing general economic analyses which make use of UI data have become more commonplace. Regional analyses by the various Federal Reserve Banks have become standard, and many other regional bodies, as well as large commercial banks, have become regular users of UI data for their analytical reports. Employment and unemployment are vital elements in those reviews, and insured unemployment data help fill the gaps left by more general data.

Highly localized economic analysis is less common, especially on any regular basis. Various decentralized public programs to support employment, training, and

economic development have centered more attention on local analysis. Increased emphasis on local planning and initiatives has raised the need for analytical tools at that level. Rising interest in the techniques of local analysis is evident in the response to a recent technical paper on a composite index of leading indicators for local economic analysis.<sup>15</sup> The level of initial claims for the local area is one component of the index.<sup>16</sup> Growing appreciation for the value of such local economic intelligence has stimulated a study, now in progress, to assemble and analyze a set of economic indicators for each Standard Metropolitan Statistical Area (SMSA) in Michigan.<sup>17</sup> Insured unemployment and related claims data make possible the monitoring of labor market conditions at the local level and some understanding of how they relate to general economic conditions in the area and the state.

### **Labor Market Information**

From the outset, the UI program has been associated with the operations of the public employment service (ES). With limited exception, claimants must register with the ES so that they may be exposed to job opportunities available through that agency. Its active file of registered jobseekers (including UI claimants and other applicants), its file of orders for workers by employers, and data on the level of employment by industry make the local office a central source of information about the local labor market. By and large, UI claimants represent the more experienced workers among job applicants and, as such, offer some indication of the "quality" of the available labor supply.

While most attention to the ES focuses on its success in placing applicants in jobs, its role in supplying useful labor market information may be of equal if not greater importance. Its regular reports on developments and trends in local employment and unemployment; employment by industry, the levels of UI claims and insured unemployment, the characteristics of the unemployed and the like enhance local labor market intelligence. Such information enters importantly into planning for local economic development and the design of employment and training programs. The character and availability of the local labor supply are vital elements in the intelligence needed for these purposes.

But the greatest demand for labor market information comes from prime sponsors under the Comprehensive Employment and Training Act (CETA)—chiefly local communities, counties, or combinations thereof. Sponsors seeking CETA program grants must develop a plan built on a demonstration of need for the programs, which rests primarily on local labor market information. For this purpose, the data on the insured unemployed and other job applicants at the local ES are an important foundation for a comprehensive accounting of total community needs for CETA programs.

The states use the local data as a tool for studying the variation in conditions around the state and for identifying areas in need of remedial efforts and development and support funds. States vary in how actively and how well they pursue these goals, but the basic data available for the purpose are rich and susceptible to imaginative analyses.

For many years, the state employment security agencies have estimated total unemployment by adding to the insured unemployment base estimates of the components of the noninsured unemployed for both the state and areas. More will be said about the problems associated with the insured unemployment data when used in this procedure. Nevertheless, this procedure enables an alert local analyst to develop some sense of the validity of the estimates for the various components and understand the qualifications that apply to local uses; the insured unemployment data are a good base for much of the analyst's work pertaining to the local unemployed.

### **Using Unemployment Data to Control Statutory Programs**

As noted earlier, insured unemployment rates are used directly in starting and terminating the payment of extended benefits under the UI program. Specifically, extended benefits are payable throughout the country when the national insured unemployment rate (seasonally adjusted) for a 13-week period reaches 4.5 percent or

more. A national extended benefit period terminates when the 13-week rate falls below 4.5 percent. Extended benefits can become payable in an individual state when the state's rate of insured unemployment (not seasonally adjusted) for a 13-week period equals 4.0 percent or more and is at least 120 percent of the average rate for the corresponding 13-week periods of the 2 preceding years. At its choice, a state may waive the 120 percent requirement if its current 13-week rate (unadjusted) is 5.0 percent or more. A similar type of trigger was used, with some modifications, in the temporary federal emergency benefit programs that provided supplemental benefits during the two recessions in the 1970s.

Proposals have been made for UI cost equalization-reinsurance schemes that also use insured unemployment rates to determine which states would receive federal grants to offset high benefit costs and how much.<sup>18</sup> Such direct use of insured unemployment rates places great stress on assuring their accuracy and reliability.

Estimates of total unemployment for states and local areas that build on insured unemployment data enter into the operation of a number of federal programs.<sup>19</sup> Federal procurement policy has long given preference to contractors in areas of "labor surplus" on competitive bids.<sup>20</sup> Designation of such areas is based on estimated area unemployment rates and is made by the Employment and Training Administration. The designations are updated and published on a quarterly basis.<sup>21</sup>

Local unemployment estimates are also currently used as a basis for allocating CETA and federal funds provided under the Public Works Employment Act (PWEA) and the Public Works and Employment Development Act (PWEDA).<sup>22</sup> In fiscal 1977, about \$16 billion were so allocated under these federal grant programs. The allocations require monthly estimates of unemployment and unemployment rates for every county and every local jurisdiction with a population of 25,000 or more, a total of about 6,000 substate areas.<sup>23</sup>

These applications create great pressures to assure the availability of valid data and estimates. There is considerable uneasiness with regard to the quality of some aspects of the estimates when so much is made to depend on them. While insured unemployment data provide an important footing for these estimates, they also present some problems with regard to their quality and comparability that are important to understand.

## **Strengths and Weaknesses of the Data**

Like all data, those derived from the UI program have their specific advantages and limitations, as already suggested. This section examines their strengths and weaknesses.

### **Strengths**

The major advantages of the UI claims data are that they are available weekly, cover every part of the country, and are total rather than sample counts. As a result, they supply continuous information about the levels of new and continued insured unemployment everywhere unaffected by sampling variability. They also are virtually free of reporting errors, because each claim must be supported by legal documentation certified as correct by the claimant.

The weekly counts of initial claims contribute significantly to economic intelligence because they quickly reveal changes in layoff activity and important deviations from normal, established local layoff patterns. Hence, the sources of new unemployment, by locality and industry, are readily known and can be closely monitored.

The local basis of this information is a powerful advantage. Staff on the scene can spot emerging changes in the local economy by immediate investigation of the reasons for increases in layoffs and significant changes in the level of continued claims filing. Indeed, local offices normally include comments on noteworthy changes in claims volume when they send their weekly counts to the state central offices. The national office requires the states to report any significant layoffs (on form ES-235) and considerable information about them.

As local information is assembled at state and national levels, broader patterns of change make themselves evident. Conversely, the data can be used to study the effects in local labor markets of major changes in state or national policy. Claims data thus constitute an early warning system about areas of deterioration or expansion in the economy. Indeed, initial claims data are a major leading economic indicator.

The data on insured unemployment, while not accounting for all unemployment, do include most of the unemployed who have lost jobs recently. The rise and fall in insured unemployment levels, and their variation from place to place, are worth following as a means of identifying periods and areas of economic strength and weakness. Persistently low rates of insured unemployment may signal good stability or labor market tightness due to expanding business activity. Persistently high rates may identify areas with an overconcentration of seasonal or declining industry. Analysis by industry and other characteristics of covered employment and insured unemployment in those areas, making use of related program data, can provide understanding of the basis for such manpower and economic development policies as training programs and interarea movement of unemployed or underemployed workers.

A further strength of the insured unemployment data is the information about individual claimants recorded on the claim form itself or on associated documents. Not all of this information is reported or summarized regularly, but some is and nearly all can be. The recorded information includes identification of the claimant's residence location, former employer (about whom such information as industry, size, and layoff experience can be assembled from other records of the program), and the claimant's age, sex, color or ethnic identification, job separation circumstances, occupation, prior earnings, etc. The records also contain information about the claimant's labor force activity, current duration of unemployment, job search experience, employment services received, any part-time earnings, and pension status. The record details the claimant's benefit entitlement (the amount and duration of the weekly benefits (s)he may receive) and benefit experience (how long (s)he draws, how many spells of unemployment (s)he has had, any disqualifications imposed, whether (s)he exhausts entitlement, etc.). States may record additional information, such as the claimant's education and training, and certain family characteristics, if available.

The UI administrative records thus constitute a far-reaching source of knowledge about the insured unemployed. It is a source, however, that has not been deeply mined. Regular extraction of these data is limited chiefly to the aforementioned monthly reports on selected characteristics of the insured unemployed. Some of the recorded information is used in preparing estimates of total unemployment: The claimants' residence location is used to convert local insured unemployment counts from a place-of-filing to a place-of-residence basis and claimants' reports of partial earnings are used to make the counts consistent with the total unemployment concept, which bars inclusion of anyone with even as little as 1 hour of work. More will be said later about efforts to create a national data base from this information.

#### **Weaknesses**

Problems that affect the nature of the insured unemployment data and their applications, and that can limit their value, fall into three categories. One concerns the validity of the data themselves—the accuracy with which they are counted, processed, and reported. The second consists of seasonal and other calendar problems which affect data fluctuations over time. The third category involves noncomparabilities, including those produced by interstate differences in UI law and administration, and those that arise from conceptual differences with other data. This section concentrates on the problems themselves; the next discusses ways to overcome or minimize some of them.

**Quality and Validity of the Data.** Data on claims represent universal counts, thereby avoiding variations or uneven reliability because of sampling. But universal counting in a system as extensive and complex as UI operations has other kinds of problems of reliability. Until recently, the counts of claims were made manually every day by

thousands of state employees in more than 2,500 local claims offices. This method still applies in much of the country. So it is not to be expected that manual counting is done uniformly or altogether accurately. For those who do the counting, usually claims takers, the tally is secondary to taking the claims themselves. Anything that may delay the processing of claims is generally regarded as an impediment, and this attitude frequently results in low priority for any statistical activity performed on the line, especially when rising and heavy claims filing strains staff resources. Claims takers are likely to receive far more guidance and supervision in recording claims than in counting them, and the latter is not altogether a simple matter considering the variety of programs under which claims can be filed. Claims takers differ in their counting skills and in interest in accuracy. These differences are compounded by the variation among supervisors, local office managers, and other responsible state officials in how seriously they regard the counting process and the need for accuracy. Some unevenness in quality is therefore inevitable.

In recent years, some states have centralized and computerized the claims counting process, thereby eliminating the human error of manual tallies. In several states that take continued claims by mail, claimants send their claims directly to the state payments office. Elsewhere, copies of claims filed locally are forwarded to the central office for payment. The weekly claims counts then become a byproduct of a centralized payment operation controlled by a computer program. Central processing and counting of initial claims may also be provided as a byproduct of computer programs handling entitlement determinations for new initial claims and resummptions of payments for additional claims. The changeover to centralized weekly claims processing is not without problems that can and do affect the quality of the counts. Where the claims counts emerge from a centralized payments operation, for example, some continued claims that do not lead to payments (waiting weeks, disallowed claims) may not be included in the counts automatically. Some special provision must be made to be sure such claims are included; that need may not be apparent right away or handled smoothly. A centralized, computer-operated process may not be geared properly to handle special situations, such as unusually bad weather, strikes, and holidays, which can delay or in other ways throw off the normal flow of claims filing; claims may be missed or counted in the wrong weeks. The omission or improper counting of some claims by the computer may go undetected; the results are not important to the payment operation or to whatever basic administrative function the computer program is designed to run. There is no great incentive among administrative staff associated with these operations to be concerned with the quality of the statistical byproducts. As different states develop their weekly claims counts through different procedures, data comparability between states also becomes problematical.

Little is known about how much unevenness and inaccuracy there is among the weekly data counts—mostly through scattered evidence of bad counts and occasional systematic efforts to validate the figures. Procedures for statistical reporting by the states specify that the data be validated but such efforts tend to receive low priority and diminishing emphasis as they become routine. Yet, some regular program of quality control is required to assure that the weekly counts reported are reasonably accurate.

Data about the claim or the claimant have their quality problems as well. The accuracy of the recording is probably no worse than in any data-keeping operation. There is also room for error in the transfer of the information from the initial record to electronic data storage media, and these need their own quality control programs. As noted, a great deal of the recorded information is not exploited; much of it is not even stored against future use. Under those circumstances, there is little incentive to check for recording error, especially where the information is not vital to the claims and benefit determination processes.

***Seasonal Variation and Other Calendar Problems.*** As with any economic data provided on a quarterly, monthly or weekly basis, the data on insured employment show seasonal patterns of variation during the year. A seasonal adjustment procedure is used to reveal underlying economic trends in national aggregates of monthly and

weekly insured unemployment data. Seasonally adjusted national weekly data for insured unemployment and initial claims are published each week in *Unemployment Insurance Claims*, which also includes the seasonally adjusted 13-week average national rate of insured unemployment used for triggering extended benefits on a national basis.<sup>24</sup> Seasonally adjusted monthly insured unemployment rates for national totals under regular state UI programs appear regularly in *Unemployment Insurance Statistics*. There is no general program for seasonally adjusting state and local area data, although some states may do so on their own.

Seasonal adjustment techniques do not produce perfect results, and there is some dispute among the statisticians over methodology.<sup>25</sup> The chief problems are that seasonal patterns can change over time, sometimes fairly abruptly, both in phasing and amplitude, and unusual events can cause irregular variations that need to be taken into account when applying seasonal adjustments to the data for the periods affected. While techniques exist for dealing with these problems, much still depends on the skills and insights of the analyst in determining when and how to apply them. The problems are likely to occur more frequently and more extremely in data for smaller areas than in data for larger areas, and in weekly data than in monthly or quarterly data. Thus, seasonal adjustment of state and, especially, local area weekly insured unemployment counts poses greater difficulties and greater possibilities for imperfections than usual. Those who follow and analyze the week-by-week or month-by-month changes in claims activity at state and local levels therefore must do so with care. Seasonal adjustment of such data would help, but knowledge of the timing of significant events, such as major strikes, crippling weather conditions, or natural disasters, is also important in such analyses because they can and do displace the claims series from their more usual patterns.

The timing of holidays can also upset regular claims filing schedules and cause aberrations in the data series.<sup>26</sup> By and large, these problems can be adjusted for fairly well.<sup>27</sup>

A sudden artificial surge in the weekly volume of claims can also result from the way most state UI laws determine eligibility for benefits. States usually look back to a base period of four consecutive completed calendar quarters prior to the filing of a new claim, so that the beginning of a new calendar quarter also signals a shift to a later base period.<sup>28</sup> To qualify for benefits, the claimant must satisfy a minimum earnings requirement during that period; the amount and duration of benefit entitlement also depend on base period experience. As a result, claimants may delay filing until the start of a new calendar quarter, or refile at that time after failing to qualify earlier if their more recent earnings are higher, thus making it advantageous to do so. This phenomenon often causes a bunching of claims at that time, which must be taken into account in analysis of weekly or monthly trends in the affected states.<sup>29</sup> More will be said shortly about other differences in statutory provisions which make for problems in comparing data among states.

Another calendar problem can affect the rate of insured unemployment, which is determined by dividing insured unemployment for a given week by average monthly covered employment for a four-quarter period ending 6 to 9 months earlier. At the start of each calendar quarter, the denominator shifts to the covered employment average for the four quarters ending 6 months earlier and remains the same throughout the quarter. The shift causes a small change in the weekly rate, presumably more than would occur if it were possible to update the denominator weekly, that is, to use a 52-week moving average of covered employment.

While this effect normally makes no difference in the published national rate, except possibly as a result of rounding, it can be more important in the rates for states with relatively large variations in covered employment. The shift in the covered employment denominators between the weeks ending September 30 and October 7, 1978, reflected gains in employment in late 1977 and early 1978 and the extension of coverage in the first quarter of 1978, which raised the 12-month covered employment average by more than the national average of 4 percent in some states. As a result, the

insured unemployment rate declined in several states even though their levels of insured unemployment had *increased* between these two weeks.<sup>30</sup> The shift in the denominator thus can change the direction as well as the magnitude of the rate.

**Noncomparabilities—Interstate UI Program Differences.** Comparisons of insured unemployment data among states and comparisons between insured and total unemployment are somewhat obscure or ambiguous because of state differences in UI laws or administrative policies and procedures. Noncomparability in insured unemployment data results largely from differences in the coverage, eligibility, and benefit provisions, and to some extent in the administration of state UI laws. Comparisons between insured and total unemployment are affected further by conceptual differences between the two sets of data. The effects of some of these interstate and conceptual differences can occasionally be estimated making it possible to adjust or, at least, to qualify comparisons.

Noncomparabilities are most serious when the insured unemployment data are used for triggering the start or termination of extended benefits, or for developing estimates of total unemployment which are used to govern allocation of federal funds among local areas or to determine local area bidding preferences for federal procurement contracts. These uses of the data call for a degree of precision in the statistics that is rarely attainable. Noncomparabilities are less critical where the data are used for policy analyses, but even here it is important to understand the limitations and to take account of them where possible.

**Coverage Provisions.** As for coverage, interstate variation was probably reduced in 1978, when federal law required states to cover most employment previously excluded. It is estimated that about 97 percent of all wage and salary jobs are now covered by UI.<sup>31</sup> In 1975, when 88 percent of all nonagricultural wage and salary jobs in the nation were covered, this proportion ranged from 80 to 89 percent in 39 states and from 90 to 100 percent in the others.<sup>32</sup> The major exclusion then was employment in state and local government, now entirely covered with very minor exception. Self-employment, which accounts for about 8 percent of all employment, also is not covered by UI.

States may exceed the federal coverage requirements and a few do so to varying degrees. Perhaps the most important remaining example of this interstate difference in coverage provisions occurs in agriculture. Federal law does not require coverage of agricultural employment performed for employers hiring fewer than 10 employees in at least 20 weeks of the year or with a payroll of less than \$20,000 in a calendar quarter. Several states exceed this requirement, most notably California, where virtually all hired farm workers are covered.<sup>33</sup> Because that state has the largest hired farm labor force in the country and the easiest qualifying requirements (see below), relatively more farmworkers may be able to qualify for benefits there than elsewhere, making California's level and rate of insured unemployment somewhat higher than would otherwise be the case. By analyzing earnings, employment, and unemployment data for farmworkers in California, one could estimate how much difference the state's more generous coverage provision makes. The effect on total insured unemployment in California is probably very small, because the state is heavily industrialized, but it is likely to be important in any analysis of insured unemployment in agriculture, nationally and among states. Insured unemployment data for areas where agriculture is significant would be more heavily affected.<sup>34</sup>

Another important category of employment not fully covered by federal law is domestic household service. All states must cover employers who pay \$1,000 or more in wages in a calendar quarter to domestics. Several states go beyond this requirement lowering the quarterly payroll minimum to \$500 or to \$225 (table 2). As there is usually a strong demand for domestics, properly administered job search requirements may restrict the amount of insured unemployment of such workers thereby limiting the effects of the more liberal coverage provisions in these states.



Other statutory coverage differences among the states are less important than these. Table 2 summarizes the principal remaining differences as of January 1979.

**Qualifying Requirements.** States vary more in eligibility and benefit provisions than in coverage because there are fewer federal requirements that might induce more uniformity in these provisions.<sup>35</sup> Qualifying requirements vary so much that virtually no two states have exactly the same provisions, and the differences are substantial at or near the extremes of the range (table 3). Six states require 20 weeks of work in the base period with total earnings ranging from \$400 to \$920. (Differences in annual earnings requirements are a less important source of disqualifications than differences in required weeks of employment.) Thirteen more states have base period earnings requirements in the form of multiples of high-quarter wages or weekly benefit amounts (1-1/2 times and 40 times, respectively) which are roughly equivalent to a 20 weeks-of-work test. These states have the stiffest requirements. At the other extreme are West Virginia and California where minimum base period earnings requirements of \$1,150 and \$750, respectively, apply with no specification as to distribution of earnings over the period. In these states it is possible to earn the minimum with few weeks of employment. Seven other states have a flat minimum annual earnings requirement, ranging from \$600 to \$1,200, but require some earnings in at least two calendar quarters. Certainly, relatively more claimants will qualify in California or West Virginia than in states requiring 20 weeks of work and thereby produce a higher level of insured unemployment. Recent research that offers some basis for measuring the impact of such differences is discussed later.

**Disqualification Provisions.** All states disqualify claimants for quitting jobs voluntarily without good cause, for misconduct discharges, for refusing without good reason to accept a suitable job offer, and for being unavailable for work, as well as for several other reasons. The nature and severity of the disqualifications imposed may vary by reason and by state. These differences affect the numbers of claimants who draw benefits in the different states.

Table 4 illustrates the interstate variation by showing the major disqualification provisions, as of January 1979, for voluntary leaving of work, the most important job separation issue. Most states deny benefits for the duration of the claimant's current unemployment, that is, until (s)he has returned to work for at least a specified period of time. These states effectively preclude the filing of any subsequent claims if the claimant fails to find any employment for a very long period, after which the claimant may file for benefits if still unemployed. The claimant may find employment during the suspension and therefore not draw any benefits or may draw benefits for a few weeks after the suspension and then find work; in either case, the suspension reduces the number of weeks for which claimants can file. Some states reduce the claimant's benefit entitlement by canceling a certain number of weeks allowed. The effect of cancellation is to further diminish the number of weeks filed and the level of insured unemployment. For example, the Michigan disqualification for voluntary leaving involves a 13-week suspension and a like reduction in benefit entitlement. That reduction probably accounted for the fact that Michigan exhaustees, on the average, drew substantially fewer weeks of benefits in 1977 (less than 13 weeks) than did exhaustees in any other state, including states with less liberal duration provisions, as shown in table 5. The effect of the reduction is to lower the rate of insured unemployment in Michigan.

Readily available data are not adequate to estimate how significantly interstate differences in disqualification provisions affect unemployment levels. States vary considerably in their benefit denial rates, reflecting differences in their economic characteristics as well as in their statutory provisions, administrative policies, and practices. For example, in 1977, all the states together denied benefits for a disqualifying job separation at the rate of about 11 percent of all initial claims filed. Among the states, however, this denial rate ranged from about 4 percent in Alaska to 38 percent in Nebraska and Oklahoma. In 19 states, the denial rate was less than 10 percent; in 7 states it was 25 percent or more.<sup>36</sup>

**Table 2. States Exceeding Federal Minimum UI Coverage Requirements for Significant Categories of Employment, January 1979**

Employment category	Federal minimum coverage requirement	States <sup>1</sup> exceeding federal requirement	
		Minimum coverage	States <sup>1</sup>
Agriculture	10 employees in 20 weeks or \$20,000 wages paid in calendar quarter (CQ)	1 employee any time or over \$100 wages in CQ 4 employees in 20 weeks or \$20,000 wages in CQ No exclusions	California Minnesota 4 states
Domestic household service	\$1,000 wages paid in CQ	\$500 wages in CQ \$225 wages in CQ	4 states Hawaii
Nonprofit organizations	4 employees in 20 weeks	1 employee	22 states
Industry and commerce	1 employee in 20 weeks or \$1,500 wages in CQ	1 employee anytime 1 employee in less than 20 weeks Less than \$1,500 wages in CQ or in year	9 states 5 states 12 states
Insurance agents	Coverage not required	Covered	7 states
Real estate agents	Coverage not required	Covered	14 states

<sup>1</sup>"States" include District of Columbia, Puerto Rico, and the Virgin Islands.

Source: *Comparison of State Unemployment Insurance Laws*, U.S. Department of Labor, Employment and Training Administration, January 1979.

**Duration Provisions.** Interstate differences in duration provisions also affect levels of insured unemployment. These effects may be more significant than those produced by any other factor on which state UI programs differ.

Claimants who exhaust their benefit entitlement, of course, are no longer counted among the insured unemployed even though many remain jobless and continue to look for work. Clearly, the longer the benefit protection provided, the more delayed the point of exhaustion of benefits for long-term unemployed workers and the more weeks claimed. Considering only regular state benefits (table 5), the maximum protection provided (as of January 1978) is 26 weeks in most states, but runs to 39 weeks. In 10 states, the duration allowed is uniform for all eligible claimants, including 30 weeks in Pennsylvania, 20 weeks in Puerto Rico, and 26 weeks in the eight others. In the other 42 states, it varies (up to the statutory maximum) on the basis of claimants' individual base period employment or earnings. Moreover, the same base period record can result in different potential weeks of benefits allowed in different states. Thus, a claimant with 32 weeks of work in the base period would qualify for 16 weeks of benefits in Florida, 19 weeks in Rhode Island, 24 weeks in New Jersey and Michigan, and 26 weeks in Ohio.<sup>37</sup>

**Table 3. Array of States by Employment and Earnings Required to Qualify for UI Benefits, in Order of Severity,<sup>1</sup> January 1979**

State	Minimum base-period requirements			
	Weeks of work or multiple of HQW or WBA <sup>2</sup>	Weekly earnings, or quarterly distribution <sup>3</sup>	Year	Minimum earnings High quarter
Rhode Island <sup>4</sup>	20 weeks	\$46 per week	\$ 920	
New York	20 weeks	\$40 weekly average	800	
Vermont	20 weeks	\$35 per week	700	
New Jersey <sup>4</sup>	20 weeks	\$30 per week	600	
Ohio	20 weeks	\$20 per week	400	
Florida	20 weeks	\$20 weekly average	400	
Connecticut	40 X WBA	Earnings in 2 quarters	600	
North Dakota	40 X WBA	Earnings in 2 quarters	600	
Oklahoma <sup>4</sup>	1-1/2 X HQW		1,000	\$ 250
North Carolina	1-1/2 X HQW		565.50	150
Nevada	1-1/2 X HQW		562.51	375.01
Arizona	1-1/2 X HQW		562.50	375
Alabama	1-1/2 X HQW		522	348
Texas	1-1/2 X HQW		500	125
District of Columbia	1-1/2 X HQW		450	300
Montana	1-1/2 X HQW		448.50	299
Georgia	1-1/2 X HQW		412.50	275
Maryland	1-1/2 X HQW		360	192.01
South Carolina	1-1/2 X HQW		300	180
Utah	19 weeks	\$20 per week	700	
Oregon	18 weeks	\$20 per week	700	
South Dakota		2 quarters with earnings of 10 X WBA outside high quarter	590	400
Virginia	36 X WBA	Earnings in 2 quarters	1,368	
Delaware	36 X WBA		720	
Tennessee	36 X WBA	Earnings in 2 quarters	504	338.01
Mississippi	36 X WBA	Earnings in 2 quarters	360	160
Kentucky	1-3/8 X HQW	8 X WBA in last 2	1,000	500
Pennsylvania	33-36 X WBA	quarters 1/5 of year's wages outside high quarter	440 <sup>5</sup>	120
New Mexico	1-1/4 X HQW		671.51	494.01
Idaho	1-1/4 X HQW		520.01	416.01
Indiana	1-1/4 X HQW		500	400
Washington	680 hours			
Wisconsin	15 weeks	\$52.01 per week	780.15	
Minnesota	15 weeks	\$50 per week	750	

**Table 3 (continued)**

State	Minimum base-period requirements			High quarter
	Weeks of work or multiple of HQW or WBA <sup>2</sup>	Weekly earnings, or quarterly distribution <sup>3</sup>	Minimum earnings Year	
Massachusetts	30 X WBA		1,200	
Kansas	30 X WBA	Earnings in 2 quarters	870	
Colorado	30 X WBA		750	
Missouri	30 X WBA	Earnings in 2 quarters	450	300
Arkansas	30 X WBA	Earnings in 2 quarters	450	
Louisiana	30 X WBA		300	
Hawaii	14 weeks and 30 X WBA	(Weekly earnings not specified)	150	
Michigan	14 weeks	\$25.01 per week	350.14	
Virgin Islands	26+ –30 X WBA	Earnings in 2 quarters	396	99
Puerto Rico	21+ –30 X WBA	Earnings in 2 quarters	280	75
New Hampshire		\$300 in each of 2 quarters	1,200	
Illinois		\$275 in quarter outside high quarter	1,000	
Wyoming <sup>6</sup>			960	600
Maine		\$250 in each of 2 quarters	900	
Alaska		\$100 outside high quarter	750	
Nebraska		\$200 in each of 2 quarters	600	200
Iowa		\$200 in quarter outside high quarter	600	
West Virginia			1,150	
California			750	

<sup>1</sup>“Order of Severity” is not exact because equivalencies between different types of requirements are not exact. For example, the New Jersey requirement may or may not be more severe than those in Connecticut and North Dakota.

<sup>2</sup>HQW = high quarter wages; WBA = weekly benefit amount.

<sup>3</sup>Quarterly distribution usually not specified with multiple of HQW but requirement automatically requires earnings in at least 2 quarters.

<sup>4</sup>Alternative—minimum base-period earnings of \$2,760 in Rhode Island; \$2,200 in New Jersey; and \$6,000 in Oklahoma.

<sup>5</sup>If less than \$600, claimant must have some earnings in each of 18 weeks.

<sup>6</sup>Requirement indicated for base period of last 4 completed calendar quarters; alternative for first 4 of last 5 completed quarters—1.6 X HQW.

<sup>7</sup>Raised during 1978 from \$600.

Source: *Comparison of State Unemployment Insurance Laws*, U.S. Department of Labor, Employment and Training Administration, January 1979.

**Table 4. Selected Disqualification Provisions for Voluntary Leaving of Work Without Good Cause, January 1979**

State	Period of benefit suspension <sup>1</sup>	Minimum requalifying requirement <sup>2</sup>	Benefits reduced
Alabama	Duration	10 X WBA	Yes
Alaska	5 weeks	None	
Arizona	Duration	5 X WBA	
Arkansas	Duration	30 days	
California	Duration	5 X WBA	
Colorado	12-25 weeks	None	Yes
Connecticut	Duration	10 X WBA	
Delaware	Duration	None	
District of Columbia	6-12 weeks	None	Yes
Florida	Duration	10 X WBA	
Georgia	Duration	8 X WBA	
Hawaii	Duration	5 weeks	
Idaho	Duration	8 X WBA	
Illinois	8 weeks <sup>3</sup>	6 X WBA	
Indiana	Duration	8 weeks	Yes
Iowa	Duration	6 weeks	
Kansas	6 weeks <sup>4</sup>	None	
Kentucky	Duration	None	
Louisiana	Duration	10 X WBA	
Maine	Duration	4 X WBA	
Maryland	1-9 weeks or duration <sup>5</sup>	10 X WBA	
Massachusetts	Duration	4 X WBA	
Michigan	13 weeks	None	Yes
Minnesota	Duration	4 X WBA	
Mississippi	Duration	8 X WBA	
Missouri	Duration	10 X WBA	
Montana	6 weeks <sup>6</sup>	(4 X WBA) <sup>6</sup>	Yes
Nebraska	7-10 weeks	None	Yes
Nevada	Duration	10 X WBA	
New Hampshire	Duration	3 weeks	
New Jersey	Duration	4 X WBA	
New Mexico	Duration	5 X WBA	
New York	Duration	4 weeks or \$200	
North Carolina	5 or more weeks or duration <sup>5</sup>	5 weeks	Yes

**Table 4 (continued)**

State	Period of benefit suspension <sup>1</sup>	Minimum requalifying requirement <sup>2</sup>	Benefits reduced
North Dakota	10 weeks <sup>6</sup>	(10 X WBA) <sup>6</sup>	
Ohio	Duration	6 weeks	
Oklahoma	Duration	10 X WBA	
Oregon	8 weeks <sup>6</sup>	(4 weeks) <sup>6</sup>	
Pennsylvania	Duration	6 X WBA	
Puerto Rico	Duration	10 X WBA	
Rhode Island	Duration	4 weeks at \$20	
South Carolina	Duration	8 X WBA	
South Dakota	4-9 weeks <sup>6</sup>	(4-9 weeks at 2 X WBA) <sup>6</sup>	Yes
Tennessee	Duration	5 X WBA	
Texas	1-25 weeks	None	Yes
Utah	1-5 weeks	None	
Vermont	Duration	Over 6 X WBA	
Virgin Islands	6 weeks <sup>6</sup>	None <sup>6</sup>	
Virginia	Duration	30 days	
Washington	Duration	5 X WBA	
West Virginia	6 weeks	None	Yes
Wisconsin	Duration	4 weeks and \$200	
Wyoming	8 weeks	None	Yes

<sup>1</sup>A fixed or variable term, in weeks, following the week of job separation, the week of filing for benefits, or the waiting week; or for the duration of unemployment.

<sup>2</sup>Amount of earnings or employment subsequent to disqualification required to requalify for receipt of benefits (WBA = weekly benefit amount).

<sup>3</sup>Duration of unemployment disqualification imposed for claimants with wages in less than 3 quarters of base period; claimants with wages in 3 or 4 quarters of base period may terminate disqualification by satisfying the requalifying requirement.

<sup>4</sup>Duration of unemployment disqualification imposed if claimant retired voluntarily.

<sup>5</sup>Either disqualification may be imposed at discretion of agency.

<sup>6</sup>Disqualification may be terminated by satisfying the requalifying requirement (or, in the Virgin Islands, by any amount of subsequent employment).

Source: *Comparison of State Unemployment Insurance Laws*, U.S. Department of Labor, Employment and Training Administration (January 1978), table 401, updated through January 1979.

**Table 5. Selected Data on Duration of Regular Benefits Under State Unemployment Insurance Laws  
[States arrayed by average potential duration in 1977]**

State	Maximum duration payable (weeks) January 1979 (u = uniform duration)	Average potential duration, 1977 <sup>1</sup> (weeks)	Experience of 1977 exhaustees of regular benefits			
			Exhaustion rate <sup>2</sup>	Average number of weeks drawn	Percent who drew	
					26 or more weeks	Less than 15 weeks
<u>U. S. total</u>		<u>24.0</u>	<u>33.4</u>	<u>22.1</u>	<u>54.3</u>	<u>15.1</u>
Pennsylvania	30u	30.0	20.9	30.0	100.0	0
District of Columbia	34	29.7	43.4	28.0	67.8	3.6
Iowa	39	29.6	24.8	21.7	44.8	10.9
New Mexico	30	29.1	29.6	27.6	73.9	0.7
Alaska	28	27.8	28.9	27.7	97.2	0.1
Connecticut	26u	26.0	28.7	26.0	99.3	0
Hawaii	26u	26.0	34.1	26.0	100.0	0
Illinois	26u	26.0	39.3	25.7	84.4	0
Maryland	26u	26.0	23.9	26.0	100.0	0
Massachusetts	30	26.0	38.7	24.3	55.1	12.2
New York	26u	26.0	39.1	26.0	100.0	0
Vermont	26u	26.0	26.1	26.0	100.0	0
West Virginia	26u	26.0	13.6	24.2	71.2	0
New Hampshire	26u	25.9	4.4	25.9	97.5	0
Oregon	26	25.7	25.2	26.3	90.6	2.1
Washington	30	25.6	34.7	22.4	40.4	14.5
Ohio	26	25.5	22.4	25.1	79.1	0
Delaware	26	24.8	26.2	24.5	72.8	0.6
Utah	36	24.6	27.4	20.7	30.0	36.6
Louisiana	28	24.0	36.7	22.5	47.4	10.2
New Jersey	26	24.0	43.6	21.8	55.5	13.2
Arizona	26	23.8	30.9	21.5	44.7	9.8
South Carolina	26	23.6	21.5	22.1	45.9	5.7
Tennessee	26	23.6	24.8	22.5	44.3	9.0
California	26	23.4	37.7	22.5	59.5	12.7
North Dakota	26	23.4	26.0	22.1	40.2	0
North Carolina	26	23.2	20.1	19.5	26.0	16.0
Alabama	26	22.9	25.2	20.7	35.3	19.2
Kentucky	26	22.9	23.9	20.6	34.3	0
Mississippi	26	22.9	24.4	21.8	46.8	12.5
Minnesota	26	22.8	40.9	19.3	23.3	19.7
Nebraska	26	22.6	26.9	16.0	20.8	40.5
Nevada	26	22.6	35.4	20.1	35.7	17.1
Rhode Island	26	22.6	37.6	20.5	42.3	19.0
Virginia	26	22.6	28.7	20.8	37.3	16.1

State	Maximum duration payable (weeks) January 1979 (u = uniform duration)	Average (weeks) potential duration, 1977 <sup>1</sup>	Experience of 1977 exhaustees of regular benefits			
			Exhaustion rate <sup>2</sup>	Average number of weeks drawn	Percent who drew	
					26 or more weeks	Less than 15 weeks
Kansas	26	22.3	29.4	21.4	47.5	16.4
Michigan	26	22.3	34.4	12.7	16.8	67.4
Arkansas	26	22.2	24.7	20.0	33.4	21.5
Wisconsin	34	22.1	67.1	17.3	35.4	20.7
Montana	26	21.9	32.0	20.9	42.6	22.4
Texas	26	21.7	36.6	18.6	19.5	29.0
South Dakota	26	21.1	24.2	17.7	18.1	36.0
Missouri	26	21.0	31.3	18.6	22.4	32.6
Maine	26	20.7	31.8	18.4	26.8	31.9
Oklahoma	26	20.5	41.9	19.4	19.1	12.4
Puerto Rico	20u	20.0	65.5	20.0	0	0
Indiana	26	19.9	30.6	16.6	14.2	43.3
Idaho	26	19.6	26.7	16.1	10.3	50.2
Georgia	26	19.5	28.0	17.7	12.2	34.3
Colorado	26	19.3	38.9	17.6	27.3	37.7
Florida	26	16.1	47.1	19.7	22.9	37.8
Wyoming	26	16.1	21.5	17.9	20.4	37.4

<sup>1</sup>Average number of weeks of regular benefits allowed to claimants establishing benefit years in 1977.

<sup>2</sup>Number of beneficiaries receiving final payments of regular benefits in 1977 as a percent of beneficiaries receiving first payments during the year ending June 30, 1977.

Source: *Summary Tables of Unemployment Insurance Program Statistics, 1977*, U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Program Letter No. 46-78 (July 21, 1978), tables 7, 9, 10, and 11.



Claimants who established entitlement to benefits in 1977 were given potential duration limits averaging 24 weeks nationally, with state averages ranging from 16 weeks in Florida and Wyoming to 30 weeks in Pennsylvania. About two-thirds of all claimants qualified for at least 26 weeks of regular benefit protection, but this proportion ranged from 100 percent in the uniform duration states (except Puerto Rico) to less than one-third in six states (as low as 20 percent in Georgia).<sup>38</sup> Exhaustion rates tend to be higher and the number of weeks exhaustees draw tend to be lower in states with more restrictive provisions. Data reflecting these tendencies are obscured by economic conditions and by the effects of disqualification provisions (as explained above). Among the 2.9 million claimants who exhausted regular benefits in 1977, 54 percent drew for 26 or more weeks. This proportion was as high as 95 to 100 percent in 8 states and 20 percent or less in 8 states (plus Puerto Rico, where all drew 20 weeks). In 10 states, over one-third of all exhaustees drew less than 15 weeks of regular benefits.

During periods of high unemployment, when the duration of benefits allowed is extended by 50 percent of regular benefit entitlement, the total duration of benefits provided shows a somewhat different pattern of interstate variations. In the 10 states where maximum regular benefit protection exceeds 26 weeks, the extension is less than 50 percent because of an overall limit of 39 weeks. Furthermore, when the national rate of insured unemployment is below the required level for triggering extensions in all states, as it usually is, only some of the states are paying extended benefits. As a result, the extended benefit program accentuates the differences among states in duration provided.<sup>39</sup>

**Other Program Factors.** Insured unemployment may also be affected by state differences in partial benefit formulas, treatment of pension or other disqualifying income received by claimants, treatment of claimants involved in labor disputes, approaches to determining whether a claimant is available for work and able to work, and the definition of a *suitable* job offer (refusal of which is disqualifying).

Workers who take part-time jobs during temporary layoffs, or who are reduced temporarily to a short workweek on their regular jobs, may or may not file for partial benefits depending on the state's partial benefit provision. Restrictive state provisions tend to keep down the number of claims filed. The range of state partial benefit provisions is wide.

An unemployed pensioner who seeks work may be able to file UI claims for full weekly benefits in a state that does not offset the pension against the benefit; if the state does offset and the pension does not wipe out the benefit entirely, the claimant may file for a reduced benefit. Typically, pensioners on reduced benefits (also claimants who receive partial benefits) may file for more weeks than those drawing full weekly benefits, thereby tending to increase the level of insured unemployment.<sup>40</sup> Legislation enacted in 1976 (P.L. 94-566) requires *all* states to reduce a claimant's WBA by the amount (on a weekly basis) of any pension (s)he may receive, effective in March 1980. States currently vary as to the type and source of pensions considered for reducing the UI benefits. In its First Interim Report, the National Commission on Unemployment Compensation has recommended repeal of this requirement.<sup>41</sup>

Workers involved in labor disputes generally are not eligible for benefits, but states vary in their definitions of who is "involved" and who is not, with different effects on claims filed. Two states, New York and Rhode Island, disqualify all workers on strike for the first 7 or 8 weeks, after which they may file if still out. The number of strikers in these states who eventually draw benefits is rarely significant, though the effect could be substantial in a local area enduring a long strike.

The specification of what work is "suitable" varies somewhat by statute among the states, but more importantly, interpretation of the definition as applied to specific claimants also differs. Here, as in other questions of disqualification, such as whether the claimant is able to, and available for, work, there is room for a certain amount of subjective interpretation on the part of claims examiners or adjudicators. Such

interpretation, in turn, is affected by administrative policy or “emphasis” that can vary from time to time and place to place. All of these factors can and do affect the volume of claims filed, although it is difficult if not impossible to quantify the effects.

**Noncomparabilities—Conceptual Differences.** The use of insured unemployment data, especially in comparisons with data on all unemployment and in developing estimates of total unemployment, is further complicated by basic differences in the concepts that underlie the two sets of data. Because of conceptual differences, it is not appropriate, without qualification, to compare directly the published levels of insured and total (CPS) unemployment. Some idea of how the two levels compare, however, provides a useful background for a discussion of these differences and their significance.

The national aggregate of insured unemployment under all programs (including the railroad UI program and extended benefits) is usually less than half that of total CPS unemployment during nonrecession years (table 6). This proportion may rise to well over half during recession periods when extensive and long-term layoffs hit regularly employed industrial workers much more heavily than usual; for example, it averaged about 42 percent in 1973, rose to 50 percent in 1974 and 63 percent in 1975, and thereafter declined to 52 and 45 percent, respectively, in the next 2 years. Adding recipients of the temporary federal supplemental benefits paid after 1974 raised the insured portion to 72 percent in 1975, 63 percent in 1976, and 50 percent in 1977.<sup>42</sup>

The insured-total proportion also varies a good deal during the year. It tends to be high in the winter when bad weather curtails outdoor work in such industries as construction and lumber. In the first quarter of 1977, for example, when insured unemployment levels were at seasonal highs for the year, claims filed by construction workers accounted for about 20 percent of all claims under regular state programs, compared with about 11-12 percent in the previous summer.<sup>43</sup> The monthly insured-total unemployment proportion ranged between about 39 and 56 percent during 1977, reaching its low in June when the end of school brought the usual seasonal flood of youngsters into the job market, greatly increasing the proportion of the unemployed who were not eligible for benefits.

**Table 6. Total and Insured Unemployment, Annual Averages, United States, 1970-77**  
[In thousands]

Year	Total unemployment <sup>1</sup>	Insured unemployment <sup>2</sup>	Insured as percent of total unemployment
1970	4,088	2,070	50.6
1971	4,993	2,608	52.2
1972	4,840	2,192	45.3
1973	4,304	1,793	41.6
1974	5,076	2,558	50.4
1975	7,830	4,943	63.1
1976	7,288	3,822	52.4
1977	6,855	3,112	45.4

<sup>1</sup>Based on Current Population Survey.

<sup>2</sup>Includes all programs except Federal Supplemental Benefits and Special Unemployment Assistance.

Source: *Economic Report of the President*, January 1978, table B-31, p. 2231.

The ratio between insured and total unemployment also varies among states, ranging between 12 and 69 percent in 1973, between 28 and 70 percent in 1975, and between 17 and 54 percent in 1977.<sup>44</sup> These ranges reflect a compounding of the effects of interstate program differences and conceptual differences, as well as the differential effects of economic factors on state insured unemployment experience.

Unemployment, as defined in the CPS, includes all persons age 16 and over who had no paid employment during the reference week (or worked less than 15 hours as an unpaid family worker); who were able to work and available for work; and who were primarily engaged in looking for work or had looked for work during the preceding 4 weeks. It also includes workers on temporary layoff and awaiting recall or waiting to report to a new job within 30 days. Persons with jobs but temporarily not working because of a labor dispute, bad weather, vacations, or personal reasons are counted as employed, not as unemployed, whether or not they were paid or seeking other jobs.

Insured unemployment, on the other hand, is governed by statutory definitions which, as noted, vary from state to state. By and large, however, such unemployment includes all workers, regardless of age, who file UI claims for a week which can include some limited amount of employment. Thus, several categories of unemployed persons are included in the CPS total but not in the insured total. Conversely, a few types of workers are included in insured unemployment but not in CPS unemployment.

**New Entrants and Reentrants.** The largest components of the difference between insured and total unemployment are persons who have entered the labor force and are seeking work for the first time (new entrants), and those who have begun to seek work after being out of the labor force for a period of time (reentrants). The former group consists largely of teenagers who are fresh out of school or who are still in school but seeking summer jobs. Reentrants are usually women or youths who have worked or looked for work before. Unemployed reentrants accounted for about 31 percent of all CPS unemployment in 1973, 24 percent in 1975, and 28 percent in 1977. New entrants comprised about 15, 10, and 14 percent, respectively, in these 3 years.<sup>45</sup> The two groups, together, have accounted for much of the difference between insured and total unemployment in the last 10 years, when youths and women have become very significant sources of labor force growth.

Unemployed new entrants and most reentrants are not insured because they have not worked at all or enough, at least during a recent base period, to qualify for benefits.<sup>46</sup> Insured unemployment is a measure of joblessness among workers—persons with recent and substantial work experience.

Some reentrants may qualify for UI benefits if their absence from the labor force has been relatively brief, because the base period applied for qualifying requirements can lag behind the week of the initial claim by a considerable period. In most states, the base period is the first four of the last five completed calendar quarters prior to the start of a benefit year, which begins when a valid new claim is filed.<sup>47</sup> A claimant could qualify with employment in the early part of the base period, be out of the labor force for as much as a year, and then reenter and file for benefits. Such a claimant's current attachment is likely to be questioned closely, but a valid claim is possible. On the other hand, recent new entrants to the labor force who had some employment and were then laid off may fail to qualify for UI benefits if too much or all of their employment fell in the lag period between the base period and the benefit year and therefore did not count toward the qualifying requirement.<sup>48</sup>

**Workers Employed in Noncovered Jobs.** Until 1978, UI still did not cover the employment of a substantial number of workers, mostly in state and local government, agriculture, and domestic service, as well as in self-employment. When unemployed, they were represented in the total CPS count but not in insured unemployment.<sup>49</sup> Beginning with 1978, UI coverage extended to all but an estimated 2.7 million wage and salary jobs, mostly those provided by small (less than 10 workers) farm employers and in domestic household service.<sup>50</sup> There are also about 7.5 million self-employed workers whose employment is not covered, including nearly 1.5 million farmers.<sup>51</sup> Some who work in noncovered jobs, especially self-employed farmers, hired farmworkers, and domestics, manage to work part of the year in covered employment as well; they may therefore be able to qualify for some UI benefits when unemployed and would be counted among the insured if they file valid claims.

**“Job Leavers” and Disqualified Claimants.** An important element in labor turnover consists of workers who quit their jobs to take or seek other jobs or for other reasons. Unemployed job leavers account for between 10 and 15 percent of all CPS unemployment.<sup>52</sup> Workers who voluntarily quit without good cause typically are not eligible for UI, at least for a period of time. Some of them understand this and do not file for benefits. Others do so only to be disqualified; they may file an initial claim, but they do not usually get to file continued claims and therefore are not included in insured unemployment. In 1977, states denied benefits for voluntary quitting under their regular programs in about 1.3 million cases.<sup>53</sup> Table 4 indicated the varied treatment by states of claims filed by job leavers. Some job leavers may qualify for UI if they had “good cause” as variously defined by the states (in some only for reasons related to the job or employer, while in others also for certain personal reasons unrelated to the job). Thus, whether unemployed job leavers are included among the insured unemployed depends on state law, but most are not included.

Disqualifications are also imposed for a misconduct discharge, for being unable to work or unavailable for work, for refusal of suitable work, fraudulent claims, etc. In 1977, the states imposed a total of 4.3 million disqualifications under their regular programs.<sup>54</sup> Fewer individuals were involved, because some claimants may be disqualified more than once during the year, especially for being held unavailable for work.

**Exhaustees.** Another important group of unemployed persons who are included in total CPS unemployment but not in insured unemployment are claimants who have exhausted their UI benefit rights and remain unemployed. During recessions and immediately after, the number and rate of claimants exhausting regular state benefits rise well above normal levels. At such times, the extended benefit program tends to be in operation in most, if not all states. Exhaustees of regular benefits can thereby continue to draw and still be included among the insured unemployed.<sup>55</sup> The FSB program, from 1975 through January 1978, further extended insured unemployment for exhaustees of EB in many states during most of this period. Post-exhaustion studies have shown that significant proportions of exhaustees were still or again unemployed at various times after UI benefits ran out. The proportions varied depending on current labor market conditions and how long it had been since exhaustion. Other exhaustees were working and some had left the labor force. The availability of EB and FSB tends to keep exhaustees in the labor force, at least as long as benefits last.

In 1977, about 2.9 million claimants exhausted regular benefits, one-third of all beneficiaries who began receiving benefits during the 12 months ending June 1977. Over 2.6 million began drawing extended benefits in 1977. That year, EB claimants exhausted at a 61 percent rate, producing a total of 1.6 million EB exhaustees.<sup>56</sup> Over 1.2 million began drawing FSB in 1977; the rate of exhaustion of these benefits was about 63 percent.<sup>57</sup> The numbers exhausting all benefits, even with the extensions available, were still substantial that year, accounting for a significant component of total unemployment that was not insured.

**Nonfilers and Delayed Filers.** Not all unemployed workers who are eligible for benefits file a claim, or file as soon as they lose their jobs. The reasons for nonfiling and delayed filing include lack of knowledge about benefit rights, expectation of speedy reemployment, reluctance to accept help from a public program, restricted interest in limited benefit considering the “trouble” involved, and simple inertia. These workers are represented in total CPS unemployment but are absent from insured unemployment. It is uncertain just how significant a component this group is, but it is probably important enough to take into account when using the two sets of data. Several state studies provide some basis for estimating the number of delayed filers.<sup>58</sup>

**Partial Unemployment.** Finally, the insured unemployed includes a group who are not considered unemployed by CPS concepts—claimants who draw partial benefits or who have some minor employment but not enough to reduce the benefit amount.<sup>59</sup>

For benefit purposes, state UI laws define unemployment in a given week by specifying a level of earnings above which no UI benefit is payable. As noted earlier, this definition can vary a good deal from state to state. The CPS counts as employed anyone with as little as 1 hour of paid employment. In 1977, about 6 to 7 percent of all weeks compensated by UI were at partial benefit rates. A small additional number were paid at the full rate when there was some minor employment reported.

There is growing interest in the UI program's potential for playing an even larger role in compensating for partial unemployment. For one thing, partial benefit provisions are criticized for being so restrictive in most cases as to discourage incentive on the part of claimants to take temporary part-time employment. To the extent states respond to such criticism and liberalize their provisions, as has occurred here and there, the partial benefit component of insured unemployment can become more significant.

More recently, attention has focused on the idea of providing a partial UI benefit that would compensate for a limited reduction in a standard workweek schedule. Except for a few states with the most liberal partial benefit provisions, no partial benefit would normally be payable unless the reduction was very severe. European UI programs have used this approach to minimize full layoffs during recession, thereby spreading the impact of a reduced need for labor over more workers. It is considered more desirable, as a temporary expedient, to keep all employees working on a reduced schedule rather than to place some on a complete layoff. The benefits of this approach can include improved morale and productivity, and better maintenance of work skills and job attachment. California recently enacted legislation allowing employers, on a voluntary basis and under certain conditions, to reduce hours rather than lay off workers and have UI provide a partial benefit compensating part of the resulting weekly wage loss regardless of the amount of wages earned in the week.<sup>60</sup>

**Geographic Location of the Unemployed.** Comparisons of insured and total unemployment at subnational levels are affected by the difference in the way the unemployed are identified as to geographic location. The CPS count is based on the place of residence of the unemployed, although many jobseekers look for work in other jurisdictions. The count of the insured unemployed, on the other hand, is based on the location of the offices where they file their claims, and they often file where they worked or are looking for work, although they live elsewhere.

This difference between the two counts is likely to be proportionately larger the smaller the area, especially in components of SMSAs or of other broad labor market areas. Therefore, other information on the claims forms is used to reclassify the insured unemployed by place of residence to make the insured counts comparable with the total CPS counts with regard to geographic location when estimates of total unemployment for local areas are derived from insured unemployment counts. At some point, the quantitative differences these adjustments make should be analyzed.

**Unemployment Rates.** In comparisons of insured and total unemployment rates, the noncomparabilities affecting the two counts of unemployment, which form the numerators in the rate calculations, are compounded by noncomparabilities affecting the data used in the denominators. For the total unemployment rate, the denominator is the civilian labor force—the employed plus the unemployed—for the same period represented by the numerator. For the insured unemployment rate, however, the denominator is average monthly covered employment over a 12-month period ending from 6 to 9 months prior to the week represented by the numerator.<sup>61</sup>

Theoretically at least, it is possible to construct a "covered labor force" figure that would be comparable in concept to the civilian labor force.<sup>62</sup> This would require adding to the denominator of the insured rate not only the average number of insured unemployed but also "covered" unemployed workers who were not insured (such as exhaustees, ineligible and disqualified claimants, and delayed filers and nonfilers). There would remain the difference in the time periods represented by the two denominators. There appears to be no way to obtain a covered employment figure corresponding in time with current insured unemployment except long after the fact.

Even reducing the 6- to 9-month time lag is unlikely, considering the time needed to collect and process the employers' quarterly reports from which the data are obtained.<sup>63</sup>

As a means of gauging the effects of this noncomparability on the rate, it is useful to compare rates calculated with both numerator and denominator on a common time basis with rates calculated with the lag. Such a comparison is possible using annual rates published in the *Handbook of Unemployment Insurance Financial Data*, which are calculated on the basis of the same period (the calendar year) for the numerator and the denominator. These can be compared with annual rates published in the *Employment and Training Report of the President*, which lag the denominator 6 months behind the numerator. A comparison of these rates for 1976 shows that for the great majority of the states, the *Handbook* rates are lower than those calculated with the lag by from 0.1 to 0.6 of a percentage point. The year 1976 was one of generally rising employment, accounting for higher denominators for the calendar year than for the year ending June 1976. In a period of declining employment, the reverse is likely to be the case, resulting in higher rates when calculated without a lag in the denominator.

**Noncomparabilities—Effects on Characteristics Data.** The insured unemployed also differ from the CPS unemployed in such characteristics as sex, age, and color. (See table 7.)

In recent years, men have made up about 60 percent of the insured unemployed under the regular state UI programs, compared with about 52 to 54 percent in the CPS count.

**Table 7. Characteristics of the Insured Unemployed and of All Unemployed (CPS), Selected Years**

	Percentage distribution within each characteristic					
	1973		1975		1977	
	Insured <sup>1</sup>	CPS total	Insured <sup>1</sup>	CPS total	Insured <sup>1</sup>	CPS total
Sex						
Male	59.0	52.0	63.0	56.0	60.0 <sup>2</sup>	52.3
Female	41.0	48.0	37.0	44.0	37.8 <sup>2</sup>	47.7
Age						
Under 25 years	18.3	51.3	22.6	45.7	21.4	47.0
25 to 44 years	41.0	30.0	43.5	34.3	45.0	34.6
45 years and over	39.6	18.7	29.3	20.0	30.9	18.4
Information not available	.6	—	4.3	—	2.7	—
Color						
White	80.1	79.2	77.3	81.4	81.0 <sup>3</sup>	80.3 <sup>3</sup>
Nonwhite	13.0	20.8	13.6	18.6	13.4 <sup>3</sup>	19.7 <sup>3</sup>
Not reported	6.9	—	9.1	—	5.6 <sup>3</sup>	—
Length of current spell of unemployment						
Less than 5 weeks	33.5	51.0	27.8	37.0	30.0	41.7
5 to 14 weeks	43.4	30.1	44.3	31.3	44.1	30.4
15 or more weeks	23.1	18.9	27.9	31.7	25.9	27.9

<sup>1</sup>Under regular state UI programs.

<sup>2</sup>Information was not available for 2.7 percent.

<sup>3</sup>Data are for 1976.

Source: *Employment and Training Report of the President, 1978*, tables A-18, A-19, A-24, and F-10 (pp. 210, 211, 217, and 316); and *Unemployment Insurance Statistics, January-March 1978* (p. 75), November-December 1975 (p. 45), and January 1975 (p. 35).

In 1975, the proportion of men was higher in both counts, reflecting the large recession-induced layoffs of workers in heavy durable goods manufacturing and construction, most of whom are men, but the difference was still wide—63 percent among the insured and 56 percent among the total count. These figures indicated that the majority of the *noninsured* unemployed is female.

Even more striking is the contrast between the insured and the total unemployment count by age. Among the insured in recent years, only about one-fifth have been under 25 years of age, compared with nearly half of total unemployment. Well over half, perhaps as much as three-fourths, of the *noninsured* unemployed appear to be young people.

These sex and age differences stem primarily from unemployed new entrants and reentrants to the labor force, who typically lack insured status, but generally make up about 40 percent of the total count. The insured unemployed consist entirely of workers with significant recent work experience (at least significant enough to meet the qualifying tests); all the unemployed, as counted by the CPS, include experienced workers *plus* the new entrants (mostly teenagers) and reentrants (mostly female) who cannot qualify for UI. In 1977, for example, 75 percent of the 938,000 unemployed new entrants were aged 16 to 19 and 48 percent of the 1,926,000 unemployed reentrants were women aged 20 and over.<sup>64</sup> Because of this profound difference in the age and sex distribution of the two sets of data, a case can be made for organizing the CPS unemployment data to permit more comparative analysis between the experienced worker segment and the insured unemployed. Comparisons between the two counts by most other characteristics are otherwise likely to be distorted by this conceptual difference between them.

For example, while the information on color of the insured unemployed is not complete for all states, available data suggest that nonwhites make up a smaller proportion of insured than of total unemployment. In 1976, nonwhites were about 20 percent of all the unemployed and 13 percent of the insured unemployed. They were about 17 percent of the experienced segment of the total count, closer to their proportion of the insured group. Much of the remaining difference is probably due to the greater tendency of the nonwhite insured unemployed to exhaust benefits, as they tend to experience longer or more frequent unemployment. They also have a greater tendency to have been employed in noncovered jobs (agriculture, domestic household service) precluding eligibility for UI.

Benefit duration formulas also contribute, to a smaller degree, to the lower proportions of women, young people, and nonwhite adults among the insured unemployed than in the total count. Relatively more of them than of adult male claimants who qualify for benefits do so with limited employment and earnings, which entitle them, under variable duration formulas, to fewer weeks of benefits and, as a result, proportionately more of them exhaust their benefits. For nonwhite claimants, the tendency to experience more frequent spells of unemployment also helps depress their base-period employment and earnings and thus raise their rate of benefit exhaustion in comparison with white claimants.

The total CPS count shows a higher concentration unemployed-less than 5 weeks (table 7), because new entrants and reentrants tend to be unemployed for shorter periods than job losers, who account for most of the insured unemployed. In 1977, for example, about half the former, compared with a third of the job losers, had been unemployed for less than 5 weeks at the time of the survey.<sup>65</sup> The difference between the insured and total counts in this respect was larger in 1973 than in 1975 and 1977, when job losers were relatively more numerous. Unemployment generally lasted longer in 1975 and 1977, producing higher regular UI exhaustion rates and therefore lower proportions remaining unemployed 15 or more weeks among the insured as compared with the total CPS group, reversing the pattern for 1973. (The insured unemployment distributions in table 7 do not include claimants on extended benefits.)

Data for both the insured unemployed and for the total CPS count describing the industry of prior employment are summarized in table 8. The distribution of the

**Table 8. Percentage Distribution of the Insured Unemployed<sup>1</sup> and of All Unemployed by Industry, 1977**

Industry	Insured unemployed <sup>1</sup>	All unemployed
Total	100.0	100.0
Mining	1.0	0.5
Contract construction	14.7	8.5
Manufacturing	31.4	21.1
Durable goods	15.7	11.5
Nondurable goods	15.7	9.6
Transportation and public utilities <sup>2</sup>	3.8	3.5
Wholesale and retail trade	17.6	21.1
Finance, insurance, and real estate	2.8	2.7
Services	14.2	15.2
Agriculture (wage and salary)	— <sup>3</sup>	2.4
State and local government	1.7	— <sup>4</sup>
All other industries	3.0	—
All other classes of workers	—	11.4 <sup>5</sup>
No previous work experience	—	13.7
Information not available	9.9	—

<sup>1</sup>Under regular state UI programs, that is, excluding federal UCFE, UCX, and extended benefit programs.

<sup>2</sup>Railroad workers included in all unemployed but not in insured unemployed.

<sup>3</sup>Included in "all other industries."

<sup>4</sup>Included in "all other classes of workers."

<sup>5</sup>Includes unemployed wage and salary workers previously employed in the public sector, and unemployed who were previously self-employed or unpaid family workers.

Sources: For the insured unemployed, *Unemployment Insurance Statistics*, January-March 1978, p. 69; for all unemployed, *Employment and Earnings*, January 1978, p. 146, table 12.

insured unemployed is confined to wage and salary workers, as other classes (self-employed and unpaid family workers) are not covered. The insured group distribution does not reflect claims filed by former federal employees and ex-servicemen (UCFE and UCX claims). Unemployed persons with no previous work experience, of course, are not counted among the insured.<sup>66</sup> These categories as well as railroad workers, not covered under the state UI programs, are included in the count of all unemployed. As a result, the industry distributions of the two sets of data are not comparable. If adjustments are made to exclude from "all unemployed" those with no prior employment, the formerly self-employed and unpaid family workers, former public sector employees, and the railroad workers, and to exclude state and local government workers from the insured, the remaining unemployed in the two counts are much more comparable. Redistributions made after these adjustments show the following patterns for the major industry groups:<sup>67</sup>

	Adjusted percentage distribution	
	Insured unemployed	All unemployed
All industries	100.0	100.0
Contract construction	16.6	11.4
Manufacturing	35.5	28.3
Wholesale and retail trade	20.0	28.3
Service industries	16.0	20.3
Other industries	11.9	11.7



Important differences remain between the two adjusted distributions. The smaller concentrations of the insured unemployed in trade and service suggest the possibility of limited eligibility among the unemployed from these industries. In retail trade, especially, and in some of the services, many work part time or for limited periods. The turnover is fairly large among such workers and much of it may represent voluntary quitting. Some may drop out of the labor force for a while and then again seek work, that is, reentrants. As a result, relatively more employees in these industries, as compared with manufacturing and construction, would fail to qualify for benefits, would qualify for limited duration of benefits and hence drop out of insured status sooner, or would be disqualified from drawing benefits because they voluntarily left a job or were not available for regular full-time work.

Comparisons by occupation are more difficult because of classification differences and because of failure to identify a large proportion (about 17 percent in 1977) of the insured unemployed by occupation. Therefore, no comparative analysis of occupational characteristics is attempted.

The effects at the state level of the noncomparabilities between the two counts are probably similar to those at the national level but lack of CPS characteristics data for states make this a matter of conjecture. UI statutory variations suggest the possibility of even greater contrasts in characteristics patterns between states.

The industrial makeup of each state also influences significantly the kinds of people who become unemployed in the state. States vary considerably in the industrial characteristics of the insured unemployed. In November 1977, for example, the proportion of the insured unemployed who last worked in manufacturing (31 percent nationally) ranged from less than 15 percent in some states to more than 45 percent in others.<sup>68</sup> Within manufacturing, the split between durable and nondurable goods (48 and 52 percent, respectively, for all states) ranged from two-thirds or more durable in about 10 states to two-thirds or more nondurable in a like number of states. These industrial differences are accompanied by sex and age differences. In November 1977, when 59 percent of all insured unemployed were males and 23 percent were less than 25 years old, the proportions ranged among the states from 45 to 85 percent males and 15 to 36 percent under 25.

The characteristics of the unemployed probably vary still more by local area. Lack of local data for either count handicaps analysis and evaluation of unemployment at this level and casts doubt on the reliability of local estimates of total unemployment which build on insured unemployment counts. The estimates for many noninsured components are based on statistical relationships derived from analyses of data from a few state studies that are not adequate to yield valid relationships for most subnational applications.

#### **Shortcomings of Published UI Information**

Several other problems that trouble users of UI data concern certain limitations affecting the published statistics on insured unemployment and related data. The publications containing the data have been noted. Several kinds of problems in the published information require mention.

One of these is the scattering of the various kinds of data among different publications. For example, there is no single source in which all the data relating to insured unemployment levels and rates can be found. *Unemployment Insurance Statistics* comes closest, but its coverage is not complete. It shows monthly average weekly insured unemployment levels, by state and for the nation, for regular state UI programs, for the federal civil service employees and military servicemen, for the federal-state extended benefits program, and for all these programs combined. But it shows monthly average insured unemployment rates only for regular state UI programs. No annual averages for all these data are provided. Some annual figures appear in other publications, usually for the United States only, or by state for regular state UI programs only.

The user who does not carefully follow footnotes or explanations (not always available in the same publication) may find data in two different sources that appear to be for the same item but are not the same. For example, the annual average insured unemployment rates, by state and nationally, under regular state UI programs appear in the *Handbook of Unemployment Insurance Financial Data* and in the *Employment and Training Report of the President*. The rates differ appreciably. Only by a close reading of the glossary in the former (which does not appear in the annual supplements to the *Handbook*) can one determine that the *Handbook* rates are based on average monthly insured unemployment and covered employment for the same year. The "corresponding" annual rates in the *Employment and Training Report* are not explained, but they are based on monthly covered employment averaged over the 12 months ending June 30 of the calendar year over which insured unemployment is averaged.

*Unemployment Insurance Statistics* is the regular and primary source for published UI data, but it is neither complete nor systematic in what it provides. Some improvements have been made in recent years in publishing data, by state, for various items of UI program activities on a monthly, quarterly, and annual basis, but average insured unemployment levels and rates on a quarterly or annual basis still are not published. Except for the *Handbook of Unemployment Insurance Financial Data*, there is no single historical source for annual UI statistics, and the *Handbook* is limited to items oriented to financial analysis of the program, which may not be on the same basis that would apply for data oriented to other analytical purposes.

Another shortcoming is that the publications containing the data do not provide adequate, or any, technical notes explaining the nature, sources, and limitations of the published statistics. The glossary supplied by the *Handbook* is helpful, but not a sufficient guide to the user. There is no explanation and not even a reference to the glossary in the *Handbook* supplements that are issued for each year after the *Handbook* publication. *Unemployment Insurance Statistics* contains no background information about the published data whatsoever. There is an explanation of the basic sources of the data, but it appears in a separate publication,<sup>69</sup> to which no reference is made in *Unemployment Insurance Statistics*. No current publication contains a succinct discussion of the limitations and nature of the data.

Finally, there is a chronic problem of long delays in publication of the data. Part of the problem is traceable to delayed reporting of the data by a few states. *Handbook* data, published in the annual supplements, are especially slowed for that reason. The supplement containing information for 1976, for example, was not issued until July 1978. *Unemployment Insurance Statistics* containing data for May and June 1978 was not published until late November 1978.

Because of these shortcomings, users of published data face the tedious tasks of assembling the needed information from various sources, making sure that they are on the appropriate basis, and developing adequate appreciation of any limitations that could circumscribe their analyses or their findings.

## Improving Data Quality and Analytical Potential

### Quality Control and Validation

As noted earlier, the widely decentralized compilation of the data on UI claims in much of the country, the transition in some states to centralized computer-controlled operations yielding data as a byproduct, and the generally low priority assigned to statistical functions create fertile ground for error, omission, and inconsistency. Considering the loose administrative arrangements and attitudes on which the statistical compilations depend, it is essential that effective systematic procedures be applied diligently and continuously to assure reasonable accuracy of the counts. While the states have been nominally required to check the validity of the statistical information they report, in recent years they have done so only sporadically, if at all.

Concern about the quality of administrative data is not confined to claims counts; it covers a wide range of reported data that are vital for setting budget levels for administrative funding and for the equitable allocation of these funds among states and among functions. The establishment of a cost model as a tool for administrative fund management, a model that represents the various work functions of the state employment security programs, has placed increased emphasis on accuracy in reported workload data, including those on claims activity. Although insured unemployment data have been used increasingly in determining outlays of public funds, either directly by triggering extensions of UI benefit payments, or indirectly in estimates of unemployment by which various types of federal funds are allocated, use of the data to control UI administrative funds seems to generate the most concern for data accuracy. That concern has prompted the current effort to improve the quality of reported workload statistics.

The national office of the federal-state employment security system has recently updated and tested new validation procedures for these data and established a schedule for their installation and periodic application in the states beginning with fiscal year 1979. This effort has included clarification of definitions of the items counted and of reporting instructions. The procedures call for a retrospective application of clarified definitions and instructions to selected samples of previous counts to determine differences and for verification of numerical counts for a prior quarter through recounts. Each state determines which records to check, which local offices to sample, and which calendar quarters to recount. State staff performs the validation. Federal staff monitors the process.

Staff training in these procedures is emphasized. The establishment and active application of a validation program should make the staff sensitive to the importance of data quality control. Once established, it is essential to find ways to sustain vigorous validation activity because routine procedures often come to be taken for granted. A periodic review of the procedures—perhaps every few years—including changes in recount schedules, may help to guard against slackening efforts. A quality control program should also cover other stages of data compilation and processing to assure that the resulting data are consistent with reasonable standards.

Covered employment data, a significant element in the calculation of insured unemployment rates, are not involved in the validation program. Two types of problems with these data affect their accuracy, apart from clerical error.

One concerns the delinquency of employer reporting. In order to submit their quarterly reports (ES-202) to BLS on time, states estimate employment not yet reported. The estimates probably are fairly reasonable, but it is best, of course, to keep delinquent reporting to a minimum. At the end of the first quarter of 1978, nationally, less than 5 percent of employers were delinquent in submitting their contribution reports to the states. The proportions ranged from less than 1 percent in six states to nearly 9 percent in Ohio, 13 percent in the District of Columbia, 16 percent in Illinois, and 28 percent in Puerto Rico.<sup>76</sup> The volume of employment to be estimated for the quarter was less than these proportions would indicate, as most delinquents are small employers, some of whom go out of business. Where a large employer is involved.

agency staff may check with the firm by phone to obtain the information. Though a problem, the potential effect of delinquent reporting on the accuracy of the data does not appear serious except, perhaps, in a few states. Use of a four-quarter average of covered employment in rate calculations waters down the effect of delinquency on the data for one quarter.

The other problem occurs when there are major changes in coverage. Newly covered employers do not all enter promptly into the system from the moment of coverage. The state agency must identify them, notify them of their status, and arrange for their submission of quarterly contributions, and employment and earnings reports. It takes some time before these employers are established in the system and reporting routinely. During this period, covered employment may be understated, while the new coverage may increase claims and thus cause some overstatement in the insured unemployment rate. Fortunately, the problem dissipates in time. With coverage now so extensive, the problem is not likely to recur once the new coverage effective in 1978 has been absorbed.

### **Seasonal Variation**

Seasonal patterns of variation in weekly insured unemployment data, especially for small areas, do not always repeat the same magnitude or timing from year to year. Consequently, it is not always easy to adjust the data successfully for seasonal variation using the usual techniques. Averaging data over longer time periods, such as 13 weeks or 3 months, offers some means for smoothing out some of the more extreme irregularities in the weekly data. Such long-term averaging sacrifices some of the sensitivity that only the most current data can supply, but the risk of misinterpreting the unadjusted short-term changes can be large. However, with local operation of the UI system permitting quick and easy understanding of any significant factor affecting the local level of unemployment, analysis of current trends need not be handicapped by averaging the weekly data for small areas over an extended time period.

Use of weekly or monthly data, even when so averaged, without adjustment for seasonal change can still be misleading when used to trigger extended benefit payments or fund allocations. Such use of unadjusted data may produce unintended results, as illustrated by recent experience with state insured unemployment rates to trigger extended benefits.

Insured unemployment rates trigger extended benefits (EB) at both national and state levels, but the national EB indicator is a 13-week moving average of *seasonally adjusted* rates, whereas the state EB indicators are also a 13-week moving average, but *not* seasonally adjusted.

The state trigger mechanism originally specified in the 1970 law that established the EB program had two elements: the rate must be at least 4.0 *and* at least 120 percent of the average for the corresponding 13-week periods of the 2 preceding years. The latter requirement offers some protection against the triggering on of an extension simply because of a seasonal elevation in rates, but it becomes difficult to satisfy after a prolonged period of higher unemployment and thus may trigger off ongoing extended benefits even though the unemployment rate remains high. The Congress temporarily allowed the states to waive this second requirement if they wished, to enable them to forestall premature termination of EB periods.<sup>71</sup> Some of the states that exercised this option, however, especially those in the North, would trigger on EB periods almost every winter when bad weather pushed insured unemployment rates above 4.0 percent. The 1976 amendments now give the states the permanent option of waiving the 120 percent requirement but only when the state 13-week average insured unemployment rate reaches 5.0 percent or more. That average rate, however, is still unadjusted for seasonal variation.

While relatively few states are likely to reach the 5.0 percent level in nonrecession periods, seasonally high unemployment may enable some states to do so. Because of seasonal increases in insured unemployment, a number of states triggered on EB programs for limited periods in the first half of 1978. (See appendix A.) Were the rates seasonally adjusted, that event would not have occurred.

The seasonally adjusted national EB indicator, which declined steadily in late 1977 and continued to do so for the next 6 months, fell below the 4.5 percent trigger point in the first week of January 1978, thereby terminating extended benefits on a national basis. At that time, indicators were above the 5.0 percent trigger point in 11 states, including Hawaii, Michigan, and Vermont, which had reached that level shortly before (Michigan just that week) thanks to seasonal increases in unemployment. Several other states, also on a seasonal rise, reached the trigger point a little too late to start EB.<sup>72</sup> (Once there is a break in EB payments, as occurred in these states with the national program's termination, a new EB program may not start before 13 weeks have elapsed.) By the end of April, when these states could begin new EB programs, only four of them did so (California, Idaho, Illinois, and Massachusetts), although their EB indicators were in a seasonal decline and fell below the trigger point a few weeks later. (Once begun, EB must continue payable for at least 13 weeks regardless of the state indicator.) A few states barely missed starting EB at the end of April because their indicators fell below the trigger point one week too soon.

The operation of the trigger mechanism with respect to the EB indicators in some states appears to have had almost accidental or capricious effects simply because of seasonal factors. The EB program is intended as a response to recession unemployment, not to seasonal unemployment. Use of seasonally adjusted rates for the state triggers seems a reasonable approach to apply, given that policy intent.

Insured unemployment-based estimates of local area monthly unemployment levels and rates are also used, without seasonal adjustment, to control eligibility for certain federal grants and their allocation. For example, areas with unemployment rates of 6.5 or more for 3 consecutive months qualify for funds under CETA Titles II and VI. Monthly seasonal adjustments for all areas may be difficult to develop and apply. Use of quarterly or 3-month moving averages can supply some safeguard against the effects of some extreme variations.

#### **Adjusting for UI Program Differences Between States**

When a state's UI provisions or administrative practices by themselves produce a significantly higher or lower insured unemployment rate, as compared with other states, the effect may confound or defeat the intent of programs that operate on the basis of those rates. These effects also cloud economic analyses of interstate and regional differences in unemployment. Some measure of the influence of UI program differences on insured unemployment would help indicate how serious the problem is and, perhaps, offer some basis for adjustments to reduce or eliminate these effects.

Earlier discussion indicated that two aspects of state UI laws appear to be the most significant in causing noncomparability in insured unemployment rates—the qualifying requirement and the duration provision. Coverage provisions and disqualifications may also affect the rates to an important extent.

***The Qualifying Requirement.*** One approach to measuring the effects of differing qualifying requirements on insured unemployment levels is to estimate the difference in the proportions of claimants screened out in individual states by varying the qualifying test. Data from recent research show, for claimants qualifying for benefits in 1976 in Michigan, New York, and Oregon and in 1975 in California, their distribution by the number of weeks of work in their base periods. California and Michigan have requirements at or near the low end of the range among all states, New York is at the high end, and Oregon is in between with a requirement of 18 weeks of work.

In California, about one-fourth of all claimants who qualified in 1975 did so with less than 20 weeks of work; for Michigan, the corresponding proportion was about 12 percent in 1976. These states would clearly have had a substantially lower level of insured unemployment if their minimum had been the 20 weeks required in New York and several other states. The tables in appendix B imply that moving from a 14- toward a 20-week test would reduce the number of eligible claimants at a rate of about 2 percent for each week added. Assuming that this is a generally valid measure of the

effect, it can be used to adjust the different state qualifying requirements to a common test.

Not clear, however, is what effects the adjustment would have on insured unemployment levels. In states which vary the duration allowed by base-period employment or earnings, the estimated reduction in the number of claimants qualifying as the qualifying test increases might differ from the actual reduction in insured unemployment. The higher test would eliminate claimants with limited base-period employment who would be eligible for fewer weeks of benefits and thus more likely to exhaust at a higher rate and sooner than other claimants. Their elimination might therefore produce a smaller reduction in the number of continued claims filed than in the number qualifying. On the other hand, being marginal or seasonal workers, they work less and therefore tend to file more often than regular workers on temporary layoffs, especially in nonrecession periods, so that the reduction in claims filed might exceed that in the number qualifying. In uniform duration states, marginally eligible claimants may tend to draw longer or more often than other claimants because they would not be cut off by a lower duration limit; the reduction in the number qualifying therefore may understate the resulting reduction in insured unemployment. To these differing possibilities must be added the further point that the distributions of claimants by their base-period employment experience, on which the measurements of the effects of varying qualifying requirements depend, are themselves influenced by economic conditions and the industry mix of the covered labor force.

These tendencies make the size of the effects of differences in qualifying requirements on insured unemployment levels indeterminate, but the recent research cited at least gives some general idea of their magnitudes. One can visualize a scale or formula by which to adjust insured unemployment rates for interstate differences in qualifying tests. More research should be conducted to confirm or refine further the data described in appendix B and to determine the experience of marginally eligible workers with regard to the duration of their insured unemployment.

**The Duration Provision.** The longer the duration of benefits allowed under a state's UI law, the longer claimants tend to remain among the insured unemployed. States with more restrictive duration provisions tend to have higher benefit exhaustion rates and, therefore, lower insured unemployment rates. Exhaustion rates, however, are not a suitable basis for measuring the impact of interstate differences in duration provisions on insured unemployment, because they are affected by interstate variations in economic and labor market conditions and in industrial composition, as well as by variations in other UI provisions.<sup>73</sup> States with very similar duration provisions may have very different exhaustion rates. New York, Connecticut, and Vermont all provide up to 26 weeks of regular benefits uniformly to all claimants, yet their exhaustion rates in 1977 were about 39, 29, and 26 percent, respectively. Kansas and Oklahoma use the same variable duration formula, but their 1977 exhaustion rates were 25 and 42 percent, respectively.

The information needed to measure the effects of varying the duration provision on exhaustion rates and insured unemployment is similar to that used in analyzing the effects of alternative qualifying requirements. Data on base-period employment and earnings experience of individual claimants could be used to estimate differences in potential duration allowed under alternative duration formulas. Data on the claims experience of the same claimants could be used to estimate how that experience would change given alternative provisions. Some analysis of this type has been made in evaluating proposals to extend the range of duration allowed under existing formulas.<sup>74</sup> Using the same or similar data to simulate results of adjusting experience to a common formula, one could develop a scale for adjusting insured unemployment rates to remove the effects of differences in existing state duration provisions.

**A General Approach.** The discussion of possible adjustments for interstate differences in qualifying requirements and duration provisions suggests the possibility of a more general approach that could adjust simultaneously for all major differences in state UI

laws. Such an approach requires two elements: (1) settling on a common set of UI provisions to be applied for the purpose to all states; and (2) assembling a data base consisting of employment, earnings, and claims experience for individual claimants in all states, or as many as possible. With such a data base, one could simulate the effects of changing existing state provisions to the common provisions and then translate those effects into effects on insured unemployment levels. One can even conceive of elaborations that would permit simulations for different categories of claimants defined by a number of significant characteristics, assuming the data base can include these, and develop the results accordingly. Given some knowledge of worker characteristics in local areas, further adjustments might then become a possibility for local insured unemployment levels.

Such a scheme appears quite ambitious, but a number of current considerations support its desirability and feasibility. To begin with, the objective of overcoming this source of noncomparability among state and local data on insured unemployment supplies a strong and important motivation. A data base and simulation model of this type can also serve the needs of UI program policy evaluation, adding further motivation. The work of the current National Commission on Unemployment Compensation would be helped immeasurably if these were available. They would make possible the calculation of the costs and benefits of any proposed changes in the provisions covered by the model.<sup>75</sup> Beyond the Commission, policymakers at both state and national levels will continue to need such evaluations.

The data base constitutes the principal problem, but current developments in this area strongly suggest the feasibility of this approach. These will be discussed shortly.

#### **Conceptual Noncomparabilities**

Improvements in state and local area estimates of total unemployment, as built up from insured unemployment, also depend on overcoming conceptual differences between these two sets of data. As noted earlier, some advances are being made in this area as part of efforts by the Bureau of Labor Statistics to improve these estimates. These advances include the identification of the insured unemployed who report some earnings so that they can be removed from the count to adjust it to the total unemployment concept. Similarly, the current effort to reidentify the insured unemployed by their place of residence rather than place of filing permits adjustment to the CPS concept.

Most of the other problems concern those groups of the unemployed who do not file for UI for various reasons. The procedures for adding these groups to the insured counts to estimate the total CPS counts are often based on studies of limited scope or currency. The decennial Census of Population supplies benchmarks for some of these segments, and the adoption of a 5-year schedule for the Census will reduce obsolescence, but a 5-year gap still strains benchmark credibility in a dynamic economy. The need for an improved basis for estimating the noninsured segments will remain for intercensal periods.

One approach to some of these problems that may be worth considering is to obtain data in one or more of the monthly household surveys (CPS) that would permit separation of the unemployed into insured and noninsured groups. The CPS now identifies new entrants and reentrants among the unemployed every month and, as a result, the basis for estimating these noninsured segments, where such estimates are necessary, are probably on firmer ground than they used to be. Through a few added questions, the CPS could determine among the unemployed who has filed for or received UI and who has not, and why not. The reasons for nonreceipt of UI would supply a more current basis for estimating the missing segments for state and local area estimates of total unemployment. For UI evaluation and other analytical purposes, these questions would also be useful to ask on the March CPS, when annual work experience is obtained, with respect to whether UI was received for unemployment reported during the prior calendar year. Information about income, by source, obtained on that survey does identify total benefits received during the year, but the amounts reported, when totaled, have fallen far short of the aggregate UI benefit outlay

for the year. It may be necessary to associate the UI questions more directly with the labor force questions rather than sources of income to obtain more complete accounting of UI.

Technicians responsible for the CPS are understandably reluctant to add questions concerning receipt of UI. As the same respondents are interviewed monthly for 4 successive months, there is concern that respondents' cooperation and the validity of their responses might deteriorate because of the additional questions. The significance and potential of this approach, however, would seem to warrant efforts to develop and test methods to obtain UI information while minimizing any negative side effects.

#### **Claimant Characteristics and Experience**

Regularly available data on the characteristics and the labor force and UI experience of claimants would go far toward providing the means of adjusting insured unemployment statistics for interstate differences in UI provisions and serve many other purposes. It is useful to review the limitations of current information about claimants and possible improvements in its scope and use. The current development of a new comprehensive UI data base, to be described here, offers promise of a rich capacity for nearly all UI analytical needs in the future and for a strong grasp of labor force dynamics.

***Current Information and Potential Improvements.*** The limited data now reported each month by the states (ES-203) on a few characteristics of the insured unemployed supply some, but far from enough, understanding of the nature of involuntary unemployment among experienced workers and of how well the UI program deals with it. While representing usually less than half of all unemployment, the claimants covered by the data are a significant component of the total insofar as they reflect regular workers who have lost their jobs. Claimants account for most unemployment among the experienced labor force. The major missing elements among the experienced unemployed are noncovered workers, job leavers, and UI exhaustees. The noncovered group is diminishing as recent UI coverage extensions take hold.

Even though the data are limited, they offer possibilities for analysis beyond that now done. Most of the information presented consists of unidimensional monthly and annual summaries of state and national distributions of the insured unemployed by individual characteristics. Some cross-tabulations are provided on a national basis. The samples of claimants would not support more detailed analysis for many small states but could provide statistically reliable data for the larger states, especially on an annual basis.

The occasional publication of such analyses would reveal the broader possibilities and encourage more use of the data. Most helpful would be a major review of the claimant characteristics data covering trends over the last 15 to 20 years. No such long-term review has ever been attempted. In addition, comparisons with unemployment data from the CPS, with appropriate reconciliations, should be made from time to time along the lines illustrated above.<sup>76</sup>

Until the mid-1960s, the monthly reports on claimant characteristics showed, separately, data for claimants who exhausted their benefits during the survey week. The exhaustee data were valid only on a national basis, but they were the only such information regularly available. To economize and reduce the reporting burden on states, that part of the report was eliminated—an unfortunate decision. As limited as it was, even this much information would have been useful when the increasing volume of UI exhaustions became a serious problem in the 1970s and the Congress had to consider plans to extend benefits. Restoring data on exhaustees to the report would allow constant observation of changes in the composition of this group, at least on a national basis, as the volume of exhaustions varies over time.

Analogous to separate reporting of data for exhaustees would be similar information for new beneficiaries or new claimants—those claimants in the sample filing for their first payments or their first continued claims.<sup>77</sup> Just as the exhaustee data provided a view of the long-term insured unemployed, data for new claimants would reveal what



kinds of experienced workers are coming onto the UI rolls. Especially in periods of rising layoffs, such information would add a useful dimension to the understanding of current developments. Comparable data for claimants filing initial claims rather than their first continued claims would serve this purpose even better, but the additional reporting burden on the states may not be warranted.

It is always possible to require the claimant characteristics report to cover additional items of information. The current framework of the monthly report, however, does not lend itself to much expansion. Where individual claimant data are stored in central office computers, more might be done. Much information about claimants, however, is not so retained even where some central file is kept.

Another limitation of the monthly claimant characteristics report is that it presents a single-time cross-section description of claimants. A continuous longitudinal view would offer much greater opportunity for understanding and diagnosing unemployment problems and for suggesting some useful classifications of claimants which may be associated with potential remedies for their unemployment. To provide a longitudinal base of information, however, requires a totally different approach.

**CWBH—A Comprehensive UI Data Base.** Since the mid-1960s, there have been efforts to promote a plan to store nearly all information available in state employment security records pertaining to samples of individual UI claimants and covered workers. The objective was to accumulate, on a common basis in all states, a continuous file for each individual in the sample from which one could draw data for a large variety of analytical and descriptive purposes. The approach is known as the Continuous Wage and Benefit History (CWBH) program. Pennsylvania pioneered the idea and has continued to issue valuable analyses from this source. The national office in the U. S. Department of Labor prepared a guide for the states to encourage greater use of the approach,<sup>78</sup> and several states did adopt the idea. Interest and support for a strong effort to spread the use of CWBH flagged, however, as insured unemployment in the late 1960s declined to its lowest levels since World War II.

When the recessions of the 1970s severely strained the UI system, and the Congress as well as state legislatures sought policy guidance from information about the nature of the unemployment and the people it struck, little was available in the way of comprehensive and incisive data. Special studies were inaugurated, but these required time to plan, conduct, and analyze. The value of CWBH was then fully recognized for its rich potential as a source of information that could be tapped at any time to supply the data required and with little or no delay.

Out of this recognition of the potential of CWBH, the federal-state employment security system embarked on a major project to develop the approach fully and to establish it eventually in all states. The task is formidable, expensive, and time-consuming. The progress thus far, however, is encouraging and promises some early results that can be useful well before a comprehensive national system is in operation.

Currently, the project involves 14 states, aiming at rather extensive coverage of virtually all data in the administrative records of the state agency relating to individuals in the sample of covered workers and claimants. Moreover, a brief questionnaire to be completed by sampled claimants at the time the first claim is filed will supply such additional information as family characteristics, income, and education, which is not available in the records. All states follow a common set of data concepts and data file procedures to assure consistency. The state CWBH data banks are designed to supply current informational needs and to support cross-section as well as longitudinal analyses. The samples will be large enough to provide reliable state data.<sup>79</sup> Once established, the CWBH samples can be enlarged economically to support data on a substate basis. Some of the pilot states are taking the initiative, through larger samples or through stratified sampling approaches, to develop adequate representation for substate areas.

The current project is reaching an advanced stage. Many problems have been encountered and much work remains to overcome them. The expectation now is that data in the CWBH files in most of the 14 pilot states will become accessible during the last half of 1979.<sup>80</sup> Most of the effort so far has gone into the establishment and perfection of procedures for extracting the data from agency files, or from interviews, and entering the data into CWBH computer files at the state level. Use of the files for informational and analytical purposes will provide the ultimate test of the concept. That phase of the project will probably be reached toward the end of 1979. A successful demonstration of such applications will set the stage for expansion beyond the present group of 14 states. Remaining states probably will not come into the CWBH system all at once; those added next should be chosen so that, when combined with the 14 states in place, they are increasingly representative of the nation.<sup>81</sup>

The CWBH approach warrants strong support. It is not very conceivable that application of the basic idea cannot succeed. The only doubt remaining is whether the current effort to establish the CWBH system will be adequately sustained through a period of general federal budget stringency. Some elements in the total CWBH design, as now planned, may prove to be too difficult or too costly to establish, at least for some time to come. The appeal of the CWBH system design, however, is that important basic elements, which cover a wide range of characteristics and experience of UI claimants on a longitudinal basis, are by now well assured, and other desirable elements can be incorporated later if feasible. The important point is to press forward to establish as soon as possible those CWBH elements that are feasible in a sufficient number and variety of states to afford reasonable representation for the nation. If and when unemployment again rises to "emergency" levels, the CWBH data bank, even though not fully completed, will be essential for information to guide policy development and program administration—certain to be critical issues at the time.

Once established, this data base can respond to many present needs and others that are now beyond reach without resorting to costly, time-consuming surveys. The investment of time, effort, and funds in CWBH is large, but the prospective rewards are glittering indeed. There is also the likelihood that the CWBH can eventually replace existing statistical reporting requirements, which are the source of much irritation to state agencies and which do not always produce satisfactory results. The CWBH data base can eventually become the major instrument not only for supporting evaluations of UI policy and practices that are more sophisticated and penetrating than possible so far, but it can also play a powerful role in virtually every aspect of labor force analysis, especially at state and local levels. All of the advantages and uses cited earlier with respect to insured unemployment data should be enhanced and more fully realized as the result of CWBH.

## Summary and Conclusions

### Summary

Statistics compiled from the administrative records of the federal-state unemployment insurance (UI) system extend our knowledge about unemployment, especially among experienced workers. Data on the weekly levels and rates of insured unemployment are published every week for the United States and by state, and once a month for 150 labor market areas (levels only). These data represent counts of all UI claims filed in the approximately 2,500 local claims offices throughout the country. In contrast, statistics describing all unemployment for the United States are based on data obtained from the national mid-monthly Current Population Survey (CPS) of household samples. The states also compile UI data once a month, usually on a sample basis, describing certain characteristics of the insured unemployed—their age, sex, color, industry of last job, occupation, and the duration thus far of their current spell of insured unemployment.

These and other statistics drawn from the UI records assist in administrative planning, budgeting, and control of program operations, and in evaluations of the effectiveness

of the program's statutory provisions and their administration. The extensive geographic detail of the data makes them valuable for analyses of regional and local economic activity. They contribute significantly to local labor market information, and to the planning for local economic development, manpower needs, and employment and training programs. The most visible roles played by insured unemployment data are their use as indicators for the automatic start and termination of extended UI benefit programs, and their use as a base for estimating total unemployment by state and area. The latter estimates serve as the basis for determining eligibility for and allocation of federal grants amounting to many billions of dollars each year for a number of statutory programs, and for designating areas of "labor surplus" in which firms receive preference on government procurement contracts. Because of the critical roles, a great deal of sensitivity and controversy surround the UI data and their validity for these purposes.

While the geographic detail and the weekly frequency of the insured unemployment data represent great advantages, certain limitations must be taken into account as the data are used for various purposes. How serious these limitations are depends, in part, on the use to which the data are put. Most concern centers on how they affect the way the data are used, directly, to trigger extended benefits and, indirectly, to allocate grant funds. A basic problem is the need to assure that the data are accurate and valid considering their widespread origins and the way they are compiled and aggregated from local and state office records. A systematic check on accuracy has not been applied regularly or universally. It seems inevitable, therefore, that the data are of uneven quality. State and local data are not generally adjusted for seasonal variation, making for difficulties in interpreting current weekly and monthly changes. Changes over time in area data can be very erratic, reducing the effectiveness of statistical procedures designed to estimate and remove "typical" seasonal patterns from the data. Despite these problems, seasonally adjusted data may still be preferable to unadjusted data.

A major limitation of the insured unemployment data is that they represent only a part, usually less than half, of all unemployment. In comparing insured and total (CPS) unemployment, or in building on insured unemployment counts to estimate total unemployment for states and areas, the principal difficulties are the conceptual differences between the two figures and the interstate differences in UI programs that affect insured unemployment levels. Differences in state provisions on coverage, eligibility, and duration of benefits, and in administrative policies and practices—all contribute to differences in the levels of claims, thereby obscuring interstate comparisons of unemployment. The effects of these differences also weaken the estimates of noninsured unemployed segments, especially of unemployed UI exhaustees and ineligible or disqualified claimants.

The largest component of the noninsured unemployed consists of new entrants and reentrants to the labor force—persons with little or no recent work experience that might enable them to qualify for UI benefits. New entrants and reentrants are identified in the monthly CPS interviews so that these segments can be estimated on a national basis and for the largest states. The inclusion among the insured unemployed of workers with limited part-time earnings who draw partial (sometimes full) UI benefits is another source of noncomparability between the insured and the total CPS counts; the CPS count excludes workers with any paid employment. The insured unemployed are counted geographically by place of filing, which does not correspond in all cases with the place-of-residence concept underlying the total CPS count. This difference creates a problem in preparing subnational estimates of total unemployment.

Insured and total unemployment rates are not comparable for the further reason that the denominators used for the two counts are very different in concept and in the time-period reflected. For the insured rate, the base is the average monthly level of covered employment over the four calendar quarters ending 6 to 9 months prior to the time represented by the insured unemployment count. For the total unemployment

rate, the base is the total civilian labor force, including the employed and the unemployed, as of the time represented by the unemployment count.

Conceptual differences and other noncomparabilities between insured and total unemployment also affect comparisons of characteristics of the unemployed. The insured unemployed differ markedly by sex and age when contrasted with all unemployed, the latter showing greater concentrations of females and youths who account for most new entrants and reenrants. The industry patterns are also quite different between the insured and all unemployed.

There are possibilities for improving the quality of the insured unemployment data and for overcoming some of the problems of noncomparability with total unemployment data. The federal-state UI system has recently developed and is beginning to implement a systematic validation program which, if applied universally and continuously, should improve the accuracy of the data.

State insured unemployment data, especially when used for triggering extended benefit programs, can be seasonally adjusted. Even though the use of a 13-week average rate dampens the widest seasonal weekly swings in claims, a seasonal rise in claims during a recovery or nonrecession phase of the business cycle can still trigger on state EB programs, as occurred in 1978. Seasonal adjustments can avoid this result. Such adjustments are more difficult to apply to area claims data. Use of unadjusted monthly data, as in the area estimates of total unemployment, can produce erratic and undesired results when the estimates determine eligibility for federal grants or preference in federal contract bidding. Averaging area data over 3 months could reduce or eliminate this problem.

Measurement of how UI program differences between states affect differences in their insured unemployment levels could provide a basis for adjusting the data or for qualifying comparative results for this type of noncomparability. Some recent studies point the way to developing such measurements for differences in state qualifying requirements and duration provisions and suggest a more general approach for measuring the effects on insured unemployment levels of all major interstate differences in program. The approach requires state data on the employment, earnings, and claims experience of individual claimants, to permit simulations of the effects of changing different state program provisions to a common set of provisions.

Procedures for estimating the size of noninsured unemployment groups for states and areas need strengthening. Estimating formulas, based on data from a limited amount of mostly old studies, are applied uniformly without regard to economic and demographic differences among states and areas, casting doubt on the validity of many of the unemployment estimates. More current and better studies would help; so would an occasional expansion of the monthly CPS inquiry concerning individuals reported as unemployed to ascertain their UI or non-UI status and reasons for the latter. Care must be taken, however, not to "spoil" the validity of the CPS responses by adding such questions. Work is proceeding to exclude from the insured unemployment count claimants who report limited earnings, so as to square that count with the CPS concept of *total* unemployment. Similarly, the geographic location of the insured unemployed is being adjusted to reflect the CPS place-of-residence concept. The Bureau of Labor Statistics, which is responsible for the estimating procedures, has been making progress in improving them along these lines.

Monthly data on claimant characteristics are limited and do not begin to serve the needs for UI evaluations or for deepening understanding of unemployment generally. While the available data could support some additional analyses, major expansion of the types of data compiled requires a different approach. Characteristics data for UI exhaustees, however, were once included in the monthly reports and could be restored.

A major project is now underway to establish a comprehensive data base covering information about workers and claimants. The Continuous Wage and Benefit History

(CWBH) program is being built on samples of covered workers and UI claimants in each state for whom nearly all information available in administrative records is assembled and accumulated in continuous files. Some information not normally available is obtained through special questionnaires given to the sample claimants at their first claims. Each state's data base follows a common approach so that extracted data can be combined for all states. Fourteen states are cooperating with the national Unemployment Insurance Service in this project. During the last half of 1979, the first data base files are expected to be ready for use in most, if not all, of these states. Plans call for various types of analyses to test the CWBH program and its validity. If and when the program proves valid and feasible, it may be extended to more, eventually to all states.

The CWBH project is a substantial, costly and time-consuming undertaking. Progress thus far is encouraging. The test analyses themselves are expected to provide results for the first group of states that will be useful for some policy purposes. Thereafter, the effort will turn to adding more states to achieve a fairly good representation of the national system as soon as possible. In this way, the CWBH system will begin to meet informational and analytical needs long before it is completed. Many policy-related questions that have required difficult, costly, and time-consuming studies to answer can be dealt with quickly by extracting and analyzing relevant data readily available from CWBH files. For the first time, it will be possible to study workers and claimants longitudinally, adding an important dimension to our understanding of patterns of employment and unemployment. Measures for adjusting insured unemployment data to increase comparability with total CPS unemployment data will be more firmly based. The CWBH system allows for sample expansions to yield data reliable for substate areas, and some of the pilot states have already provided for such geographic detail. Eventually, data drawn from the CWBH files could replace the statistical reports, including the monthly claimant characteristics reports, now required of the states. The initial investments are large, but the long-run potential dividends of CWBH are tremendous and seem well worth the effort.

#### **Summary of Recommendations**

**Data Quality.** The federal-state UI system should implement promptly and vigorously its plans for validating the accuracy of UI data compiled for required state statistical reports. Validation should be a continuous process. The procedures used should be reviewed and varied from time to time to strengthen them and to minimize any slackening of effort that develops because of the deadening effects of routine.

Methods should be developed and applied to validate the accuracy of covered employment data compiled from quarterly state UI tax returns submitted by employers.

**Seasonal Variation.** The 13-week average state insured unemployment rates, used as state extended benefit program indicators, should be adjusted for seasonal variation. This change would require amendment of the relevant federal provisions covering the EB program.

Seasonal adjustments should apply to state unemployment estimates. For area estimates, the recommended approach is to develop 3-month moving averages of the underlying mid-month insured unemployed counts on which the estimates are built. Estimates of the size of noninsured segments of the unemployed should be added to these moving averages of the insured unemployment base to derive the total local unemployment estimate. These results should then be compared with those from present procedures for determining federal grant eligibility and allocations.

**State UI Program Differences.** Measures should be developed of the effects on insured unemployment levels of interstate differences in qualifying requirements and duration provisions. Data from recent studies in selected states reflecting employment, earnings, and claims experience of claimants should be used to develop the measures. Further studies should be conducted in other states to supply a broader base of data that adequately represents different types of provisions and state economies.

When available, relevant data from Continuous Wage and Benefit History files should be used to establish a general simulation model for adjusting all state and area insured unemployment data to a common program basis when such adjustments are desirable for particular applications.

**Conceptual Differences Between Insured and Total Unemployment.** New and broader studies should be made to update and strengthen the factors used for estimating unemployment among the noninsured unemployed—exhaustees, disqualified and ineligible claimants, delayed filers, nonfilers, and noncovered workers.

Consideration should be given to developing and testing questions that could be added periodically to the household CPS to determine the distribution of the unemployed between the insured and the noninsured and by the reasons for not receiving UI.

**Claimant Characteristics.** The states should be required, in their monthly reports on claimant characteristics, to show separate information for claimants who exhaust their benefits during the survey week. Exhaustee characteristics should be published monthly on a national basis and the possibility explored for publishing this information by state on an annual basis.

Claimant characteristics data over past years should be assembled, reviewed, and analyzed to determine long-term trends. More comparative analyses should be made comparing the characteristics of insured and all unemployed.

**CWBH.** The current project for developing CWBH data banks should be supported and expanded when the methodology is proven valid. Priority should be given to adding states to make the CWBH system increasingly representative of the nation.

As soon as CWBH data banks are sufficiently established in a number of states, wide access should be allowed to the data so that they may be exploited for many purposes by researchers inside and outside government. In this way, as the system expands, so will the capacity to take full advantage of its potential.

**Published Data.** *Unemployment Insurance Statistics* should be made a more complete and consistent source for the data provided regularly about the program. These statistics should be published on a monthly (if so reported by the states), quarterly, and annual basis. The publication should contain a brief but adequate set of technical notes explaining the origin, nature, and limitations of the data.

The *Handbook of Unemployment Insurance Financial Data* should explain more explicitly than it does that the statistics it contains may not in all cases be the same as those in *Unemployment Insurance Statistics*, having been calculated on a different basis for financial analysis. Where the data differ, the terminology used to describe them should also differ. The *Handbook's* glossary should be expanded into a more complete set of technical notes. Annual supplements to the *Handbook* should also contain sufficient explanation to caution users about differences from other published data and to refer them to the explanations provided in the *Handbook*. The *Handbook* should be updated every 5 years to include data in the annual supplements.

Consideration should be given to publishing an annual supplement to *Unemployment Insurance Statistics* that would contain annual data for the United States for the latest year and for all prior years. Historical annual data for states would require a more ambitious publication, on the order of the *Handbook* of financial data, but it would be valuable to have such a published source.

An effort should be made to speed up the publication of the data and include means for overcoming delays in statistical reporting by the states.

### **Concluding Observations**

Insured unemployment and other data from the administrative records of the federal-state UI system undoubtedly represent a significant source of knowledge about unemployment. The data have their weaknesses and limitations; they are often

difficult to compile properly and accurately and therefore sometimes frustrating to use. However, many of their shortcomings can be overcome, reduced, or allowed for in applications of the data. The costs of improving the data need to be weighed against the increasing benefits to be gained from making full use of this source of information. More and more, policies and programs for treating with unemployment are being decentralized; labor market information, economic development, CETA program planning—all depend on adequate local labor force intelligence. Short of a huge expansion of the CPS household sample, there appears to be no reasonable alternative to the detailed data of the UI system to help supply these needs.

CWBH offers the best and clearest route toward organizing the vast amount of information from the system in a form that will permit full exploitation. The approach is a natural development of the possibilities of computer technology applied to a sea of partially organized information. As CWBH becomes more established and widespread, its potential is likely to expand beyond even present substantial expectations. Sustained efforts to pursue the full realization of a comprehensive and universal CWBH system promise rich rewards.

Despite the best of data and the most sophisticated techniques for their use, all applications cannot be perfect. Problems of sampling variation, incomplete information, and sheer human error persist even under ideal circumstances. Even census counts have shortcomings. For most applications, these problems can be tolerated or managed, but it is unrealistic to expect too much of the data. Their use in triggering extended UI benefits and in estimating area unemployment makes borderline circumstances inevitable. Whether extended benefits become payable, whether a community qualifies for an economic development grant, or how much it gets in a CETA grant may turn on the precision of the data used in the controlling formula. Sampling errors, revisions for improved or more complete counts, the vagaries of seasonal adjustment, the weaknesses of the procedures used to estimate total from insured unemployment, and human error—all can cause inequities by throwing the measurement on one side or the other of the required level. The more decentralized the application, the greater the likelihood for borderline situations and imprecise data.

For example, there have been persistent proposals to trigger extended UI benefits on a local basis using local insured unemployment data for indicators. The difficulties of using state insured unemployment data for trigger purposes at the state level are well established, especially in dealing with seasonal variation problems, as noted in appendix A. These problems are compounded at the local level by the addition of definitional problems, such as determining how claimants are to be counted for the area—by place of residence, usual place of work, etc. Furthermore, unusual events, such as a natural disaster or a prolonged strike can produce a short-term rise in unemployment that is large enough to trigger extended benefits even though it does not increase the number of exhaustees of regular benefits. For these reasons, and others, local triggers appear unwise and ask more of the data than they can deliver.

This example illustrates two aspects of triggers or statutory formulas to control operations of public programs that raise questions about the propriety of such use of the data. One is the tendency to use data that measure one type of problem to control a program designed to deal with a somewhat different problem that cannot be measured directly or as easily. Measures of the insured unemployed, for example, are used to trigger the payment of extended benefits to exhaustees of regular benefits who are only a limited proportion of the insured unemployed. Estimates of local unemployment control allocations of CETA grants for programs targeted at groups that constitute a very limited segment of the unemployed or are not counted among the unemployed at all. Although the level of unemployment may be well correlated with the number of exhaustees or the size of the groups designated for CETA programs, the correlations in some jurisdictions can be far from perfect and thus the formulas can have unintended results.

The other question concerns formulas that produce an “all-or-nothing” result, so that a hairline difference in the measure becomes momentous. A formula that can operate on a graduated scale would avoid this problem. EB trigger formulas and the definition of “labor surplus” areas for contract bidding preferences are examples of “all-or-nothing” measures.

Although objective measures are generally better for fund allocations or for determining eligibility for funds than judgmental decisions of legislators or administrators, some flexibility needs to be built into the process to handle borderline situations. Perhaps there is room for the development of panels of professional technicians to mediate or arbitrate statistical disputes when borderline or questionable cases arise. In any case, legislators should be informed of the consequences of going too far in controlling important actions through statistical measures.

## Notes

1. The federal-state UI system covered railroad employment originally, but this segment was removed in 1939 and joined with other social insurance provisions for the railroad industry in an independent program.
2. Puerto Rico joined the system in 1961 and the Virgin Islands in 1978. Hereafter, the term “state(s)” will include these jurisdictions and the District of Columbia.
3. From 1975 through mid-1978, the federal government also provided a special program of unemployment assistance which paid benefits, largely on the same basis as UI benefits, to unemployed workers who failed to qualify for UI because some or all of their previous employment was not covered by UI, or because many states did not credit them with their most recent covered employment when applying the minimum qualifying requirements. Persons drawing such assistance were not included in the count of the insured unemployed, although weekly data were compiled and reported on the number who claimed this assistance. With recent significant extensions of UI coverage, effective 1978, most workers who drew special unemployment assistance will be able to draw UI benefits in case of future unemployment.
4. As noted earlier, railroad employment is not covered under the federal-state UI system.
5. Federal law specifies a number of requirements with which state programs must conform. Apart from financing and administrative matters, most of these requirements affect eligibility rules and prohibit the states from denying or paying benefits under certain conditions. None of the federal rules restricts state provisions on the amount and duration of their regular benefits.
6. Puerto Rico provides up to 20 weeks of regular benefits.
7. All states pay extended benefits only when the national rate of insured unemployment exceeds a specified level; at other times, individual state rates determine whether extended benefits are payable.
8. In a few cases, a claimant who has been drawing benefits will come to the end of a benefit year and still be unemployed. He may be able to establish a new benefit year if he had recent employment, in which case he will file a *transitional* claim to establish his new entitlement. This claim, technically, is also an initial claim although there has been no break in the claimant’s unemployment. It is *not* included in the count of initial claims.
9. Registration may be waived if the layoff is short and temporary, or if the worker normally obtains employment through a union.
10. Under a few state laws, a disqualified claimant suspended from benefits for a specified period must file continued claims for the suspended weeks to certify (s)he is unemployed and otherwise eligible for benefits in those weeks; such continued claims are counted.
11. The information is included in the ES-202 report to the Bureau of Labor Statistics.



12. This table also included separate counts of claims filed for federal supplemental benefits and special unemployment assistance when these temporary programs were in effect.
13. Covered employment is compiled by industry from data supplied by the states in the ES-202 reports.
14. The Social Security Act requires each state UI law to contain a provision for reporting information required by the Secretary of Labor (Section 303 (a) (6) of Title III).
15. Paul J. Kozlowski. *A Local Index of Leading Indicators: Construction, Uses, and Limitations* (Kalamazoo, Mich.: The W. E. Upjohn Institute for Employment Research, October 1977).
16. The composite index was developed to capture the behavior of local data entering into a quarterly review of business conditions in a medium-size metropolitan area in Michigan. *Business Conditions in the Kalamazoo Area*, published quarterly by W. E. Upjohn Institute for Employment Research.
17. The study is being conducted by Paul J. Kozlowski of the W. E. Upjohn Institute for Employment Research.
18. H.R. 8291—The Unemployment Compensation Cost Equalization Act of 1977 (introduced by Representative William M. Brodhead of Michigan)—and a similar proposal introduced in the Senate by Senator Jacob Javits of New York (S. 1853)—were the subject of hearings in August 1978 by the House Ways and Means Subcommittee on Public Assistance and Unemployment Compensation. Congressman Brodhead introduced a revised version of the scheme as the Unemployment Compensation Reinsurance Act of 1979 (H.R. 3937).
19. These estimates are described by Harold Goldstein in "State and Local Labor Force Statistics," vol. II of the background papers.
20. Employers currently are eligible for contract preference if they are in areas (SMSAs or component jurisdictions) that have an unemployment rate for the four previous calendar quarters of 6 percent or more and at least 20 percent above the national average rate for the same period.
21. "Labor Department Adopts New Criteria in Classifying Labor Surplus Areas," *News*, U.S. Department of Labor, Employment and Training Administration, Office of Information, USDL—78-162, March 3, 1978.
22. Allocation formulas vary by program. Under CETA, 37.5 percent of Title I funds are distributed to areas on the basis of their unemployment levels and the remainder on the basis of factors not involving unemployment measures. CETA Title II funds are allocated only to areas of "substantial unemployment," those with an unemployment rate of at least 6.5 percent for 3 consecutive months. Half of CETA Title VI funds are allotted on the basis of area unemployment levels, 25 percent go only to areas of substantial unemployment, and 25 percent to areas with unemployment rates above 4.5 percent. Allocations of funds under various titles of PWEA and PWEDA are based on a combination of area unemployment levels and rates, or on a state's or area's excess unemployment rate, or are made only to areas of substantial unemployment.
23. Harold Goldstein, *op. cit.*, pp. 6-10.
24. The seasonal adjustments—developed by the Bureau of Labor Statistics and applied by the Employment and Training Administration—apply to the regular state insured unemployment component of the 13-week average; when extended benefits claims are added, these are not seasonally adjusted.
25. See Estela Bee Dagum, "Seasonal Adjustment Methods for Labor Force Series," vol. II of the NCEUS background papers.
26. For example, important Jewish holidays, which are governed by the lunar calendar, affect the claims series for New York City: During the weeks in which these holidays fall, claims filed decrease sharply only to rise sharply in succeeding weeks. The timing of such holidays can shift as much as a month from one year to the next.

27. The program developed by the Bureau of Labor Statistics (BLS) to seasonally adjust national weekly data on insured unemployment includes provisions to adjust for the influence of holidays and other exogenous events.
28. Most states specify as a base period the first four of the last five completed calendar quarters prior to the new claim; two states specify the first four of the last six completed quarters. Some states use the prior 52 weeks so that the problem discussed here does not arise.
29. The BLS method for seasonally adjusting the national weekly insured unemployment data takes account of this artificial quarterly surge in claims.
30. Based on data in *Unemployment Insurance Claims*, October 16 and October 23, 1978.
31. Joseph A. Hickey, "Unemployment Insurance Covers Additional 9 Million Workers," *Monthly Labor Review*, May 1978, p. 14.
32. *Unemployment Insurance: State Laws and Experience* (Washington, D.C.: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, 1978), pp. 7 and 9.
33. The only employment excluded in California is that performed for employers who pay less than \$100 in a calendar quarter for wages or noncash remuneration.
34. Agricultural coverage provisions also exceed federal requirements in Minnesota, Puerto Rico, and in highly urbanized Rhode Island and the District of Columbia (table 2).
35. The exceptions relate largely to prohibitions on the states in disqualifying claimants from benefits or in paying benefits under certain circumstances.
36. *Unemployment Insurance Statistics*, January-March 1978, table 61c, p. 173.
37. About three-fifths of all states vary the duration of benefits they allow by permitting claimants to draw up to a specified fraction or percent of their total base-period earnings. The number of weeks of benefits allowed under these formulas for a given level of total earnings may vary because of the different fractions used by the states (ranging from one-quarter to three-fifths of base-period earnings), or because of different weekly benefit formulas or ceilings that produce different weekly benefit amounts for the same earnings.
38. *Summary Tables of Unemployment Insurance Program Statistics*, U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Program Letter No. 46-78 (July 21, 1978), table 9.
39. The provision of further extensions through the temporary federal supplemental benefits program in the 1975-77 period, which triggered on a state basis, added still more benefits and produced even wider interstate variation in duration allowed in that period.
40. The claimant's benefit entitlement is usually stated as a total dollar figure equal to so many weeks at, or so many times, the *full* weekly amount; a reduced or partial weekly benefit can be drawn for as many weeks as it takes to use up the full entitlement in the benefit year.
41. National Commission on Unemployment Compensation, *First Interim Report*, November 1978, p. 100.
42. The Special Unemployment Assistance program, in effect during these years for workers not covered by UI, would add another 3 to 5 percentage points.
43. Based on data published in *Unemployment Insurance Statistics*, table 30, various issues in 1977 and 1978.
44. Based on insured unemployment under regular state UI programs and on total unemployment, as estimated from CPS data or from estimates built on insured unemployment. (Source: *Employment and Training Report of the President, 1978*, tables D-4 and D-5). These proportions would be higher, especially in 1975 and 1977, if the insured unemployment figures included all programs, but the range would still be wide.

45. *Employment and Training Report of the President, 1978*, table A-25, p. 218.
46. New entrants also include persons who have had only part-time employment in the past or who worked in a full-time job for less than 2 weeks; it is possible for some of these new entrants to qualify for benefits.
47. In some states, the base period consists of the last 52 weeks or 4 quarters preceding a valid new claim; in a few states, the base period can be extended further back if illness or incapacity for work precluded employment in recent months.
48. Many persons claiming benefits under the early phase of the Special Unemployment Assistance (SUA) program of 1975-78 had worked in covered jobs but could not meet the UI qualifying test because of this lag effect; at the outset, SUA provided for using a base period without a lag to apply the state test, but later specified the use of the base periods as provided in state laws.
49. During 1975-78, they were compensated by the SUA program.
50. *Unemployment Insurance: State Laws and Experience*, op. cit., p. 7.
51. *Employment and Training Report of the President, 1978*, op. cit., p. 209.
52. *Ibid.*, p. 218.
53. *Unemployment Insurance Statistics*, January-March 1978, table 61c, p. 173.
54. *Ibid.*, and table 62c, p. 176.
55. Exhaustees of regular UI programs who go on to draw extended benefits (EB) are reflected in insured unemployment data for all programs combined. The all-programs-combined total, on a weekly basis, is published for the United States only and appears in the weekly release, *Unemployment Insurance Claims. Monthly averages of insured unemployed levels under all programs, including EB, are published regularly by state and for the United States in Unemployment Insurance Statistics*. Insured unemployment rates reflecting all programs are published for the United States only. The national and state insured unemployment rates (13-week averages) used to trigger EB on and off are based on regular state program claims plus EB claims when payable. A table showing these rates appears weekly in *Unemployment Insurance Claims*.
56. *Summary Tables of Unemployment Insurance Program Statistics, 1977*, op. cit., tables 10 and 12.
57. *Unemployment Insurance Statistics*, October-November-December 1977, pp. 96 and 98.
58. For a listing of studies of delayed filers made in the 1950s and 1960s, see *Selected Bibliography of Unemployment Insurance Program Research Studies, 1951-1969* (Washington, D.C.: U.S. Department of Labor, Manpower Administration, Unemployment Insurance Service), March 1970, pp. 67-69.
59. Another very small group of insured unemployed not included in the total are unemployed youths under 16 years of age who are able to qualify for and draw benefits.
60. California Senate Bill No. 1471 was enacted in July 1978 to provide this alternative to heavy layoffs of local government employees anticipated as a result of a property tax cut approved by voters in June 1978; unless renewed, this provision expires at the end of 1979.
61. Insured unemployment rates reported for the United States and by state based on claims filed under regular state programs only are computed on the basis of employment covered by those programs only. The rate calculated for the United States, reflecting claims under all UI programs, uses in the denominator employment covered under all programs, including the federal civil service, the Armed Forces, and the railroad industry. An all-program rate is not calculated by state.
62. Presumably, the Armed Forces, though covered, would be excluded from the construction of such a civilian covered labor force base; insured and other unemployed ex-servicemen would be included because, after separation from the military service, they became part of the civilian labor force.

63. There are problems in some states in assuring the availability of the data even within the present time schedule because of substantial employer reporting delinquencies and/or processing difficulties.
64. *Employment and Earnings*, January 1978, p. 147.
65. *Ibid.*, p. 147.
66. Also excluded are claimants on extended and supplemental benefits whose former industry attachment may have a somewhat different pattern than that of regular benefit claimants.
67. The large proportion (9.9 percent) of the insured unemployed for which industry identification is not available represents a data quality problem; these were redistributed by assuming that they were distributed as all other insured unemployed.
68. *Unemployment Insurance Statistics*, January-March 1978, pp. 53 and 59.
69. "Summary of Employment Security Statistical Reports, August 1977," U.S. Department of Labor, Employment and Training Administration, Washington, D.C., 1977.
70. *Unemployment Insurance Statistics*, April-June 1978, p. 10.
71. In late 1972, Congress gave states the temporary option of disregarding the 120 percent requirement and repeatedly renewed that option in ensuing years.
72. California missed being able to continue EB by only 1 week, Oregon by 2 and Illinois by 3 weeks.
73. For example, in variable duration formula states, the level of the qualifying requirement can affect the exhaustion rate. Also, where variable duration formulas operate on the basis of past earnings, the level of the weekly benefit amount provided can affect the duration allowed and exhaustions.
74. U.S. Department of Labor, Employment and Training Administration, "An Analysis of Some of the Effects of Increasing the Duration of Regular Unemployment Insurance Benefits" (1978). Also of value in this connection is another study reported in "The Effect of State Laws and Economic Factors on Exhaustion Rates for Regular UI Benefits," published by the same agency in 1978.
75. Currently, a simulation model is being constructed to supply the Commission with the estimated effects and costs of alternative provisions. Some aspects of this model might contribute to measuring the effects of noncomparabilities between states on the insured unemployment data.
76. The Gordon Committee urged more frequent comparisons of this type.
77. In most states, the first week claimed in a benefit year is a waiting week, that is, not compensated.
78. U.S. Department of Labor, Manpower Administration, Bureau of Employment Security, *Guide for a Continuous Wage and Benefit History Program in Unemployment Insurance* (BES No. U-251, January 1966).
79. The minimum sample requirements aim to provide adequate representation in each state based on the lowest annual volume of claimants filing for UI during the last 10 years. The result is an oversampling for most years when volumes are usually much higher. Each state should have a minimum sample of about 6,000 claimants, but some samples will be larger.
80. The pilot states are Georgia, Idaho, Iowa, Louisiana, Missouri, Nevada, New Mexico, New York, North Carolina, Pennsylvania, South Carolina, Utah, Washington, and Wisconsin; together, they account for about 30 percent of the nation's covered employment.
81. Some states are now eager to adopt CWBH because they recognize the value of a comprehensive UI data bank for their own needs. California, for example, is determined to move ahead to construct a data bank—on its own, if necessary; that state, because of its significance and readiness to cooperate, should be brought into the current effort as soon as possible, thereby avoiding costly future adjustments to make its data bank consistent with CWBH concepts and procedures.

## Appendix A. Seasonal Effects on Triggering Extended Benefits in 1978

### Triggering Provisions

The statistical indicators used to determine the start and termination of extended benefit (EB) periods are national and state weekly insured unemployment rates (IUR) averaged over a 13-week period. As used for this purpose, the IUR reflects claims filed under both the regular and extended benefit programs.

**National Extensions.** Extended benefits are payable in all states when the national average insured unemployment rate for a 13-week period (seasonally adjusted) is 4.5 percent or more of covered employment. EB terminates when the national IUR indicator falls below 4.5 percent.

**State Extensions.** When the national indicator is less than 4.5, extended benefits are payable in a state with an average IUR for a 13-week period (not seasonally adjusted) that is: (1) 4.0 percent or more and at least 120 percent of the average IUR for the corresponding 13-week periods of the 2 preceding years; or (2) if the state law so specifies, 5.0 percent or more (that is, the 120 percent requirement may be waived at this IUR level).

When the IUR reaches or exceeds the required trigger point as of the end of a particular week, extended benefits become payable as of the third week after that week; when the rate falls below the trigger point as of the end of a particular week, extended benefits cease being payable as of the end of the third week following that week. Once an extended benefit period begins, it must continue for at least 13 weeks; once it terminates a new period cannot start before the end of a 13-week period.

### EB in the 1974-76 Recession and 1977 Recovery

By late 1974, economic activity was contracting rapidly, sending IURs up sharply throughout most of the country. A number of states were already paying EB on the basis of their own indicators before 1975. In January 1975, the rising national IUR indicator crossed the 4.5 percent trigger point, setting off a national extension of benefits that operated continuously for the next 2½ years, regardless of the levels and variations of the state IURs.<sup>1</sup> By 1977, insured unemployment was declining at a good pace, reflecting continued business recovery and, to some extent, exhaustions of EB. The national IUR indicator dropped below the 4.5 percent trigger point at the end of June 1977.

From then through early August 1977, the national indicator hovered slightly below 4.5 (between 4.46 and 4.49 percent). EB on a national basis terminated at this time. During these weeks, 16 states (including Puerto Rico) had IUR indicators above 5.0 percent at least part of the time.<sup>2</sup> In none of these states, except Alaska, did the IUR indicator satisfy the 120 percent requirement. Except for Illinois, all these states elected to waive this requirement so they could continue to pay EB on the basis of their own IUR indicators.<sup>3</sup>

During the late summer and early fall of 1977, IURs in most states declined, in part because of seasonal factors. The national IUR, however, which is seasonally adjusted, showed little movement throughout this period. In the week ending August 13, 1977, the national IUR indicator for EB edged up to 4.50 (from 4.49 during the two prior weeks) and stayed above this point during the rest of the year; it never rose above 4.61 in all this time. EB again was payable on a national basis superseding the effects of state indicators. By mid-November 1977, when the national IUR indicator peaked at 4.61, only eight states had EB indicators above 5.0 percent. By this time, most state IURs were rising seasonally and continued to do so throughout the next several months. The seasonally adjusted national rate, however, declined steadily from mid-November on. By the end of 1977, the national IUR indicator had fallen to 4.50 percent and dropped below this point in the week ending January 7, 1978. It continued to decline thereafter reaching about 3.4 percent by mid-1978. National EB payments terminated in January 1978.

### State IUR Indicators and EB in Early 1978

During the first 2 or 3 months of 1978, state IURs continued to rise seasonally in most of the country. Side effects of the coal strike in that period also contributed to higher rates, especially in Kentucky and West Virginia. By mid-January 1978, 13 states had IUR indicators at or above the 5.0 percent trigger point.<sup>4</sup> By mid-March, the number had grown to 23 states; in another 7 states, the indicators were at least 4.0 percent. In no state, however, did the indicator satisfy the 120 percent requirement.<sup>5</sup>

The 23 states with IUR indicators above 5.0 percent at mid-March 1978 fell into three categories. Five states (Arkansas, Kentucky, Montana, North Dakota, and West Virginia) had not adopted the option to trigger on EB with a 5.0 or more IUR rate. (Kentucky, Montana, and West Virginia were above 6 percent at this time.)

Eight states, which had adopted the option, were unable to pay EB before the end of April because they had stopped paying EB when the national extension terminated—their IUR indicators were then still below 5.0 percent; once stopped, EB could not be payable again for 13 weeks. These states and the week in which their IUR indicators had reached above 5.0 percent were:

<u>State</u>	<u>Week ending</u>	<u>State</u>	<u>Week ending</u>
California	January 14	Massachusetts	February 11
Connecticut	February 25	Missouri	March 4
Idaho	February 4	Oregon	January 21
Illinois	January 28	Tennessee	March 4

California reached the 5.0 percent level only 1 week too late. During the week ending January 7, when its rate was 4.99, a few additional claims would have enabled it to continue paying EB. Oregon missed reaching the required level in time by 2 weeks.

The remaining 10 states all were above 5.0 percent when the national indicator dropped below 4.5 percent (week ending January 7) and therefore continued to pay EB. These states were Alaska, Maine, Michigan, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, and Washington. Contrasting with the California experience, Michigan's IUR indicator rose to 5.06 percent in the week ending January 7, 1978 (from 4.95 the previous week), just in time to avoid EB termination. Except for Michigan, and Vermont, which had been below 5.0 percent before January, all the other states had been above the 5.0 percent level right along.<sup>6</sup>

### Experience After March 1978

In most states, the seasonal winter rise in unemployment ended late February or in March 1978 when the weather began to turn more favorable for construction and other outdoor activity. The 13-week moving averages of state IURs tended to peak in late March or early April and decline gradually thereafter.

Of the 10 states that had continued to pay EB after the national extension had terminated, 4—Michigan, Pennsylvania, Vermont, and Washington—had IUR indicators which fell below the 5.0 percent trigger point by sometime in June 1978. Their EB payments ended shortly thereafter. Maine dropped below 5.0 percent in early July. The remaining five states—Alaska, New Jersey, New York, Puerto Rico, and Rhode Island—continued above the trigger point throughout the spring and summer of 1978.

Of the eight states with IUR indicators that rose above 5.0 percent after the national indicator had dropped below the trigger point in January and therefore could not pay EB during the next 13 weeks, only four—California, Idaho, Illinois, and Massachusetts—stayed above the 5.0 percent trigger point long enough to resume EB payments in late April. The other states in this group—Connecticut, Missouri, Oregon, and Tennessee—fell below the trigger point in early April. California, Idaho, Illinois, and Massachusetts fell below the trigger point in late April or early May, but EB payments continued in these states until the end of July to satisfy the required minimum period of 13 weeks for such payments. As occurred in January, the seasonal effects on the state IUR indicators narrowly determined whether or not states in this group started

EB at the end of April. The critical week was that ending April 8. If the state indicator was at or above the trigger point that week, it could begin paying EB April 30.

Following are the eight states and the week their IUR indicators fell below 5.0 percent:

<u>State</u>	<u>Week ending</u>	<u>State</u>	<u>Week ending</u>
California	April 22	Massachusetts	May 13
Connecticut	April 1	Missouri	April 8
Idaho	April 29	Oregon	April 8
Illinois	May 6	Tennessee	April 8

Missouri, Oregon, and Tennessee missed starting EB by 1 week, Connecticut by 2 weeks.

The five states which had been above the 5.0 percent trigger level early in 1978 but which did not choose to waive the 120 percent requirement were all still above that level in April and could have begun paying EB. All dropped below the 5.0 percent level in late April or May.

Of the five states that continued to pay EB beyond July 1978, New York terminated EB in October 1978 and Rhode Island did so in December 1978.<sup>7</sup> The New Jersey IUR indicator declined during the fall of 1978, reaching a low of nearly 5.0 percent by mid-November, but then rising again as seasonal unemployment increased late in the year; the indicator reached nearly 5.5 percent by late December 1978.<sup>8</sup> Apart from New Jersey, only Alaska and Puerto Rico still had EB in effect by the end of 1978 as their IUR indicators persisted at levels well above the trigger point. As of late December 1978, the 13-week average IUR stood at 10.67 in Alaska and 15.00 in Puerto Rico.<sup>9</sup>

## Notes — Appendix A

1. State IURs figured in the triggering of federal supplemental benefits payable on top of regular and EB payments during this time.
2. *Trigger Notice No. 77-27, Unemployment Insurance Claims* (U. S. Department of Labor, Employment and Training Administration, July 18, 1977), p. 8. During the ensuing weeks, the indicators of three states dropped below 5.0 percent.
3. Nevada's 13-week rate had dropped below 5.0 percent in the period ending July 9, 1977, and therefore the state did not pay EB.
4. *Trigger Notice No. 78-2, Unemployment Insurance Claims* (U. S. Department of Labor, Employment and Training Administration, January 31, 1978).
5. *Trigger Notice No. 78-11*, April 3, 1978.
6. Hawaii, with a rate over 5.0 percent during the week ending January 7, fell below the required level in late January and therefore terminated EB payments shortly thereafter.
7. Rhode Island had paid EB continuously since October 1970, when the law establishing the federal-state EB program was enacted.
8. The effect of the seasonal rise in unemployment in New Jersey on the 13-week rate may be offset by the shift in January 1979 to a new covered employment denominator that is expected to rise sharply to reflect the new coverage in 1978 and continued rising employment generally; the offset may be sufficient to bring the rate below 5.0 percent and terminate EB in that state.
9. *Trigger Notice No. 78-51, Unemployment Insurance Claims* (January 9, 1979).

## Appendix B. Effects of Alternative Qualifying Requirements on Proportions of Claimants Eligible for UI Benefits

Two recent studies of qualifying requirements yield data indicating the proportions of UI claimants who would be screened out of eligibility by alternative tests. One study sampled all claimants who filed for benefits in 1976 in four states which used a weeks-of-work test.<sup>1</sup> The other study was made in California in 1975 of claimants who filed valid claims for benefits. Both studies provide distributions of claimants by weeks of base-period employment.

In the four-state study, all claimants who filed were sampled including those who failed to meet the requirements. It is likely, however, that the sample understates the number of unemployed workers with insufficient employment because many probably did not file recognizing that they could not qualify. As a result, the most useful and reliable data for measuring effects of various requirements are those that represent only claimants who did qualify.

One of the states included in the study—Michigan—had a minimum requirement of 14 weeks of work. The other states required more—18 weeks in Minnesota and Oregon, and 20 weeks in New York. Each state also had a minimum earnings test—\$25.01 each week in Michigan, \$30 in Minnesota, an average of \$30 per week worked in New York, and a weekly average of \$20 in Oregon plus \$700 in the base period. By and large, the earnings requirements were less important than the employment tests, although in Oregon they could be more of a factor because of the annual earnings required.

Table B-1 summarizes for three of the states percentage distributions of claimants who met the weeks-of-work tests by their base-period employment, as derived from data given in the report. (Minnesota is omitted because the stratified sample data could not be appropriately reweighted to reflect the total claimant population.) As Michigan has the lowest requirement, the distribution for that state offers the broadest basis for gauging the effects of higher requirements. The distribution indicates that, had Michigan applied a 20-week instead of a 14-week requirement, about 12 percent of all claimants who qualified in 1976 would have been screened out. A 26-week requirement would have screened out 22 percent.<sup>2</sup> On average, the Michigan data indicate that each week added to the number of weeks required would eliminate about 2 percent of the claimants who met the existing test. The New York distribution shows a higher rate of elimination—about 3 percent—for each additional week required in raising the minimum from 20 to 26 weeks. The Oregon data indicate about a 2.2 percent per week rate of elimination in moving from 18 to 26 weeks (1.7 percent per week between 18 and 20 weeks and 2.4 percent per week between 20 and 26 weeks).

Results of the California study indicate similar effects.<sup>3</sup> Table B-2, summarizing from preliminary data of this study, distributes claimants by weeks of base-period employment. All claimants sampled met the low minimum flat earnings requirement of \$750 in the base period. The distribution shows that nearly 14 percent of all claimants qualified with fewer than 14 weeks of employment. Another 11 percent qualified with 14 to 19 weeks of work. In other words, about one-fourth of all claimants who qualified for UI in California in 1975 did so with less than 20 weeks of employment in their base period. (Data available thus far do not distribute claimants with 20 or more weeks of work by any further detail.)

Concentrating on claimants qualifying in California who had at least 14 weeks of work, table B-2 shows that 13 percent did so with less than 20 weeks. For this group, raising a requirement from 14 to 20 weeks would eliminate claimants from eligibility at the rate of nearly 2.2 percent for each additional week required.



**Table B-1. Percentage Distribution of Claimants Who Met the Minimum Weeks-of-Work Requirements in Michigan, New York, and Oregon in 1976, by Weeks of Base-Period Employment**

Number of weeks employed in base-period	Percentage distribution <sup>1</sup>		
	Michigan	New York	Oregon
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
14-15	4.6	—	—
16-19	7.9	—	3.4 <sup>2</sup>
20-25	9.6	17.0	14.3
26-30	7.9	10.9	12.5
31-40		20.8	23.2
41-47	70.0 <sup>3</sup>	17.6	15.5
48-52		33.4	31.0

<sup>1</sup>Minimum requirement is 14 weeks in Michigan, 20 weeks in New York, and 18 weeks in Oregon; earnings requirements disregarded.

<sup>2</sup>Estimate of claimants qualifying with 18-19 weeks, taken as half of all claimants with 16-19 weeks to exclude claimants with 16 and 17 weeks who could not qualify.

<sup>3</sup>No breakdown available for those with 31-52 weeks.

Source: Derived from data in Urban Systems Research and Engineering, Inc., "A Study of Measures of Substantial Attachment to the Labor Force," report on study conducted for the U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service (1978), vol. I, table 3-6, p. 49.

**Table B-2. Distribution of Claimants Who Filed Valid Claims in California in 1975 by Weeks of Base-Period Employment**

Number of weeks employed in base-period	Distribution of all claimants	
	Number	Percent of total
Total	<u>4,661</u>	<u>100.0</u>
Less than 8	169	3.6
8-9	118	2.5
10-11	153	3.3
12-13	192	4.1
14-15	179	3.8
16-17	187	4.0
18-19	162	3.5
20 or more	<u>3,501</u>	<u>75.1</u>
Total with 14 or more weeks	<u>4,029</u>	<u>100.0</u>
14-15	179	4.4
16-17	187	4.6
18-19	162	4.0
20 or more	3,501	86.9

Source: Derived from preliminary unpublished data provided by the Employment Development Department of California.

## Notes — Appendix B

1. Urban Systems Research and Engineering, Inc., "A Study of Measures of Substantial Attachment to the Labor Force," report on study conducted for the U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service (1978).
2. Earnings requirements are ignored in this analysis.
3. Based on preliminary unpublished analyses provided by the Employment Development Department in California.

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The Blaustein paper notes that a number of important governmental programs providing assistance to the unemployed are not continuously or not universally operative. These programs are intended to be selective, to operate only where and while unemployment is an unusually serious problem. The numbers and rates of "insured unemployment," nationally, in states or in localities, are often used as an objective (i.e., non-discretionary) test of whether unemployment is or is not a sufficiently serious problem to "trigger" into operation the remedial program in question.

The concept of "insured unemployment" is the name given to numbers which reflect the extent to which people are turning, in the main successfully, to the federal-state unemployment insurance program for their support. The figures on insured unemployment are, first and foremost, by-products of administering claims for benefits under half a hundred "state" unemployment compensation laws. When used to control the operation of national programs or policies, these numbers and ratios, derived as they are from the operations of the fairly diverse provisions of state unemployment compensation laws, do not always accurately reveal whether the seriousness of the state or local unemployment problem meets the conditions contemplated by the framers of the applicable law.

The Blaustein article is constructive in pointing out the types of variables which can cause insured unemployment numbers or rates to signal the need for programs too soon, or too late, or never, in terms of the program objectives and intentions. While the people advocating the enactment of this type of legislation must have been aware that these numbers were somewhat erratic, they probably did not realize all of the many sources of aberrations in these numbers as were noted and explained in the Blaustein paper.

The paper does not elaborate on the policy reasons (as distinguished from purely practical considerations) why Congress decided to rely on insured unemployment data in preference to other types of data. It does indicate that insured unemployment figures have the practical advantages of being a count of a very large segment of the unemployed, of being available quite promptly and on a weekly basis, of being a by-product of ongoing administration, and of being easy to break down to show the experience of small geographic areas. From a policy standpoint, it seems likely that the choice of insured unemployment figures to "trigger" these types of programs may have been importantly influenced by a desire to assure that the operative figures were objective and solid. Large sums of federal money would become available to states or localities when such programs triggered into operation. Doubts as to the validity of the figures used for the triggers could bring the programs themselves into disrepute.

Perhaps, though such reason is not expressed in the paper, this last consideration is why it proposes (in preference to other alternatives) that the insured unemployment figures should be processed in various ways so as to offset to a degree the major causes of non-uniformity of insured unemployment figures among the states. This writer seriously questions whether the processing of raw data, as proposed in the paper, could substantially improve the reliability of the data for this purpose. On the contrary,

it could introduce an element of subjectivity which would lead to the very lack of public understanding and confidence which motivated the use of insured unemployment figures in the first place. Any calculated or cogitated ratios to be applied throughout the states are likely to be quite inaccurate. The effects of varying statutory provisions on insured unemployment rates are not constant. They vary from time to time within a single state. The self-same fluctuations in employment conditions which are sought to be measured by the insured unemployment rate can cause significant variations in the extent to which statutory provisions tend to “distort” insured unemployment figures.<sup>1</sup>

The Blaustein paper provides a clear example of this weakness in its proposal to develop adjustment factors to be applied to raw insured unemployment data. In the paper’s section on differences among states in disqualification provisions, the following sentences appear:

*For example, the disqualification imposed for voluntary leaving in Michigan involves a 13-week suspension and a like reduction in benefit entitlement. That reduction probably accounted for the fact that Michigan exhaustees, on the average, drew substantially fewer weeks of benefits in 1977 (less than 13 weeks) than did exhaustees in any other state, including states with less liberal duration provisions. The effect of the reduction is to lower the rate of insured unemployment in Michigan.*

When one looks at the corresponding data on the average weeks of benefits paid to Michigan exhaustees in other years—when economic conditions were different—it is quite apparent that an adjustment factor which might have been appropriate to offset this Michigan provision for 1977 would have been quite unsuitable for other years. The characteristics of benefit “exhaustees” in Michigan—especially the characteristic of length of employment in the base period—were significantly different for those claimants who exhausted their benefits in 1977 (the group whose experience was commented upon by Blaustein) than for those who exhausted their benefits in 1975—toward the end of the 1974-75 recession.

For the 1977 Michigan exhaustees whose experience were cited in the paper, the average number of weeks of benefits drawn was 12.7 (table 5 of the Blaustein paper). However, the average number of weeks of benefits paid to Michigan claimants who exhausted their benefits in 1975 was 18.9. This wide fluctuation (the 1975 figure is almost one and one-half times the 1977 figure) was the result of a marked change in the duration of employment in the base period of Michigan exhaustees from 1975 to 1977. The 1974-75 recession brought into the claimant population—and later into the exhaustee population—many individuals with substantial base-period employment who suffer periods of prolonged unemployment only during cyclical downturns in production and employment.

On the other hand, 1976 was a year of rapid recovery in Michigan; and 1977 was a year of expanding employment in durable goods industries in the state. Consequently, a much larger proportion of the claimants who exhausted their benefits in Michigan in 1977 were characterized by short duration of base-period employment. Recent entrants or reentrants to the labor market, and customary seasonal workers such as those in the resort, food processing, quarrying and construction industries were a much more important ingredient in the claimant mix in 1977. Since, as the paper notes, Michigan’s unemployment compensation law has a very low qualifying requirement combined with benefit duration proportionate to duration of base-period employment, an adjustment factor which might be appropriate for conditions in 1977 would be seriously wide of the mark if applied to 1975.

This kind of fluctuation in the extent to which differences in state law provisions affect the volume and rate of insured unemployment makes it extremely difficult for one to have confidence in the use of calculated or judgmentally developed factors to convert actual operating data under state laws into a semblance of what those operating data might be under nationally uniform provisions.

This writer is in sympathy with two of the paper's concluding concerns about the use of insured unemployment data to "trigger" special programs—concerns which are here paraphrased as follows:

*Triggered programs tend to use data which measure one type of program to control another program which is concerned with a somewhat different problem. Federal-state extended benefits apply to persons who have exhausted their basic state benefits; but they are controlled by statistics as to persons who have not exhausted their benefits.*

This is a valid point. It certainly makes a case for continuing an active search for some other more appropriate but still objective index to control the operation of the first layer of extended unemployment benefits and of similarly triggered programs.

One place in which it clearly is appropriate to look for a more satisfactory trigger for extended benefits would be the state operating figures as to claimants who are currently exhausting their basic unemployment insurance entitlements. Blaustein does not discuss this alternative, although the observation paraphrased above shows that he is well aware of it.

The main problem with using numbers of exhaustees or exhaustion rates, which probably led to their rejection as a program-controlling criterion, was the possibility that such a criterion might cause the states to lag in extending the duration of basic benefits under their laws. When the program is operative in a state, the federal government shares in the cost of the benefits paid to claimants who would otherwise be "exhaustees" under the state law. If exhaustion rates were to be adopted as the trigger criterion, then there would be an inducement to hold down basic durations and so enjoy earlier participation in federal sharing of the cost of benefit payments. A state with weak duration provisions would have a high exhaustion rate and could, as a result, receive an excessive share of the federal moneys expended on federal-state extended benefits. The designers of the federal-state extended benefits program evidently wanted to use controlling data which would not provide the state with negative incentives in regard to their basic duration provisions.

It is conceivable that the raw exhaustion rates under the state laws could be adjusted somewhat for differences in the liberality of state duration provisions; but, as suggested earlier, that would be a hazardous undertaking. Exhaustion rates, like other rates reflecting claimant experience under state laws, fluctuate not only in response to differing statutory provisions but also in response to changes in the claimant population "mix" brought about by changing economic conditions.

A measure of the proportion of claimants which is experiencing relatively long-duration unemployment might more closely approach an index of the real problem of exhaustion of benefits than the rate of insured unemployment; and such an index would not influence state legislation with regard to the duration of regular benefits under the state law.

For this reason, it is here suggested that study be given to developing an index for triggering the federal-state extended benefits program in individual states which reflects the frequency of long-duration unemployment among claimants. Such an index would be a by-product of unemployment insurance claimstaking operations; but it would be much less subject than the insured unemployment rate to distortion by the varying benefit provisions of the state laws. Such an index might be the ratio of: (a) the number of claimants in each week who had been filing claims for 13 or more consecutive weeks to (b) the total number of individuals who filed claims for benefits in the same week. This alternative index would come much closer than the insured unemployment rate to displaying the true extent of the problem (exhaustion of state law benefits) which the program is intended to relieve.

A problem associated with the use of this suggested index could be the tendency of the *proportion* of long-duration claimants to increase as business conditions improve and their *absolute* numbers decline. A study of past experience with these numbers could

readily show whether such a formula should also contain an index of the trend of the numbers of claimants in the long-duration group.

The second concern expressed by the paper, with which this writer finds himself in substantial agreement, relates to what is called the "all-or-nothing" result of application of the current criterion for operation of the extended benefit provisions. The all-or-nothing aspect seems objectionable, however, only because of the unsatisfactory aspects of using insured unemployment rates as the trigger for the program's operation. A better trigger mechanism needs to be worked out; but efforts to solve the problem by modifying insured unemployment rates are not promising.

## Notes

1. The "distortion" referred to is limited to the use of the numbers as a means to test the conformity of individual states with uniform, national criteria. They are accurate, useful and valid for unemployment insurance purposes in a single state.

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Saul Blaustein's paper prepared for the National Commission on Employment and Unemployment Statistics is an attempt to offer a thoroughgoing appraisal of the mountain of data generated by the operation of the unemployment insurance (UI) system in the U.S. Inasmuch as this is an ambitious undertaking, Blaustein attempts more than is suggested by the paper's title. Considerable attention is given to the tactical operation of the UI system. This effort is informative in its own right as it offers much of intrinsic interest to the reader and is necessary to some extent in the evaluation of UI unemployment data. However, at many points in the paper, concern with the issues raised by the operation of the UI system threatens to deflect our attention from an appraisal of the data to an appraisal of the UI system itself. In fairness to the author, these issues are interrelated. It is a judgmental matter of how much attention need be given to one topic to better understand the other.

The major divisions of the Blaustein paper can be grouped into four topic areas. First, there is an introductory description of the operation of the UI system. Second, there is a discussion of the demands made upon data pertaining to the insured unemployed. Third, an appraisal of the strengths and weaknesses of the UI data is given. Finally, recommendations for improving the quality and usefulness of the data are offered. In the discussion to follow, I comment on some of the useful insights and points made in the paper and offer a discussion of certain omissions plus some general observations of my own.

Unfortunately, it is not uncommon for researchers to encounter data series in different published sources that seem to refer to the same variable of interest yet are clearly different numbers. A great deal of frustration can ensue in trying to ascertain why the series are different and how each was generated. In many instances the proper documentation is cryptic or altogether missing. The case in point Blaustein raises in his paper concerns the annual insured unemployment rate by state and for the entire U.S. These data are published in the *Handbook of Unemployment Insurance Financial Data* and the *Employment and Training Report of the President*. The latter publishes rates in which the covered employment in the denominator of the unemployment rate is averaged over the 12-month period preceding June 30th of the calendar year over which the insured unemployment rate is averaged. In the former document, both numerator and denominator correspond to the same year. While these problems are familiar to users, they are not always appreciated by those charged with the responsibility of compiling and disseminating the data to the public.

A potentially important source of data on the insured unemployed is the Continuous Wage and Benefit History (CWBH) file. The significance of this data source is brought out in Blaustein's paper. An important point made in the paper is the seemingly inevitable problems encountered when one attempts to analyze data for purposes far

afield from those which originally motivated the collection of the data. Thus much of the criticism of insured unemployment statistics is seen to stem from questions asked of the data for which they were never intended. The CWBH file offers the hope that it may in the future serve equally well the managerial requirements of UI administration as well as research functions. Furthermore, this data source will provide detailed information on the covered employed as well as the insured unemployed. At present time, the main drawback is that the CWBH program has not been adopted by all of the states.

The discussion in the paper regarding the distinctions between insured unemployment and unemployment estimates by the Current Population Survey (CPS) technique is clear and informative. Blaustein's concern with improving the comparability between insured unemployment statistics and CPS unemployment statistics is easily justified. The national CPS sample is too small to be used reliably at the state and local labor market levels. Although the states have adopted the so-called 70-step or handbook method in estimating their unemployment rates in order to make them comparable to each other and to the national CPS estimates, they do not provide the demographic detail found in the national CPS estimates. On the other hand, demographic detail on the characteristics of the insured unemployed is obtained by state and local areas from a sample of UI claimants (ES-203 survey data). Consequently, any local labor market policy requiring disaggregation by demographic characteristics must rely on insured unemployment data. Therefore, it is important to find ways in which the insured unemployment data can be adjusted to conform to the CPS methodology so as to be more representative of the characteristics of all the unemployed. Owing to differences in state UI laws regarding eligibility and duration of benefits, the insured unemployment data are not comparable across states.

In his discussion of the insured unemployment rate, Blaustein does not explicitly mention the lack of demographic detail. Although the ES-203 data on claimant characteristics permit disaggregation of the insured unemployed by demographic characteristics, this does not carry over to the insured unemployment rate. The reason of course is that there is no corresponding detailed information on the characteristics of the covered employed. Thus, while one can estimate the proportion of the insured unemployed who fall into various age, race and sex categories, one cannot infer anything about the probability of insured unemployment among covered workers disaggregated by age, race and sex.

Comparisons, as in table 7, between the incidence of unemployment among various demographic categories as between the insured unemployed and all unemployed (as estimated from the CPS) do not really help much. In any event, such comparisons currently are only feasible on a national basis since even the CPS methodology used by states to estimate their unemployment does not provide demographic detail. And even at the national level, we have the problem that lack of uniformity in state UI eligibility requirements may differentially affect the incidence of insured unemployment. The aggregate incidence of insured unemployment by demographic characteristics is therefore quite inappropriate for comparison with CPS data if one wishes to infer anything about insured unemployment rates among different groups of covered workers. What this all boils down to is the desirability of demographic detail on those in covered employment as well as UI claimants.

A fundamental tenet of Blaustein's paper is the need to make the insured unemployment concept more like the CPS concept. Thus, for example, suggestions are made to the effect that the denominator of the insured unemployment rate include some measure of the insured unemployed to be added to covered employment. This begins to approach something akin to a covered labor force. However, there still remains the problem that changes in covered employment due to legislative action will change the insured unemployment rate for a certain period of time. Naturally, with virtually 100 percent coverage this will not be a problem in the future.

While the advantages inherent in achieving comparability between insured unemployment statistics and CPS unemployment statistics are many, there is one area

in which the insured unemployment statistics may enjoy some advantage over the CPS measures. The CPS unemployment rate tells us nothing about underemployment in the sense that workers may be employed but are working fewer hours than they desire at their current wage rates. On the other hand, the insured unemployment statistics include those who receive partial UI benefits because they are temporarily earning less per week because of temporary part-time employment at another job. Of course the UI data include only a portion of those underemployed just as they include only a fraction of total unemployment. Nevertheless, movements in the proportion of insured unemployed who are receiving partial benefits may be exploited to tell us something about the extent of underemployment in general. From a welfare standpoint, lost production due to underemployment is no different from lost production due to the complete absence of market employment.

Another aspect of the insured unemployment rate that could stand further elaboration concerns its use as a measure of overall labor market tightness. Because the insured rate applies to the experienced labor force it should be a more reliable indicator of overall labor market conditions than the CPS unemployment rate. The latter includes casual or secondary labor that moves in and out of the labor force over the business cycle. With the insured unemployed, labor force attachment is a necessary condition for continued UI claims. The analogous measure for the CPS unemployment rate would be the unemployment rate of prime-aged males since their labor force participation is pretty much invariant to movements in the business cycle. However, the prime-aged male unemployment rate is unavailable for states and local areas.

One possible difficulty with the insured unemployment rate as a measure of overall labor market conditions is that there is reason to believe that it might slightly exaggerate the growth in unemployment in recessionary periods. I have turned up evidence that in Arizona at least, the denial rate among UI claimants is negatively associated with the overall estimated unemployment rate. This can partly be explained by the fact that when business conditions turn down a larger proportion of UI claimants will in fact meet the eligibility requirements. However, it is also likely that the screening requirements for nonmonetary determinations may be less rigidly enforced because of the swamping of local UI offices with claims. Those who might ordinarily be scrutinized more closely for labor force attachment and subsequently determined ineligible now find themselves collecting benefits and counted among the insured unemployed.

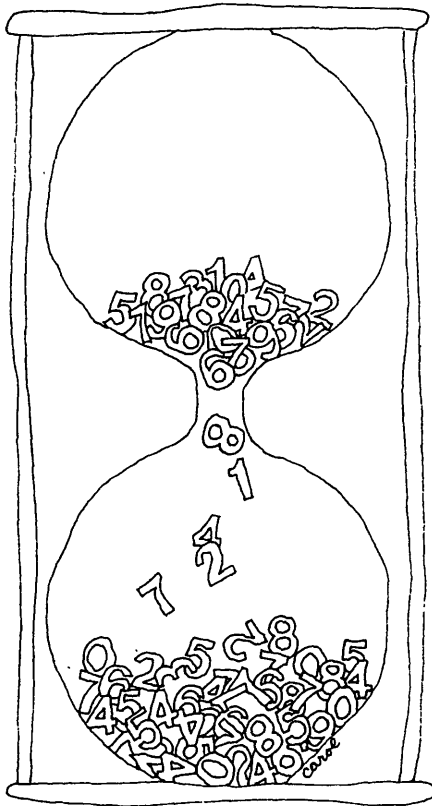
Out of concern for efficiency in the screening procedure of UI claimants, the Labor Department launched the Eligibility Review Program (ERP). The program is designed to assist the states in screening UI claimants more carefully to better ascertain those who have strong attachments to the labor force and hence should legitimately be receiving UI benefits and job counseling assistance. In addition to economizing on program costs, a by-product should be insured unemployment figures that more accurately reflect underlying labor market conditions.

A theme frequently encountered throughout the paper is the need to seasonally adjust the statewide 13-week period insured unemployment rates. The importance of this need is demonstrated in the context of the trigger for extended benefits. Since the insured unemployment rate is used in legislated formulas to govern certain types of impact aid, e.g., CETA funds at the state and local levels, it is imperative that the measure used as a trigger conform to the intent of the impact aid. Appendix A is devoted to a description of extended benefits in 1978 in order to demonstrate the importance of seasonality in influencing threshold unemployment rates. It is difficult to conveniently summarize all of the various changes that took place in the insured unemployment rates in 50 states. Predictably, the result is a tiresome recitation of recent economic history. Overall, however, this paper does represent an all-encompassing, thoughtful appraisal of the UI data generated and reported under the federal-state UI system.

# Data Collection, Processing and Presentation: National and Local

U.S. National Commission on  
" Employment and  
Unemployment Statistics

Counting the Labor Force  
Appendix  
Volume II





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