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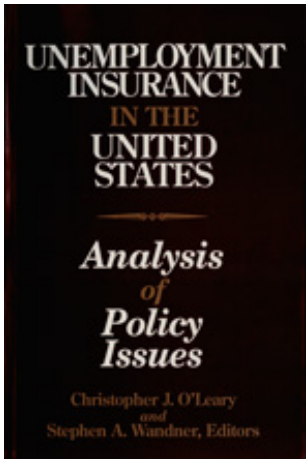

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CHAPTER 4

Continuing Eligibility

Current Labor Market Attachment

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While one of the objectives of unemployment insurance (UI) is to reduce the financial hardship of job loss, it was not originally designed to be simply a welfare program for the indigent: it was to be an earned right for workers who become unemployed.[1] Thus, the program requires not only that recipients demonstrate past labor market attachment but that they maintain that attachment. The exact requirements for continuing eligibility for UI differ across state programs but share certain common characteristics. Thus, in all states, claimants must demonstrate that they are able and available for work, and, in most states, they are required to undertake an active search for a new job. All states also impose a disqualification for refusal to accept an offer of suitable work, although the severity of the penalty varies. Additionally, states differ in their definitions of suitable and of able and available, as well as in deciding what constitutes an active search.

The variation in state approaches to the issue of continuing eligibility is testament to the fact that there is no one way that is clearly optimal. However, the costs and benefits of the different choices made are often evident, as are the considerations that are likely to affect these costs and benefits. The next section begins to explore the various state approaches to continuing eligibility, starting with the able and available for work requirement. This discussion is followed by an analysis of active search requirements, and the section concludes by looking at the varying definitions of suitable work. The subsequent section looks at state practices in disqualifications, beginning with the types of disqual-

ifications imposed by the states and the trends in state laws regarding this issue. Some background on the determination and appeals process is also provided. In the last two sections, the determinants of differences across states in continuing eligibility practices and in denial and appeal rates are explored, and some conclusions and directions for further research are provided.

Work Search Issues

Able and Available for Work

A basic requirement for continuing eligibility for UI benefits is that the claimant be "able and available" for work. Such a stipulation may at first seem to be a straightforward application of the notion that UI is only for workers with a current labor market attachment. However, there are several areas of controversy. This fact is illustrated by the variation across states and over time in the definitions of able and available for work. While the line between ability and availability may appear somewhat fuzzy, the question of whether a claimant is *able* to work is essentially one concerning the physical or mental condition of the worker. Since the claimant must have recently been able to work in order to obtain monetary eligibility for UI, this issue often boils down to the treatment of temporary health conditions. As seen in table 4.1, eleven states have a special provision that claimants "are not ineligible if unavailable because of illness or disability occurring after filing a claim and registering for work if no offer of work that would have been suitable at time of registration is refused after beginning of such disability" (U.S. Department of Labor 1994a). Within this group, Massachusetts and Alaska limit the period of time for which this waiver is in effect, to three and six weeks, respectively. Also, North Dakota limits the waiver to illnesses not covered by workers' compensation.

There has been very little change in state laws regarding ability to work since the issue was reviewed by Haber and Murray (1966), who noted that in January of 1965 there were nine states with temporary illness provisions. It is interesting that there has been almost no increase in this number over the past 30 years, even though at that time the

Table 4.1 1994 State Provisions on Ability and Availability for Work

State	Special disability provision	Able and available for			Special student provision
		Any work	Suitable work	Usual work	
Alabama	No	No	No	Yes	No
Alaska	Yes	No	Yes	No	Yes
Arizona	No	Yes	No	No	No
Arkansas	No	No	Yes	No	No
California	No	Yes	No	No	Yes
Colorado	No	No	Yes	No	No
Connecticut	No	Yes	No	No	Yes
Delaware	Yes	Yes	No	No	No
District of Columbia	No	Yes	No	No	No
Florida	No	Yes	No	No	No
Georgia	No	Yes	No	No	No
Hawaii	Yes	Yes	No	No	No
Idaho	Yes	No	Yes	No	Yes
Illinois	No	Yes	No	No	Yes
Indiana	No	Yes	No	No	No
Iowa	No	Yes	No	No	Yes
Kansas	No	No	No	Yes	Yes
Kentucky	No	No	Yes	No	No
Louisiana	No	Yes	No	No	Yes
Maine	No	No	No	Yes	No
Maryland	Yes	Yes	No	No	No
Massachusetts	Yes	No	No	Yes	No
Michigan	No	No	No	Yes	No
Minnesota	No	Yes	No	No	Yes
Mississippi	No	Yes	No	No	No
Missouri	No	Yes	No	No	No
Montana	Yes	Yes	No	No	Yes
Nebraska	No	Yes	No	No	Yes
Nevada	Yes	Yes	No	No	No
New Hampshire	No	No	Yes	No	No

(continued)

Table 4.1 (continued)

State	Special disability provision	Able and available for			Special student provision
		Any work	Suitable work	Usual work	
New Jersey	No	Yes	No	No	Yes
New Mexico	No	Yes	No	No	Yes
New York	No	No	No	Yes	No
North Carolina	No	Yes	No	No	Yes
North Dakota	Yes	No	Yes	No	Yes
Ohio	No	No	Yes	No	Yes
Oklahoma	No	Yes	No	No	Yes
Oregon	No	No	Yes	No	No
Pennsylvania	No	No	Yes	No	No
Rhode Island	No	Yes	No	No	No
South Carolina	No	No	No	Yes	No
South Dakota	No	Yes	No	No	No
Tennessee	Yes	Yes	No	No	No
Texas	No	Yes	No	No	No
Utah	No	Yes	No	No	No
Vermont	Yes	Yes	No	No	No
Virginia	No	Yes	No	No	No
Washington	No	No	No	Yes	Yes
West Virginia	No	No	No	Yes	No
Wisconsin	No	Yes	No	No	No
Wyoming	No	Yes	No	No	No

authors commented that "the continued payment of unemployment compensation during a temporary illness, particularly when no suitable job is available, is on the side of realism and meets a real need" (pp. 266-267). It would appear, though, that the majority of states have determined that this need is not best met by the UI system. The fact that the system is experience rated may explain this outcome, providing an argument for instead providing a separately funded disability insurance program.[2] As was discussed by Haber and Murray, while the fact that the system is experience rated does not actually mean that employers will pay only for unemployment for which they are directly responsible, this general feeling remains among employers.[3] Thus, periods of nonwork due to illness or disability may be seen to be outside the purview of an experience-rated UI system. Even without experience rating, if the system is meant only to provide insurance against unemployment, then other causes of non-work would fall outside the scope of the system.

The treatment of availability for work is somewhat more varied than that of ability. As seen in table 4.1, while all states require some sort of availability, certain states qualify that requirement to mean available for suitable work, while others require only availability for work in the claimant's usual occupation. Clearly, availability for usual work is less strict than availability for suitable work, while both are more liberal than requiring availability for any work. In practice, though, availability is often determined either in the affirmative based on job search activity or in the negative by job refusal. Thus, further exploration of the implications of different approaches to defining the type of work for which a claimant is available will be postponed until after the consideration of refusal of suitable work.

One of the most discussed availability issues in the Haber and Murray study is almost a nonissue today—that of the availability of women. In 1960, the labor force participation rate for all women was 37.7 percent, and for married women it was just 31.9 percent. The concern at that time was that women were not truly unemployed, but rather were occupied with household duties and thus were not available for work. By 1992, though, participation rates had risen to 57.9 and 59.4 percent, respectively (Ehrenberg and Smith 1994). Thus, the assumption that women in general, and married women in particular, are only marginally attached to the labor market has become much less valid.

Also 37 states had special provisions for pregnant women in 1960, with several states disqualifying pregnant women for the duration of their unemployment. Others imposed disqualifications ranging from four weeks to four months before childbirth and up to three months following delivery (Haber and Murray 1966). Again, the understanding was that new mothers were busy with household duties and were not available for work. Similarly, pregnant women were simply assumed to be unable to work, no matter what the actual health status of the woman was or the type of job. Today, federal standards prohibit such wholesale disqualifications (Blaustein 1993). As noted by Haber and Murray, pregnancy is probably best treated simply as an ability-to-work issue, which will differ across specific women and jobs. As was the case when considering temporary disability, it then becomes a question of the proper role of the UI system, in which it may be reasonable to consider a separate system of maternity benefits.[4]

One current availability issue to which states take slightly different approaches revolves around geographic location. In some states, claimants are deemed unavailable for work any time that they are outside of a certain geographic area. For example, Illinois considers claimants to be unavailable if they move to an area where the opportunities are substantially less favorable than in the original locality. Oregon and Virginia both consider claimants to be unavailable if they leave their normal labor market for the major portion of the week, unless they can show that a bona fide work search was under way in the labor market in which their time was spent. Alabama, Michigan, Ohio, and South Carolina require that the claimant be available in the locality in which the base-period wages were earned, or in a locality where similar work is available or normally performed. Arizona simply requires that the claimant live in Arizona or in any other state or foreign country with which it has a reciprocal arrangement. A requirement that a claimant look for work where the jobs are seems reasonable, and many states implicitly impose similar requirements under the rubric of the active search requirement. However, strict geographic stipulations that are tied to the past employment situation may be counterproductive if conditions have changed. In such cases, the state law may prove to be an impediment to mobility and may thus lead to inefficiencies.

Perhaps one of the most interesting issues raised in considering availability requirements is the treatment of students or of other indi-

viduals undergoing training. Based on a simple test of availability, many, if not most, individuals in school or training would be considered ineligible for benefits. In 1960, only a handful of states had provisions under which individuals in approved training programs could be considered available. By January of 1966, however, 22 states had such provisions, stimulated at least in part by debates surrounding the Area Redevelopment Act and the Manpower Development and Training Act ([MDTA] Haber and Murray 1966). Today, in order to receive the normal tax credit under the Federal Unemployment Tax Act (FUTA), states must not deny benefits to otherwise eligible individuals attending an approved training course. Thus, all state laws contain such provisions, although states may use any standard to approve training courses. In most cases approved training includes only vocational or basic education, so that most regularly enrolled students remain unavailable (U.S. Department of Labor 1994a).

As was the case with temporary disability insurance or maternity benefits, one could argue that training allowances are best handled outside the UI system. In fact, the MDTA program did provide for such allowances. Additionally, Haber and Murray indicate that, based on experience rating concerns that have been discussed, some employers opposed the new training provisions enacted at that time. A possible key to understanding the difference in the treatment of the issues of training and disability may lie in recognizing the different long-term implications of each. Clearly, looser availability requirements result in more current benefit payments by the state. However, in the case of training programs, it is possible that the investment in human capital could result in more stable employment in the future, leading to benefit savings in the long run. Additionally, earnings increases due to this investment may raise state UI tax receipts, although this benefit will be limited due to the low UI taxable wage base.[5]

Several experiments have been undertaken that attempt to measure the impact of training programs on UI outcomes.[6] For example, in Texas, New Jersey, and Buffalo, New York, short-term (either on-the-job or classroom) training was offered to dislocated workers. None of these three demonstrations found a significant impact of short-term training on earnings or employment (U.S. Department of Labor 1994b). However, the Texas study looked only at the first year following training, while in Buffalo only the first six months were considered,

so any possible long-term impacts would not be detected in these studies. Only the New Jersey experiment had a long-term follow-up, although in that case the evidence on the likelihood of long-run benefits (Anderson, Corson, and Decker 1991) was mixed.[7] While the earnings and UI experience of the Job Search Assistance (JSA)-plus-training group in New Jersey were not significantly different from the experience of JSA-only group in the four years following the experiment, only a small fraction of the JSA-plus-training group took up the offer of training. Although conclusions based only on those receiving training are likely to be contaminated by selection issues, there is evidence that UI receipt in the years following the initial claim was slightly lower for the training recipients, while earnings were to some extent higher.

Programs not targeted specifically at dislocated workers have shown somewhat more positive effects on earnings (U.S. Department of Labor 1994b). For example, experiments undertaken at the San Jose Center for Employment and Training (CET) found that training resulted in earnings gains averaging more than $1,000 per year. Similarly, evaluation of the Job Training Partnership Act (JTPA) indicated that adults had earnings gains in the second year after completing training that averaged around $850. In both cases, the training programs were determined to have been cost effective from a societal viewpoint. Thus, while the evidence is somewhat mixed overall, there does exist some support for the idea of long-run savings to the UI system from encouraging training receipt.

Considerations of such possible long-run benefits of training cannot be the whole story behind the favorable treatment of training programs by the UI system, however, since such benefits are likely to accrue from many types of human capital investment. In fact, there is mounting evidence on the growing importance of general education to labor market outcomes.[8] As stated previously, though, most states make no exception for regularly enrolled students. In fact, as seen in table 4. 1, many states have special provisions showing that students are ineligible while attending school, with seven states explicitly continuing that ineligibility during school vacation periods, when the claimant is arguably available for work. Many of the states do qualify the blanket ineligibility of students, however. For example, Kansas and North Carolina do not disqualify those in full-time work concurrent with their school

attendance. Similarly, Minnesota, Nebraska, and North Dakota allow receipt for students if the major portion of their base-period earnings came from services performed while in school. Other states' exceptions are somewhat more restrictive. Thus, Ohio indicates that individuals who become unemployed while attending school and whose base-period wages were at least partially earned while attending school will meet the requirement if they are available for suitable employment on any shift. Oklahoma will not disqualify students if they offer to quit school, adjust class hours, or change shifts in order to secure employment.

Job Search Activity

As noted earlier, one indication of availability for work is the act of searching for work. All states require registration at a local employment office as evidence of job search. Most states additionally require that claimants undertake an "active search" for work. States differ in how this requirement is imposed, but typically claimants must provide evidence of employer contacts each week.[9] Additionally, after some period of unemployment, an eligibility review meeting with UI staff is often required. As noted by Haber and Murray, one possible drawback to such active search requirements is that they may "result in a great deal of wasted effort that is a nuisance to employers and demoralizing to the worker" (pp. 268-269). Nonetheless, the number of states with an active search requirement has increased from thirty in 1966 to forty in 1994. Several states (Michigan, Delaware, Maryland, New Jersey, and Virginia), do allow for flexibility in reaction to changing economic conditions. Similarly, the provision is not mandatory in several other states (Oklahoma, Vermont, Washington, and Wisconsin).

While one intention of work search requirements, like other continuing eligibility requirements, is to prevent the UI system from becoming a welfare program, an obvious side benefit may be to assist in the reemployment of unemployed workers. The question then arises as to what sort of requirements can best meet these dual goals. Several experiments have been carried out assessing the impact of different approaches to work search. As noted by Meyer (1995), since most of these experiments offered additional job finding services, as well as imposed additional job reporting requirements, it is difficult to untan-

gle whether it was the extra services or the tightened eligibility requirements that led to the observed outcomes. In general, the more intensive treatments were found to have resulted in reduced UI receipt and increased earnings that outweighed the increased administrative costs.[10]

Only the Washington Alternative Work Search Experiment also evaluated the effect of lowering the work search requirements. The results from this demonstration indicate that abandoning an active search policy would increase UI outlays by $265 per claimant, making it unlikely that any savings from reduced monitoring costs would be large enough to offset this amount. In fact, the administrative cost of the most intensive reemployment services tested in Washington was estimated to be only $14.50, while that treatment reduced UI payments by $70 per claimant (Johnson and Klepinger 1994).

A second recent area of research concerns self-employment. For a displaced worker, it is conceivable that the most productive reemployment option is self-employment. However, individuals in the process of starting up their own business would not meet the requirements of being available and searching for work. Thus, the search requirements of the UI system may actually serve as an impediment to productive employment in this case. Recently, demonstration projects were undertaken in Washington and Massachusetts to determine the impact of allowing for at least some claimants continuing access to the UI system while they are starting up their own business.[11] In both cases, treatment group members were more likely to become self-employed. Additionally, the length of unemployment spells was reduced. However, only a small number of claimants actually became self-employed, implying that the overall effects on unemployment were negligible.

Based on the encouraging results of demonstrations such as these, federal legislation was enacted in 1993 to allow for self-employment assistance programs conditional on the provision of increased reemployment services. Under the North American Free Trade Agreement Implementation Act, states are permitted to establish self-employment assistance programs that allow selected claimants who are engaged in establishing a business to continue to receive periodic unemployment payments (Runner 1994).

Additionally, Public Law (P.L.) 103-152 was enacted in November of 1993 and requires states to establish and implement a Worker Profil-

ing and Reemployment Services System. This law defines such a system as one that

> (A) identifies which claimants will be likely to exhaust regular compensation and will need job search assistance services to make a successful transition to new employment;
>
> (B) refers claimants identified pursuant to subparagraph (A) to reemployment services, such as job search assistance services, available under any State or Federal law;
>
> (C) collects follow-up information relating to the services received by such claimants and the employment outcomes for such claimants subsequent to receiving such services and utilizes such information in making identifications pursuant to subparagraph (A); and
>
> (D) meets such other requirements as the Secretary of Labor determines are appropriate.

The law adds a

> requirement that, as a condition of eligibility for regular compensation for any week, any claimant who has been referred to reemployment services pursuant to the profiling system under subsection (j)(1)(B) participate in such services or in similar services unless the State agency charged with the administration of the State law determines -
>
> (A) such claimant has completed such services; or
>
> (B) there is justifiable cause for such claimant's failure to participate in such services (U.S. Department of Labor 1994b, p. 18).

Thus, the law tightens continuing eligibility standards for claimants identified as likely to exhaust benefits by requiring them to participate in enhanced reemployment services.

These new programs are arguably the most significant changes to continuing eligibility requirements in quite some time. Unfortunately, it is too soon to evaluate their impacts. It will be interesting to study the effect of the laws, not only on claimants' unemployment durations and reemployment outcomes, but also on eligibility determinations. One would expect that P.L. 103-152 would increase disqualifications, as claimants who would otherwise have been eligible can now be disqualified due to a failure to participate in the new services. At the same

time, the availability of self-employment assistance would reduce disqualifications. Clearly, following up on the impact of these programs will be of much interest in the future.

The discussion so far has focused only on the search activity of a permanently displaced worker, but an important source of wasteful search may be that undertaken by those who are awaiting recall.[12] Thus, several states make exceptions for these claimants. For example, Delaware, Michigan, Ohio, Arkansas, and Missouri each specify that a claimant is deemed available and actively searching if the employer notifies the agency that the layoff is temporary. The proper treatment of those who expect recall, but are not given an explicit recall date is perhaps less clear. On the one hand, a large fraction of those who expect recall are actually recalled.[13] However, recent studies have found that those whose expectations are incorrect have longer unemployment spells (Katz and Meyer 1990 and Anderson 1992, for example). In many ways, then, the treatment of those expecting recall may really be considered as part of the broader question of whether search requirements should be revised during the length of the claimant's spell. Since, in practice, most states incorporate such changes under the scope of defining what constitutes suitable work, it will be discussed in this context.

Refusal of Suitable Work

All states provide for disqualification due to a refusal of suitable work. The states differ, however, in their approaches to defining what is suitable and in the penalties imposed for a refusal. Because of concern for labor standards, FUTA requires all states to provide that

> compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions:
>
> (A) If the position offered is vacant due directly to a strike, lockout, or other labor dispute;
>
> (B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality;
>
> (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from

> joining any bona fide labor organization (U.S. Department of Labor 1994a, pp. 4-9).

Beyond this, states are free to use any criteria to define the suitability of a job, with most states using such things as the degree of risk to the claimant's health, safety and morals; the physical fitness and prior training, experience, and earnings; the length of unemployment, and prospects for securing local work in a customary occupation; and the distance of the available work from the claimant's residence (U.S. Department of Labor 1994a).[14]

As was mentioned when discussing the role of recall, it is possible that unrealistic expectations can result in delays in reemployment. However, the problem is not restricted to recall expectations, but may also apply more generally to the case of a worker who is not well informed about the wage offer distribution. Several states explicitly incorporate this type of thinking into their statutes, broadening the definition of suitable work as the spell continues. Many states adjust the definition of suitability based on earnings, although the minimum wage supersedes any other lower bound. For example, after 25 weeks of benefits have been received in any year, Florida declares suitable any job that pays at least 120 percent of the individual's weekly benefit amount. North Dakota specifies that, after 18 weeks, any job paying wages equal to the weekly benefit amount will be considered suitable. Iowa lowers the amount of gross weekly wages required for a job to be considered suitable in a stepwise fashion. Thus, in the first 5 weeks it must be at least 100 percent of the individual's high-quarter weekly wage, but, in weeks 6 to 12, just 75 percent, followed by 70 percent in weeks 13 to 18 and then 65 percent after that.

Thus, if misinformation about the job market led the individual's reservation wage to be set too high, requirements such as these that quickly revise reservation wages downward may not result in earnings losses due to inefficient job matches. Additionally, there will be the clear short-term gains to the UI system from decreased benefit payments, due either to earlier job acceptance or to more disqualifications. However, to the extent that the individual's reservation wage was set appropriately, such requirements may lead to earnings losses and thus result in long-term costs. Evidence on the role of UI-induced changes in unemployment on reemployment earnings is somewhat mixed. Early

studies, such as those by Ehrenberg and Oaxaca (1976), Burgess and Kingston (1976), Classen (1977), and Holen (1977), found generally positive effects of UI benefits on both duration and reemployment earnings. Such results would indicate that the subsidy to search provided by UI allowed claimants to obtain better jobs, and by extension would imply that there could be losses from earlier returns to work. However, recent evidence from several bonus experiments indicates that the shorter spells induced by the bonus did not come at the expense of lower earnings (Meyer 1995), tempering this conclusion.

The prediction of long-term losses from less search is also dependent upon the proposition that on-the-job search is significantly less efficient than search while not employed. The relative inefficiency of on-the-job search is a basic tenet of theoretical models of search unemployment, but the empirical evidence is mixed. For example, Gottschalk and Maloney (1985) note that about half of all job changers are never unemployed, implying that their job search was on the job rather than off. Additionally, Blau and Robins (1990) find that the offer rate per employer contact is higher for employed searchers than for unemployed searchers. These findings would then indicate that on-the-job search may be just as efficient if not more so than unemployed search. By contrast, though, Holzer (1987) finds evidence that at least among the young, unemployed search is more effective. Also, individuals do quit into unemployment (about 37 percent of voluntary separations according to Gottschalk and Maloney), which would indicate that there are advantages to unemployed search for these individuals. Thus, the issue remains unsettled.

Beyond making a decision on the definition of suitable work, states must determine what constitutes an offer and a refusal. For example, if a claimant walks past a store with a "Help Wanted" sign in the window, has a job been offered and refused? As noted by Haber and Murray, "it is generally agreed that it must be clear to the claimant that he is being asked to take a job, that the conditions of the job are specified, and that definite acceptance or rejection of the offer is required" (p. 291). Questionable situations may arise, however. For example, an offer may not be made because the employer finds the person to be unsuitable. Depending on the cause of this nonoffer, it may still be reasonable to disqualify the worker. If individuals deliberately sabotage their reemployment chances because they do not want to have to take the job, it is

essentially equivalent to refusing an offer. Questionable situations such as these are typically considered on a case-by-case basis, so that in some instances it may be determined that an offer has in fact been refused, while in others it may be determined that a definite offer was not made.

Overall, the considerations that will affect the costs and benefits of different approaches to the definitions of suitable work and of an offer and a refusal are clear. However, given that the actual size of the relative costs and benefits remains undetermined, it is not surprising that the states have chosen to take many different approaches. No matter the definitions used, all states impose some type of disqualification once a determination has been made that an offer of suitable work was refused. Note that this is in contrast to the approach taken to ineligibility due to inability or unavailability for work. In those cases, payments are withheld for weeks in which the claimant is unable to work or is unavailable, but will be resumed when the condition changes. Refusal of suitable work instead leads to denial of benefits for a specific time period following the refusal, with determination of this time period differing across states. The next section will examine state approaches to disqualifications more closely.

Disqualification Practices

Types of Disqualifications

There are three main approaches taken by the states in imposing disqualifications for refusal of suitable work: disqualifying applicants for a fixed number of weeks, for a variable number of weeks, or for the duration of unemployment.[15] As seen in table 4.2, the majority of states (thirty-nine) disqualify claimants for the duration of unemployment, while only eight states impose a variable week disqualification, and just six states impose a disqualification of a fixed number of weeks.[16] The decision to impose a durational disqualification (as it is called), rather than a fixed or variable week disqualification, reflects a basic difference in assumptions about the source of unemployment. In limiting the length of the disqualification, a state is implicitly assuming that

Table 4.2 1994 State Provisions on Refusal of Suitable Work

State	Benefits postponed for		
	Fixed number of weeks	Variable number of weeks	Duration of unemployment
Alabama	No	1 - 10	No
Alaska	5	No	No
Arizona	No	No	Yes
Arkansas	7	No	No
California	No	1 - 9	No
Colorado	20	No	No
Connecticut	No	No	Yes
Delaware	No	No	Yes
District of Columbia	No	No	Yes
Florida	No	1 - 5	Yes
Georgia	No	No	Yes
Hawaii	No	No	Yes
Idaho	No	No	Yes
Illinois	No	No	Yes
Indiana	No	No	Yes
Iowa	No	No	Yes
Kansas	No	No	Yes
Kentucky	No	No	Yes
Louisiana	No	No	Yes
Maine	No	No	Yes
Maryland	No	5 - 10	No
Massachusetts	7	No	No
Michigan	6	No	No
Minnesota	No	No	Yes
Mississippi	No	1 - 12	No
Missouri	No	No	Yes
Montana	No	No	Yes
Nebraska	No	7 - 10	No
Nevada	No	No	Yes
New Hampshire	No	No	Yes

State	Benefits postponed for		
	Fixed number of weeks	Variable number of weeks	Duration of unemployment
New Jersey	3	No	No
New Mexico	No	No	Yes
New York	No	No	Yes
North Carolina	No	5+	Yes
North Dakota	No	No	Yes
Ohio	No	No	Yes
Oklahoma	No	No	Yes
Oregon	No	No	Yes
Pennsylvania	No	No	Yes
Rhode Island	No	No	Yes
South Carolina	No	No	Yes
South Dakota	No	No	Yes
Tennessee	No	No	Yes
Texas	No	No	Yes
Utah	No	No	Yes
Vermont	No	No	Yes
Virginia	No	No	Yes
Washington	No	No	Yes
West Virginia	No	4+	No
Wisconsin	No	No	Yes
Wyoming	No	No	Yes

after some period of time, general economic conditions are more responsible for the claimant's continued unemployment than is his or her earlier refusal of work. Additionally, this approach recognizes the fact that, in practice, the distinction between suitable and unsuitable work may be a fine one. This recognition is especially relevant to the case of variable week disqualifications, as it is possible to impose lower penalties in situations that seem particularly unclear. Recall, for example, the earlier discussion of difficulties that may arise in determining whether or not an offer has been made and refused.

By contrast, the assumption behind the use of durational disqualifications is that, had the claimants not refused the job, they would now be employed, and thus continued unemployment of any length should be considered voluntary and beyond the scope of the UI system. Most of the states imposing a durational disqualification also specify that a claimant must work a given amount of time or earn a certain amount before requalifying for benefits. In theory, then, the disqualification may last beyond the duration of unemployment and thus takes on a punitive characteristic. For example, consider a worker who at some point after being disqualified for a refusal accepts a new job. If the individual is then laid off from the new job prior to working long enough or earning enough to requalify, this new spell of unemployment will be uncompensated for as long as it lasts. In practice, however, the requirements for requalification are relatively low in most states, and thus the actual number of claimants affected in this way by such provisions is likely to be small. Perhaps more clearly punitive in nature is the practice of reducing benefits in conjunction with a disqualification. The reduction amount varies but is often set equal to the weekly benefit amount multiplied by the number of weeks of disqualification. Thus, in terms of future eligibility, it is as if the claimant collected benefits during the disqualification period.

As was the case with disability provision, the actual trends in state laws since 1966 have generally conflicted with the spirit of the discussion by Haber and Murray. At that time, they stated that "we would recommend against disqualification for the duration of unemployment in cases of refusal of suitable work" (p. 304). Despite such recommendations, the number of states using durational disqualifications along with requalifying requirements has grown substantially. In 1966, there were twenty-three states that disqualified a claimant for the duration of

unemployment after a refusal of suitable work, while today that number has risen to thirty-nine. The tally of states reducing the number of weeks of benefits for which a worker is subsequently eligible has actually declined slightly, though, from 15 to 13. However, this is a fairly small change considering the strong statement by Haber and Murray: "Reduction or cancellation of benefit rights is punitive in character and has no proper place in an insurance program" (p. 305).

The Determination and Appeals Process

Given the severity of and possibly long-term consequences of disqualification, it is important to provide for an appeals process. In fact, federal law requires that there be an "opportunity for a fair hearing before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied" (U.S. Department of Labor 1994a). All states allow not only individuals whose claims are denied, but also employers who have an interest, to appeal decisions on claims. Most states also provide for two appeal stages before cases can be taken to the state courts, with the decision of the first-stage appeals body being final in the absence of an appeal. Some states do allow for reconsideration of a decision within the appeal period, however. States are approximately evenly split between those that have a special board of review, board of appeals, or appeals board, and those where an existing commission or agency head handles appeals. In the former case, the members generally represent labor and employers, and, in some cases, the public. In the latter case, the appeals board is often the independent commission that administers the UI system in the state. Finally, all states also provide for judicial review by the courts, with the time limit generally ranging from 10 to 50 days.

Prior to the appeals stage, an initial determination was obviously made. The actual process of making a determination on whether an infraction has taken place is a multistep one. First, the state must identify that a situation exists requiring further investigation. The state then collects information on the circumstances from the claimant and from any other interested parties. This fact-finding procedure is followed by a formal hearing, during which the evidence is weighed and rules are interpreted as to how they apply to the case at hand. While these same basic steps are followed in all states, Corson, Hershey, and Kerachsky

(1986) find that there is significant variation across states in carrying out these procedures. The result is a wide variance in the number of determinations made in each state, and, ultimately, in the number of denials.

Given this variation, for some states the appeals process may be a key component of the system. Reliance on appeals may be especially common if the laws regarding continuing eligibility are exceptionally unclear or are administered in an inconsistent manner. Based on a survey of UI directors in each state carried out by the Interstate Conference of Employment Security Agencies (ICESA), the Advisory Council on Unemployment Compensation (ACUC) indicates that such problems are particularly likely in the case of refusal of suitable work. For example, while 42 states will consider a claimant to still be eligible if the refusal of suitable work is for "good cause," the survey reveals that the definition of good cause is generally determined on a case-by-case basis. Additionally, a follow-up survey of five states designed to assess the internal consistency of such determinations within a state found that three of the five states provided inconsistent responses to the question of refusal of suitable work. The ACUC goes on to note that "the general lack of published information regarding state nonmonetary eligibility conditions is likely to cause misunderstandings regarding nonmonetary eligibility. Such misunderstandings harm both claimants and employers, and also may place strains on resources of the UI system by causing additional appeals" (ACUC 1995).

In fact, total appeals have increased over threefold in the past twenty-five years or so, reaching 1.2 million in 1994 (ACUC 1996).[17] This growth took place both at the lower authority and higher authority level, but higher authority appeals have remained a fairly constant proportion of lower authority appeals over time. By contrast, the number of lower authority appeals has risen, not just in levels, but as a fraction both of initial claims and of total denials. A majority of appeals are filed over separation issues: nonseparation issues such as those discussed in this chapter made up just 33 percent of all appeals in 1994. On the other hand, nonseparation appeals as a percentage of nonseparation denials have doubled since 1971, increasing from 8 percent to 16 percent. Looking at the type of nonseparation issue, appeals related to both able and available for work and refusal of suitable work have

fallen over this time period, while all other nonseparation appeals have increased.

Claimants continue to file appeals at a higher rate than do employers, but total employer appeals have increased in recent years. The rate of claimant appeals in 1994 was about the same as in 1983.[18] By contrast, the employer appeal rate doubled in that period. At the same time, the success rate of employers has been falling, both at the lower authority and higher authority level. It would seem, then, that employers have become more likely to appeal any given claim. Such behavior would be rational if either the costs of appealing had fallen or if the benefits of doing so had risen. One possible contributor to lower costs of appeal is the increased availability of third-party administrators, or so-called UI service bureaus. At the national level, these include such firms as the Frank Gates Service Company and the Frick Company. Similar services may also be provided by local associations. For example, the Employers Group (formerly the Merchants and Manufacturers Association and Federated Employers) provides human resources management to "nearly 5000 California private and public sector employers of every size and business classification" and lays claim to being "the nation's leading non-profit human resources management association."[19]

As is typical of UI service bureaus, the Employers Group offers to provide a multifaceted cost control program that covers six major activities: counseling, training, claims handling, auditing, analysis and reporting. Among other things, such UI service bureaus will take the lead in protesting claims and will provide representation at appeals hearings. These services are likely not only to reduce the cost of appeals (the service is generally covered as part of the overall agreement with the company) but may also increase the benefits if skilled representation raises the probability of a successful appeal. Studies of the appeals process provide somewhat mixed evidence on this proposition. Using 1994 data on appeals in Wisconsin, Ashenfelter and Levine (1995) find that retaining representation has no effect on the employer's success rate, although claimants who obtain representation are more likely to win. Kritzer (1995) comes to a similar conclusion, also with data from Wisconsin, but he notes that the most effective representation stems from expert knowledge of the UI system. Thus, service bureaus may be more successful than the average representative. It

is important to realize, however, that there are significant differences across states in the total appeals rate, and thus the Wisconsin experience may not be typical. While less up to date, evidence in Rubin (1980), using over 11,000 appeals cases in twenty-four states from April of 1979, is supportive of these findings. Rubin concludes that, although claimants are more likely to win an appeal if represented, employers, on average, are actually less likely to win if represented. Each of these studies finds no significant overall benefit to employers of being represented, but the ACUC (1996) does find a positive effect for both employers and claimants.[20] While the evidence is weak for the positive benefits of representation, it still remains true that the costs of appeal are reduced via service bureaus, so we cannot dismiss the possibility that their increased use has affected the appeals procedure.

In sum, a recognition that there may be no "best" approach may well be the key factor in understanding why there appear to be so many differences across states in their approaches to the issue of continuing eligibility. For example, states face a precarious balancing act in setting policies on disqualifications for refusal of suitable work. A job that is clearly suitable for one individual may be just as clearly unsuitable for another individual. Thus, while there may generally be an advantage to explicit eligibility laws that are consistently applied, there is the real risk of losing the flexibility to deal with claimants as individuals, with the resultant determinations possibly being suboptimal. Consequently, we observe different practices and different outcomes across states. Possible determinants of this variation are considered in the next section.

Determinants of State Practices and Outcomes

Differences in State Continuing Eligibility Rules

While the costs and benefits of the various state strategies are fairly evident, it remains difficult to fully discern the causes of the differences in legislation across states. Some possible candidates include the political climate of the state, the level of experience rating, and the health of the state trust funds. It is hard to quantify such considerations,

but some basic indicators of these state attributes are available. In an attempt to evaluate whether these types of factors seem promising as explanations of state differences in approaches to continuing UI eligibility, I estimated some very simple empirical models. Specifically, probit models were estimated on the probability of not having special disability laws, the probability of requiring availability for suitable, usual, or any work; the probability of having special student restrictions; and the probability of having variable, fixed, or durational disqualifications for refusal of suitable work.

The state characteristics used as explanatory variables are the average fraction of the state legislature that was Democratic over the 1980s, the fraction of that time period during which the governor was a Democrat, the average experience rating index (ERI) over the 1988-1992 period, and the state reserve ratio multiple (RRM) at both the peak (1989) and trough (1992) of the business cycle.[21] The political variables are meant to capture the inherent "liberalness" of the state and should be negatively related to stricter legislation. By contrast, the ERI should be positively related to stricter measures, since greater experience rating should increase employer opposition. The use of averages over past years is meant to be a proxy for long-run values of these attributes. The role of the RRM measures is slightly less clear, since stricter states are likely to see their reserves fall less quickly in a downturn, while states with generally lower reserves should be less likely to have more generous laws. It may be most appropriate, then, to think of the RRM at the peak as reflecting the adequacy of the state's reserves more generally, conditional on the RRM at the trough. Thus, the two measures are entered separately, rather than using an average, with the coefficient on the 1989 measure (the peak) generally being the one of most interest.

Table 4.3 presents the results of this exercise, along with a summary of the expected signs of the coefficients. For each of the models, a positive coefficient indicates that this state characteristic implies more severe provisions. Given the simplicity of this exploratory analysis, it is perhaps not surprising that the explanatory value of the models is generally low. Many of the coefficients are of the expected sign, although the majority of coefficients are not significantly different from zero.[22] Taking each of the basic state characteristics in turn, we see that having a Democratic governor is generally negatively related

Table 4.3 Exploring the Determinants of State UI Provisions

	Predicted sign of coefficient	No special disability provision	Type of able and available	Has special student provision	Active search required	Type of disqualification
		(1)	(2)	(3)	(4)	(5)
Democratic governor	(-)	-0.889	0.787	-0.487	-0.352	-0.285
		(0.823)	(0.670)	(0.701)	(0.792)	(0.809)
Democratic legislature	(-)	2 044	-0.480	-0.555	1.520	-3.003**
		(1.536)	(1.093)	(1.237)	(1.528)	(1.397)
Experience rating index	(+)	0.0122	-0.017	-0.008	0.023	0.010
		(0.030)	(0.024)	(0.024)	(0.031)	(0.029)
Reserve ratio multiple (1989)	(-)	-1.842	-0.809	-1.874*	-3.287**	-0.061
		(1.237)	(0.914)	(1.064)	(1.404)	(1.059)
Reserve ratio multiple (1992)	(+)	1.408	-0.092	1.345*	2.555**	0.348
		(0.934)	(0.670)	(0.758)	(1.018)	(0.822)
Number of observations		43	47	47	47	45
Pseudo R^2		0.112	0.119	0.077	0.216	0.141

NOTES: Positive coefficients imply increased severity of state provisions. Models (1), (3), and (4) are probit models on the presence of the named provision. Models (2) and (5) are ordered probits on the type of named provision. Standard errors are in parentheses. See the text for a complete description of explanatory variables. All models exclude Alaska, the District of Columbia, Hawaii, and Nebraska. Model (1) also excludes those states with separate disability programs. Model (5) also excludes states with combination provisions. *Indicates significance at the 90% level, **at the 95% level.

to stricter state provisions, as expected. The one exception is that a Democratic governor is not negatively related to increasingly strict designations of the type of work for which an applicant must be able and available. Results are slightly more mixed for the impact of a Democratic legislature. There is a significantly negative effect on the probability of having stricter disqualification provisions for refusal of suitable work. The expected negative sign is also found for having a special student disqualification provision and for having increasingly strict designations of the type of work for which an applicant must be able and available, although these are not significantly different from zero. While still insignificant, the estimated impact of a Democratic legislature on the probability of not having a disability provision and on having an active search requirement is unexpectedly positive. Estimates of the effect of the state experience rating index are always insignificant, and the signs are also mixed. Only the peak reserve ratio multiple (1989) provides the predicted estimated effect for all five models. However, only the probability of having an active search requirement is significantly reduced. A corresponding, significantly positive effect on active search is estimated for the reserve ratio multiple at the trough (1992). While this exercise is suggestive of the types of state attributes that may be important, the overall results are disappointing and leave many questions unanswered.

Differences in Disqualification Rates

Not only do states take different approaches to setting the requirements for continuing eligibility for UI benefits, but there are significant differences across states in the determination of eligibility. Table 4.4 presents denial rates for able and available for work issues and for refusal of suitable work, by state, for 1982 and 1991.[23] In each case the rate is presented as the number of denials per 1,000 claimant contacts. The table also provides the mean and median denial rate for each year, as well as the standard deviation of the mean. Looking first at denials for able and available issues, the mean and median in 1982 are 5.4 and 4.9, respectively, but rates range from just 0.6 in Tennessee to 21.9 in South Dakota. In 1991, the mean and median are 5.9 and 4.3, respectively, and the range is similar to that of 1982, although now Utah registers the highest rate of 21.4, while Tennessee remains the lowest, at

Table 4.4 State Disqualification Rates per 1,000 Claimant Contacts, 1982 and 1991

State	Able and available		Refusal of suitable work	
	1982	1991	1982	1991
Alabama	3.6	3.4	0.1	0.2
Alaska	5.3	10.0	0.3	0.3
Arizona	10.2	11.5	0.3	0.3
Arkansas	5.7	7.0	0.3	0.3
California	6.4	8.3	0.2	0.2
Colorado	7.4	3.6	0.3	0.1
Connecticut	4.6	3.1	0.4	0.1
Delaware	1.9	4.9	0.2	0.2
District of Columbia	1.1	1.9	0.0	0.0
Florida	9.0	5.2	0.3	0.2
Georgia	5.2	4.8	0.1	0.2
Hawaii	6.1	9.1	0.4	0.5
Idaho	5.3	7.5	0.3	0.4
Illinois	4.5	2.8	0.2	0.2
Indiana	1.6	2.8	0.2	0.3
Iowa	6.8	3.3	0.2	0.2
Kansas	14.5	15.1	0.3	0.4
Kentucky	3.8	2.9	0.1	0.1
Louisiana	3.2	4.2	0.2	0.1
Maine	7.0	4.8	0.5	0.6
Maryland	2.3	5.0	0.3	0.2
Massachusetts	2.2	1.1	0.1	0.0
Michigan	4.0	2.5	0.2	0.2
Minnesota	6.9	3.6	0.2	0.2
Mississippi	2.8	5.1	0.2	0.6
Missouri	9.5	18.2	0.3	0.3
Montana	6.0	2.6	0.2	0.0
Nebraska	15.3	17.9	0.3	0.2
Nevada	6.0	4.3	0.4	0.4
New Hampshire	5.0	4.9	0.3	0.2
New Jersey	6.9	3.8	0.2	0.2

State	Able and available		Refusal of suitable work	
	1982	1991	1982	1991
New Mexico	2.8	5.0	0.1	0.2
New York	7.8	2.5	0.3	0.2
North Carolina	1.8	4.2	0.2	0.2
North Dakota	3.1	11.6	0.3	0.3
Ohio	4.7	1.9	0.1	0.1
Oklahoma	1.9	1.4	0.4	1.3
Oregon	4.9	5.5	0.3	0.3
Pennsylvania	2.2	2.2	0.1	0.1
Rhode Island	4.3	2.1	0.3	0.1
South Carolina	3.0	3.6	0.1	0.1
South Dakota	21.9	16.5	0.7	0.5
Tennessee	0.6	0.5	0.1	0.2
Texas	7.6	4.7	0.2	0.2
Utah	7.7	21.4	0.2	0.3
Vermont	1.8	1.8	0.2	0.3
Virginia	7.1	9.7	0.5	0.8
Washington	4.6	3.3	0.0	0.3
West Virginia	2.5	2.0	0.1	0.2
Wisconsin	1.4	4.9	0.2	0.4
Wyoming	5.8	8.7	0.0	0.4
Mean, Median	5.4, 4.9	5.9, 4.3	0.2, 0.2	0.3, 0.2
Standard Deviation	(3.9)	(4.8)	(0.1)	(0.2)

0.5. Overall, the variation across states in 1991 is slightly larger than in 1982.

A similar pattern is seen for the denial rate for refusal of suitable work, although the levels are much lower. In this case, the mean is 0.2 and 0.3 in 1982 and 1991 respectively, with a median of 0.2 in both years. Rates in 1982 range from negligible in the District of Columbia, Washington, and Wyoming to 0.7 in South Dakota. Similarly, in 1991, rates are negligible in the District of Columbia, Massachusetts, and Montana, but reach 1.3 in Oklahoma. As was the case earlier, the variation across states is slightly larger in 1991 than in 1982. There is, however, a strong correlation between denial rates in the two years within states. For example, as shown in table 4.5, the correlation between denial rates for able and available for work over the two years is 0.6927 and is significantly different from zero. Note that a correlation of 1 would imply that the two rates were identical, while a correlation of 0 would imply that there was no relationship across the two years. Looking at disqualifications for refusal of suitable work, there is a significant correlation of 0.5148 between the two years. There is also a correlation between the two different types of disqualifications within each year. This correlation is strongest in 1982, where it is 0.5699 and statistically significant. The correlation falls to 0.2190 in 1991 and is not significant at conventional levels.

Table 4.5 Correlations of State Denial Rates

	Able and available 1982	Able and available 1991	Refusal of suitable work 1982	Refusal of suitable work 1991
Able and available 1982	1.00	0.6927	0.5699	N.A.
		(0.0000)	(0.0000)	
Able and available 1991	--	1.00	N.A.	0.2190
				(0.1225)
Refusal of suitable work 1982	--	--	1.00	0.5148
				(0.000)
Refusal of suitable work 1991	--	--	--	1.00

NOTES: Probability of obtaining the estimated correlation if the true correlation was zero is given in parentheses. All correlations are calaculated based on the state denial rates shown in table 4.4

These strong within-state correlations, combined with the large differences across states raise the question of what the key determinants of denial rates are. This topic is explored in some detail by Corson, Hershey, and Kerachsky (1986). They divide the factors likely to affect denial rates into five categories: (1) the characteristics of state laws, (2) the thoroughness of the administrative process in UI determinations, (3) the generosity of UI benefits, (4) the state of the economy, and (5) the general philosophy of the state towards UI claimants. Using quarterly data on denial rates by state from 1964 through 1981, they then estimate separate models for denials for able and available and for refusal of suitable work issues. In both models, state laws, other UI characteristics and external economic factors are used as explanatory variables.

Results from this exercise are generally disappointing, with only a few significant effects and some coefficients of the unexpected sign. For example, only the wage replacement ratio, insured unemployment rate, percentage insured unemployed in construction, percentage insured unemployed in manufacturing, and percentage men were significant in both cases, and, for refusal of suitable work, the presence of durational disqualifications was also significant. In all cases, each of these variables was estimated to have a negative effect on the denial rate. The negative effects of the composition of the insured unemployed were as expected, since these groups are more likely to be on temporary layoff and thus may be exempt from many of the requirements. The negative effect of the overall insured unemployment rate is supportive of the idea that in a weak economy there are fewer job offers to refuse. Its role in affecting denials for able and available issues is less clear. It may be that claims examiners are simply less likely to deny benefits when times are bad. Alternatively, active search requirements are often weakened during downturns, and able and available determinations are strongly influenced by findings on active search. Somewhat more puzzling is the role of the benefit replacement rate. The authors theorize that the replacement rate should enter positively, since more generous benefits should induce more marginally eligible people to make claims, and thus the negative effect can be considered surprising.

A similar model is estimated in ACUC (1996) on overall denials for nonseparation issues for states from 1978 to 1990, with correspond-

ingly disappointing results. Only lower reserve ratios, lower unemployment rates, lower unionization rates, and unexpectedly shorter duration of UI benefits were significantly related to higher nonseparation denial rates. Thus, many significant across-state differences remain. Interestingly, some apparent regional patterns to the differences were found. For example, many of the states in the West have denial rates above what would be predicted from the model, while several states in the Southeast have denial rates below that predicted from the model. The study notes that similar behaviors by contiguous states may be interpreted either as cooperation or as competition among these states.

Corson, Hershey, and Kerachsky (1986) follow up their regression research with an in-depth process analysis carried out in six states. While the state-level regression models provide fairly unsatisfactory results, several conclusions emerge from this work. First, the authors find that a key factor is the rate at which states detect issues (referred to as making a determination), rather than the rate at which such determinations are denied. They then note that these determination rates "seem to reflect three general factors that vary from state to state: (1) the scope of work-search requirements and the methods used to monitor compliance; (2) the purposefulness and frequency with which claimants are questioned about ongoing eligibility issues; and (3) the consistency with which ongoing claims are reviewed." Additionally, they note that the organization of fact-finding and adjudication is likely to affect denial rates, with there being three main variable factors across states. These factors are identified as "the extent to which they insisted on conducting all fact-finding within the context of a recognized determination process," the "extent to which states relied on in-person interviews," and the extent to which the same staff person carried out both the fact-finding work and the adjudication.

While such conclusions are undoubtedly valid, they do not answer the more fundamental question of why there are such differences in these factors across states. As before, consideration of the costs and benefits of the approaches is likely to be informative. Many of the types of issues that should be considered have already been discussed in related contexts. For example, determination and denial rates are likely to be higher/lower if there are more/fewer requirements for continuing eligibility. Thus, the earlier analyses of special disability provi-

sions, special student provisions, and of the definition of suitable work are applicable for ascertaining the likely costs and benefits of higher and lower denial rates. Few details are available on the administrative costs of the different approaches, although the work search experiments that were discussed provide some information. It is certainly likely, however, that the marginal cost of ferreting out every last ineligible claimant would vastly exceed the cost of maintaining such persons on the UI rolls. There may also be additional benefits from stricter enforcement in the form of deterrent effects. That is, unemployed individuals may not even apply if they think they will be denied UI benefits, although this form of deterrence is likely to be much more important for initial eligibility determinations than for continuing eligibility issues. However, Corson and Nicholson (1988) do find some significant effects of continuing eligibility variables on the ratio of the insured unemployment rate to the total unemployment rate. Similarly, Blank and Card (1991) find that the disqualification rate has a significantly negative effect on the take-up rate, as measured by the ratio of insured unemployment to initially eligible unemployment. It is likely, though, that the mechanism of the effect is through increased denials rather than via reduced applications for benefits.

Across-state differences in the rate of appeals of nonseparation issues have not been studied, but consideration of the results of analyses of total appeals may still be useful. The variation in appeals rates across states is large. ACUC (1996) notes that appeals as a percentage of denials as of 1994 range from highs of 73 percent and 56 percent in the District of Columbia and New Mexico, respectively, to lows of 4 percent and 5 percent in Nebraska and Idaho, respectively. As has generally been the case in this section, the results from attempts to explain such cross-state differences are somewhat disappointing. ACUC reports the results from regressions on appeals by employers and appeals by claimants, as well as on success rates by those groups, using state data for 1978 to 1990. While several variables are associated with higher appeals rates, the across-state differencês remain significant. Again, there appears to be some geographic clustering, with a group of Midwestern states and a group of Southwestern states each exhibiting higher claimant appeals rates than would be expected. There is no sign of such geographic clustering in employer appeals rates. Similarly, several variables are associated with higher success rates, but the overall

model fit very poorly. In this case, there was no apparent geographic clustering.

Conclusions

All states impose some sort of continuing eligibility requirements on UI recipients. While the specifics of the state laws vary, the basic requirements can be simply summarized. Claimants must demonstrate that they are able and available for work and generally must provide evidence of an active search for work. Benefits will be denied in any week that a claimant is unable to meet these requirements. Additionally, claimants may not turn down an offer of suitable work. Such a refusal will lead to a disqualification from benefits for not only that week, but for a specified number of weeks following the refusal. In many states, this disqualification is for the remainder of the unemployment spell. Exact procedures for denying benefits also vary by state, but, again, share common characteristics. Indications that continuing eligibility requirements are possibly not being met are investigated, and, following this fact-finding process, a formal hearing takes place. The determination may then be appealed, with most states providing two levels of appeals. If the appeals process has been exhausted, the determination may be brought to civil court for judicial review.

The absence of standardization across states appears to reflect the reality that there is no single approach that is clearly dominant in all aspects. Rather, there are costs and benefits attendant to the different approaches, and these costs and benefits are likely to vary across states. Another consideration is that the costs and benefits of the various approaches may fall on different segments of the population. It is well known that the political process can generally not be relied upon to provide the socially optimal result, even with the assumption of "one man, one vote" and truthful revelation of preferences. Given the even more likely scenario of differential political influence of the interested groups, the probability of not all of the states implementing the optimal legislation rises dramatically. Thus, a significant source of variation across states may well be differences in the political process.

Empirical analyses that attempt to pin down sources of variation in state laws, and in denials and appeals for continuing eligibility issues have generally provided disappointing results. Descriptive, yet in-depth, analyses of specific states have tended to be more successful at pointing to major causes of differences across states. These two observations are not inconsistent, since the descriptive analyses tend to pinpoint factors that are difficult to quantify and thus have been excluded from the simpler empirical exercises. Overall, a deeper understanding of the issues that must be considered when deciding among the different approaches is likely to provide the most useful information on the variance across states. Consequently, the main focus of this chapter has been on discussing these issues and on discussing the most recent evidence relating to the likely costs and benefits of the choices made by the states.

While legislative change has generally been fairly slow, recent years have seen a marked acceleration in the adoption of new legislation on continuing eligibility. First, we have seen some states adopt a self-employment alternative to the work-search requirement. Second, all states have now begun to implement a profiling system. As part of this profiling system, some workers will be required to participate in reemployment services in order to maintain eligibility for benefits. Each of these changes was influenced by the results of random assignment experiments estimating the costs and benefits of different approaches. Careful testing of proposed legislation of this type is to be commended and encouraged. Additionally, study of the results of the actual implementation of these programs should be a high priority in the future.

NOTES

I thank Phil Levine, Chris O'Leary, and Henry Felder for their comments on earlier drafts of this chapter

1 See Blaustein (1993) for a complete discussion of the evolution of the UI system in the United States.

2 The question of whether such insurance should be privately purchased or publicly provided is beyond the scope of this chapter Note that an additional five states (California, Hawaii, New Jersey, New York, Rhode Island and Puerto Rico) run a separate disability insurance program that provides benefits for workers unable to work due to nonwork-related disability.

3. Pages 285 to 288 discuss this issue in detail. For the most part the points raised remain valid today

4 As before, the question of whether these should be privately purchased or publicly provided is beyond the scope of this chapter

5. The federal taxable wage base is currently just $7,500, although states can and do set higher levels Chapter 8 of this volume discusses this issue in more detail.

6 Meyer (1995) reviews the UI experiments in general, although training issues are not discussed in depth.

7 See the full report for more details on the design and implementation of the experiment.

8. Levy and Murnane (1992) review the evidence for increasing earnings differentials among college-educated and noncollege-educated workers. Additionally, estimates of the return to education rise anywhere from 13 to 19 percent in studies using instrumental variables techniques to adjust for measurement error For example, see Card (1993) and Butcher and Case (1994).

9 States differ in the mechanics of certifying continuing eligibility. Often, a claimant must send in a postcard on a regular basis. This practice can have interesting repercussions. For example, in Illinois—and many other states—the claimant must file every two weeks As a result, analysis of the Illinois bonus experiment revealed that the hazard spikes every two weeks. See, for example, Meyer (1988) and Levine (1991).

10. See Meyer (1995) for more details on the design and outcomes of each of the experiments, which took place in Charleston, South Carolina and in New Jersey, Washington, Nevada, and Wisconsin.

11. Detailed discussions of the genesis of these demonstrations can be found in Wandner (1992), and a summary of the results is in Benus, Wood, and Grover (1994)

12. One should note, though, that requiring even claimants expecting recall to search may provide some benefits: individuals may enter into a more productive and/or more stable job match than the one to which they expect to be recalled.

13 According to a study by Katz and Meyer (1990), this fraction is almost 72 percent.

14 See U S Department of Labor (1994a) for more specific information regarding the stipulations made by different states.

15 For the case of variable week disqualifications, the exact number of weeks is set at the time the determination is made.

16 Florida and North Carolina have aspects of both variable and durational disqualifications and thus are each counted twice.

17. All of the statistics on appeals presented in this section are from ACUC (1996)

18 Note that this discussion refers to both nonseparation and separation issues, since the two were not reported individually However, the majority of employer appeals concern separation issues. Also, for claimant appeals of nonseparation issues, the state is often the secondary party to the dispute, rather than the employer.

19. All quotes from the Employers Group are taken from their Web page at http·//www.hronline org/info/info.htm.

20 This study uses the same basic data as the other studies from Wisconsin, but the source of the difference is difficult to pinpoint It does appear that a lower percentage of the appeals from this study are coded as having representation, and that the total number of appeals is slightly higher

21 Anne Case and Tim Besley provided me with the political variables (see Besley and Case 1994), while the ERI and reserve ratio multiples were obtained from Vroman (1994, tables 5 and 3), respectively. Since Nebraska has an atypical state legislative structure, it is excluded from the analysis

22. A rule of thumb for determining statistical significance is that the reported coefficient be at least twice as large as the reported standard error

23. I would like to thank Walter Corson for providing me with the rates for 1991. The 1982 rates are from table 2 1 in Corson, Hershey, and Kerachsky (1986)

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