

**Low Benefit Reciprocity in State
Unemployment Insurance Programs**

by

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Executive Summary

When workers become unemployed they often apply for and receive Unemployment Insurance (UI) benefits. Across the United States, there is wide variation from state to state in UI application rates, the rate of first payments to applicants and duration in UI benefit status. The project studied the explanation for the wide interstate variation in the receipt of UI benefits. In addressing this question, particular interest centered on states where reciprocity is significantly lower than the national average.

Several factors operative in the states could explain why reciprocity is so varied. The project focused on two broad sets of factors: 1) differences in state labor markets and 2) differences in aspects of UI programs such as their statutes, administrative activities and methods filing for benefits. The analysis found both sets of factors contributed to differences in the receipt of UI benefits across states.

Considering the findings from all parts of the project, three main conclusions are drawn. 1) Variation in UI benefit reciprocity can be productively studied, and the analysis indicated that low reciprocity is systematically linked to variables that reflect UI statutes and administrative operations as well as differences in features of state labor markets, e.g., unionization. 2) Varying rates of inflow into benefit status generally have larger effects on overall benefit reciprocity than variation in duration of benefit receipt. The application rate (applications as a share of new onsets of unemployment) and the first payment rate (first payments as a share of new initial claims), two of the three inflows studied, are most closely linked to overall reciprocity as measured by the WBTU ratio (weekly UI beneficiaries as a proportion of weekly unemployment). 3) The misconduct determination rate has an especially large effect on all three ratios linked to inflows into UI benefit status. Developing a more detailed understanding of why misconduct determination rates are so varied across states would seem to be especially important.

The research documents variation in UI reciprocity rates examining two state-level measures, IUTU ratios (weekly UI claimants as a proportion of weekly unemployment) and WBTU ratios (weekly UI beneficiaries as a proportion of weekly unemployment). Focusing primarily on WBTU ratios, it summarizes state-level data for the years since 1967. Long run averages of WBTU ratios exceed 0.40 in some states while in others WBTU ratios have averaged less than 0.20. The patterns of low (or high) reciprocity are shown to persist in individual states for multiyear periods. Low (or high) reciprocity is also shown to have a clear regional pattern.

Among the states with low reciprocity, three distinct patterns were identified. 1) In five widely dispersed states, low reciprocity is associated with both a low inflow rate into benefits and short benefit duration. 2) In nine states, mainly in the southwest, the inflow into benefits is very low but duration is long, higher than the national average. Because the inflow rate is so low, the result is low reciprocity. 3) In five southeastern states, the inflow into benefits is average but benefit duration is very short, partly because recipients are still job-attached. Employer filing is common in these states, and it has a large effect on the pattern of UI reciprocity. It is associated with high application rates, low first payment rates, short benefit duration and low determination

rates for voluntary quits and misconduct. These consequences all follow from a situation where many claimants are still job-attached. In states with a significant volume of employer filing, the UI program experiences an especially fast flow-through of claimants compared to other states.

The project followed two approaches in studying the explanation for low reciprocity. Inferences are drawn from multiple regressions and related analyses and from information gathered during site visits conducted in nine states. Because the methodologies used in the two approaches are so different, exact comparisons of their findings are somewhat difficult to make. However, the two approaches did yield some common findings. The regressions and the site visits identified aspects of UI statutes, program administration and methods of claims filing that significantly affect reciprocity.

While a wide array of factors related to UI programs cause interstate differences in reciprocity, two are most important. 1) The inflow into benefit status is particularly sensitive to the rate at which UI agencies make determinations on the issue of misconduct. High misconduct determination rates are systematically associated with low inflows into UI benefits. 2) Duration in benefit status is sensitive to agency activities that reflect the frequency of nonseparation determinations and the frequency of eligibility reviews. In states where these activities occur with high frequency, benefit duration is significantly shorter than in other states. In summary, data reflecting aspects of UI administrative activities are systematically linked to the likelihood of receiving UI benefits and to the duration of benefits.

The regression analysis, one of the two research approaches, was conducted using an accounting framework developed within the project. The regressions used pooled state-year data and examined three ratios related to the inflow into benefit status and a fourth ratio linked to unemployment duration. The regressions included both macro-labor market variables and variables reflecting UI statutes, administrative activities and methods of filing for benefits. The labor market variables and the UI variables both made important contributions to the explanation of interstate variation in reciprocity.

The regressions explaining the application rate, the inflow variable with the widest range of interstate variation, found it depends heavily on the misconduct determination rate. Methods of filing initial claims other than in-person filing were found to increase application rates with the biggest effect caused by employer filing. The base period earnings requirement and the partial benefits share also made significant contributions to explained variation. The repeat application rate was found to depend on the misconduct determination rate as was the first payment rate (first payments as a proportion of new initial claims). Also important in explaining interstate variation in the first payment rate were the net liable-agent claims differential, the monetary eligibility proportion and the misconduct denial rate.

For explaining inflows into benefit status, the largest effect was found for the misconduct determination rate. High misconduct determination rates were associated with low application rates, low repeat application rates and low first payment rates. In short, all three facets of claimant inflows into benefits were reduced by a high misconduct determination rate.

Relative unemployment duration, i.e., duration of UI benefits relative to overall unemployment duration, was strongly linked to potential UI benefit duration, the partial benefits share, the nonseparation determination rate, the nonseparation denial rate, the rate of eligibility

reviews and the proportion of continued claims filed by employers. The negative effects of the nonseparation determination rate and the eligibility review rate on relative duration show that active administration of continuing claims significantly shortens average duration.

The preceding findings were all drawn from multiple regressions that also included large and significant effects of macro and labor market variables, e.g., capacity utilization, the job loser share of new unemployment spells and the unionization rate. Even controlling for obvious factors in the macro-labor markets of the states, UI program variables had important effects on all aspects of UI reciprocity.

While the findings of the site visits were more qualitative than quantitative, several patterns were identified that differentiated four high reciprocity states from five low reciprocity states. Seven specific findings were the following. 1) High reciprocity states have made much more accommodation to non-English speakers in filing for UI benefits. 2) Requirements for monetary eligibility are generally easier to satisfy in high reciprocity states. This encompasses lower monetary thresholds (measured relative to the average weekly wage), the absence of added monetary requirements, having alternative earnings requirements, offering an alternative base period (monetary eligibility based on more recent earnings than used in standard eligibility determinations) and offering short-time compensation (or worksharing which allows some work and receipt of benefits in the same week). Monetary eligibility proportions averaged 0.90 in the four high reciprocity states but only 0.81 in the five low reciprocity states while the national average proportion was 0.86. 3) Rates of adjudication on separation issues, both quits and misconduct, are generally lower in states with high reciprocity. 4) Quits are more likely to be compensated in high reciprocity states. 5) Disqualifying and deductible income denials are less frequent in high reciprocity states. 6) Eligibility reviews generally occur less frequently in high reciprocity states while penalties for failure to meet reporting requirements have more “teeth” in low reciprocity states. 7) Rates of employer appeals of nonmonetary determinations are much lower in high reciprocity states, less than half the rate of appeals in low reciprocity states. While the separate contributions of these individual factors are difficult to estimate, all operate to reduce reciprocity in the states with low reciprocity.

The research also addressed the issue of UI administrative stringency using three administrative measures important in determining the inflow of claimants into benefit status: the monetary eligibility proportion, the voluntary quit determination rate and the misconduct determination rate. These were examined with a series of multiple regressions. The patterns of average residuals from the regressions were then compared. Probably the most important finding of this analysis was that low benefit reciprocity, as signaled by the WBTU ratio, was negatively associated both with the voluntary quit determination rate residuals and with the misconduct determination rate residuals. In other words, low benefit reciprocity was systematically associated with higher than expected determination rates for both voluntary quit and misconduct issues.

In conducting the research for the project, several questions were encountered that seemed fruitful areas for further research. The final chapter identifies and briefly discusses some suggested topics for further research.

Introduction

This report examines the following question: why does the receipt of unemployment insurance (UI) benefits vary so widely across individual states within the United States? Especially strong interest centers on states where UI reciprocity has been and remains very low. To the extent that research on this question is successful, it will improve our understanding of this phenomenon and will identify changes that could increase UI reciprocity rates.

The report has eight chapters. Chapter I introduces the topic and briefly discusses earlier research. Chapter II reviews aggregate time series evidence on UI reciprocity and describes patterns of interstate variation. Chapter III introduces an accounting framework to help in understanding why reciprocity varies so widely across states. Chapter IV investigates several measurement issues related to UI reciprocity. Chapter V reports the results of a multiple regression analysis of reciprocity carried out within the accounting framework introduced in Chapter III. Chapter VI summarizes the findings of site visits conducted in nine states. States were visited to develop a better understanding of differences in UI administrative processes and statutes, and, more important, to identify key differences in laws and program administration that contribute to low reciprocity. Chapter VII conducts a regression analysis of three key measures of UI administration: the monetary eligibility rate, the voluntary quit determination rate and the misconduct determination rate. It finds evidence of linkages between both determination rates and low UI benefit reciprocity. Chapter VIII gives a summary of the findings, draws conclusions and makes suggestions for future research.

The principal conclusions of the investigation can be stated at the outset. 1) Differences in laws and administrative practices make an important contribution to interstate differences in UI reciprocity rates. States with low reciprocity have requirements in the areas of monetary eligibility and nonmonetary eligibility that, on average, are more difficult to satisfy than are the requirements in states with high reciprocity. 2) No single factor seems to be the key which differentiates states with low reciprocity from states with high reciprocity. Rather, it appears several different factors combine to produce low reciprocity. Individual factors are found to be differentially important when overall reciprocity is broken down into four constituent parts. Factors related to entry into benefit status are distinguishable from factors that affect UI benefit

duration. 3) Of all the explanatory factors that contribute to low reciprocity, the misconduct determination rate makes the largest single contribution. States with high misconduct determination rates have especially low levels of reciprocity. The misconduct determination rate operates through three channels of UI reciprocity: the application rate; the repeat application rate; and the ratio of first payments to new initial claims. All three are systematically lower in states with above-average levels of misconduct determinations.

Chapter I. Background

The fraction of unemployed workers who receive benefits from the state unemployment insurance (UI) programs in the U.S. varies widely from year to year and from state to state. The most common indicator of benefit recipiency is often termed the IUTU ratio, a shorthand reference to the ratio of insured unemployment (IU, the number with active claims or in receipt of benefits) to total unemployment (TU, the total number unemployed including new entrants into the labor force, labor force reentrants and job leavers as well as job losers). While the IUTU ratio is the most widely used indicator of UI benefit recipiency, other measures also exist.¹ One indicator, the WBTU ratio (the ratio of weekly UI beneficiaries to weekly unemployment), is accorded special prominence in the present research.

The IUTU ratio has displayed a wide range of variation through time and across states. During the 1950s the IUTU ratio averaged roughly 0.50 nationwide. Two subsequent time periods witnessed major reductions in the IUTU ratio. The ratio declined by roughly ten percentage points between 1960 and 1967. This reduction has been attributed mainly to the change in the demographic mix of unemployment with the influx into the labor force of young workers of the baby boom generation and increased labor force participation of adult women, groups that have below-average UI recipiency rates. The second period of reduced recipiency occurred in the early 1980s, a reduction due in part to problems of state trust fund insolvency which were widespread between 1980 and 1985. Since the mid 1980s, the nationwide IUTU ratio has been quite stable, in the 0.30-0.36 range, with a higher level observed in 1991, a recession year.² Chapter II reviews national developments in recipiency over the past 50 years.

Systematic measurement of IUTU ratios at the state level has been possible only since the late 1960s. Starting in 1967, the monthly household labor force survey (the Current Population

¹ See for example Wandner and Stengle (1997)

² An illustration of time series variation in IUTU ratios between 1947 and 1996 is given in Chart 1 of Vroman (1998). See also Charts II-1 and II-2 in Chapter II of this report.

Survey or CPS) was restructured to produce representative estimates of total unemployment and unemployment rates for the nine major census divisions and for ten large states. State unemployment and labor force detail in CPS was subsequently expanded to 30 states in 1970 and to all states in 1976. This project utilizes estimates of total unemployment by state developed by the principal investigator and extending back to 1967 for all states.³ Thus the maximum available time series of annual data by state is the 33 years from 1967 to 1999.

For as long as measurements have been possible, IUTU ratios have been observed to differ markedly from one state to the next. One illustration of this interstate variability is given in Chart 5 of a recent report by Vroman (1998). For the years 1967, 1977, 1987 and 1996 IUTU ratios in three states (Massachusetts, New Jersey and Pennsylvania) all ranged between 0.40 and 0.70 while in three other states (Texas, Florida and Virginia) the corresponding ratios ranged between 0.15 and 0.25. Chapter II examines this interstate variability in greater detail.⁴

Two of the primary objectives of state UI programs are: 1) to provide short-term protection against wage loss due to unemployment; and 2) to provide automatic or built-in stability to the macro economy through automatic increases in total payouts during recessions. Both objectives are more successfully achieved when IUTU ratios are higher and the countercyclical payouts from UI trust funds are larger.

This project examined the factors that affect UI benefit recipiency in the states. Interest centered particularly on situations of low recipiency and the explanation of low recipiency. However, to better understand low recipiency, the analysis encompassed all state programs so that low recipiency was examined within a comparative framework that also included states with high benefit recipiency.

Concern about low UI recipiency has been present for nearly two decades. The U.S. Department of Labor supported two large investigations of this topic in the 1980s. Reports by Burtless and Saks (1984) and Corson and Nicholson (1988) focused on the explanation for the

³ The derivation of these estimates is described in Vroman (1992).

⁴ There is probably sizeable variation in recipiency within states. The report does not address this issue.

decline in reciprocity in the early 1980s. Other researchers such as Blank and Card (1991), Bassie and McMurrer (1997), and Wandner and Stengle (1997) have also explored this issue. The most recent analysis of UI reciprocity was undertaken by Wittenburg, et.al. (1999). A selected review of earlier research was undertaken in the present project, and this review influenced the project's data collection activities. Wittenburg, et.al. (1999) reviews this literature.

The approach of most of the earlier literature has had a time series orientation. Within pooled state-by-year data, the explanatory variables that entered the specifications included variables from state labor markets, state UI program variables and other factors such as taxation of UI benefits, the changing geographic distribution of the U.S. labor force, the solvency of UI trust funds and unionization.

Because the preceding studies have not been fully successful in explaining time series and interstate variation in benefit receipt, the U.S. Department of Labor has also supported two other projects that conducted interviews with unemployed persons in the monthly household labor force survey (CPS). In 1989-1990 and again in 1993, special supplements to the CPS were mounted. For unemployed persons in outgoing rotation groups, a set of additional questions was asked that probed issues of application for and receipt of UI benefits. Reports that summarize these investigations were authored by Vroman (1991), Horvath (1996), and Wandner and Stettner (2000). These studies utilize micro data to investigate reasons for nonfiling, information not routinely available in studies that utilize time series data by state from the CPS and from UI program data. Two main reasons for nonfiling revealed by these studies were: 1) "did not work enough" and 2) "quit last job," respectively monetary and nonmonetary reasons that disqualify persons from eligibility during their current spells of unemployment.

These studies based on CPS micro data also were helpful in showing differences in receipt of UI benefits according to the reason for unemployment (job loser, job leaver, reentrant, and new entrant) and unemployment duration. Job losers and those with long duration were more likely to receive benefits than others. While these studies are helpful for understanding the nonfiler phenomenon, e.g., only about half of job losers file for benefits and much higher proportions of nonfilers are observed for other "reasons for unemployment," the underlying data bases were too

small to support a state level analysis.⁵ Thus, reasons for low recipiency in individual states could not be systematically examined in these data.

Low benefit recipiency especially among low-wage workers was examined by the Advisory Council on Unemployment Compensation (ACUC) (1996). The Council identified several situations leading to nonreceipt of benefits among persons who quit jobs for personal and family reasons, part-time workers, and workers paid low wage rates with low base period earnings. The ACUC made several recommendations for increasing access to benefits, and these recommendations continue to be actively discussed within the U.S. Department of Labor.

Nonstandard employment is an important and growing phenomenon in the U.S. labor market. A growing number of workers work either short hours or in situations where the traditional long-term employment relationship does not pertain. An analysis by Vroman (1998), developed a taxonomy of nonstandard employment situations, examined their prevalence, and noted receipt of UI benefits by workers in nonstandard situations. The scope of this analysis covered part-time work, independent contractors, temporary help, and other contingent workers. Among temporary help employees, occurrences of unemployment are frequent, and receipt of UI benefits is below-average. Part-time workers also have below-average recipiency rates. The other groups generally did not have low recipiency rates.⁶

The low rate of UI benefit recipiency continues to be a major policy concern at the U.S. Department of Labor (DOL). The Government Performance and Results Act (GPRA) as applied to DOL includes a performance measure related to UI recipiency. For Fiscal Year 2000, the UI program was to achieve an increase in the share of the unemployed receiving UI benefits. Low-wage and part-time workers are two groups of special concern.

During the year 2000 the National Association of State Workforce Agencies (NASWA)

⁵ Some detail at the level of the nine census divisions are displayed in Vroman (1991). Table 8 of this report also shows varying rates of interstate claims by region. In 1989 the highest rates of interstate claims occurred in the South and Mountain divisions (six to nine percent) while the lowest rates occurred in the New England and the Mid Atlantic divisions (two to three percent).

⁶ See Table 5 in Vroman (1998).

led an effort involving business, labor, state agencies, U.S. Department of Labor and other interested groups to develop a “consensus” package of UI/ES program reforms. The package addressed concerns about financing, benefits and program administration. Two proposed changes in UI benefit availability would require states to adopt an Alternative Base Period (or ABP, effectively recognizing more recent earnings than in the usual base period) and to improve access to benefits among part-time workers. If these proposed changes were enacted, they would raise UI reciprocity. Chapter VI of this report discusses the ABP and benefit availability for part-time workers in the states selected for site visits.

Chapter II. Time Series and Interstate Variation in Reciprocity

Aggregate Measures of Reciprocity

To characterize low benefit reciprocity it will be helpful to introduce three measures of unemployment and unemployment benefit status. Each of the three can be measured as a weekly average for a given year.

TU = the weekly average of total unemployment. This is most often measured as the simple average of the twelve estimates from the monthly household labor force survey (CPS).

IU = the weekly average of the number of regular UI claimants.⁷ This number includes both persons in UI benefit status and persons who have been determined eligible for benefits but have not received a first payment.

WB = the weekly average of the number of regular UI beneficiaries. This number excludes persons serving a waiting period and persons serving disqualification periods. It shows the actual weekly number of recipients.

By convention among researchers, the most common measure used to characterize UI benefit reciprocity has been the ratio of IU to TU, hereafter IUTU. Literally, this ratio shows the number of persons actively claiming regular UI benefits as a proportion of the number unemployed as measured in the CPS.

Note that in terms of strict accuracy, the ratio of WB to TU shows the fraction of the unemployed actually receiving benefits. In recent years, the ratio of WB to IU has averaged 0.88-0.90 so that use of the IUTU ratio to characterize benefit reciprocity exaggerates actual reciprocity by about 10 percent. When the IUTU ratio is, say, 0.36, the WBTU ratio will be about 0.32-0.33.

⁷ Regular UI refers to the program that can pay up to 26 weeks of benefits in most states. It is state financed. Other UI payments not considered here include payments from the programs for federal employees (UCFE), ex-servicemen (UCX) and long-term benefits paid through the Federal-State Extended Benefits program (EB), and periodic emergency federally-financed benefit programs (most recently EUC, Emergency Unemployment Compensation).

While some researchers have been sensitive to the distinction between IU and WB, IUTU has been used most often as the indicator of benefit reciprocity.

Recipients who exhaust UI benefits may remain unemployed and continue to be measured in the CPS, i.e., included in TU. In contrast, exhaustees do not enter either IU or WB. One reason for decreases in IUTU and WBTU ratios in later stages of recessions is that exhaustions reduce the numerators of both ratios.⁸

Note also that a third ratio can be generated from these variables. The WBIU ratio explicitly shows the ratio of persons receiving UI benefits to persons claiming benefits (or weeks paid to weeks claimed). To the extent that claimants are in the waiting week or serving a disqualification, they are measured in IU but not in WB and cause the WBIU ratio to be smaller than 1.0.

Reciprocity in National Time Series Data

Charts II-1 and II-2 display IUTU and WBTU ratios for the years 1947 to 1999. The annual ratios in Chart II-1 show how volatile the ratios can be from year to year. Each of the peaks (1949, 1952, 1954, 1958, 1960, 1971, 1975, 1980, 1982 and 1991) identifies a recession year when the ratios rise. The increases mainly reflect a change in the composition of unemployment during recessions. Job losers constitute an increased share of the unemployed and of the claimant pool during recessions, and because they have the highest reciprocity rate,⁹ this causes the IUTU and WBTU ratios to rise.

Clearly both ratios in Chart II-1 were much higher during the early years than during more recent years. To help make this point more clearly, Chart II-2 shows centered five year averages of these same two ratios. This chart which removes cyclical variation via averaging

⁸ Exhaustees from the so called regular UI program may subsequently receive benefits from the Federal-State Extended Benefit (EB) program or from an emergency federal program such as Emergency Unemployment Compensation (EUC) which paid benefits between late 1991 and early 1994. As noted earlier, the present research does not address payments from these programs or from the programs for federal employees (UCFE) or ex-servicemen (UCX).

⁹ Data from CPS special supplements of 1989-1990 and 1993 suggest about half of job losers collect UI benefits compared to only 0.10-0.15 of job leavers and labor force reentrants.

Chart II-1. IUTU Ratios and WBTU Ratios, 1947 to 1999

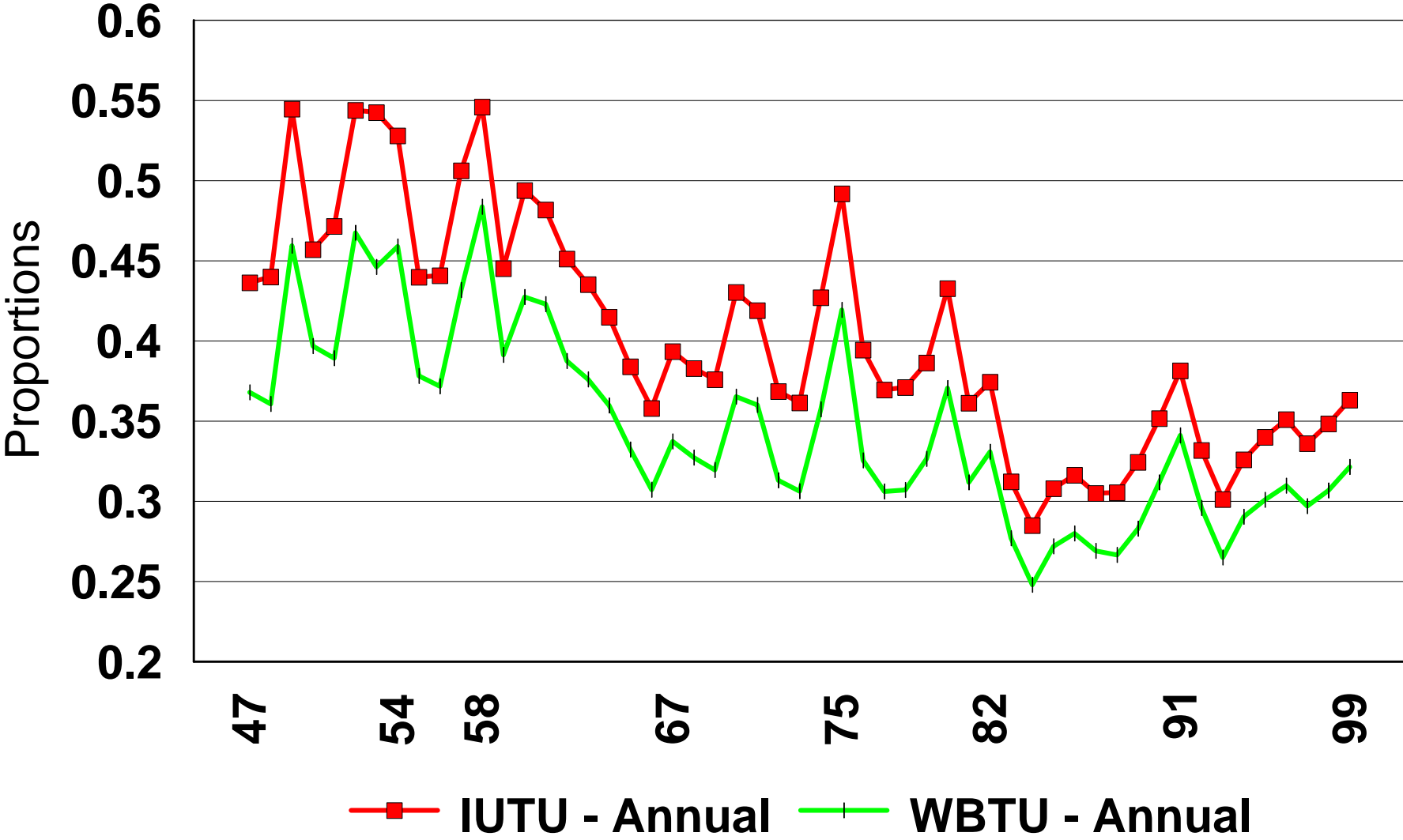
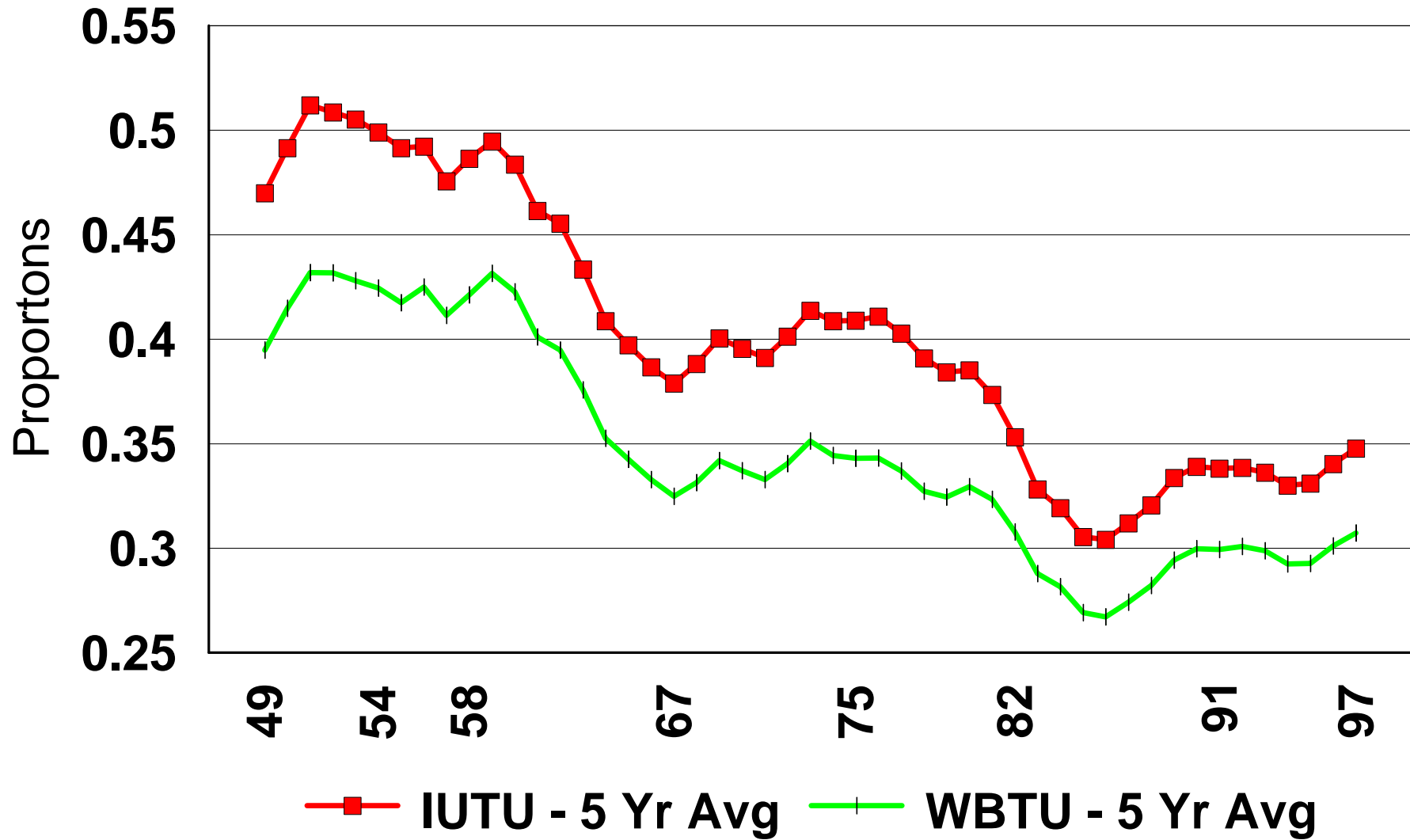


Chart II-2. IUTU Ratios and WBTU Ratios, Five Year Averages, 1949 to 1997



shows the large reductions of the early-to-mid 1960s and of the late 1970s-early 1980s. During these two relatively short periods of time, both ratios declined by roughly 0.08-0.11 or some 15-20 percent.¹⁰

Note in Chart II-2 that some recovery in the five year ratios occurred in the late 1960s, in the late 1980s and again in the late 1990s. The time series for the IUTU and WBTU ratios shown in both charts provides a more nuanced picture than suggested by assertions that the declines have been a persistent phenomenon in all periods. In fact, average reciprocity has been somewhat higher in the 1990s than in the 1980s.¹¹

One factor not obvious in Charts II-1 and II-2 is that the ratio of beneficiaries (or weeks paid) to claimants (or weeks claimed) has been higher in the 1980s and 1990s than in earlier decades. Chart II-3 helps to illustrate this point showing annual data and five year averages of WBIU ratios between 1947 and 1999. The ratios during the 1980s and 1990s have varied between 0.87 and 0.90, considerably higher than during earlier decades.

One implication of high levels of the WBIU ratios is that the decline in IUTU ratio during the early 1980s was larger than the decline in the WBTU ratio. This was confirmed when these ratios were examined using time series multiple regressions. The coefficient on a 1981-1998 dummy variable was -0.046 in the IUTU regression but only -0.025 in the WBTU regression.¹² An analysis of the decline in reciprocity based on the IUTU ratio would show a larger decline than an analysis based on the WBTU ratio.

¹⁰ This discussion will not attempt to be more precise on the exact size of the reductions in IUTU and WBTU ratios (absolute or percentage) during these two periods. Earlier research has made differing estimates. Probably the most elaborate accounting for the decline of the early 1980s was made by Corson and Nicholson (1988). Note that the decline of the early-to-mid 1960s can be documented, but lack of data on TU by state before 1967 makes it impossible to test hypotheses about this earlier decline using state-level data.

¹¹ Between 1980 and 1989 the national IUTU ratio averaged 0.333 whereas it averaged 0.343 between 1990 and 1999. The corresponding averages for WBTU were 0.291 and 0.304.

¹² Other explanatory variables were the unemployment rate and the unemployment rate lagged one year. The sample period was 1967 to 1998 for 51 jurisdictions, the 50 states plus the District of Columbia, for a sample size of 1632 observations. The implied elasticities of the declines were 12.7 percent in IUTU but only 8.1 percent for WBTU.

Chart II-3. Ratio of Weeks Paid to Weeks Claimed, 1947 to 1999

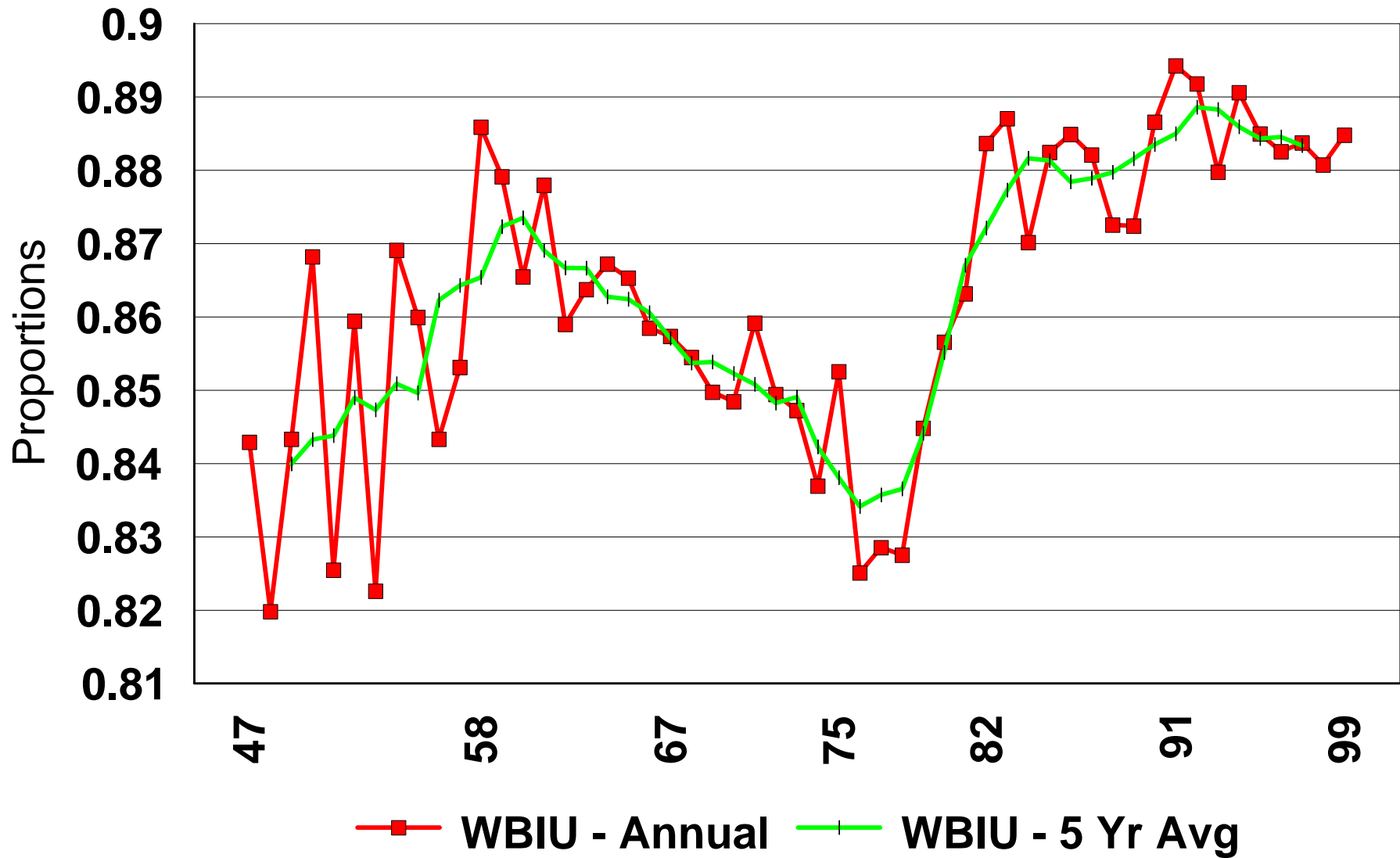


Chart II-3 shows especially low WBIU ratios during the mid 1970s. These low ratios coincide with the timing of the Supplemental Unemployment Assistance (SUA) program of 1975-1978. This emergency program allowed claimants who were not eligible for regular UI benefits to claim and receive special benefit payments. To be eligible for SUA, however, applicants had to apply for regular UI benefits. There appear to have been enough applicants for SUA (included in IU but not WB) to lower the overall WBIU ratio by roughly two or three percentage points.¹³

Chart II-3 also shows that the WBIU ratio increased by several percentage points after the late 1940s and then decreased by even more between the early 1960s and the mid 1970s. The explanation of these patterns lies beyond the scope of the current project. What is relevant for the project is that since 1982 the WBIU ratio has been higher in every year than during nearly every year of the previous three decades.¹⁴

Interstate Variation in Benefit Reciprocity

Table II-1 summarizes UI benefit reciprocity by state using the three aggregate ratios previously examined in national data, IUTU, WBIU and WBTU. The fifty states plus the District of Columbia are arrayed in alphabetical order. For each state the table displays averages of the three indicators over the 32 years from 1967 to 1998.

The bottom six rows of Table II-1 provide national summaries and summaries for the states with highest and lowest reciprocity. Because the focus of the project is interstate variation in reciprocity, all entries in the summary rows as well as individual state detail are simple averages. For a given state, each year between 1967 and 1998 was treated equally. For the national summaries, each state was treated equally even though their economic importance

¹³ Chart VII-1 of Chapter VII shows that the proportion of claimants who were monetarily eligible declined sharply during 1975-1977.

¹⁴ Part of the explanation for higher WBIU ratios is the increased prevalence of durational penalties since the late 1970s. Relatively fewer claimants served fixed and variable duration penalties (included in IU but not in WB) during the 1980s and 1990s. See Chart VII-2 of Chapter VII for counts of states with durational penalties from 1965 to 1999.

Table II-1. Summary of Aggregate Reciprocity Ratios, 1967 to 1998

State	IUTU	WBIU	WBTU
ALABAMA	0.299	0.843	0.252
ALASKA	0.533	1.048	0.563
ARIZONA	0.269	0.773	0.208
ARKANSAS	0.354	0.765	0.271
CALIFORNIA	0.410	0.885	0.363
COLORADO	0.246	0.728	0.180
CONNECTICUT	0.464	0.952	0.443
DELAWARE	0.352	1.012	0.357
DIST OF COL	0.379	0.989	0.376
FLORIDA	0.225	0.732	0.164
GEORGIA	0.257	0.870	0.224
HAWAII	0.420	0.875	0.368
IDAHO	0.397	0.757	0.301
ILLINOIS	0.379	0.883	0.333
INDIANA	0.268	0.829	0.223
IOWA	0.355	0.886	0.314
KANSAS	0.353	0.885	0.312
KENTUCKY	0.314	0.880	0.275
LOUISIANA	0.274	0.869	0.239
MAINE	0.454	0.852	0.384
MARYLAND	0.335	0.836	0.280
MASSACHUSETTS	0.517	0.879	0.454
MICHIGAN	0.385	0.839	0.321
MINNESOTA	0.385	0.883	0.339
MISSISSIPPI	0.269	0.760	0.205
MISSOURI	0.400	0.794	0.316
MONTANA	0.352	0.809	0.284
NEBRASKA	0.328	0.853	0.279
NEVADA	0.411	0.903	0.371
NEW HAMPSHIRE	0.326	0.806	0.263
NEW JERSEY	0.490	0.953	0.467
NEW MEXICO	0.269	0.774	0.208
NEW YORK	0.443	0.923	0.408
NORTH CAROLINA	0.320	0.815	0.262
NORTH DAKOTA	0.364	0.849	0.311
OHIO	0.310	0.820	0.254
OKLAHOMA	0.269	0.789	0.212
OREGON	0.434	0.829	0.360
PENNSYLVANIA	0.481	0.888	0.427
RHODE ISLAND	0.600	0.878	0.526
SOUTH CAROLINA	0.302	0.792	0.239
SOUTH DAKOTA	0.238	0.736	0.175
TENNESSEE	0.358	0.818	0.291
TEXAS	0.200	0.831	0.167
UTAH	0.310	0.830	0.256
VERMONT	0.490	0.862	0.422
VIRGINIA	0.193	0.840	0.163
WASHINGTON	0.449	0.843	0.378
WEST VIRGINIA	0.316	0.837	0.264
WISCONSIN	0.441	0.869	0.382
WYOMING	0.279	0.848	0.240
U.S.- 51 Programs	0.358	0.849	0.307
Top 13 - WBTU	0.473	0.911	0.431
Bottom 13 - WBTU	0.252	0.794	0.201
Top 13 - Col. Sort	0.478	0.930	0.431
Bottom 13 - Col. Sort	0.251	0.770	0.201
Top 13/ Bottom 13	1.908	1.207	2.148

differs widely. Thus the thirteen states with the highest IUTU ratios between 1967 and 1998 had an average of 0.478 while the 13 with the lowest ratios had an average of 0.251. For the “typical” state in the high reciprocity group the IUTU ratio was 1.908 times the ratio for the “typical” state in the low reciprocity group.

It may be surprising to some readers that the WBIU ratios also vary measurably across states. While the national average was 0.849 during these 32 years, averages for the highest 13 and lowest 13 states were 0.930 and 0.770 respectively. Typically, states with waiting periods of less than one week have higher WBIU ratios. Some states like Alaska and Delaware have high ratios because of interstate claims activity.¹⁵

Because IUTU ratios vary widely across states and because most weeks claimed are paid, it is not surprising that the WBTU ratios in Table II-1 also display wide interstate variation. While the national average WBTU was 0.307, the averages for the highest 13 and lowest 13 states were 0.431 and 0.201 respectively. This high-to-low contrast in 13 state averages of WBTU ratios is even larger than for IUTU ratios (2.148 versus 1.908). On average, the states with low IUTU ratios also have low WBIU ratios. The product of IUTU and WBIU produces wider relative variation across states than the variation associated with IUTU alone.

This point is made in a second way in the six summary lines at the bottom of Table II-1. The summaries display ratios for the states with the highest and lowest WBTU ratios for each of the three overall indicators of reciprocity (the second and third lines of the summary lines). In the 13 states with the highest WBTU ratios, the WBIU ratios as well as the IUTU ratios are generally above-average.¹⁶

While the data in Table II-1 are dramatic, the volume of state detail makes it difficult to absorb the information by simply viewing the numbers. To focus attention on interstate differences more sharply, it will be helpful to concentrate on just a single indicator of reciprocity and to arrange states according to that indicator, not alphabetically as in Table II-1.

¹⁵ Interstate claims are discussed in Chapter IV.

¹⁶ The same point can be made using correlation coefficients. The simple correlation between the IUTU and WBIU ratios in Table 1 is 0.557 and is highly statistically significant. As would be expected, the correlation between IUTU and WBTU is even higher (0.971).

The indicator selected is the WBTU ratio. This has been less commonly used in studies of reciprocity than the IUTU ratio, but it has been selected for two reasons. First, it accurately measures reciprocity since only weeks compensated enter the numerator of the ratio.¹⁷ Second, as will be seen in Chapter III, it can be decomposed into constituent parts that are of analytic interest. The importance of this second point will become apparent in Chapter III. As a practical matter, IUTU and WBTU are very closely related. Thus in Table II-1 the simple correlation between IUTU and WBTU was 0.971.

Table II-2 displays summary data on WBTU ratios by state for selected time periods. The states are arranged in sort order according to the average ratio for the full 32 year period 1967 to 1998. When the states are sorted in this manner, the full range of variation of WBTU ratios is amply displayed. Averages below 0.20 characterize five states while averages above 0.40 characterize eight states.

Perhaps as surprising as this wide range of interstate variation is the comparative stability of state-level WBTU ratios. Averages are displayed for three subperiods: 1967 to 1980, 1981 to 1988 and 1989 to 1998. This stability is illustrated in Chart II-4 which shows the three sets of ratios by subperiod. The three sets of averages display the same overall profile. State-level WBTU ratios have shown persistent differences for as long as measurements have been possible.

Persistence in low rates of reciprocity is also illustrated in the two final columns in Table II-2. These show respectively the number of years WBTU ratios were below 0.20 and 0.25 in each state. The maximum number is 32, i.e., each year from 1967 through 1998. States with the lowest average WBTU ratios also have had the largest number of years where their ratios fell below these two fixed threshold indicators of low reciprocity.

Low reciprocity has a strong regional component. Table II-2 identifies the nine “Census Divisions” commonly used in regional analysis.¹⁸ Note that the first nine states at the top of the

¹⁷ Readers who object to using TU in measuring reciprocity rates would be skeptical of both the IUTU and WBTU ratios. See Wandner and Stengle (1997).

¹⁸ The nine divisions and their numeric identifiers in Table II-2 are as follows: New England(1), Mid Atlantic(2), East North Central(3), West North Central(4), South Atlantic(5), East South Central(6), West South Central(7), Mountain(8) and Pacific(9).

Table II-2. Average WBTU Ratios by State for Selected Periods, 1967 to 1998

State	Fips	Div						1989-98/ 1967-80	Years Below 0.200	Years Below 0.250
			1967-98	1967-80	1981-88	1989-98	1977-98			
ALASKA	2	9	0.563	0.570	0.554	0.562	0.606	0.987	0	0
RHODE ISLAND	44	1	0.526	0.578	0.481	0.490	0.493	0.848	0	0
NEW JERSEY	34	2	0.467	0.530	0.419	0.417	0.426	0.787	0	0
MASSACHUSETTS	25	1	0.454	0.484	0.433	0.430	0.424	0.890	0	0
CONNECTICUT	9	1	0.443	0.489	0.352	0.450	0.404	0.920	0	0
PENNSYLVANIA	42	2	0.427	0.454	0.376	0.428	0.416	0.943	0	0
VERMONT	50	1	0.422	0.419	0.408	0.438	0.421	1.046	0	0
NEW YORK	36	2	0.408	0.463	0.355	0.375	0.368	0.809	0	0
MAINE	23	1	0.384	0.414	0.339	0.378	0.365	0.914	0	0
WISCONSIN	55	3	0.382	0.371	0.335	0.436	0.394	1.176	0	0
WASHINGTON	53	9	0.378	0.375	0.327	0.423	0.366	1.128	0	0
DIST OF COL	11	5	0.376	0.374	0.359	0.392	0.380	1.047	0	1
NEVADA	32	8	0.371	0.417	0.306	0.358	0.343	0.859	0	0
HAWAII	15	9	0.368	0.366	0.352	0.385	0.362	1.053	0	0
CALIFORNIA	6	9	0.363	0.369	0.368	0.349	0.358	0.947	0	0
OREGON	41	9	0.360	0.342	0.328	0.411	0.367	1.202	0	0
DELAWARE	10	5	0.357	0.358	0.342	0.368	0.350	1.028	0	1
MINNESOTA	27	4	0.339	0.355	0.316	0.337	0.333	0.949	0	1
ILLINOIS	17	3	0.333	0.371	0.285	0.317	0.323	0.855	0	2
MICHIGAN	26	3	0.321	0.354	0.254	0.329	0.304	0.929	1	3
MISSOURI	29	4	0.316	0.368	0.256	0.290	0.286	0.789	0	4
IOWA	19	4	0.314	0.341	0.266	0.315	0.305	0.925	0	5
KANSAS	20	4	0.312	0.316	0.340	0.286	0.314	0.905	0	5
NORTH DAKOTA	38	4	0.311	0.302	0.347	0.293	0.330	0.971	0	7
IDAHO	16	8	0.301	0.278	0.317	0.321	0.317	1.154	0	5
TENNESSEE	47	6	0.291	0.324	0.233	0.290	0.275	0.893	1	8
MONTANA	30	8	0.284	0.294	0.278	0.275	0.288	0.937	0	11
MARYLAND	24	5	0.280	0.300	0.268	0.262	0.262	0.873	0	7
NEBRASKA	31	4	0.279	0.288	0.272	0.271	0.270	0.939	0	9
KENTUCKY	21	6	0.275	0.302	0.237	0.266	0.272	0.878	3	13
ARKANSAS	5	7	0.271	0.262	0.246	0.303	0.281	1.156	1	14
WEST VIRGINIA	54	5	0.264	0.293	0.255	0.231	0.270	0.788	2	18
NEW HAMPSHIRE	33	1	0.263	0.341	0.210	0.194	0.211	0.569	13	16
NORTH CAROLINA	37	5	0.262	0.263	0.259	0.263	0.261	1.000	4	16
UTAH	49	8	0.256	0.286	0.266	0.206	0.250	0.723	3	18
OHIO	39	3	0.254	0.258	0.245	0.257	0.261	0.997	4	18
ALABAMA	1	6	0.252	0.285	0.212	0.236	0.239	0.829	3	17
WYOMING	56	8	0.240	0.193	0.325	0.236	0.267	1.221	9	20
SOUTH CAROLINA	45	5	0.239	0.243	0.239	0.235	0.239	0.968	5	19
LOUISIANA	22	7	0.239	0.262	0.272	0.181	0.232	0.693	7	19
GEORGIA	13	5	0.224	0.219	0.239	0.219	0.231	0.998	12	26
INDIANA	18	3	0.223	0.257	0.196	0.198	0.202	0.771	14	22
OKLAHOMA	40	7	0.212	0.247	0.211	0.164	0.189	0.665	16	24
ARIZONA	4	8	0.208	0.217	0.200	0.201	0.193	0.924	16	28
NEW MEXICO	35	8	0.208	0.227	0.209	0.179	0.190	0.788	17	27
MISSISSIPPI	28	6	0.205	0.200	0.210	0.207	0.212	1.034	18	27
COLORADO	8	8	0.180	0.149	0.219	0.193	0.197	1.302	20	31
SOUTH DAKOTA	46	4	0.175	0.212	0.154	0.140	0.165	0.661	24	28
TEXAS	48	7	0.167	0.145	0.181	0.188	0.179	1.295	28	32
FLORIDA	12	5	0.164	0.162	0.143	0.185	0.164	1.141	28	31
VIRGINIA	51	5	0.163	0.156	0.175	0.165	0.176	1.060	27	30

Chart II-4. Average WBTU Ratios by Time Period, States Sorted by WBTU Ratio 1967-98

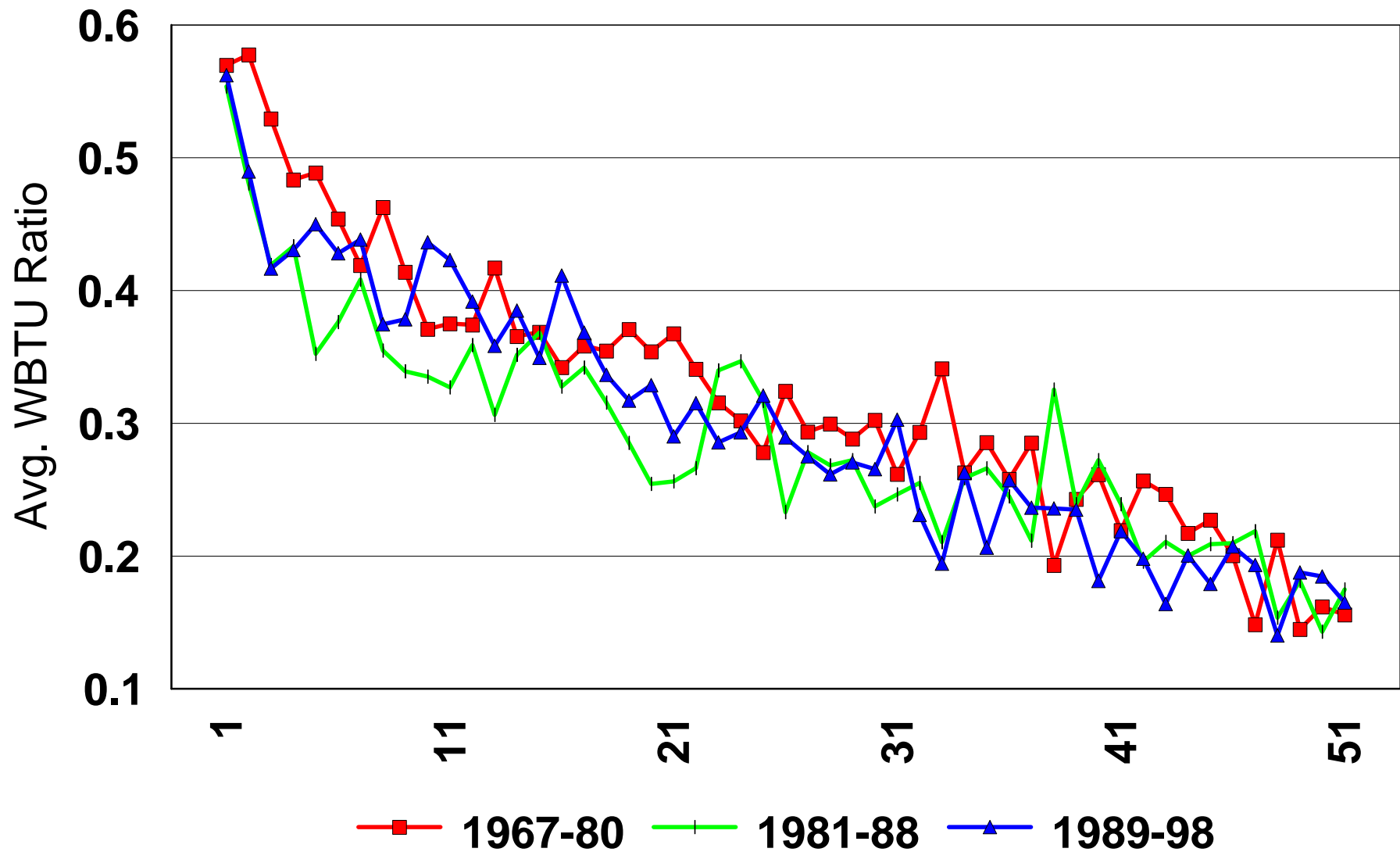


table are all from divisions 1,2, and 9: the North East and the Far West. Conversely thirteen of the fifteen states with the lowest ratios are from divisions 5, 6, 7 and 8: the South and the Rocky Mountains. These geographic contrasts are observed in all data displayed in Table II-2.¹⁹

Geographic contrasts in UI recipiency are also vividly illustrated with maps. Map 1 shows the WBTU averages during 1967-1998 for the lower 48 states (Alaska, Hawaii and the District of Columbia are not shown). The color coding progresses from white for the highest WBTU ratios to black for the lowest (below 0.20). Note the concentration of darker colors in the South and Rocky Mountain states while whites are found mainly in the North East and along the West coast. The map provides yet another representation of regional contrasts.²⁰

Map 1 is also helpful in identifying states that are unusual relative to adjacent states. Over the full 1967-1998 period, New Hampshire, Indiana, South Dakota and Virginia had low recipiency compared to neighboring states while Arkansas and Wisconsin had high recipiency.

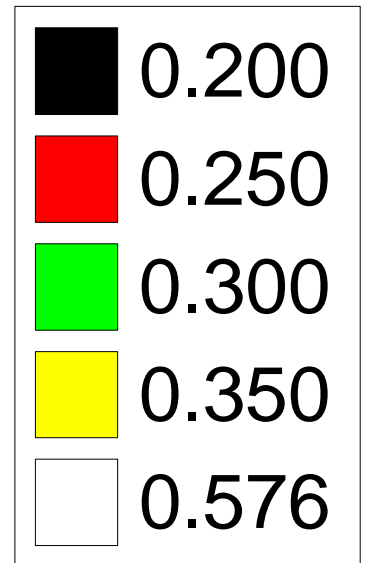
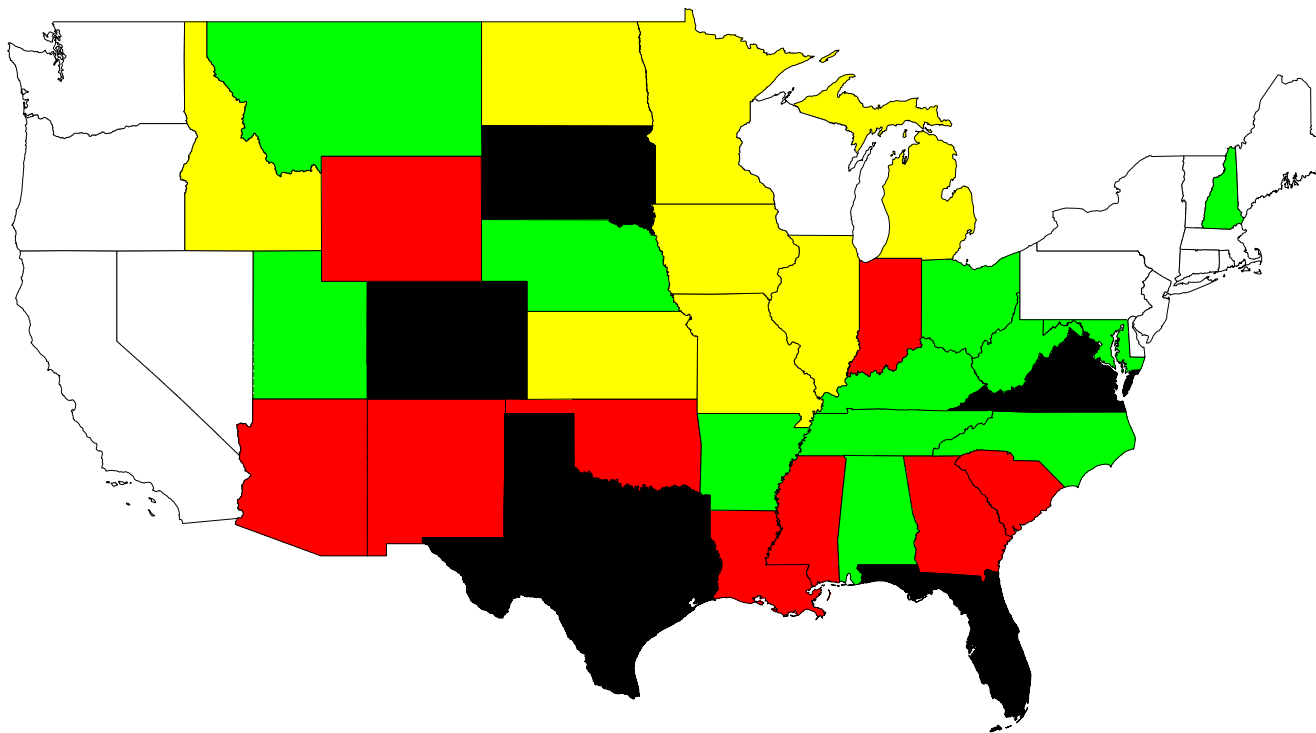
Persistently low recipiency has characterized certain states such as Colorado, Florida, South Dakota, Texas and Virginia. For the ten year period 1989-1998 these five states plus New Mexico, Oklahoma, Indiana, Louisiana and New Hampshire all had average ratios below 0.20. This point is illustrated in Table II-2 in the low WBTU ratios for the full 32 years and the most recent ten year sub-period. All of these states had at least ten years with WBTU ratios below 0.20. These same states also stand out in Map 1. Since the project is particularly concerned with the explanation for low recipiency, it is especially important to examine these states in greater depth.²¹

¹⁹ One of the multiyear averages in Table II-2 covers the years 1977 to 1998. Data from this time period will be examined in Chapter III.

²⁰ Maps were created for all the WBTU averages shown in Table II-2. However, the map showing averages for the 32 years 1967 to 1998 is the only map displayed in this report.

²¹ In fact, site visits were conducted in five of the ten states where WBTU ratios averaged less than 0.200 during 1989-1998.

Map 1. WBTU Ratios, 1967-1998 Average



Chapter III. Low Benefit Reciprocity: An Accounting Framework

Low benefit reciprocity can arise from several possible sources. Three obvious ones are: 1) low application rates by unemployed workers, 2) low rates of awards to claimants and 3) short durations in benefit status. These and possibly other factors could be of differing importance from one state to the next. The starting point for disentangling different potential explanations is provided by an accounting identity which identifies four distinct aspects of benefit reciprocity.

An Accounting Identity Decomposition of the WBTU Ratio

To help identify factors that lead to low benefit reciprocity, the definitions given in Chapter II need to be rewritten. The starting point is the WBTU ratio as shown in Tables II-1 and II-2 of Chapter II.

The components of the WBTU ratio can be expressed as follows.

$$(1) TU = NU * AD / 52$$

where NU is new spells of unemployment in a year (measured in the CPS as 12 times the average monthly number unemployed less than 5 weeks), and AD is the average duration of the new spells, (in weeks and measured as $52 * TU / NU$). AD/52 is average duration per spell expressed as a fraction of the year.

$$(2) WB = IC * (NIC / IC) * (FP / NIC) * ADUI / 52$$

where IC is initial claims (new plus additional initial claims) for UI benefits, NIC is new initial claims for UI benefits, FP is first payments of UI benefits (payments that signal the start of a benefit year), and ADUI is average duration in benefit status (total weeks compensated as a ratio to first payments. ADUI/52 is average duration per first payment measured as a fraction of the year.

Using terms on the right hand side of (1) and (2) and taking the ratio of (2) to (1) yields:

$$(3) WBTU = (IC / NU) * (NIC / IC) * (FP / NIC) * (ADUI / AD)$$

The left hand side of expression (3) has WBTU, the indicator of benefit reciprocity to be

emphasized in this project. To repeat, WBTU is the weekly number of UI beneficiaries expressed as a ratio to weekly unemployment as measured in the CPS.²²

The right hand side of expression (3) shows the four explicit ratios that combine to determine the WBTU ratio. For convenience, each will be referred to using capital letters but dropping the division symbols appearing in expression (3).

The first term (ICNU) is the take-up rate or application rate. It shows the number who file for benefits as a fraction of all new occurrences of unemployment. Historically, this has averaged about 0.50 nationwide but with considerable variation across individual states. Knowledge about people who do not file for benefits is limited, but so called “nonfilers” or “self denials,” i.e., people who do not file either because they believe they are ineligible or for other reasons, are thought to be an important phenomenon. Many people do not file when they perceive they are not eligible either due to monetary reasons (insufficient earnings and/or weeks worked in the base period) or nonmonetary reasons (e.g., voluntarily quitting the last job).

The second term in (3) (NICIC) shows the importance of additional claims relative to new initial claims. To date, this has not been the subject of much research. During 1998, new initial claims totaled about 10 million while additional initial claims totaled more than 6.5 million. Thus, filing for benefits more than once a year is a major phenomenon in UI programs.

The third-right hand term in (3), (FPNIC), shows the fraction of new initial claims that result in a benefit payment. This first payment ratio is less than unity partly because some people find jobs while in the waiting week and/or the disqualification period. More important, however, are the denials for both monetary and nonmonetary reasons. The national (FPNIC) ratio has varied between 0.73 and 0.78 in recent years, and it also varies widely across states.

The final term in expression (3) is the ratio of the two unemployment duration measures. Note that ADUI appears in the numerator of this ratio. States that closely monitor continuing eligibility and/or states that have relatively less generous UI potential duration provisions could have low average durations even though duration from the CPS (AD) is not unusually low. One

²² Given the low numbers of unemployed job leavers and reentrants who receive benefits, some have also advanced a reciprocity measure that compares recipients with the number of job losers. See Wandner and Stengle (1997).

indication of less generous duration provisions is a low level of potential duration among those found to be monetarily eligible for benefits. State-level information on potential duration is available from ETA-218 reports (monetary eligibility reports) and from so called Handbook data.²³ Potential benefit duration is found to be important in the regressions of Chapter V.

All of the elements defined in expressions (1), (2) and (3) are measured at the state level in CPS data or in federally required reports submitted by the state UI programs to the Office of Workforce Security. Thus, the four right hand ratios in equation (3) can be derived for each state and can be extended into the past for more than twenty years. An analysis of low UI benefit reciprocity, as signaled by a low WBTU ratio (and a low IUTU ratio), can thus decompose a low overall ratio into the product of its four constituent parts. A low WBTU ratio in a state may arise from different combinations of the four factors shown on the right-hand side of expression (3).

Some additional comments about this accounting framework should be made. First, there is a key issue about the timing of data availability. State data on WBTU, WBIU, IUTU as examined in Chapter II are available back to 1967. However, new spells of unemployment by state have been measured in the CPS only since 1977. Thus the right-hand elements of equation (1), e.g., NU and AD extend back only to 1977. Consequently, the ICNU and ADUIAD ratios in expression (3) are available only starting in 1977.

Second, accounting identity (3) has a mixture of unemployment timing measures. Some measures pertain to individual spells of unemployment while others refer to unemployment during a full year (where many individuals experience more than a single spell). Two of the ratios, ICNU and FPNIC, have the same kind of timing measure in both numerator and denominator. Both elements of ICNU are measured on a per spell basis whereas both elements in FPNIC are measured on a benefit year basis. In contrast, NICIC has a benefit year measure in the numerator (new initial claims) but a per-spell measure in the denominator (new plus additional initial claims). Finally, ADUIAD has a benefit year measure in the numerator (average weeks per first payment) but a per-spell measure in the denominator (average weeks per occurrence).

The latter two mixed measures are unavoidable since monthly CPS data measure

²³ See U.S. Department of Labor, Employment and Training Administration (1995).

unemployment per spell.²⁴ Of the two mixed measures, the NICIC ratio does not appear to pose measurement problems since its components are routinely reported by states to the national Office of the Workforce Security (ETA 5159 data). However, more than a single issue arises in considering the ratio of the two average duration measures.

If one reexamines expression (3), observe that the first three terms on the right hand side pertain to spells of unemployment (ICNU, NICIC and FPNIC, measured on a mixture of per spell and per person bases). The product of the three shows first payments as a ratio to new spells of unemployment. This triple product can be termed the inflow rate. A high inflow rate indicates that a large proportion of new unemployment spells are compensated.

The final ratio in expression (3), (ADUIAD), is the ratio of two average duration measures. Both ADUI and AD are empirical derivations affected by “adding up” constraints. ADUI has annual weeks compensated in the regular UI program in its numerator, as noted in the explanation below expression (2). AD has annual weeks of unemployment (from the CPS) in its numerator, as noted in the explanation below expression (1).

Two factors affect the measures of unemployment duration used in the present investigation. Both ADUI and AD are affected by the calendar year accounting framework that has been adopted. For individuals measured as unemployed in the CPS and for UI beneficiaries, unemployment experiences cross annual calendar year boundaries. If this crossing occurred at the same rate each year, it would not raise questions, but undoubtedly it is more important in years of high unemployment than in years of low unemployment. Also, for both CPS and UI program measures of unemployment, unemployment may extend past the point where measurement stops. In other words, the CPS measures incomplete spells of unemployment, i.e., duration up to the

²⁴ There are annual CPS unemployment data that measure unemployment on both a per-person and per-spell basis, so called work experience data collected in March of each year. The retrospective unemployment question classifies respondents into three groups: one spell, two spells and three or more spells. The duration measures in the work experience data do provide estimates of annual duration of unemployment per person, combining all spells. Because these data are collected but once a year, state detail has even more statistical noise than the monthly unemployment data by state. Work experience data do not distinguish unemployment by reason. There is also concern that work experience data may understate the number of unemployment spells of short duration. These data are included in the discussion of Table IV-6 in Chapter IV.

time of the survey, not the full spell of joblessness. In UI benefit data, claimants disappear after exhausting benefits, but their spells of unemployment may extend for several more weeks past exhaustion. Thus average duration in both measures is affected by two types of truncation, truncation due to the calendar year accounting framework and truncation due to unemployment that extends beyond the end point of measurement of the spell. Additional discussion of truncation in measuring unemployment duration is reserved for Chapter IV.

To say the least, the preceding considerations suggest there is both noise as well as conceptual ambiguity in the ADUIAD ratios to be examined in this report. The other three ratios on the right hand side of expression (3) have straightforward interpretations. Of these three ratios, it should also be noted that the ICNU ratio contains more statistical “noise” than the NICIC and FPNIC ratios. The latter are based on universe counts in data reported by state UI programs whereas NU is from the CPS which has rather small samples for individual states. To help control for this noise, the summary data to be examined initially will be displayed as national aggregates and as multiyear averages.

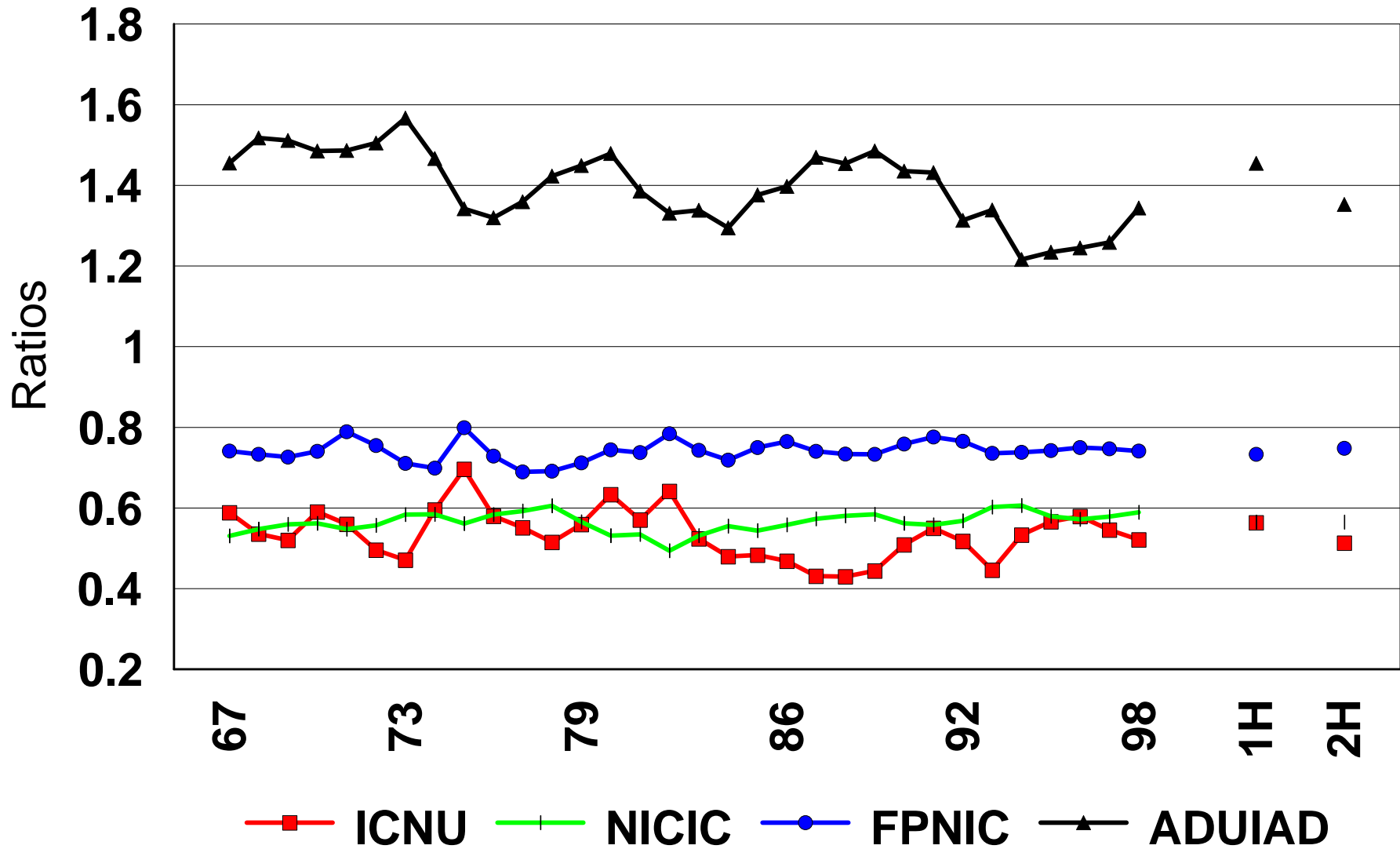
The Four Accounting Identity Ratios in National Data

Chart III-1 displays the four ratios from expression (3) in national data over the period from 1967 to 1998. Individual years are shown along with averages for two multiyear periods on the right hand side of the chart, 1967 to 1980 (1H) and 1981 to 1998 (2H). Years of high unemployment like 1975-1976, 1980-1982 and 1990-1992 are obvious. For both ICNU and FPNIC, the ratios are higher in recession years than in other periods.²⁵ For NICIC, however, the ratio is lower in years of high unemployment. There is also a cyclical pattern for ADUIAD which declined during 1975-1976, 1981-1982 and again during 1990-1992.

When the 1967-1980 and 1981-1998 averages are compared, note the stability in both NICIC and FPNIC. These aspects of UI application-receipt processes were, on average, stable between the two sub periods. In contrast, ICNU and ADUIAD were both lower during the latter

²⁵Note also that ICNU and ADUIAD display more year-to-year variation than the other two series. This pattern would be expected since the denominators of both ICNU and ADUIAD are based on samples whereas the data in NICIC and FPNIC are based on universe counts.

Chart III-1. Accounting Identity Ratios, National Data, 1967 to 1998



of the two sub periods. The multiyear average of ICNU in national data declined from 0.564 in 1967-1980 to 0.514 in 1981-1998 or by about 9 percent. For ADUIAD the corresponding decline was about 7 percent from 1.455 to 1.353. Using this accounting framework, the decline in UI reciprocity appears to have had components related to initial applications for benefits and to average duration in benefit status. In contrast, the repeat claims ratio (NICIC) and the first payments to new applications ratio (FPNIC) were stable over the two sub periods.²⁶

Coincident with the decline in the ADUIAD ratio of the past two decades has been a noticeable lengthening of average unemployment duration. Duration measures from the CPS and from UI program data both show that unemployment duration has been increasing. Because unemployment duration from the CPS has increased more than duration as measured in UI program data, the decrease in the ratio of ADUI to AD noted in Chart III-1 is due to larger increases in the denominator (AD) than the increases in the numerator (ADUI).²⁷

This interesting development is examined in Chapters IV and V of this report. The final section of Chapter IV studies several measures of unemployment duration, in both CPS and UI data. A regression analysis of unemployment duration is undertaken in Chapter V.

To conclude, the ratio of the two duration measures is the least transparent of the four ratios on the right-hand side of expression (3). This ambiguity comes from ambiguities inherent in the two underlying duration measures, ADUI and AD. The final section of Chapter IV discusses the measurement of unemployment duration in more detail.

Accounting Identity Ratios by State

Table III-1 displays averages by state for the four right-hand ratios from expression (3). Also shown is the product of the four, the WBTU ratio. The final column of data shows the inflow rate, the product of ICNU, NICIC and FPNIC. This will be emphasized in a later section

²⁶ The NICIC averages were 0.565 for both sub periods while the FPNIC average was actually somewhat lower during 1967-1980, 0.733 versus 0.748 during 1981-1998.

²⁷ One factor contributing to a long term decrease in ADUIAD is shorter potential benefit duration in some states. In 1967, nine regular UI programs could pay benefits for more than 26 weeks. This number had decreased to two in 1985 (Massachusetts and Washington).

Table III-1. Summary of Average UI Flows, States Sorted by Average WBTU, 1977 to 1998

State	FIPS	Div	ICNU	NICIC	FPNIC	ADUIAD	WBTU	Inflow Rate
ALASKA	2	9	0.802 T	0.470 B	1.058 T	1.541 T	0.606 T	0.399 T
RHODE ISLAND	44	1	0.980 T	0.526 B	0.800	1.249	0.493 T	0.412 T
NEW JERSEY	34	2	0.616 T	0.646 T	0.803	1.349	0.426 T	0.319 T
MASSACHUSETTS	25	1	0.632 T	0.559	0.861 T	1.406	0.424 T	0.304 T
VERMONT	50	1	0.610	0.551	0.911 T	1.397	0.421 T	0.306 T
PENNSYLVANIA	42	2	0.789 T	0.453 B	0.861 T	1.362	0.416 T	0.308 T
CONNECTICUT	9	1	0.692 T	0.629 T	0.812	1.167 B	0.404 T	0.353 T
WISCONSIN	55	3	0.701 T	0.504 B	0.886 T	1.267	0.394 T	0.313 T
DIST OF COL	11	5	0.443	0.737 T	0.831	1.501 T	0.380 T	0.271 T
NEW YORK	36	2	0.579	0.566	0.776	1.466 T	0.368 T	0.254
OREGON	41	9	0.668 T	0.457 B	0.834	1.447	0.367 T	0.254
WASHINGTON	53	9	0.607	0.492 B	0.767	1.595 T	0.366 T	0.229
MAINE	23	1	0.832 T	0.539	0.689 B	1.237	0.365 T	0.309 T
HAWAII	15	9	0.579	0.526 B	0.834 T	1.464 T	0.362	0.254
CALIFORNIA	6	9	0.619 T	0.563	0.680 B	1.529 T	0.358	0.237
DELAWARE	10	5	0.596	0.456 B	1.020 T	1.297	0.350	0.277 T
NEVADA	32	8	0.532	0.546	0.843 T	1.417	0.343	0.245
MINNESOTA	27	4	0.422 B	0.567	0.935 T	1.496 T	0.333	0.224
NORTH DAKOTA	38	4	0.505	0.596	0.805	1.385	0.330	0.242
ILLINOIS	17	3	0.460	0.621	0.745	1.524 T	0.323	0.213
IDAHO	16	8	0.612	0.441 B	0.900 T	1.311	0.317	0.243
KANSAS	20	4	0.473	0.589	0.811	1.416	0.314	0.226
IOWA	19	4	0.497	0.603	0.852 T	1.211 B	0.305	0.255
MICHIGAN	26	3	0.613	0.603	0.683 B	1.223	0.304	0.252
MONTANA	30	8	0.476	0.569	0.827	1.296	0.288	0.224
MISSOURI	29	4	0.646 T	0.519 B	0.709	1.226	0.286	0.238
ARKANSAS	5	7	0.577	0.543	0.723	1.256	0.281	0.227
TENNESSEE	47	6	0.613	0.541	0.687 B	1.228	0.275	0.227
KENTUCKY	21	6	0.576	0.587	0.725	1.145 B	0.272	0.245
NEBRASKA	31	4	0.413 B	0.611	0.819	1.319	0.270	0.207
WEST VIRGINIA	54	5	0.414 B	0.695 T	0.891 T	1.056 B	0.270	0.257 T
WYOMING	56	8	0.390 B	0.581	0.767	1.526 T	0.267	0.174 B
MARYLAND	24	5	0.427	0.618	0.753	1.344	0.262	0.199
OHIO	39	3	0.518	0.571	0.735	1.219 B	0.261	0.217
NORTH CAROLINA	37	5	0.877 T	0.472 B	0.645 B	1.002 B	0.261	0.267 T
UTAH	49	8	0.332 B	0.633 T	0.833	1.448	0.250	0.175 B
SOUTH CAROLINA	45	5	0.729 T	0.535 B	0.595 B	1.062 B	0.239	0.232
ALABAMA	1	6	0.558	0.566	0.762	1.005 B	0.239	0.240
LOUISIANA	22	7	0.351 B	0.639 T	0.690 B	1.491 T	0.232 B	0.155 B
GEORGIA	13	5	0.481	0.683 T	0.715	1.008 B	0.231 B	0.235
MISSISSIPPI	28	6	0.466	0.527 B	0.702	1.243	0.212 B	0.173 B
NEW HAMPSHIRE	33	1	0.441	0.642 T	0.866 T	0.872 B	0.211 B	0.245
INDIANA	18	3	0.454	0.614	0.661 B	1.114 B	0.202 B	0.185 B
COLORADO	8	8	0.307 B	0.651 T	0.750	1.339	0.197 B	0.150 B
ARIZONA	4	8	0.296 B	0.630 T	0.676 B	1.559 T	0.193 B	0.126 B
NEW MEXICO	35	8	0.259 B	0.609	0.727	1.688 T	0.190 B	0.115 B
OKLAHOMA	40	7	0.335 B	0.656 T	0.651 B	1.344	0.189 B	0.143 B
TEXAS	48	7	0.237 B	0.694 T	0.686 B	1.595 T	0.179 B	0.113 B
VIRGINIA	51	5	0.426	0.568	0.673 B	1.108 B	0.176 B	0.163 B
SOUTH DAKOTA	46	4	0.337 B	0.624	0.658 B	1.193 B	0.165 B	0.138 B
FLORIDA	12	5	0.236 B	0.691 T	0.723	1.404	0.164 B	0.118 B
U.S. - 51 Programs			0.530	0.579	0.777	1.320	0.301	0.233
Top 13 - WBTU			0.688	0.548	0.838	1.383	0.418	0.310
Bottom 13 - WBTU			0.356	0.633	0.706	1.304	0.195	0.158
Top 13 - Col. Sort			0.737	0.664	0.902	1.536	0.418	0.315
Bottom 13 - Col. Sort			0.333	0.491	0.667	1.089	0.195	0.148
Top 13/ Bottom 13			2.213	1.353	1.351	1.411	2.137	2.126

of the chapter. All data in Table III-1 are averages for the 22 years 1977 to 1998. Note also the ordering of the states, i.e., sorted in descending order by the average WBTU ratio. Top-to-bottom the range of WBTU ratios exceeds three to one (from 0.606 down to 0.164).

As in earlier tables, Table III-1 has a large volume of information. To help reduce the information to a more manageable scale, two types of summaries are also included. First, a three way division of state-level ratios appears next to each column of data. Each column has been divided into high (T), medium and low (B) with counts of 13, 25 and 13 respectively. The choice of 13 is admittedly arbitrary but it reflects a compromise between selecting just a few extreme outliers and placing too many states in the extreme categories. As it is, note the range of variation in the WBTU ratios within both the top group (from 0.606 to 0.365) and the bottom group (from 0.232 to 0.164). This ranking procedure was applied to each column, and the Ts and Bs identify the top 13 and bottom 13 when each column was sorted from high to low.

Second, summary measures emphasizing differences between the top 13 and bottom 13 states appear in the six bottom rows of Table III-1. In addition to the national averages, there are two averages for the top 13 and the bottom 13 states. One average is based on sorted data in each column (Col. Sort) and one based on the top and bottom 13 states sorted according to WBTU ratios. The former gives an idea of the variation within each column regardless of the linkage to the overall WBTU ratio while the latter shows how each indicator matches up with the top 13 and bottom 13 states when ranked by WBTU ratios. All averages are simple averages that assign equal weights to each state.

A convenient starting point is the bottom entry in the WBTU column of Table III-1. This shows the average ratio of WBTU for the top 13 states relative to the bottom 13. This ratio, 2.137, shows that, on average, UI reciprocity was more than twice as likely in the top 13 states than in the bottom 13 states.

The other bottom line ratios give a clear sense of how much variation was present in the four individual accounting identity ratios and in the inflow ratio during 1977-1998. Among the four ratios in expression (3), variation in ICNU (initial claims relative to new spells) was by far the largest. The top 13 had an average ratio of 0.737 compared to 0.333 for the bottom 13. This ratio of ratios, 2.213, indicates that filing for UI benefits is more than twice as likely in high application

states than in low application states. Compared to this dispersion in application rates, the other three ratios from expression (3) display more modest ranges of variability. All three Top 13/Bottom 13 ratios lie between 1.351 and 1.411. Ratios of repeat claims, first payment rates and relative unemployment duration all display much less state-to-state variation than the rate at which newly unemployed persons file for regular UI benefits.

Note the wide range of variation in the inflow ratios, i.e., the Top 13/Bottom 13 ratio is 2.126. In states with high inflow rates a new spell of unemployment is more than twice as likely to be compensated than in states with low inflow rates. Interstate variation in the inflow rate is much wider than the variation in relative unemployment duration, i.e., a Top13/Bottom 13 ratio of 2.126 versus 1.411 for ADUIAD.

Each of the four accounting identity ratios also displays an association with the overall WBTU ratio. While the product of the four equals WBTU (by derivation in expressions (1), (2) and (3)), each shows a definite individual association with WBTU. This is apparent in two ways. First, note the number of Ts and Bs in the top 13 rows and bottom 13 rows for each of the four ratios. Nine states with the highest ICNU ratios are among the 13 with the highest average WBTU ratios.²⁸ Eight with the lowest ICNU ratios are from the 13 with the lowest WBTU ratios. A similar pattern is apparent for the FPNIC ratios as well. In contrast, high NICIC ratios are associated with low WBTU ratios. Six with Bs fall into the highest WBTU group of 13 while eight with Ts fall into the lowest WBTU group of 13. An aspect of low reciprocity is a low number of additional claims relative to new initial claims.²⁹

The second indicator of association with the overall WBTU ratio is the level of the second and third summary lines at the bottom of Table III-1 relative to the national averages. For both ICNU and FPNIC, the averages for states with top WBTU ratios are significantly above their national averages, e.g., 0.688 compared to 0.530 for ICNU and 0.838 compared to 0.777 for

²⁸ Alaska, Rhode Island, New Jersey, Massachusetts, Pennsylvania, Connecticut, Wisconsin, Oregon and Maine.

²⁹ The explanation for the negative association between NICIC and WBTU is straightforward. If a new initial claim is denied there cannot be a subsequent additional claim. A later application for UI benefits would be again be classified as a new initial claim.

FPNIC. Conversely, the averages of ICNU and FPNIC are noticeably below average for the 13 states with the lowest WBTU ratios. Note also that the NICIC ratio is below average for the 13 states with the highest WBTU ratio, i.e., 0.548 compared to the national average of 0.579.

A convenient way to describe the associations between the individual components in expression (3) with the overall WBTU ratio is in terms of correlations. Pairwise correlations between each of the four series and WBTU in Table III-1 were as follows: ICNU -- +0.723, NICIC – -0.468, FPNIC – +0.645 and ADUIAD – +0.187. The first three of these correlations were highly significant when tested at the 0.01 level under a one sided test.

While it simplifies the situation somewhat, the information on the four ratios as presented in Table III-1 suggests that factors related to attempted entry into UI benefit status (ICNU) and favorable decisions on new initial claims (FPNIC) carry most of the explanatory power for the observed interstate differences in WBTU ratios. These associations with the WBTU ratio were also explored with a set of multiple regressions. Regressing WBTU on the three component ratios of ICNU, NICIC and FPNIC “explained” 0.810 of the interstate variation observed in Table III-1. Regressing WBTU on just ICNU and FPNIC explained 0.783 of the variation. The descriptive regressions indicated that ICNU and FPNIC were both very important factors in explaining interstate variation in WBTU while NICIC was only of marginal importance and ADUIAD had insignificant explanatory power.

The final column of Table III-1 shows inflow rates into benefit status (first payments as a proportion of new unemployment spells) measured as the product of the three inflow measures from the left-hand columns. There is a striking association between state-specific inflow rates and WBTU ratios. Ten of thirteen states with highest WBTU ratios are from the thirteen with highest inflow rates. Conversely, eleven of the thirteen states with the lowest WBTU ratios are from the thirteen with the lowest inflow rates. Thus 21 of the 26 states found at the extremes of the WBTU distribution were also at the extremes of the inflow rate distribution.

Interstate variation in UI reciprocity, as reflected in average WBTU ratios, is closely associated with interstate variation in the ratio of first payments to new spells of unemployment. The correlation between the inflow rate and the WBTU ratio in Table III-1 is 0.893. Interstate variation in UI reciprocity is much more closely linked to variation in the inflow rate than to

variation in relative benefit duration.

Geographic Patterns of Low Reciprocity

Map 2 helps to focus on the geographic variation in inflow rates. It identifies the thirteen states with the highest and the lowest inflow rates from Table III-1. Ten of the thirteen with the lowest inflow rates are contiguous, stretching in an arc from Mississippi to South Dakota. Across the thirteen low inflow states, the inflow rates ranged from 0.185 (Indiana) down to 0.113 (Texas) and averaged 0.148. This average compares to a national average of 0.233 across all 51 programs and an average of 0.315 for the 13 states with the highest inflow rates.

All thirteen states with the lowest inflow rates have below-average reciprocity as signaled by WBTU ratios. However when low inflow rates and low WBTU ratios are examined jointly, interesting geographic patterns emerge.

Low benefit reciprocity can arise in three distinct ways: 1) a low rate of inflow into benefits with average relative benefit duration (relative to unemployment duration), 2) an average inflow rate with short relative benefit duration, or 3) a combination of a low inflow rate and low relative benefit duration. In fact, all three patterns are present in states with low reciprocity. However, two of the patterns exhibit a clear geographic concentration.

For the period 1977-1998, 27 of the 51 programs had WBTU ratios that fell below the national average of 0.301 displayed in Table III-1. Map 3 identifies three groups of states with differing patterns of low reciprocity. A group of five are characterized by average inflow rates but short benefit duration. These are five contiguous states in the southeastern U.S.: North Carolina, South Carolina, Georgia, Alabama and Tennessee. Their inflow rates range from 0.267 down to 0.227 compared to the national average of 0.233. All five are also characterized by short relative duration (ranging from 1.002 up to 1.228 compared to the national average of 1.320). In these states low reciprocity is associated with short benefit duration. Part of the reason for the short duration in these states is that the claimant population includes a large share of job-attached workers. This feature of these UI programs enters the later analysis of Chapters V and VI.

The second group of states is a group of nine from the 13 with the lowest inflow rates (Map 2), but they all have above-average relative unemployment duration. Eight of the nine are

located in a block that extends from Louisiana to Colorado. Florida is the ninth. All have above-average relative UI benefit duration and five are from the 13 with the highest relative duration (Arizona, Louisiana, New Mexico, Texas and Wyoming). Despite the long duration in benefit status in these states, the inflow rate is so low that they exhibit very low WBTU ratios.

The remaining five states with the lowest WBTU ratios have low ratios through a combination of below-average inflow rates (except for New Hampshire) and uniformly below-average relative unemployment duration. These are widely dispersed around the country, e.g., New Hampshire, Virginia, Indiana, Mississippi and South Dakota.

The three groups combined account for 19 of the 27 programs where the WBTU ratio was below the national average during 1977-1998. They generate low reciprocity through varying combinations of low inflow rates and low relative unemployment durations. The three groups combined include the seventeen states with the lowest WBTU ratios in Table III-1 plus Wyoming and Tennessee that respectively rank 20th and 24th from the bottom. Map 3 clearly illustrates that low reciprocity rates in the southeast and southwest have quite distinct origins.

Indicators of UI Administrative Activities

Interstate variation in UI reciprocity undoubtedly has several causes. Among these, the administrative actions of state UI programs in making eligibility determinations are of particular interest. Showing an association between administrative decisions and low reciprocity would be of interest to UI administrators, public policy analysts and the research community.

Table III-2 presents state-level information on five types of administrative decisions that can affect the receipt of UI benefits. These are: 1) monetary eligibility proportions, 2) voluntary quit determination rates, 3) misconduct determination rates, 4) determination rates on nonseparation issues³⁰ and 5) appeals per separation determination. The administrative processes

³⁰ Determination rates are measured in this project according to standard definitions. Determination rates for voluntary quit and discharge are measured as a proportion of new spells of unemployment (new intrastate initial claims times the proportion monetarily eligible plus additional intrastate claims plus interstate liable claims). Determination rates for nonseparation issues are measured per ten claimant contacts. Claimant contacts are the sum of new spells (as just defined) plus intrastate weeks claimed plus interstate liable weeks claimed.

Table III-2. Indicators of Administrative Activities, States Sorted by Average WBTU, 1977 to 1998

State	FIPS	Div	Prop. Mon. Elig.	Vol. Quit Det. Rate	Misconduct Det. Rate	Non Sep. Det. Rate	Appeals Per Sep. Det	WBTU
ALASKA	2	9	0.835	0.089	0.046 T	0.257	0.090 T	0.606 T
RHODE ISLAND	44	1	0.918 T	0.077	0.050 T	0.226	0.167 T	0.493 T
NEW JERSEY	34	2	0.879	0.063 T	0.078	0.261	0.216	0.426 T
MASSACHUSETTS	25	1	0.941 T	0.068 T	0.067	0.187	0.212	0.424 T
VERMONT	50	1	0.893	0.087	0.062 T	0.099 T	0.181	0.421 T
PENNSYLVANIA	42	2	0.865	0.040 T	0.041 T	0.353 B	0.285 B	0.416 T
CONNECTICUT	9	1	0.826	0.085	0.117	0.284	0.275 B	0.404 T
WISCONSIN	55	3	0.929 T	0.080	0.062 T	0.283	0.132 T	0.394 T
DIST OF COL	11	5	0.719 B	0.107	0.198 B	0.151 T	0.312 B	0.380 T
NEW YORK	36	2	0.957 T	0.060 T	0.078	0.434 B	0.192	0.368 T
OREGON	41	9	0.818 B	0.101	0.096	0.400 B	0.130 T	0.367 T
WASHINGTON	53	9	0.869	0.084	0.059 T	0.340	0.193	0.366 T
MAINE	23	1	0.725 B	0.075	0.062 T	0.463 B	0.197	0.365 T
HAWAII	15	9	0.968 T	0.113	0.095	0.295	0.126 T	0.362
CALIFORNIA	6	9	0.803 B	0.090	0.093	0.319	0.102 T	0.358
DELAWARE	10	5	0.931 T	0.048 T	0.069	0.125 T	0.275 B	0.350
NEVADA	32	8	0.923 T	0.146 B	0.172 B	0.197	0.214	0.343
MINNESOTA	27	4	0.949 T	0.088	0.096	0.257	0.212	0.333
NORTH DAKOTA	38	4	0.792 B	0.086	0.070	0.224	0.243 B	0.330
ILLINOIS	17	3	0.834	0.088	0.113	0.211	0.255 B	0.323
IDAHO	16	8	0.854	0.078	0.062 T	0.407 B	0.094 T	0.317
KANSAS	20	4	0.825	0.120	0.136 B	0.275	0.232	0.314
IOWA	19	4	0.874	0.137 B	0.091	0.214	0.250 B	0.305
MICHIGAN	26	3	0.928 T	0.095	0.068	0.211	0.087 T	0.304
MONTANA	30	8	0.836	0.120	0.063 T	0.127 T	0.099 T	0.288
MISSOURI	29	4	0.813 B	0.098	0.143 B	0.325	0.170	0.286
ARKANSAS	5	7	0.871	0.091	0.087	0.204	0.211	0.281
TENNESSEE	47	6	0.859	0.035 T	0.054 T	0.033 T	0.246 B	0.275
KENTUCKY	21	6	0.847	0.052 T	0.064 T	0.103 T	0.260 B	0.272
NEBRASKA	31	4	0.942 T	0.476 B	0.204 B	0.776 B	0.058 T	0.270
WEST VIRGINIA	54	5	0.899	0.072 T	0.067	0.109 T	0.210	0.270
WYOMING	56	8	0.788 B	0.094	0.090	0.362 B	0.216	0.267
MARYLAND	24	5	0.827	0.131 B	0.130	0.319	0.216	0.262
OHIO	39	3	0.908 T	0.044 T	0.077	0.266	0.081 T	0.261
NORTH CAROLINA	37	5	0.858	0.041 T	0.051 T	0.130 T	0.190	0.261
UTAH	49	8	0.900 T	0.138 B	0.132 B	0.667 B	0.150 T	0.250
SOUTH CAROLINA	45	5	0.803 B	0.038 T	0.091	0.116 T	0.190	0.239
ALABAMA	1	6	0.819	0.051 T	0.067 T	0.465 B	0.307 B	0.239
LOUISIANA	22	7	0.803 B	0.167 B	0.179 B	0.240	0.229	0.232 B
GEORGIA	13	5	0.897	0.072	0.156 B	0.161 T	0.148 T	0.231 B
MISSISSIPPI	28	6	0.802 B	0.081	0.101	0.224	0.206	0.212 B
NEW HAMPSHIRE	33	1	0.872	0.099	0.093	0.435 B	0.168	0.211 B
INDIANA	18	3	0.824	0.158 B	0.093	0.170 T	0.196	0.202 B
COLORADO	8	8	0.930 T	0.287 B	0.148 B	0.478 B	0.203	0.197 B
ARIZONA	4	8	0.863	0.137 B	0.150 B	0.492 B	0.175	0.193 B
NEW MEXICO	35	8	0.870	0.126 B	0.111	0.131 T	0.297 B	0.190 B
OKLAHOMA	40	7	0.754 B	0.126 B	0.151 B	0.120 T	0.281 B	0.189 B
TEXAS	48	7	0.849	0.150 B	0.248 B	0.307	0.206	0.179 B
VIRGINIA	51	5	0.811 B	0.062 T	0.089	0.264	0.176	0.176 B
SOUTH DAKOTA	46	4	0.742 B	0.115	0.104	0.447 B	0.216	0.165 B
FLORIDA	12	5	0.831	0.145 B	0.176 B	0.304	0.233 B	0.164 B
U.S. - 51 Programs			0.856	0.104	0.102	0.279	0.196	0.301
Top 13 - WBTU			0.860	0.078	0.078	0.288	0.199	0.418
Bottom 13 - WBTU			0.834	0.133	0.138	0.290	0.210	0.195
Top 13 - Col. Sort			0.933	0.052	0.057	0.121	0.113	0.418
Bottom 13 - Col. Sort			0.782	0.179	0.169	0.475	0.271	0.195
Top 13/ Bottom 13			1.192	0.290	0.339	0.255	0.416	2.137

that generate these variables all may be important in determining initial receipt of benefits and/or duration in benefit status. While other variables could also have been selected, e.g., denial rates per determination, the five in Table III-2 all have clear relevance for UI benefit reciprocity. The table also shows the WBTU ratio in the final data column. All data are averages of annual data for the 22 years 1977 to 1998.

Table III-2 utilizes the same conventions as Table III-1 to summarize the data. Each column was sorted, and the 13 highest and 13 lowest states were identified. Averages for these two groups appear at the bottom of Table III-2, both for the column sort (Col. Sort) and for the states with the highest and lowest WBTU ratios. Note that low and high are defined by the impact of the administrative process on reciprocity. Thus the highest monetary eligibility proportions are identified with Ts. However, for rates of nonmonetary determinations and appeals, the lowest averages are assigned Ts since a lower volume of these administrative decisions implies an increased probability of payment.

Of the five separate administrative actions, relative variability across states is smallest for the monetary eligibility proportion. The ratio of the average for the top 13 (0.933) to the average for the bottom 13 (0.782) is only 1.192. The average eligibility proportion is only 19 percent higher in the top 13 states compared to the bottom 13. The other Top 13/Bottom 13 ratios of administrative activities in Table III-2 show much wider ranges of relative variation across states.

Observe in Table III-2 that the monetary eligibility averages for the states with top and bottom WBTU ratios are quite similar, e.g., 0.860 and 0.834 respectively. There is no strong association between average monetary eligibility proportion and average benefit reciprocity as signaled by the WBTU ratio.

The voluntary quit and misconduct determination rates vary widely across states. Both determinations are roughly three times more frequent per new spell of unemployment in the bottom 13 states compared to the top 13. The frequency of these determinations also is negatively associated with the receipt of UI benefits. For example, the average rate of voluntary quit determinations per new spell in the 13 states with the highest WBTU ratios was 0.078 compared to 0.133 for the 13 with the lowest WBTU ratios. On average, states with above-average rates of separation determinations per new spell (both voluntary quit and misconduct) have lower WBTU

ratios. Chapters VI and VII explore these differences in more detail while Chapter V examines the quantitative importance of the differences using multiple regressions. Interstate differences in determination rates for misconduct are found to be particularly important.

Interstate variation in nonseparation nonmonetary determination rates is even wider than for separation determinations. The average rate per ten claimant contacts in the top 13 states was 0.121 compared to 0.475 for the bottom 13 states. However, there is no obvious association across states between these determination rates and WBTU ratios. The average nonseparation determination rate was 0.288 for the 13 states with the highest WBTU ratios and 0.290 for the 13 with the lowest WBTU ratios. A similar pattern is also observed for the rate of appeals on separation issues, i.e., wide interstate variation but no important association across states between the rate of appeals and the WBTU ratio.

The administrative activities summarized in Table III-2 are some of the measures reviewed by the national Office of Workforce Security in following state UI program operational performance. The timeliness and accuracy of several administrative determinations are tracked. Since 1998 quarterly reports on operational performance have been issued.³¹ Analysis of data in these reports would suggest that states that score high on measures of administrative stringency are often states with low benefit recipiency

The association between these five indicators of administrative actions in Table III-2 and benefit recipiency can also be expressed in terms of correlations. When each of the five was correlated with the WBTU ratio using the data in Table III-2, the correlations showed the expected pattern. The five simple correlations with WBTU were: 1) proportion monetarily eligible -- +0.222, 2) voluntary quit determination rate -- -0.251, 3) misconduct determination rate -- -0.450, 4) nonseparation determination rate -- -0.101 and 5) appeals per separation determination -- -0.154. Note that the last four correlations are all negative. However, the misconduct determination rate was the only one of the five significantly associated with the WBTU ratio (at the 0.01 level).

The descriptive information in Table III-2 shows wide interstate variation for all five series

³¹ See U.S. Department of Labor, Office of Workforce Security (2000).

that reflect UI administrative activities. For four of the five series (all except the proportion monetarily eligible) determination rates in the 13 states with the highest determination rates are more than twice as frequent as for the 13 states with the lowest determination rates. For the two types of separation determinations, i.e., voluntary quits and misconduct, there is an association between the determination rate and reciprocity as indicated by the WBTU ratio. This association is strongest between the misconduct determination rate and the WBTU ratio.

Reciprocity and Administrative Measures for Six Groups of States

Table III-3 provides a summary of both reciprocity measures and administrative measures for UI programs combined into six groups, two groups with above-average reciprocity and four with below-average reciprocity. The summaries use data from Tables III-1 and III-2 for six groupings of states: 1) Group 1 - the thirteen with the highest WBTU ratios, 2) Group 2 - the other eleven with above-average WBTU ratios, 3) Group 3 - eight with below-average WBTU ratios,³² 4) Group 4 - five southeastern states with short benefit durations and low reciprocity, 5) Group 5 - nine (mainly southwestern) states with low inflow rates and low reciprocity and 6) Group 6 - the remaining five of the thirteen UI programs with the lowest WBTU ratios. Groups 4, 5 and 6 are the same states with low inflow rates and low WBTU ratios displayed in Map 3. All data in Table III-3 are simple averages of state data from Tables III-1 and III-2.

The motivation for making these groupings is to help identify systematic differences across states when they are arranged by differing levels of reciprocity. Note that the average WBTU ratios follow a direct high-to-low progression from Group 1 through Group 6. National averages for all measures appear in the bottom lines of Panels A and B.

The reciprocity measures in Panel A have several noteworthy features. 1) Note the high ICNU ratio for Group 4, the five southeastern states with short relative durations, 0.652 compared to 0.688 for the 13 with the highest WBTU ratios. The average application rate in these states is 50 percent higher than for Group 6 and more than twice the application rate for Group 5 (the nine with low inflow but above-average relative duration). 2) The patterns of first

³² The eight are Montana, Missouri, Arkansas, Kentucky, Nebraska, West Virginia, Maryland and Ohio.

Table III-3. Average Reciprocity Measures and Administrative Measures for Six Groups of UI Programs, 1977 to 1998

Panel A. UI Reciprocity Measures	ICNU	NICIC	FPNIC	Inflow Rate	ADUIAD	WBTU
Group 1. Thirteen With Highest WBTU	0.688	0.548	0.838	0.310	1.383	0.418
Group 2. Eleven With Above-average WBTU	0.537	0.556	0.828	0.243	1.388	0.331
Group 3. Eight with Below-average WBTU	0.506	0.589	0.773	0.227	1.233	0.274
Group 4. Five South-eastern States	0.652	0.559	0.681	0.240	1.061	0.249
Group 5. Nine With Low Inflow Rates	0.305	0.643	0.723	0.141	1.488	0.207
Group 6. Other Five States With Lowest WBTU	0.425	0.595	0.712	0.181	1.106	0.193
U.S. - 51 Programs	0.530	0.579	0.777	0.233	1.320	0.301
Panel B. UI Administrative Measures	Prop. Monetarily Eligible	Vol. Quit Determin. Rate	Misconduct Determin. Rate	Non Sep. Determin. Rate	Appeals Per Sep Determin.	WBTU
Group 1. Thirteen With Highest WBTU	0.860	0.078	0.078	0.288	0.199	0.418
Group 2. Eleven With Above-average WBTU	0.880	0.099	0.097	0.249	0.190	0.331
Group 3. Eight with Below-average WBTU	0.868	0.135	0.104	0.279	0.163	0.274
Group 4. Five South-eastern States	0.847	0.047	0.084	0.181	0.216	0.249
Group 5. Nine With Low Inflow Rates	0.843	0.152	0.154	0.344	0.221	0.207
Group 6. Other Five States With Lowest WBTU	0.810	0.103	0.096	0.308	0.192	0.193
U.S. - 51 Programs	0.856	0.104	0.102	0.279	0.196	0.301

payment ratios (FPNIC) generally decreases as WBTU declines except that the five southeastern states (Group 4) have the lowest ratios across all six groups. Low first payment rates as well as short relative benefit duration both contribute to below-average reciprocity in these five states. 3) The low inflow rate for Group 5 (0.141) is less than half the inflow rate for Group 1. The next lowest inflow rate is 0.181 for Group 6 while all other groups have averages that range upwards from 0.227. 4) Groups 4 and 5 are also at the extremes of the relative duration averages. Long relative benefit duration for Group 5 is unusual not only among states with below-average WBTU ratios but even compared to Groups 1 and 2, states with above-average WBTU ratios.

Aspects of the administrative measures in Panel B are also noteworthy. 5) The monetary eligibility averages are quite similar across the six groups with five of six between 0.843 and 0.880. 6) The five southeastern states (Group 4) have low separation determination rates for both voluntary quit and misconduct. 7) For these same two issues the highest determination rates are found in Group 5, the nine programs with very low inflow rates. The averages for both voluntary quit and misconduct determination rates are roughly 50 percent above their respective national averages. 8) Groups 4 and 5 are also found at the extremes of the nonseparation determination rate averages as well. The five southeastern states have low determination rates on both separation and nonseparation issues while these determination rates are high for the states in Group 5 that have the lowest average inflow rates.

These summary data displayed in both Tables III-2 and III-3 are suggestive of links between state-level UI administrative actions and UI benefit reciprocity rates. However, the associations need to be examined within a more systematic framework than simple tabular displays. Chapter V undertakes a regression analysis of the determinants of the four accounting identity ratios introduced in expression (3) and displayed for each state in Table III-1. Administrative measures such as those displayed in Table III-2 and III-3 are tested for their effects on the accounting identity ratios along with other UI administrative factors as well as factors operative in state labor markets.

Summary

The accounting framework developed at the start of this chapter allows one to view and interpret low UI reciprocity from a more nuanced perspective. If one were to examine WBTU ratios directly, pairs of states such as Georgia and Mississippi, South Dakota and Florida and Ohio and North Carolina would not be distinguishable because their long run WBTU ratios are so similar (Table III-1). However, when elements of accounting relationship 3 are noted, these pairs of states arrive at similar reciprocity rates through quite differing combinations of factors relating to benefit inflow and relative benefit duration.

In fact, low reciprocity is reached by varying combinations of low inflow rates and low relative benefit durations. Referring to the groupings of states shown in Table III-3, one group (Group 6) have both a low inflow rate and low relative duration. These five states are spread widely across the country as shown in Map 3. A second group of states (Group 4) have average inflow rates but very low relative durations. A third group (Group 5) have very low inflow rates but lengthy relative durations. The latter two groups both exhibit strong geographic clustering, in the southeast and southwest respectively. Absent the accounting framework developed in this chapter, these differing patterns associated with low benefit reciprocity could not be differentiated. In the state UI programs, low reciprocity is the result of three distinguishable patterns of inflow rates and relative benefit durations.

IV. Measurement Issues

As noted in Chapter II, the most common measure of UI reciprocity is the IUTU ratio, the ratio of insured unemployment (or active UI claimants) to total unemployment. In the present project, greater emphasis is placed on the ratio of the average weekly number of UI beneficiaries to total unemployment, the WBTU ratio. Since the IUTU ratio has been used most often in previous research, both ratios are covered in this chapter.

The chapter examines five issues in measuring UI reciprocity: 1) the exact definitions used in measuring unemployment and the receipt of UI benefits, 2) partial benefits, 3) state border issues, 4) the reason for unemployment and 5) unemployment duration. In all areas, we review definitions, discuss the measures and display selected data as appropriate.

Key Definitions

Throughout the project emphasis is placed on the ratio of UI recipients (recorded in UI program data) to total unemployment (measured in the monthly household labor force survey). It should again be noted that certain unemployed persons who receive benefits through state UI programs fall outside the scope of the project's analysis. The exclusions extend to persons compensated through unemployment compensation for federal employees (UCFE), unemployment compensation for ex-servicemen (UCX), unemployment compensation for railroad workers (RUI), federal state extended benefits (EB) and emergency federal programs, most recently emergency unemployment compensation (EUC). The project's scope, in other words, is restricted to the so-called regular state UI program which in 51 of 53 jurisdictions can pay up to 26 weeks of UI benefits (30 weeks in Massachusetts and Washington).

If we take the week as the time unit of measurement, most with unemployment are unemployed for the full week. The full week unemployed constitute the majority of persons who enter both the numerator and the denominator of the IUTU ratio and the WBTU ratio. However, there are persons who within a given week experience both employment and unemployment. Their treatment within the UI program data differs from their treatment in the household labor

force survey. This difference should be discussed starting with the household labor force survey.

The household survey (the Current Population Survey or CPS) conducted by the Census Bureau for the Bureau of Labor Statistics is undertaken monthly and asks questions about labor market activity of each household member aged 16 and older. Roughly 50,000 households are surveyed, and the survey questions pertain to activities during the week that included the 12th of the month (termed the reference week). Each household member is classified into one of three mutually exclusive categories, e.g., employed, unemployed or not in the labor force. The first question posed to each person is their principal activity during the reference week. All persons (except family workers) who worked one or more hours during the reference week are classified as employed. Family workers who work on a farm or for some other family business (but do not receive a salary) are counted as employed only if they worked 15 or more hours during the reference week.

Thus if three persons worked for wages for one hour, ten hours and fifty hours, all three would be classified as employed regardless of other activities during the reference week. One differentiation that is made among the three situations is that the CPS distinguishes part-time employment (fewer than 35 hours per week) from full-time employment (35 or more hours per week). Thus the one-hour and ten-hour workers would be part-time while the fifty-hour worker would be full-time.

Persons with no employment during the reference week may have experienced unemployment. To be classified as unemployed, one has to have been able to work and available to work during the reference week and to have engaged in some form of active work search during that week or one of the preceding three weeks. Persons not meeting the criteria to be classified as employed or unemployed during the reference week are classified as out-of-labor-force or economically inactive. Each month some 38 to 40 percent of persons 16 and older are economically inactive.

In UI data, there are measures of claimants, eligible claimants, recipients and persons who have exhausted entitlements. Insured unemployment (IU) counts unemployed persons who are active claimants for benefits, most of whom are receiving benefits. Besides counting recipients, IU also includes persons serving the waiting week and some serving fixed duration disqualification

periods. Weeks claimed and weeks compensated are both routinely measured. Most of the UI program data used in this report are universe counts, not samples as in the CPS.

After a person uses up their full UI benefit entitlement they are said to exhaust. The program counts the number of exhaustees, but at that point the person is no longer actively tracked in UI data. The treatment of exhaustees means that at the point of exhaustion a person disappears from UI data but not from CPS data as long as he or she remains unemployed, i.e., seeking employment.

Partial Unemployment Benefits

A noteworthy situation with implications for IUTU and WBTU ratios occurs when a worker experiences both employment and unemployment during the reference week. Such a person could have received UI benefits that week even though that person would be classified as employed in the CPS. The person would be included in the numerator but not in the denominator of the IUTU ratio and the WBTU ratio.

It should also be noted that recipients of partial unemployment benefits have a larger effect on IUTU and WBTU ratios than unemployed persons who receive a full week of UI benefits. The partial unemployment beneficiary enters just the numerator of both ratios whereas the fully unemployed beneficiary enters the numerator and the denominator of both ratios. This differential effect has not been emphasized in earlier research. Its importance depends on the share of partial beneficiaries within the population of UI recipients.

There are two possible ways an employed person could receive a UI benefit payment. First, all states permit a beneficiary to have some earnings and still receive UI benefits. There is an explicit partial benefit schedule that specifies a maximum earnings amount allowed with no loss of benefits (termed the earnings disregard) and then a schedule that phases out benefits when earnings exceed that amount. The earnings threshold is typically a fraction, e.g., one fourth or one half, of the WBA (weekly benefit amount), and the phase-out is complete when earnings reach the level of the WBA.

Second, some states (18 in the year 2000) offer short-time compensation (STC) to persons placed on short work schedules, say four-day or three-day schedules. STC benefits are

paid as a fraction of full weekly benefits with the fraction reflecting the proportionate reduction in weekly hours. Thus people who work a four-day schedule would receive STC for the fifth day at a rate of one fifth of the WBA for full unemployment. The payment of STC benefits is recorded in standardized reports from the states. Reporting details include weeks claimed, weeks compensated, equivalent (five day) weeks claimed and benefit payments. In all states with STC, the payments constitute very small fractions of total weeks compensated and of benefit payouts.

Table IV-1 displays data by state showing the importance of partial UI benefits and STC benefits in 1998, each expressed as a percent of total weeks compensated. For STC benefits, the table shows all weeks compensated and equivalent weeks, i.e., STC weeks compensated measured as five-day weeks.

The data clearly show how consistently small the STC program is in the 18 states where it is offered. STC weeks compensated exceeded 1.0 percent of weeks compensated in six of the 18 states, and only in Rhode Island did STC weeks exceed 2.0 percent. Equivalent STC weeks exceeded 0.5 percent of weeks compensated in just one state (again Rhode Island).

The small scale of STC in 1998 mirrors patterns observed in other years since the programs were introduced. Reporting data extend back to 1982 for the first three states with STC (Arizona, California and Oregon). Between 1984 and 1992 the number of states with STC programs gradually expanded to 18 and has remained at 18 since 1992. Of 237 state-year observations spanning the 1982-1999 period, STC equivalent weeks exceeded 1.0 percent of weeks compensated just twice (Arizona in 1982 and 1985) and STC equivalent weeks exceeded 0.5 percent just 24 times. The small scale of STC shown in Table IV-1 is representative of the STC programs' experiences since their inception.

In contrast, partial unemployment benefits constituted a measurable share of weeks compensated in 1998. The national average was 9.0 percent. So-called partials exceeded 20 percent of total weeks in four states (Maine, Montana, Nebraska and Wisconsin) with the highest percentage occurring in Nebraska (37.3 percent). Note also that an additional 17 states had percentages between 10.0 and 19.9 percent while just two had partial weeks of less than 4.0 percent of total weeks. Partial UI benefits are a reasonably common feature of UI programs.

It should be noted that some people with wages also collect full UI benefits for the same

Table IV-1. Partial Weeks and STC Weeks as a Percentage
of Total Weeks Compensated, 1998

State	Partial Weeks	STC Weeks	Equiv STC Weeks
ALABAMA	4.8		
ALASKA	9.2		
ARIZONA	4.8	1.17	0.25
ARKANSAS	13.3	0.00	0.00
CALIFORNIA	6.0	1.11	0.22
COLORADO	7.2		
CONNECTICUT	11.3	0.50	0.10
DELAWARE	15.3		
DIST OF COL	9.1		
FLORIDA	4.2	0.12	0.02
GEORGIA	9.2		
HAWAII	13.3		
IDAHO	14.7		
ILLINOIS	6.3		
INDIANA	4.9		
IOWA	11.9	0.03	0.01
KANSAS	7.7	1.48	0.36
KENTUCKY	11.1		
LOUISIANA	4.1	0.00	0.00
MAINE	20.3		
MARYLAND	6.5	0.02	0.00
MASSACHUSETTS	8.0	0.21	0.06
MICHIGAN	0.0		
MINNESOTA	10.5	0.07	0.02
MISSISSIPPI	7.6		
MISSOURI	7.8	1.69	0.42
MONTANA	26.1		
NEBRASKA	37.3		
NEVADA	5.1		
NEW HAMPSHIRE	7.2		
NEW JERSEY	8.6		
NEW MEXICO	3.1		
NEW YORK	7.2	0.38	0.11
NORTH CAROLINA	14.6		
NORTH DAKOTA	5.4		
OHIO	4.7		
OKLAHOMA	8.2		
OREGON	19.7	0.18	0.04
PENNSYLVANIA	14.4		
RHODE ISLAND	10.8	3.29	0.84
SOUTH CAROLINA	12.2		
SOUTH DAKOTA	9.3		
TENNESSEE	8.3		
TEXAS	10.6	0.17	0.13
UTAH	15.2		
VERMONT	11.8	1.16	0.35
VIRGINIA	9.6		
WASHINGTON	17.6	0.36	0.04
WEST VIRGINIA	9.5		
WISCONSIN	20.8		
WYOMING	9.8		
U.S. 51 Programs	9.0	0.34	0.08

Source: U.S Department of Labor, ETA-5159 Reports.

week. This occurs when weekly wages fall below the earnings disregard of the partial benefit schedule. There is no systematic measurement within UI programs of the prevalence of this situation. Thus data on partial UI benefits as displayed in Table IV-1 understate the extent to which people have wages and collect UI benefits in the same week.

Because earnings disregards are very low in several states, it is believed that data on partial UI benefits capture most situations of work and receipt of benefits during the same week. However, five states in the year 2000 had earnings disregards that ranged from \$50 to \$100 per week (Hawaii, Maryland, Ohio, Oklahoma, and West Virginia). A low-wage worker in these states could work, say, from 8 to 16 hours, while receiving a full weekly benefit. Measuring this phenomenon would be useful in showing the full extent of work and the receipt of UI benefits in the same week.

Partial UI benefits have grown in importance over the past three decades. In 1971 partial benefits constituted only 6.0 percent of total weeks compensated. This percentage had increased to 6.5 percent by 1978, to 7.7 percent by 1988 and (as noted) was 9.0 percent in 1998. Partial benefits have been growing as a share of total UI benefits.

The main importance of partial UI benefits and STC benefits is to increase empirical measures of UI benefit reciprocity. Partial UI recipients and STC recipients are included in the numerators of IUTU and WBTU ratios but not in their denominators. Thus a national WBTU ratio of 0.33 would be reduced to about 0.30 if partial benefits and STC were excluded since they account for nearly 10 percent of weeks compensated.

A conclusion regarding partial benefits could be stated in two closely related ways. 1) Persons who experience both employment and unemployment in a single week are treated differently in UI program data from their treatment in the monthly household labor force survey. Partial weeks of UI benefits are included in UI program data, but partial weeks of unemployment do not enter CPS measures of unemployment because there is employment in the same week. 2) Discussions of the WBTU and IUTU ratios frequently assume the underlying data fit within a nested conceptual framework, i.e., assuming IU and WB are both subsets of TU. In actual fact, a partially unemployed person can enter the numerator of both ratios but not be included in the denominator. The low reciprocity of some states would appear to be even lower if the numerators

included only full weeks of unemployment, i.e., if the IU and WB were nested within TU.

State Border Issues

State boundaries must be recognized in analyses of IUTU and WBTU ratios. Persons measured as employed and unemployed in the household labor force survey are classified geographically according to their state of residence. This rule is applied irrespective of where the person works and/or the number and locations of jobs held. Thus the denominators of state-level IUTU and WBTU ratios are unemployed persons classified by their state of residence.

Border issues do not arise in UI program data if all work during the base period is confined to a single state in which the person files and continues to reside while receiving benefits following a job separation. Such a situation is termed an intrastate claim, and it applies to full weeks and partial weeks of unemployment.

Three separate situations involving UI benefits and state borders can be distinguished: 1) interstate claims, 2) commuter claims and 3) combined wage claims (CWC). Each will be discussed and supporting data will be displayed.

Interstate claims. Interstate claims arise when someone has worked in one state but is temporarily or permanently located in another State and files for benefits from the latter state. The state from which the claim is filed acts as the agent state for this interstate claim filed against the UI program in the state where the claimant worked (the liable state). Should the person move back to the liable state during the benefit year, the claim will change from an interstate to an intrastate claim. The key point in interstate situations is that base period earnings occurred in a state other than the state of residence at the time the week of unemployment is claimed. Benefit eligibility determinations on interstate claims are issued under the liable state's law. In most cases, employers from the liable state are financially responsible for benefit charges which reduce the liable state's UI trust fund balance.

Situations involving interstate claims are relatively common. In 1998, about four percent of initial claims and continued weeks claimed were filed as interstate claims. Table IV-2 shows the state patterns in liable state and agent state claims activity for continued weeks claimed. The standard measurement of continued weeks claimed and insured unemployment (continued weeks

Table IV-2. Intrastate and Interstate Weeks Claimed by State, 1996, 1997 and 1998.

State	Intrastate	Interstate	Interstate	Agent -	(Agent - Liable)/ (Intrastate + Agent)			
	1998	Agent 1998	Liable 1998	Liable 1998	1998	1997	1996	Average 1996-98
ALABAMA	1481	92	37	55	0.035	0.036	0.035	0.035
ALASKA	610	21	126	-105	-0.166	-0.183	-0.174	-0.174
ARIZONA	988	2	79	-77	-0.078	-0.039	0.035	-0.027
ARKANSAS	1309	53	54	-0	-0.000	-0.006	-0.001	-0.002
CALIFORNIA	18624	380	524	-144	-0.008	-0.013	-0.016	-0.012
COLORADO	812	56	60	-3	-0.004	-0.013	0.005	-0.004
CONNECTICUT	1565	37	99	-63	-0.039	-0.048	-0.044	-0.044
DELAWARE	287	28	43	-15	-0.047	-0.041	-0.116	-0.068
DIST OF COL	322	30	94	-64	-0.181	-0.139	-0.199	-0.173
FLORIDA	3593	272	163	109	0.028	0.030	0.028	0.029
GEORGIA	1612	105	67	38	0.022	0.015	0.022	0.020
HAWAII	634	23	52	-30	-0.045	-0.056	-0.056	-0.052
IDAHO	616	58	24	34	0.050	0.045	0.060	0.052
ILLINOIS	5300	88	231	-143	-0.026	-0.026	-0.024	-0.026
INDIANA	1505	103	65	38	0.024	0.024	0.026	0.025
IOWA	821	31	26	4	0.005	0.007	0.016	0.009
KANSAS	656	24	71	-47	-0.070	-0.066	-0.062	-0.066
KENTUCKY	1301	54	39	15	0.011	0.015	0.018	0.015
LOUISIANA	1085	95	46	49	0.041	0.023	0.025	0.030
MAINE	560	25	23	3	0.005	0.006	0.011	0.007
MARYLAND	1662	132	110	22	0.012	0.013	0.016	0.013
MASSACHUSETTS	3245	52	131	-79	-0.024	-0.036	-0.032	-0.030
MICHIGAN	4656	62	98	-36	-0.008	-0.008	-0.005	-0.007
MINNESOTA	1591	31	79	-48	-0.030	-0.025	-0.018	-0.024
MISSISSIPPI	911	63	39	24	0.025	0.022	0.020	0.022
MISSOURI	2046	101	66	35	0.016	0.005	0.006	0.009
MONTANA	388	36	13	22	0.053	0.033	0.061	0.049
NEBRASKA	337	15	30	-15	-0.043	-0.059	-0.063	-0.055
NEVADA	843	89	127	-37	-0.040	-0.056	-0.016	-0.037
NEW HAMPSHIRE	160	36	13	23	0.116	0.125	0.127	0.123
NEW JERSEY	4585	129	238	-109	-0.023	-0.028	-0.026	-0.026
NEW MEXICO	547	46	43	3	0.005	0.011	0.031	0.016
NEW YORK	8893	108	248	-140	-0.016	-0.019	-0.023	-0.019
NORTH CAROLINA	2532	89	116	-28	-0.011	-0.009	-0.006	-0.008
NORTH DAKOTA	173	13	8	4	0.024	-0.003	0.021	0.014
OHIO	3675	73	130	-57	-0.015	-0.016	-0.011	-0.014
OKLAHOMA	614	48	23	25	0.038	0.047	0.042	0.042
OREGON	2117	117	140	-23	-0.010	-0.014	0.009	-0.005
PENNSYLVANIA	7137	176	215	-39	-0.005	-0.010	-0.014	-0.010
RHODE ISLAND	658	32	25	7	0.010	0.034	0.021	0.022
SOUTH CAROLINA	1215	71	41	30	0.023	0.024	0.024	0.023
SOUTH DAKOTA	105	12	8	4	0.033	0.023	0.034	0.030
TENNESSEE	2097	84	73	12	0.005	0.007	0.006	0.006
TEXAS	5355	392	176	216	0.038	0.026	0.036	0.033
UTAH	466	23	26	-3	-0.005	-0.007	-0.001	-0.004
VERMONT	286	15	12	2	0.007	0.005	0.002	0.005
VIRGINIA	1138	115	93	22	0.017	0.015	0.016	0.016
WASHINGTON	3589	419	240	179	0.045	0.001	-0.014	0.010
WEST VIRGINIA	768	58	25	33	0.040	0.038	0.033	0.037
WISCONSIN	2593	68	84	-16	-0.006	-0.004	-0.003	-0.004
WYOMING	151	14	15	-1	-0.006	-0.010	-0.004	-0.006
U.S. - 51 Programs	108215	4295	4608	-313	-0.003	-0.007	-0.006	-0.005

Source: ETA-5159 data. Data on weeks claimed measured in thousands.

divided by 52) is to add agent state claims to intrastate claims. In other words, IU as commonly measured in each state includes the number of interstate agent claims filed from that state.

Table IV-2 vividly illustrates that interstate activity is of much more importance to some states than others. The four left-hand data columns summarize data for 1998. The net difference between interstate agent and interstate liable weeks claimed is shown explicitly. In 1998, the number of agent weeks claimed was greater than the number of liable weeks claimed by at least 100,000 for three states; Texas, Washington and Florida. However, for five states, California, Illinois, New York, New Jersey and Alaska, the number of agent weeks claimed was less than the number of liable weeks claimed by at least 100,000. All five of the latter group are northern states, and except for Alaska they are also large states. Note that the aggregate difference between agent weeks and liable weeks amounted to less than 0.3 percent of intrastate weeks, i.e., 313,000 versus 108,215,000.

In states where interstate agent weeks claimed exceed interstate liable weeks claimed, interstate claims activity tends to increase the standard measures of weeks claimed and IU. The three right-hand data columns in Table IV-2 show the differences between agent and liable weeks claimed expressed as a proportion of the traditional measure of weeks claimed (intrastate plus interstate agent weeks claimed). For the three years 1996, 1997 and 1998 this ratio exceeded 0.10 in just one state, New Hampshire. Its three year average of 0.123 was more than twice that of the second highest average of 0.052 in Idaho. Generally, states where agent weeks claimed exceed liable weeks claimed are most consistently found in the South (14 of 17). Whereas, liable weeks claimed exceed agent weeks claimed for the majority of the Midwestern states (8 of 12) and western states (9 of 13). For most states, the proportions are reasonably similar across the three years, but wide variation is observed in a few, i.e., Washington, Arizona, North Dakota and Delaware. Very large deficits are observed for Alaska and the District of Columbia while persistent deficits are observed for several larger northern states; Ohio, New York, New Jersey, Massachusetts, Illinois, Minnesota and Connecticut. These latter states are generally characterized by high benefit levels. Each year there is a net outflow of monies from these states to other areas, most typically to states in the South.

State data on weeks compensated, in contrast to initial claims and weeks claimed, are measured as the sum of intrastate plus interstate liable weeks compensated. Thus, following the usual measurements of IU and WB, it is theoretically possible for WB to exceed IU for a state with large amounts of liable claims and comparatively few agent claims. Alaska meets these conditions. Its WBIU ratio in 1998 was 1.002, and the ratio exceeded 1.00 in 25 of the 27 years between 1972 and 1998.

Interstate claims involve two needs for information to flow between states. The eligibility determinations for interstate initial claims made by liable states need information from claimants such as address, the reason for the job separation and possibly the presence of disqualifying and/or deductible income. Traditionally, agent states have gathered and conveyed this information to liable states. Currently, most liable states obtain this information directly from the claimant using what is termed remote initial claimstaking procedures, i.e., the claimant calls the liable state, typically using a toll free number.

When an initial claim is filed or a week of unemployment is claimed, the liable state needs to inform the agent state about the claims filed by persons residing in their state. The latter information is conveyed from liable to agent states using the Interstate Statistical Data Exchange (commonly referred to as LADT) via of the States' interstate network called the Interstate Connection (ICON). The LADT statistical record summarizes information about the individual and the claim, i.e., identification of the agent and liable States, the benefit program type, the effective date of the claim, the industry of the separating employer, personal characteristics of the claimant and the claimant's mailing address.

The processing of interstate claims is changing with the advent of telephone claims filing. Most States use remote claimstaking procedures for initial claims and require interstate claimants to file by telephone directly with the liable state. This procedure has advantages since liable state claims takers are most familiar with claims procedures and legal requirements of their own states. Thus delays in information exchange are reduced and the accuracy of determinations may be improved when the claimant deals directly with the liable state. At present, some 28 states take interstate liable initial claims by telephone. After completing the claim, the liable state sends information back to the agent state so that the claim appears along with other claims in the counts

of interstate claims filed from the agent state. With increasing reliance on remote claimstaking, the administrative role of agent states in interstate claims diminishes.

To measure statewide and/or national totals of weeks claimed, one may add to intrastate claims either interstate liable claims or interstate agent claims. Data for both are routinely reported, as illustrated by the annual data summarized in Table IV-2. For both initial claims and continued claims, statewide totals usually include interstate agent claims but the data user may choose either agent or liable claims depending on the question at hand.

Commuter claims. Commuter claims also involve state border issues. Commuters reside in one state but work in an adjacent or nearby state and are usually tied to the labor market of that state. When commuters experience unemployment, they file for UI in the state where they work and search for work. In the UI claims data, commuter claims are counted as intrastate claims even though the claimants reside in another state.

There is no single definition of a commuter that is used by all states. Individual states differ in their treatment in at least three ways: 1) the distance from the border that denotes the outer limit of commuting (interstate claims may be filed if beyond that distance), 2) the degree of attachment to the cross-border labor market and 3) job search requirements for commuters. The majority of commuters reside within fifty miles of their state's border and search for work in the adjacent state where they most recently worked.

Measuring commuter claimants is accomplished through information exchange among the states. The state to which the individual commutes to work and subsequently files claims reports the claims information, separately from interstate claims information, to the claimant's state of residence. The data from these reports, that show counts of claimants that commuted into the liable state, are also used to remove commuters from the statewide counts of intrastate claimants when the data are being used for certain purposes.

Historically, commuter information has been exchanged between states by mailing or faxing hard copy reports or, in recent years, through the use of e-mail. These data are used in the Local Area Unemployment Statistics (LAUS) program of the Bureau of Labor Statistics to estimate unemployment rates for individual counties. Currently, a new method of exchanging commuter information is being tested. Information on commuters' weeks claimed is being

transmitted by some states using the LADT via ICON. Once a month, these states transmit records of weeks claimed by commuters for the CPS reference week (the week that includes the 12th of the month) for the current reporting month and the preceding reporting month. When States are operational on the new method and comfortable with the accuracy of the data, the electronic data exchange method will replace the manual method.

The data exchanges involving commuter claims are part of ongoing UI administrative operations and LAUS operations. While sufficient for these needs, additional information on commuter claims was needed for the present project. The statewide summary totals are gross counts (commuters from other states included in intrastate claims) summed across all adjacent states not the net difference between agent and liable claims for each state. To the extent that a state has a net excess of commuter claims, i.e., its agent claims exceed liable claims (more of its residents claim benefits in adjacent states than vice versa) this would lower reciprocity measures for that state. At the same time, commuting raises reciprocity measures in states where liable claims exceed agent claims. Thus the LADT summary reports that show only gross counts cannot be used to show the net effect of commuters on measures of UI reciprocity in individual states. What is needed for each state is the net difference between the agent weeks and liable weeks claimed by commuters.³³

To pursue this question further, the project secured data on commuter claims from the UI research offices in Massachusetts and Rhode Island. Monthly data on commuters were obtained for 1998 and 1999 for each of their respective border states. The data pertained to both state residents filing in the adjacent states and to adjacent state residents filing within these two states. The objective was to adjust measures of reciprocity to remove the effects of commuter claims. Originally we hoped to obtain data from New Hampshire, but their information system did not

³³ Stated in another way, the states do not report on commuter claims in the same way that they report on interstate claims as summarized in Table IV-2. Several individual states have not developed summary measures of commuter claims for inclusion in their LADT summary reports. For the week of December 4, 1999, for example, 30 of 53 UI programs reported on the number of commuter claimants in the LADT summary reports. In New England, commuter claimant counts were supplied by Connecticut, Massachusetts, Rhode Island and Vermont but not by Maine and New Hampshire.

have ready data on commuters for all of 1998 and 1999. However, we were able to adjust New Hampshire data using information obtained from Massachusetts.

Table IV-3 summarizes information from three states (Massachusetts, Rhode Island and New Hampshire) for 1998 and 1999. Panel A has LADT data while Panel B has ETA-5159 data and Panel C displays measures of UI reciprocity, (IUTU ratios) both levels and state ranks within the 51 programs for which the data are available. All data are weekly averages. Line 2 of Panel A shows total commuters while line 3 shows net commuter claims. Massachusetts has a deficit, i.e., fewer of its residents claim outside the state than out-of-staters claiming in Massachusetts, while Rhode Island and New Hampshire have surpluses. Note that the New Hampshire data refer just to the Massachusetts-New Hampshire pair and exclude information on its two other adjacent states (Maine and Vermont).

If commuting were ignored, the IUTU ratio would be too high in Massachusetts but too low in Rhode Island and New Hampshire. Observe in Panel A that the net effect of commuting summed across the three states is small (301 in 1998 and 263 in 1999) whereas the lowest net effect for the six entries shown in line 3 is the 732 for Rhode Island in 1998. Line 5 shows how intrastate weeks claimed should be adjusted in both Massachusetts and Rhode Island to remove the net effects of commuting. For Massachusetts intrastate weeks would be lower while for Rhode Island (and New Hampshire) intrastate weeks would be higher.

Panel B displays ETA-5159 data on intrastate and interstate weeks claimed. Line 8 shows corrected estimates of intrastate weeks claimed. The line 8 entries were derived directly from the product of lines 5 and 6 for Massachusetts and Rhode Island. Note the similarities between lines 3 and 7. Line 3 data were used as controls in deriving the estimates for New Hampshire shown in line 7. The ratio between the Massachusetts “deficit” and the combined “surpluses” for Rhode Island and New Hampshire from line 3 (0.837 in 1998) was used to derive the missing data for New Hampshire. Once this estimate was derived, it was added to line 6 to yield the corrected New Hampshire estimate shown in line 8.

Lines 9 and 10 show interstate agent and liable data from the ETA-5159 reports. Massachusetts and New Hampshire exhibit strong contrasts in agent versus liable claims. For Massachusetts liable weeks are more than twice agent weeks while the opposite is true for New

Table IV-3. Estimated Effect of Commuter Claims on IUTU Ratios in Three States, 1998 and 1999

	Massachusetts	1998 Rhode Island	New Hampshire	Massachusetts	1999 Rhode Island	New Hampshire
Panel A. LADT data - Annual averages of weeks claimed for the week of the 12th-a						
1. Total Intrastate Weeks Claimed	50693	9779		53234	9400	
2. Commuter Claims Filed In-State	2248	345	58	2763	362	67
3. Net Effect of Commuter Claims-b	-1546	732	1115	-2011	960	1314
4. State Residents Intra-state Claims (lines1 + 3)	49147	10511		51223	10360	
5. State Residents to Total Intrastate Claims Ratio (line 4/line 1)	0.970	1.075		0.962	1.102	
Panel B. ETA 5159 Data - Annual averages of weeks claimed						
6. Total Intrastate Weeks Claimed	62395	12648	3081	65280	12843	3045
7. Estimated Net Effect of Commuter Claims-c	-1903	947	1327	-2466	1312	1478
8. Corrected Intrastate Weeks Claimed-c	60492	13595	4408	62814	14155	4523
9. Interstate Agent Weeks Claimed	1000	611	693	962	312	659
10. Interstate Liable Weeks Claimed	2512	476	254	2166	438	271
11. Insured Unemployment (line 6 plus line 9)	63395	13259	3774	66242	13155	3704
12. Corrected Insured Unemployment (lines8 + 9)	61492	14206	5101	63776	14467	5182
13. Total Unemployment	109114	24343	18931	104780	20890	18068
Panel C. State measures of UI reciprocity						
14. IUTU	0.581	0.545	0.199	0.632	0.630	0.205
15. Corrected IUTU	0.564	0.584	0.269	0.609	0.693	0.287
16. IUTU - State Rank	2	3	47	2	3	48
17. Corrected IUTU - State Rank	3	2	38	3	1	34

a - Data from special tabulations supplied by Massachusetts and Rhode Island. Comparable estimates for New Hampshire were not available. Data displayed for New Hampshire were derived from information provided by Massachusetts.

b - Difference between state residents filing in adjacent states (agent) and out-of-state commuters filing in-state.

c - Estimated using lines 5 and 6 in Massachusetts and Rhode Island and line 3 for New Hampshire.

Hampshire. Recall that insured unemployed is usually measured using interstate agent weeks along with intrastate weeks. Since there are two estimates of intrastate weeks (lines 6 and 8), Panel B shows the two corresponding estimates of IU in lines 11 and 12 respectively.

The effects of correcting for commuter claims are summarized in Panel C. Placing commuters back into their state of residence reduces the IUTU ratio in Massachusetts and increases it in both Rhode Island and New Hampshire. Because Massachusetts is so much larger than the other two states, its IUTU ratio is least affected by these adjustments. The biggest effects are found in New Hampshire where the IUTU ratio increases from 0.199 to 0.269 in 1998 and from 0.205 to 0.287 in 1999. The bottom lines reinforce the preceding by showing state IUTU rankings before and after the corrections for commuting. The IUTU ratio in New Hampshire is affected the most. However, even after the corrections, New Hampshire still has an IUTU ratio considerably below the national average in both years.³⁴

Four conclusions about the effects of commuter claims on reciprocity measures can be suggested. 1) Measures of reciprocity in small states are likely to be more affected by commuting than measures in large states. Lines 14 and 15 from Table IV-3 illustrate this point. Rhode Island and New Hampshire ranked 43rd and 39th respectively (out of 51) in their levels of 1998 taxable covered employment. Thus New Hampshire is probably at the extreme in terms of the size of the effect of commuting on measured reciprocity. 2) Patterns of net commuting may be similar to patterns of agent/liable interstate claims for a given state. This is true for both Massachusetts and New Hampshire. (Note Tables IV-2 and IV-3.) 3) For most states, the omission of a correction for commuting probably has rather small effects. The previous three-state example was taken from a geographic area (New England) where commuting across state borders is especially prevalent. 4) More research on this topic would be helpful. From interstate claims data of Table IV-2, it is clear that the District of Columbia, Maryland and Virginia would be a trio of states

³⁴ The national IUTU ratios in 1998 and 1999 were 0.348 and 0.364 respectively. New Hampshire's corrected ratios were less than 0.8 of the national ratio in both years. It should also be noted that the New Hampshire estimates are the least firm. 1) Commuting data from Vermont and Maine could not be included. 2) If commuters actually collected in New Hampshire, their duration would probably be lower than in Massachusetts. The net effect of both considerations is not clear, but the second alone would reduce the corrected estimate for New Hampshire.

worth examining.

Combined Wage Claims. For measurable numbers of claimants, base period employment and wages reflect jobs held in two or more states. When these claimants file for benefits, wages are transferred from one state to another for use in the determination of benefit entitlement. The term combined wage claims (CWC) is used to describe these situations.

There are two types of CWC cases, intrastate and interstate. People typically file CWC applications in their state of residence (although there is no requirement that residents file in-state). If the claimant satisfies the state's eligibility requirements, the person is compensated under its statutory payment provisions. Although the person has wages from two or more states, the benefit calculation provisions of the paying state (usually state of filing) determine the weekly benefit amount, maximum duration and the replacement rate. When the CWC is filed under the law of the State in which the claimant lives or commutes to work, the claim is termed an intrastate CWC claim and that state is both the filing state and the paying state in CWC reporting. It is not necessary that the person have in-state base period earnings to be an intrastate CWC claimant. The CWC rules require only that the person's combined wages from all states satisfy the monetary eligibility requirements of the filing state.

Interstate CWC cases involve people applying for benefits in their state of residence, not satisfying the state's eligibility criteria, but qualifying on the basis of combining wages under the law of another state where they have earnings. The administrative rule for determining the paying state for an interstate CWC claim is that the paying state must be the last state where the claimant worked in covered employment and satisfies that state's eligibility criteria.³⁵

Table IV-4 summarizes the importance of CWC activity by state for the three years 1996, 1997 and 1998. The three left hand data columns show CWC weeks as a proportion of total weeks compensated. As a share of total weeks for the 50 states in the table, CWC weeks ranged

³⁵ To be an interstate CWC there must be base period earnings in two or more states. Suppose a claimant satisfies the eligibility criteria of two other states (other than the state of residence). There are two options in filing. First, select the preceding state with earnings and file an interstate CWC claim. Second, select the third state. Under the second option, the person can only use the earnings from the third state, and the claim becomes a regular interstate claim.

Table IV-4. Prevalence of Combined Wage Claims, 1996-1998

State	CWC Weeks/Total Weeks Compensated			Interstate CWC Weeks/Total CWC Weeks		
	1998	1997	1996	1998	1997	1996
ALABAMA	0.025	0.029	0.028	0.045	0.052	0.049
ALASKA	0.029	0.026	0.031	0.147	0.122	0.142
ARIZONA	0.107	0.109	0.096	0.046	0.041	0.042
ARKANSAS	0.068	0.040	0.004	0.038	0.035	0.041
CALIFORNIA	0.018	0.018	0.017	0.048	0.051	0.056
COLORADO	0.023	0.023	0.023	0.113	0.110	0.101
CONNECTICUT	0.011	0.010	0.009	0.060	0.066	0.060
DELAWARE	0.012	0.012	0.012	0.000	0.000	0.000
FLORIDA	0.032	0.032	0.033	0.057	0.065	0.063
GEORGIA	0.032	0.032	0.031	0.011	0.012	0.013
HAWAII	0.016	0.015	0.016	0.110	0.132	0.135
IDAHO	0.069	0.067	0.070	0.043	0.046	0.054
ILLINOIS	0.004	0.004	0.004	0.055	0.065	0.049
INDIANA	0.019	0.019	0.030	0.044	0.050	0.045
IOWA	0.045	0.046	0.046	0.040	0.041	0.048
KANSAS	0.100	0.104	0.102	0.043	0.042	0.067
KENTUCKY	0.045	0.051	0.052	0.024	0.030	0.024
LOUISIANA	0.030	0.035	0.038	0.040	0.039	0.031
MAINE	0.012	0.021	0.031	0.007	0.033	0.051
MARYLAND	0.048	0.037	0.036	0.040	0.026	0.032
MASSACHUSETTS	0.006	0.006	0.006	0.040	0.043	0.039
MICHIGAN	0.010	0.012	0.011	0.050	0.060	0.079
MINNESOTA	0.209	0.048	0.046	0.054	0.099	0.082
MISSISSIPPI	0.030	0.036	0.033	0.051	0.052	0.051
MISSOURI	0.028	0.026	0.026	0.066	0.058	0.054
MONTANA	0.081	0.075	0.075	0.046	0.052	0.034
NEBRASKA	0.024	0.029	0.029	0.082	0.088	0.101
NEVADA	0.038	0.037	0.040	0.095	0.071	0.093
NEW HAMPSHIRE	0.201	0.106	0.140	0.134	0.132	0.037
NEW JERSEY	0.028	0.026	0.023	0.036	0.036	0.039
NEW MEXICO	0.049	0.057	0.051	0.063	0.025	0.049
NEW YORK	0.002	0.003	0.002	0.051	0.051	0.054
NORTH CAROLINA	0.038	0.043	0.035	0.110	0.084	0.067
NORTH DAKOTA	0.049	0.040	0.040	0.012	0.035	0.018
OHIO	0.033	0.033	0.031	0.040	0.042	0.044
OKLAHOMA	0.051	0.060	0.053	0.028	0.030	0.031
OREGON	0.045	0.050	0.053	0.077	0.071	0.067
PENNSYLVANIA	0.027	0.025	0.022	0.047	0.046	0.048
RHODE ISLAND	0.060	0.055	0.050	0.000	0.000	0.001
SOUTH CAROLINA	0.026	0.030	0.022	0.049	0.054	0.049
SOUTH DAKOTA	0.046	0.048	0.040	0.037	0.090	0.105
TENNESSEE	0.035	0.037	0.032	0.039	0.047	0.046
TEXAS	0.070	0.064	0.046	0.026	0.017	0.027
UTAH	0.045	0.052	0.067	0.033	0.054	0.061
VERMONT	0.042	0.042	0.044	0.075	0.086	0.089
VIRGINIA	0.033	0.036	0.036	0.058	0.032	0.055
WASHINGTON	0.068	0.067	0.062	0.068	0.074	0.076
WEST VIRGINIA	0.083	0.087	0.081	0.017	0.024	0.028
WISCONSIN	0.028	0.025	0.024	0.044	0.031	0.043
WYOMING	0.093	0.100	0.100	0.089	0.095	0.101
U.S. 50 States	0.032	0.029	0.027	0.049	0.048	0.051

Source: Data on weeks compensated from ETA-586 and ETA-5159 reports. District of Columbia data not available for all three years.

from 2.7 percent to 3.2 percent.³⁶ The CWC shares are consistently highest in New Hampshire, Arizona, Kansas and Wyoming, averaging from 10 to 13 percent of weeks compensated.³⁷ Conversely averages of 1.0 percent or lower are observed for New York, Illinois, Massachusetts and Connecticut. For most states, the three annual proportions are quite similar suggesting that CWC activities constitute a stable component of most states' workloads, at least for the three years covered by Table IV-4.

Interstate CWC weeks compensated averaged roughly 5.0 percent of total CWC weeks in each of the three years. Four states (Alaska, New Hampshire, Colorado and Hawaii) had interstate averages of at least 10.0 percent while three (Delaware, Rhode Island and Maine) had averages below 1.0 percent. Again, the percentages were quite similar for most states across the three years. The quantitative importance of interstate CWC payments is obviously small, i.e., 5.0 percent of a universe that represents 3.0 percent of all weeks compensated.

It should be emphasized that claimants with earnings in two or more states do not always file under the CWC program. Claimants that have sufficient base period earnings in a single state or in more than one state, to qualify separately have a choice in selecting to file against wages earned in a single state as an intrastate or interstate claim. Individual decisions in these situations probably involve considerations such as the length of the waiting period, the maximum weekly benefit, potential benefit duration and the treatment of other income in the individual states. Many claimants will select the state with the highest expected benefit payments.

State Border Issues: Summary. A few comments about state border issues and reciprocity are appropriate. For two situations, interstate claims and CWC, the UI reporting system classifies claimants by the state in which or from which the claim is filed. This is usually the state of residence. Thus, in using the IUTU ratio as a measure of reciprocity, regular interstate agent claims and CWC intrastate claims generally enter the numerator on the basis of state of residence just as they do for TU as measured by the CPS. CWC interstate claims, although of very small

³⁶ The data in Table IV-4 refer to 50 states. The District of Columbia, Puerto Rico and the Virgin Islands are not included.

³⁷The high percentage in Minnesota in 1998 reflects the one time effects of a large scale work stoppage. The data for 1997 and 1996 are more typical of Minnesota's usual experiences.

quantitative importance, also generally classify people by state of residence.

Commuter claims present a different situation. The data from Massachusetts, New Hampshire and Rhode Island indicate that there can be measurable effects in an area where large numbers of commuters cross state borders, states differ in size and there is one predominant direction of commuting, e.g., into Massachusetts. When the IUTU ratios were “corrected” there was a measurable increase in reciprocity in New Hampshire. However, even with the corrections, reciprocity in New Hampshire was still well below the national average.

Because correcting for commuter claims cannot be readily done within existing UI and LAUS reporting systems, this is a topic that requires additional data collection before a full picture of its importance can be obtained. Assessing the importance of commuter claims will be easier when the automated ICON commuter reporting has been implemented in all states. But even then, an accurate assessment of the effects of commuting requires summaries of net cross border commuting patterns for each state, something not contemplated at present in the ICON summaries. Note that the required information is generated by LADT micro records within the ICON system. However, these records need to be summarized in a manner different from that of existing summary reports.

The preceding also identified an important distinction between IUTU ratios and WBTU ratios as measures of reciprocity. The WBTU ratio is measured using interstate liable weeks compensated. Liability and current residence differ in about 4 percent of weeks compensated, and it is possible for WB to exceed IU in a state where liable weeks greatly exceed agent weeks. For Alaska and the District of Columbia liable claims are far larger than agent claims while New Hampshire is at the opposite extreme. A number of states with low reciprocity, especially in the South, have many more agent weeks than liable weeks. However the same also applies to Montana, Idaho and Washington where IUTU and WBTU ratios are typically high.

Perhaps a final comment about New Hampshire should also be made. It shows up as high on all three cross border measures of UI claims examined here. Being a small state next to a large state with higher wages contributes to this situation. Also relevant is New Hampshire’s high monetary eligibility requirements, unusual base period (a factor that will change after April 2001)

and its activist stance in monitoring continuing eligibility for benefits.³⁸ Cross border commuting is but one of several factors that contribute to low reciprocity in New Hampshire.

Reason for Unemployment

The monthly household labor force survey (CPS) distinguishes four different reasons for unemployment: 1) job losers, 2) job leavers, 3) labor force reentrants and 4) new entrants into the labor force. The first two are flows into unemployment by persons previously employed. The final two are flows into unemployment by persons previously outside the labor force (or economically inactive). Job loser unemployment arises from employer-initiated job separations. The CPS distinguishes temporary from permanent job separations. Job leavers flow into unemployment from their own decisions to leave (or quit) their jobs. Reentrants, the third category, are individuals who have held jobs in the past, but subsequent to ending their previous job, have spent time outside the labor force. All unemployed reentrants were either job losers or job leavers when they left their last jobs. Because many unemployed reentrants were outside the labor force less than twelve months, they often have base period earnings that satisfy UI monetary eligibility criteria. New entrants usually have never worked in the past. For the decade of the 1990s the four reasons for unemployment had the following average proportions: job losers -- 0.495, job leavers -- 0.115, reentrants -- 0.302 and new entrants -- 0.088.

Of the four “reason” categories, job losers are the group most likely to apply for and receive UI benefits. Special supplements to the CPS have asked questions about application rates by reason for unemployment. Nationwide, application rates for job losers fall into the 0.50-0.70 range while application rates for leavers and reentrants fall into the 0.10-0.15 range.³⁹

Over the business cycle, the mix of unemployment by reason changes with the job loser proportion increasing during recessions. Thus time series data show that IUTU and WBTU ratios increase in recessions and fall during periods of economic recovery due partly to the changing mix of unemployment by reason. For the post-World War II years, this pattern for both ratios was

³⁸ These are discussed in Chapter VI.

³⁹ See Table 3A in Vroman (1991) for application rates in 1989-1990 and Wandner and Stettner (2000) for application rates in 1993.

shown earlier in Chart II-1 of Chapter II.

The mix of unemployment by reason also varies across the states. Because job losers are so much more likely to apply for and collect UI benefits than the other unemployed groups, interstate variation in job loser proportions may contribute to interstate variation in UI reciprocity. High reciprocity in some states could reflect above-average job loser proportions.

States undoubtedly vary in the share of job losers, job leavers and reentrants that apply for and receive UI benefits. Some states recognize good personal reasons for quitting work⁴⁰ and allow payment of benefits in specified situations. Other states compensate job quitters only if the quit was related to the job (or good cause restricted in the language of UI administrators). In 2000, only 15 UI programs recognized good personal reasons for quitting in making UI eligibility determinations. State practices in this area undoubtedly vary more widely than suggested by the presence or absence of this particular phrase in statutory language. Reciprocity among job losers probably also varies widely across the states.

Table IV-5 displays data on job loser proportions by state averaged for the 22 years 1978 to 1999. The states are arrayed by census division: eight of the nine standard census divisions with the ninth (South Atlantic) division divided into northern and southern components. The first data column in Table IV-5 shows proportions of annual weeks of unemployment accounted for by job loser unemployment. The range in proportions is from 0.559 (New Jersey) to 0.369 (South Dakota). The national average proportion was 0.485 for these years. For the top 13 states, the simple average proportion of 0.525 was 27.1 percent higher than the average of 0.413 for the bottom 13 states. The range and these averages both show that job loser proportions do vary considerably across states.

The job loser proportions in the first data column of Table IV-5 refer to all weeks of unemployment. These data are routinely available by state in so called geographic profile data, first available for all states with detailed duration intervals in 1977.

⁴⁰ The terms “urgent, compelling and necessitous” for quitting are often included in statutory language or administrative guidelines in states that compensate quits for good personal reasons. In terms of the four reasons for unemployment, compensation may be paid to quitters and to reentrants who may have quit before exiting the labor force.

Table IV-5. Total Unemployment and Job Loser Unemployment by State, 1978-1999 Averages.

	Census Division	P Loser All Weeks	P Loser New Spells	P Loser Men New Spells	P Loser Women New Spells	P Loser All Weeks	PLoser New Spells Div	PLoser New Spells Div	PWLoser New Spells Div	Sim Applic. Rate	Avg. Applic. Rate
Connecticut	N Eng	0.509	0.436	0.264	0.171					0.531	0.678
Maine	N Eng	0.534	0.465	0.283	0.182					0.549	0.805
Massachusetts	N Eng	0.531	0.436	0.271	0.165					0.532	0.630
New Hampshire	N Eng	0.461	0.414	0.254	0.160					0.518	0.435
Rhode Island	N Eng	0.541	0.481	0.272	0.209					0.559	0.985
Vermont	N Eng	0.530	0.466	0.285	0.181	0.518	0.450	0.272	0.178	0.550	0.611
New Jersey	M Atl	0.559	0.474	0.284	0.190					0.554	0.611
New York	M Atl	0.523	0.454	0.278	0.176					0.542	0.565
Pennsylvania	M Atl	0.540	0.462	0.302	0.160	0.540	0.463	0.288	0.175	0.547	0.785
Illinois	EN Cent	0.506	0.416	0.265	0.151					0.519	0.454
Indiana	EN Cent	0.493	0.419	0.257	0.161					0.521	0.447
Michigan	EN Cent	0.487	0.430	0.285	0.145					0.528	0.605
Ohio	EN Cent	0.507	0.422	0.282	0.139					0.523	0.508
Wisconsin	EN Cent	0.513	0.449	0.289	0.160	0.501	0.427	0.275	0.152	0.539	0.709
Iowa	WN Cent	0.459	0.381	0.256	0.125					0.498	0.502
Kansas	WN Cent	0.440	0.375	0.240	0.134					0.495	0.470
Minnesota	WN Cent	0.482	0.399	0.272	0.127					0.510	0.421
Missouri	WN Cent	0.494	0.423	0.267	0.155					0.524	0.648
Nebraska	WN Cent	0.391	0.347	0.221	0.126					0.478	0.409
North Dakota	WN Cent	0.441	0.420	0.274	0.146					0.522	0.493
South Dakota	WN Cent	0.369	0.338	0.185	0.153	0.440	0.383	0.245	0.138	0.473	0.328
Delaware	S Atl-a	0.491	0.425	0.275	0.150					0.525	0.573
District of Columbia	S Atl-a	0.455	0.390	0.225	0.165					0.504	0.419
Maryland	S Atl-a	0.443	0.377	0.241	0.135					0.496	0.427
West Virginia	S Atl-a	0.514	0.455	0.340	0.115	0.476	0.412	0.270	0.142	0.543	0.405
Florida	S Atl-b	0.431	0.376	0.228	0.148					0.495	0.235
Georgia	S Atl-b	0.420	0.382	0.212	0.170					0.499	0.481
North Carolina	S Atl-b	0.435	0.389	0.215	0.174					0.503	0.892
South Carolina	S Atl-b	0.462	0.412	0.235	0.177					0.517	0.734
Virginia	S Atl-b	0.381	0.338	0.191	0.147	0.426	0.403	0.246	0.157	0.473	0.430
Alabama	ES Cent	0.488	0.429	0.257	0.172					0.528	0.565
Kentucky	ES Cent	0.465	0.402	0.266	0.135					0.511	0.566
Mississippi	ES Cent	0.440	0.373	0.217	0.156					0.494	0.477
Tennessee	ES Cent	0.475	0.398	0.231	0.167	0.467	0.386	0.233	0.153	0.509	0.617
Arkansas	WS Cent	0.424	0.370	0.226	0.144					0.492	0.581
Louisiana	WS Cent	0.464	0.406	0.274	0.132					0.514	0.353
Oklahoma	WS Cent	0.426	0.370	0.245	0.125					0.492	0.335
Texas	WS Cent	0.420	0.364	0.241	0.123	0.434	0.386	0.244	0.142	0.488	0.244
Arizona	Mountain	0.424	0.375	0.250	0.126					0.495	0.301
Colorado	Mountain	0.413	0.355	0.223	0.131					0.483	0.301
Idaho	Mountain	0.499	0.460	0.304	0.156					0.546	0.615
Montana	Mountain	0.447	0.388	0.266	0.122					0.503	0.470
Nevada	Mountain	0.518	0.465	0.317	0.149					0.549	0.519
New Mexico	Mountain	0.433	0.356	0.256	0.100					0.483	0.260
Utah	Mountain	0.410	0.348	0.224	0.124					0.479	0.325
Wyoming	Mountain	0.442	0.402	0.285	0.117	0.448	0.394	0.266	0.128	0.511	0.385
Alaska	Pacific	0.495	0.444	0.323	0.121					0.537	0.766
California	Pacific	0.507	0.459	0.293	0.166					0.545	0.617
Hawaii	Pacific	0.429	0.368	0.250	0.119					0.491	0.578
Oregon	Pacific	0.493	0.447	0.286	0.161					0.538	0.663
Washington	Pacific	0.482	0.437	0.282	0.155	0.481	0.431	0.287	0.144	0.532	0.600
United States		0.485	0.416	0.264	0.153	0.485	0.416	0.264	0.153	0.520	0.536
State Averages											
Mean		0.469	0.409	0.260	0.149	0.473	0.409	0.260	0.149	0.515	0.526
Variance		0.0020	0.0015	0.0010	0.0005					0.0006	0.0266
Std.Deviation		0.045	0.039	0.032	0.022					0.024	0.163
Coeff. of Variation		0.095	0.096	0.123	0.149					0.046	0.310

Source: Special tabulation of data from the monthly labor force survey conducted for the Bureau of Labor Statistics.

a - Four northern states of the South Atlantic division. b - Five southern states of the South Atlantic division.

Data on unemployment duration for the individual reasons show that duration is systematically longer for job losers than for job leavers, reentrants and new entrants. Thus job losers account for a higher proportion of all weeks of unemployment than their proportion of new spells (onsets) of unemployment.

This project approximates new spells of unemployment with counts of unemployment of less than five weeks summed across the twelve months of each year. Annual new spells by reason by state are not routinely published by BLS. However, new spells from the CPS provide the logical metric for examining UI application rates (ICNU ratios). As noted, higher application rates would be expected in states where the job loser proportion of new spells is above-average.

To further examine this issue, the project secured a special tabulation of unemployment of less than five weeks cross-classified by reason and gender.⁴¹ The second data column in Table IV-5 shows average job loser proportions among estimated new spells by state for the same 22 years 1978 to 1999.

The job loser proportions of new spells vary widely by state. The range in Table IV-5 is from a high of 0.481 (Rhode Island) to a low of 0.338 (South Dakota) with a national average of 0.416. Job losers accounted for just over 40 percent of all new unemployment spells between 1978 and 1999. The ratio of the average job loss proportion for the highest 13 states was 0.460, or 27.7 percent higher than the average proportion of 0.360 for the 13 lowest states.

Table IV-5 also shows the gender breakdown of new spells among job losers. The national average proportions were 0.264 for men and 0.153 for women. Men accounted for more than 60 percent of job loser spells of unemployment between 1978 and 1999. Substantial interstate variation by gender in these proportions is apparent.

Systematic differences in job loser proportions are observed across the census divisions. Above-average proportions are observed in New England, Mid-Atlantic and East North Central states. The converse holds for four divisions: West North Central, Southern South Atlantic, West South Central and Mountain. Many states in the former three divisions have high reciprocity while many states in the latter four divisions have low reciprocity. This again is suggestive of a possible

⁴¹ The professional staff of BLS provided this tabulation.

link between UI reciprocity and the composition of unemployment by reason.

To pursue this question somewhat further, a simple simulation was executed using known information on differences in UI application rates by reason for unemployment. A simulated overall application rate was projected for each state assuming the job loser application proportion was 0.70. This proportion was applied to the second data column in Table IV-5. The application proportion was assumed to be 0.10 for both job leavers and reentrants and 0.00 for new entrants.⁴² The resulting simulated application rates are displayed in the second column from the right in Table IV-5. Simulated application rates ranged from a high of 0.559 (Rhode Island) to a low of 0.473 (South Dakota). The simple average for the 51 programs was 0.515.

The final column of the table shows average application rates (ICNU ratios) for the 1978-1999 period. In comparing actual with simulated UI application rates, three observations can be made. 1) The actual application rates display much more variation than the simulated application rates. The range of average application rates was from 0.985 (Rhode Island) to 0.235 (Florida). For the 13 states with highest application rates the simple average was 0.733 whereas the lowest 13 had a simple average of 0.331. In contrast, the full range of simulated application rates was only from 0.559 (Rhode Island) to 0.473 (South Dakota). Coefficients of variation for the two series reinforce the contrast in their variability. The coefficient of variation for the simulated application rates (standard deviation divided by the mean) at the bottom of Table IV-5 was 0.046 compared to 0.310 for the actual application rates. Relative variability was more than six times as large for the actual application rates compared to the simulated rates. 2) There is an association between the simulated application rates and the actual application rates. For the 13 states with highest actual application rates, the simulated application rates averaged 0.533 compared with a simulated average of 0.495 for the 13 with the lowest actual application rates. 3) These calculations are only suggestive, a gross (*mutatis mutandis*) comparison rather than a *ceteris paribus* comparison which holds other factors constant. In Chapter V, the regression analysis conducts formal tests for the effects of variation in job loser proportions on application rates.

⁴² The new entrant proportion of new spells was assumed to be 0.10 in each state.

Chart IV-1 gives a visual display of the relative variability of the two application rates. States are sorted from high to low according to the 1978-1999 average of the actual application rate. The much wider variability of the actual application rates is vividly illustrated.

Unemployment Duration

Several measures of unemployment duration are available from the household labor force survey (CPS) and from UI program data. Table IV-6 displays eight series for the fifty years 1950 to 1999. Seven show average duration measured in weeks while the eighth, the UI exhaustion rate, shows the percentage of claimants who entirely use up their entitlement to UI benefits.

Seven series in Table IV-6 convey a common message which is clearly seen in the decade averages at the bottom of the table. During the most recent two decades, i.e., the 1980s and the 1990s, unemployment duration was systematically longer than in the preceding three decades. This is true for all four household labor force survey series and for three UI series (all but potential duration). In contrast, note that average potential duration for UI recipients was little changed in the 1980s and 1990s compared to earlier decades. The increase in the UI exhaustion rate can be seen as a consequence of longer average benefit duration coupled with an unchanging potential benefit duration. During the most recent two decades somewhat more than one third of recipients have exhausted their UI benefits.

Nearly all the duration measures in Table IV-6 are affected by the phenomenon of truncation. The measures are restricted in one or more ways, yielding an estimate that is lower than the true duration of unemployment if it were followed to the end of each spell. Some descriptive details of the individual duration measures may be helpful.

The first two series, the mean and median monthly averages, measure the duration of individual spells of unemployment. If a person experiences two or more spells in a given year, these series show averages based on the duration of each individual spell measured from the onset of unemployment up to the time of the labor force survey. In cases where the spell started in the previous year, duration is still measured from the onset of the spell. The mean and median in columns (1) and (2) respectively are both truncated in that the unemployment spells may extend past the point of measurement in the labor force survey.

Chart IV-1. Actual and Simulated Application Rates

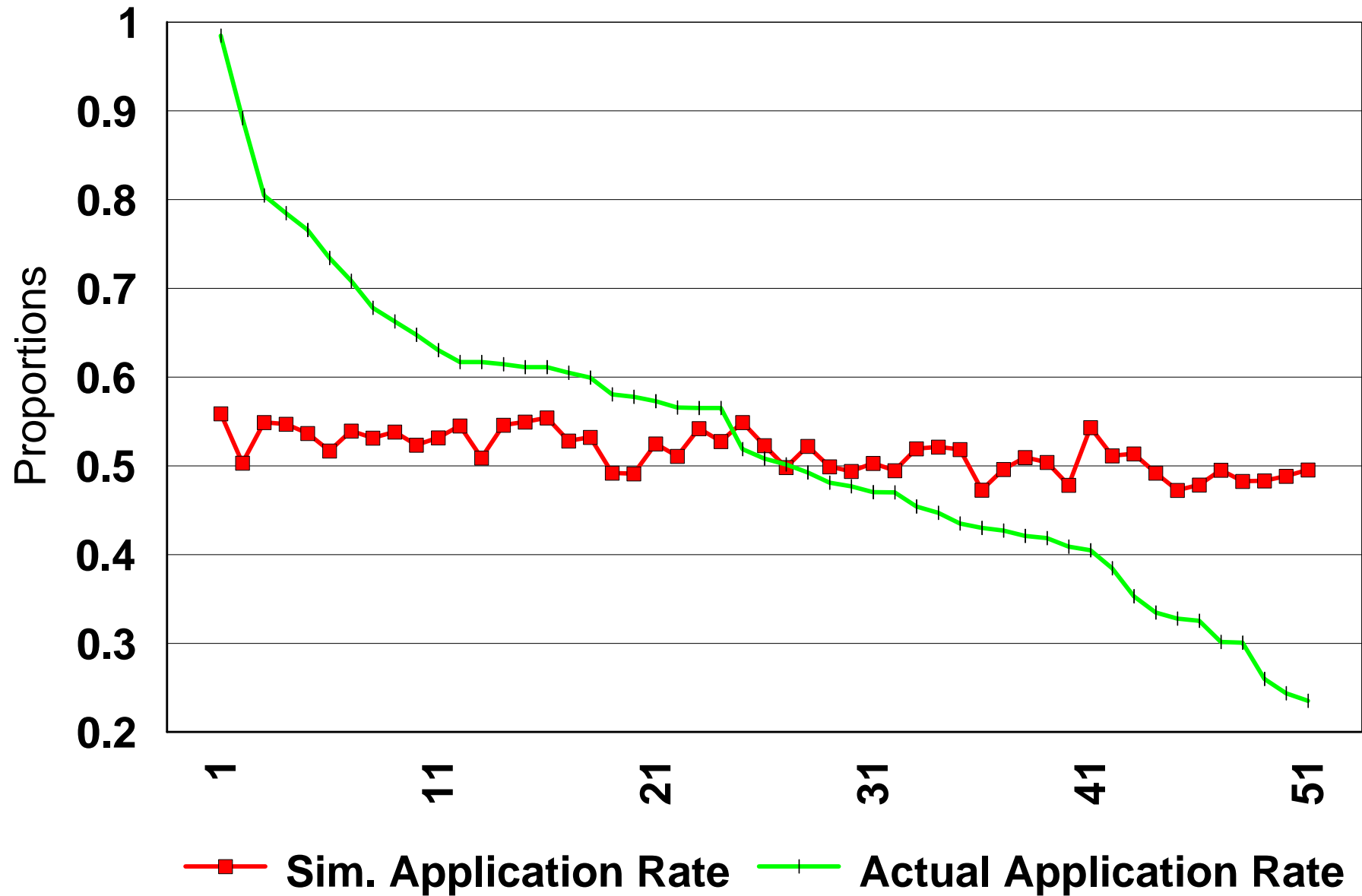


Table IV-6. Measures of Average Unemployment Duration, 1950 to 1999.

Year	Household Labor Force Survey				UI Program Data			Exhaustion Rate - Pct.
	Mean, Monthly Average, ADPUB (1)	Median, Monthly Average (2)	Mean, Project Estimate, AD (3)	Mean, Work Experience (4)	Actual Duration, ADUI (5)	Potential Duration (6)	Actual Duration Exhaustees (7)	
1950	12.1	NA	9.83	NA	13.02	21.1	19.3	35.6
1951	9.7	NA	7.57	NA	10.08	21.4	17.9	19.6
1952	8.4	NA	7.19	NA	10.44	22.0	19.3	21.2
1953	8.0	NA	6.96	NA	10.07	22.1	19.2	18.1
1954	11.8	NA	9.54	NA	12.79	22.4	20.0	26.8
1955	13.0	NA	9.26	11.97	12.44	22.7	20.3	28.2
1956	11.3	NA	8.44	12.77	11.39	23.0	20.0	21.0
1957	10.5	NA	8.80	13.39	11.52	23.4	20.5	20.4
1958	13.9	NA	11.38	15.86	14.78	23.5	21.7	32.0
1959	14.4	NA	10.23	13.95	13.09	23.6	21.7	28.8
1960	12.8	NA	9.71	14.26	12.68	24.0	21.4	23.7
1961	15.6	NA	11.31	14.78	14.77	23.9	21.8	33.3
1962	14.7	NA	10.19	14.21	13.07	23.9	21.6	26.7
1963	14.0	NA	10.07	14.13	13.29	24.1	21.6	25.8
1964	13.3	NA	9.67	13.25	13.02	24.2	21.9	24.7
1965	11.8	NA	8.96	11.57	12.00	24.1	21.3	21.8
1966	10.4	NA	7.92	10.31	11.27	24.2	21.1	18.4
1967	8.7	2.3	7.89	10.09	11.48	24.5	20.9	18.2
1968	8.4	4.5	7.66	9.64	11.62	24.3	21.2	19.5
1969	7.8	4.4	7.53	9.83	11.39	24.4	21.4	18.6
1970	8.6	4.9	8.29	12.50	12.31	24.6	22.1	20.0
1971	11.3	6.3	9.68	14.20	14.39	24.5	22.7	30.8
1972	12.0	6.2	9.44	13.57	14.20	24.3	22.7	31.2
1973	10.0	5.2	8.50	12.13	13.32	24.3	22.5	27.6
1974	9.8	5.2	8.58	12.35	12.58	24.4	22.4	24.5
1975	14.2	8.4	11.69	16.37	15.68	24.3	22.4	37.2
1976	15.8	8.2	11.28	15.94	14.89	24.0	22.6	37.6
1977	14.3	7.0	10.38	14.82	14.17	24.1	22.1	34.2
1978	11.9	5.9	9.38	13.87	13.32	24.5	22.5	26.6
1979	10.8	5.4	9.01	13.41	13.04	24.2	22.4	24.6
1980	11.9	6.5	10.04	15.79	14.84	24.3	22.7	30.5
1981	13.7	6.9	10.39	15.90	14.40	24.2	23.0	31.8
1982	15.6	8.7	11.92	18.17	15.85	24.3	23.2	35.8
1983	20.0	10.1	13.01	18.21	17.40	24.1	23.4	46.9
1984	18.2	7.9	11.05	16.73	14.30	23.7	22.8	33.4
1985	15.6	6.8	10.30	16.05	14.16	24.1	22.7	30.6
1986	15.0	6.9	10.35	16.42	14.47	23.9	22.9	32.0
1987	14.5	6.5	9.91	16.06	14.57	23.7	22.7	33.2
1988	13.5	5.9	9.42	15.27	13.70	24.1	22.7	28.6
1989	11.9	4.8	8.91	14.48	13.24	24.2	22.9	26.1
1990	12.0	5.3	9.35	15.06	13.43	24.1	23.1	26.6
1991	13.7	6.8	10.74	16.91	15.38	23.9	23.2	34.2
1992	17.7	8.7	12.34	17.94	16.21	23.7	23.3	41.3
1993	18.0	8.3	11.85	18.91	15.91	23.9	23.4	40.5
1994	18.8	9.2	12.70	17.22	15.44	23.7	23.2	49.9
1995	16.6	8.3	11.88	17.17	14.66	24.0	23.1	32.8
1996	16.7	8.3	11.91	17.24	14.82	24.0	23.2	34.0
1997	15.8	8.0	11.51	16.82	14.48	23.9	23.0	33.7
1998	14.5	6.7	10.26	16.36	13.79	23.7	22.2	30.8
1999	13.4	6.4	9.92	16.01	14.38	23.8	22.2	31.4
Avg.								
1950s	11.3	NA	8.9	NA	11.96	22.5	20.0	25.2
1960s	11.8	NA	9.1	12.21	12.46	24.2	21.4	23.1
1970s	11.9	6.3	9.6	13.92	13.79	24.3	22.4	29.4
1980s	15.0	7.1	10.5	16.31	14.69	24.1	22.9	32.9
1990s	15.7	7.6	11.2	16.96	14.85	23.9	23.0	35.5

Source: Bureau of Labor Statistics and Office of Workforce Security. All data in weeks except the exhaustion rate. Average duration in work experience data derived by the author. NA - Information not available

Analyses of unemployment duration find that the escape rate from unemployment is linked to the length of time an individual is unemployed. The longer a person is unemployed the more likely he or she will remain unemployed in the following week. Thus for a given week, those measured as unemployed include a disproportionate representation of persons with long spells. This phenomenon, termed duration dependence, is manifest in Table IV-6 in the relative magnitudes of the means and medians. The means, column (1), are uniformly much higher than the medians, column (2), with mean/median ratios falling into the range between 1.7 and 2.5 for 32 of the 33 years where both averages are displayed.

Availability of means and medians by state from the CPS is a more recent phenomenon than in national data. BLS first started to publish state-level means in the late 1970s and medians are available only since 1994. All of these means and medians are based on calculations using micro data. BLS publishes information on the underlying distributions, e.g., duration by weekly intervals such as 1-4, 5-10, etc., as well as the means and medians.⁴³

State-level estimates of mean unemployment duration were developed for the current project. There are national estimates for years starting in 1950 (column (3)) and state estimates from 1977. These means are measured as total annual weeks of unemployment (from monthly labor force survey data) divided by estimated onsets of new unemployment spells (based on the annual number of spells of less than five weeks duration). Unlike the means based on monthly data, these means developed for the project do not have an underlying distribution by weeks of unemployment, and they are affected by a different kind of truncation. All weeks of unemployment occur in the reference year. There is no carryover of weeks from a previous year as in the averages based on monthly data.

Some comparisons were made between the means based on monthly data (ADPUB, column (1)) and the means used in the duration analysis of the present project (AD, column (3)). The monthly average means were consistently larger than the project estimates of mean duration. In the national data shown in Table IV-6, the 50 year averages were 13.1 for ADPUB and 9.9 weeks for AD.

⁴³State level detail appears in various issues of the U.S. Department of Labor, Bureau of Labor Statistics (1998).

Monthly average means were also consistently larger in state-level comparisons spanning 1977 to 1998.⁴⁴ For these 22 years, the simple averages of the state-level means were 13.8 for ADPUB and 10.6 weeks for AD. However, the two series were highly correlated. A regression of the project estimate on the monthly average mean yielded an adjusted R^2 of 0.78. Of the two series, there is much greater variation in the monthly average means (ADPUB) at the state level. The two coefficients of variation for these 22 years were 0.29 for ADPUB and 0.20 for AD. It appears that allowing weeks of unemployment from adjacent years enter into the measurement of duration, acts to increase the relative variability of the measured unemployment duration. Because the present project is focused on annual WBTU ratios and the four associated accounting identity ratios, the project estimates of mean unemployment duration are of most relevance. However, Table V-5 of Chapter V reports results of regressions explaining the two state-level estimates of mean unemployment duration based on CPS unemployment data.

Because the project estimates are not based on underlying distributions of unemployment durations, questions about the accuracy of these means will remain. This fact of duration measurement must be kept in mind in assessing the regression analysis of unemployment duration reported in Chapter V. It has influenced our approach to analysis of duration. Several regression relations were estimated using the mean derived from CPS data and the mean from UI data (columns (3) and (5) in Table IV-6 respectively) as separate dependent variables.

Column (4) of Table IV-6 shows estimates of mean duration based on work experience data. These data come from March supplements to the CPS which ask questions about unemployment in the preceding calendar year. The data combine information on all spells during the year in the estimate of unemployment duration. On average, 35 to 40 percent of those reporting unemployment in a given year have two or more spells during that year. The truncation in these duration data arises from the CPS survey question that restricts unemployment experiences to the 52 weeks of the preceding year.

⁴⁴ As of February 2001 BLS had not yet published the state duration data for 1999. The project developed estimates of monthly average means by state from 1977 to 1981 using grouped data on unemployment duration by intervals and a regression-based projection. From 1982 onward published BLS estimates were used. Details of estimating of the unemployment duration means from 1977 to 1981 are available from the author.

Mean duration in work experience data was estimated by the project based on tabular summaries of unemployment durations shown as interval data. The means can be derived starting in 1955 when work experience data on unemployment in the previous year were first available. These data are available as national estimates. No attempt was made to derive state-level estimates of duration in work experience data.

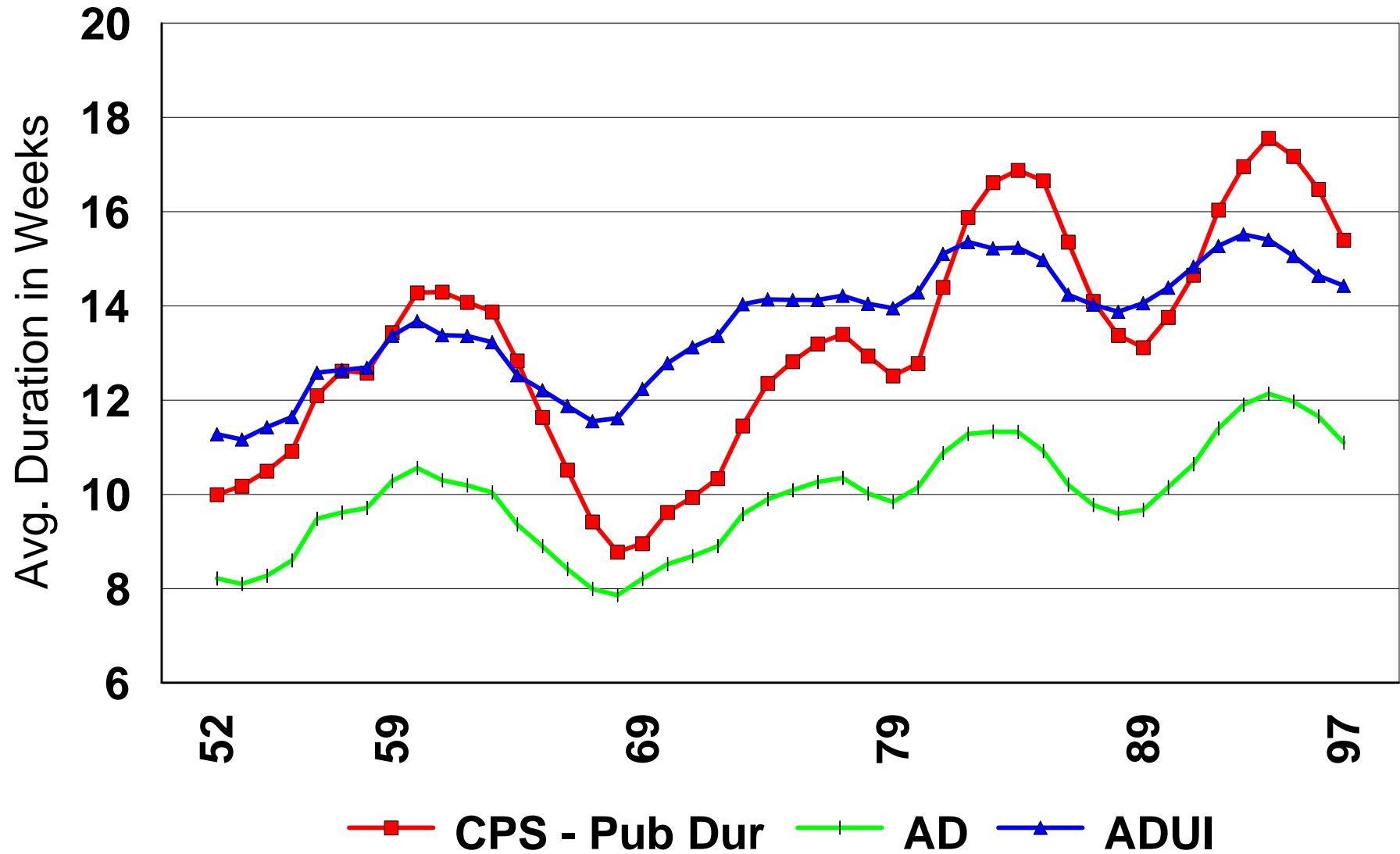
Unemployment duration in the work experience data provide estimates of annual duration summing across all spells of unemployment. Averages for the 1980s and 1990s fall into the 16-17 weeks range and are higher than the averages from the 1960s and 1970s. All four series based on the CPS show longer average duration in the past two decades than in earlier years.

Average duration in unemployment insurance data also increased during the 1980s and 1990s. The measurement of average actual duration (ADUI in column (5)) should be noted. It is the ratio of weeks compensated in the year to first payments for that year. While actual duration increased in these UI data, there was little change in potential duration (column (6)). All annual averages between 1956 and 1999 fall into the 23.0 to 24.6 weeks range. Potential eligibility in the UI program (column (6)) has not changed much in the past 40 years. Over the same period, actual duration of exhaustees (column (7)) has increased somewhat, but the increase between, say, the 1960s and the 1990s has been much less than in CPS data.

To help summarize long term developments in unemployment duration, two summary charts were prepared. Chart IV-2 displays centered five year averages of three unemployment duration indicators in national data. Two were introduced as part of the accounting identity framework discussed in Chapter III (termed ADUI and AD and appearing respectively in columns (5) and (3) of Table IV-6) plus average duration as reported by persons interviewed in the CPS (ADPUB, from column (1) of Table IV-6). Five year averages were used to reduce the variation present in the underlying annual data, a reflection of the sensitivity of unemployment duration to the business cycle.

Three features in Chart IV-2 should be noted. 1) All three duration measures increase when viewed over the full period and when traced from the late 1960s. 2) The long term increases in the published averages from the CPS (based on column (1)) are even larger than for

Chart IV-2. Average Unemployment Duration, Five Year Averages, 1952 to 1997



AD (based on column (3)), the CPS duration measure used in this project.⁴⁵ 3) Both CPS measures are considerably higher in the 1990s than in the 1980s while ADUI (based on column (5)) was at about the same level during these two most recent decades. People report lengthening average unemployment duration in the CPS during the 1990s compared to the 1980s, but their average duration in UI benefit status was roughly the same in the two decades, i.e., 14.69 weeks between 1980 and 1989 versus 14.85 weeks between 1990 and 1999. While the UI duration measure did not increase much between the two most recent decades, exhaustion rate data suggest that average duration of unemployment for UI recipients has also increased over the last three decades.⁴⁶ These comments repeat earlier observations on the data displayed in Table IV-6.

The increase in the UI exhaustion rate apparent in Table IV-6 seems to reflect the increase in actual UI duration relative to potential UI duration. The latter (column (6)) has remained relatively stable. The increase in average duration relative to potential duration is plotted in Chart IV-3. Note that the ratio of actual to potential duration was much higher in the last two decades of this chart. In the 30 years between 1950 and 1979 the ratio equaled or exceeded 0.60 just five times while it equaled or exceeded 0.60 in 13 of the final 20 years in the chart. The pattern for the exhaustion rate is remarkably similar. The exhaustion rate exceeded 0.30 in just six of 30 years between 1950 and 1979 but it exceeded the 0.30 threshold in 17 of 20 years from the 1980s and 1990s.

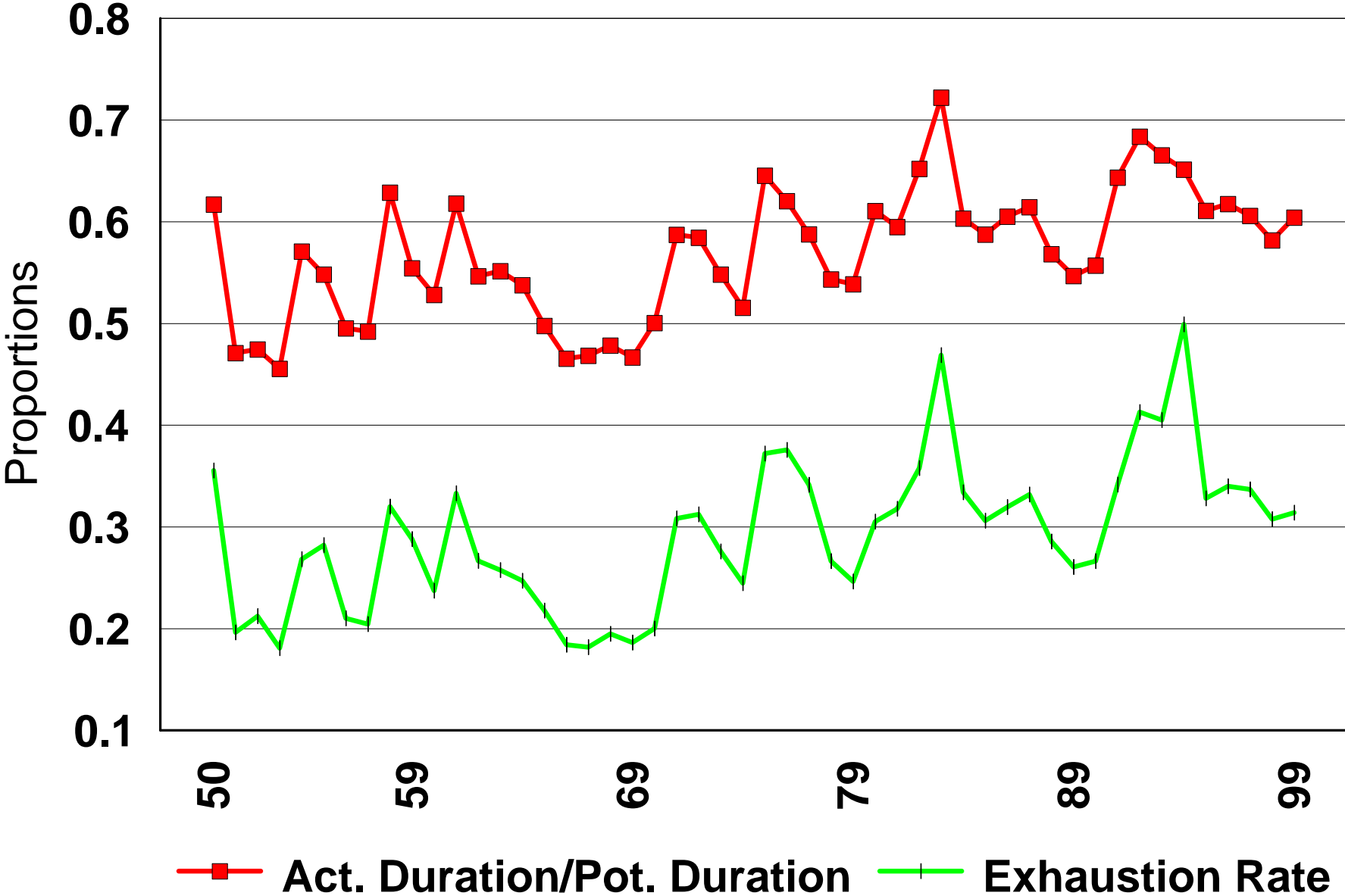
All of the UI data in Table IV-6 (columns (5)-(8)) are available on an annual benefit year (or work experience) basis, i.e., the information combines all spells for the year into the measure of duration. These UI-reported series all have state-level detail that extend back to 1950.⁴⁷ Thus

⁴⁵ The 1950-1959 and the 1990-1999 averages that appear at the bottom of Table IV-6 were as follows: CPS published average duration - 11.3 and 15.7 weeks, the CPS measure used in this project - 8.9 and 11.2 weeks and average duration in the regular UI program - 11.96 and 14.85 weeks.

⁴⁶ The average exhaustion rates for the 1970s, 1980s and 1990s were respectively 0.294, 0.329 and 0.360. Over the same period average potential duration for newly entitled persons was practically unchanged (24.3, 24.1 and 23.9 weeks respectively) while average duration for exhaustees increased (22.4 weeks, 22.9 weeks and 23.1 weeks respectively).

⁴⁷ In fact, the UI duration data series all extend back to 1946 and some even further.

Chart IV-3. Indices of Duration and Exhaustions, 1950 to 1999



constraints on the starting dates of the estimation periods for examining the determinants of unemployment duration arise from limitations in availability of CPS duration data, not from limitations in UI duration data. The fact that unemployment duration increased less in UI data than in CPS data during the 1980s and 1990s is undoubtedly linked to the truncation of UI potential benefit duration at 26 weeks in all but two states.

The preceding descriptions of the various unemployment duration series are important because all are affected by truncation in measurement. Of the four accounting identity ratios developed in Chapter III, the three related to the inflow into UI benefit status (ICNU, NICIC, and FPNIC) are easier to measure than the duration measure which compares UI benefit duration with overall unemployment duration (ADUIAD).

Chapter V. Determinants of the Accounting Identity Ratios

The framework for studying benefit reciprocity introduced in Chapter III is new and as such has not been the subject of earlier empirical analyses. This stands in contrast to earlier studies where the IUTU ratio and (less often) the WBTU ratio have been examined. Like the earlier analyses, the present analysis conducts multiple regressions using pooled data (state by year) that span several years.

In reporting results from various regressions, it will be obvious that data availability strongly affects the time periods covered. As noted in Chapter III, the ICNU and ADUIAD ratios can be examined only starting in 1977. The other two ratios in expression (3), NICIC and FPNIC, can be examined for the full 33 years from 1967 to 1999. Two other data constraints should be noted. The ETA-207 reports only began recording nonmonetary determinations (on voluntary quits, misconduct and nonseparation issues) in 1971. Even more limited is information from the BAM measurement system on methods of filing initial claims and continued claims, i.e., only available from 1988. Since the specifications that include determination rates and methods of filing show that each make important contributions to explained variation, it is unfortunate these variables are not available for longer time periods.

All regressions for this report are based on unweighted data. Each included data point has the same weight regardless of state size. The results will be presented sequentially in the order of appearance of the ratios on the right hand side of expression (3) from Chapter III.

Determinants of the Application Rate, the ICNU Ratio

The approach for examining the ICNU ratio and the other accounting identity ratios is to specify regression relationships that include several factors relevant in explaining interstate variation. These include factors from the state labor markets as well as several factors that reflect the operation of the UI programs in the states.

Three economic factors of potential importance include the business cycle, the pattern of job changing and unionization. The project assembled data on two national indicators of the

business cycle. One was capacity utilization as reflected in the ratio of actual real GDP to potential real GDP with the latter measured at cyclical peaks and smoothed for intermediate years.⁴⁸ The second cyclical indicator was the index of capacity utilization published by the Federal Reserve Board (FRB). Both series are national time series. Of the two, the FRB capacity utilization index consistently performed better than the real GDP-based measure. In this report, results will be reported for regressions using the FRB index.

Job losers are much more likely to apply for and receive UI benefits than persons with other reasons for unemployment (job leavers, labor force reentrants and new entrants). The share of new spells is approximated with the job loser share of unemployment of less than five weeks duration. As noted earlier, a special tabulation was obtained from BLS showing job loser proportions. Unfortunately these CPS data extend only back to 1977. Variation in the job loser proportion is linked both to the business cycle (increasing in recessions) and to interstate differences in labor markets. As will be seen, the job loser proportions entered many regressions with highly significant effects.

Unionization is highly variable by state. A recent paper co-authored by the principal investigator derived state-level estimates of unionization rates back to 1964.⁴⁹ These estimates are based on CPS data for years after 1976. Earlier estimates are based on a survey of unions previously conducted every two years by the U.S. Department of Labor.

From earlier research and a priori considerations, the expected signs of the coefficients for each of these variables are known. Capacity utilization should have a negative coefficient. Low capacity utilization would be expected to increase applications as the opportunity cost for claiming benefits is lower in recession periods. The job loser proportion and unionization would both be expected to have positive coefficients. The effect of unionization probably operates directly through information dissemination, but there could also be an effect that operates through statutory features that increase eligibility in states with high union density.

⁴⁸ The final two peaks were 1989 and 1999. Between peaks potential real GDP was assumed to grow at a constant geometric rate. Details on the derivation are available from the author.

⁴⁹ See Hirsch, Macpherson and Vroman (2000).

Five variables reflecting UI programs in the states were tested for possible effects on the application rate. 1) The share of weeks compensated for partial unemployment would be expected to be positively associated with the application rate since those receiving partial benefits are employed and do not appear in the denominator of the ICNU ratio. 2) The replacement rate, average weekly benefits as a ratio to the average weekly wage, should also have a positive association with the application rate. More would be expected to apply when benefit levels are higher relative to past wages. 3) High base period earnings requirements would be expected to lower applications. The proxy used here is the base period earnings requirement expressed as a ratio to the state's average weekly wage. 4) Determination rates and denial rates for misconduct and voluntary quits could affect applications. If a UI program has above-average determination rates and/or denial rates,⁵⁰ this might deter persons from filing. 5) The method of filing could affect applications. Compared to in-person filing, filing by telephone, by mail and employer filing are all easier for the claimant. Thus as these alternative methods of filing are available, they could raise application rates. Unfortunately, data on method of filing from Benefit Accuracy Measurement (BAM) samples in the states are available only from 1988.

Table V-1 presents regression results for the ICNU ratio using two data periods 1977-1999 and 1988-1999, with three regressions for each period. Each regression shows coefficients and associated t ratios. Summary statistics appear in the five bottom lines of the table.

The regression results shown in Table V-1 generally conform to expectations. The job loser proportion enters with large and consistently positive coefficients. Unionization exerts a positive and significant effect on the application rate in five of six regressions. Capacity utilization, however, has an unexpected positive coefficient in the first three regressions which cover the 1977-1999 period.

The various UI-related variables generally have expected signs for their coefficients. The partial benefits share of weeks compensated has positive and highly significant coefficients in all

⁵⁰ Determination rates are measured as determinations relative to new spells of unemployment where the latter reflects both new initial claims and additional initial claims. Denial rates are measured as the ratio of denials to determinations. Because determinations are measured only from 1971, a second measure of denials was used in regressions extending back to 1967, e.g., denials as a ratio to new spells of unemployment.

Table V-1. Determinants of ICNU, the Ratio of Initial Claims to New Spells of Unemployment.

	(1)	(2)	(3)	(4)	(5)	(6)
Constant	0.088 (0.6)	-0.022 (0.2)	0.241 (1.8)	0.566 (1.8)	0.371 (1.2)	0.655 (2.4)
Job Loser Share of New Unemployment Spells	0.701 (11.5)	0.732 (12.3)	0.592 (10.2)	0.814 (10.3)	0.820 (10.5)	0.601 (7.8)
Capacity Utilization - Fed. Reserve Board Index	0.342 (2.1)	0.360 (2.3)	0.193 (1.3)	-0.311 (0.9)	-0.281 (0.8)	-0.380 (1.2)
Unionization	0.369 (5.1)	0.359 (5.1)	0.310 (3.7)	0.502 (4.2)	0.617 (5.4)	0.320 (2.2)
Partial Benefits, Share of Weeks Compensated	0.944 (9.3)	0.885 (9.0)	0.857 (9.1)	0.823 (7.0)	0.804 (7.2)	0.888 (8.6)
Replacement Rate - (WBA/AWW)	-0.183 (2.1)			-0.103 (0.9)		
Weeks for Minimum Benefit Eligibility-a	-0.0156 (5.7)	-0.0164 (6.1)	-0.0168 (6.4)	-0.0122 (3.5)	-0.0131 (3.8)	-0.0159 (4.8)
Misconduct Determination Rate - b	-1.449 (12.1)	-1.516 (15.8)	-1.308 (13.4)	-1.152 (7.1)	-1.156 (9.3)	-1.004 (8.1)
Misconduct Denial Rate - c	0.101 (2.5)	0.092 (2.7)	0.201 (5.5)	0.124 (2.2)	0.026 (0.6)	0.146 (3.0)
Voluntary Quit Determination Rate - b	-0.085 (1.3)			0.035 (0.4)		
Voluntary Quit Denial Rate - c	-0.033 (0.8)			-0.216 (3.8)		
Prop. Initial Claims Filed by Mail-d				0.170 (3.7)	0.138 (3.0)	0.123 (2.8)
Prop. Initial Claims Filed by Telephone-d				0.075 (2.7)	0.072 (2.6)	0.069 (2.6)
Prop. Initial Claims Filed by Employer-d				1.029 (9.4)	1.028 (9.5)	0.976 (9.4)
Dummy Variables for Census Divisions	No	No	Yes	No	No	Yes
Adjusted R2	0.474	0.472	0.548	0.573	0.565	0.647
Standard Error	0.139	0.140	0.129	0.127	0.128	0.115
Mean Dep. Variable	0.527	0.527	0.527	0.519	0.519	0.519
Time Period	1977-99	1977-99	1977-99	1988-99	1988-99	1988-99
Sample Size	1173	1173	1173	612	612	612

a -Base period earnings requirement divided by the state AWW. b - Determinations relative to new spells of unemployment. c - Denials per determination. d - Benefit Accuracy Measurement (BAM) data.

regressions. Applications for UI relative to new spells are consistently higher in states where partial weeks represent a larger share of total weeks compensated.

Two other UI variables also have expected effects. Weeks required for minimum benefit eligibility has the expected negative coefficient. Its smallest t ratio across the six regressions is 3.5. In states where monetary eligibility requirements are higher, application rates are lower.

The misconduct and voluntary quit nonmonetary determination variables have markedly differing effects. Both were expected to have negative coefficients. The determination rate for misconduct is highly significant in all equations and with a consistently negative coefficient. In contrast, the determination rate for voluntary quits was not significant. Results for the voluntary quit determinations are shown only for equations (1) and (4).

The nonmonetary determination variables yielded some surprises in Table V-1. First, note that the misconduct coefficients are much larger and more significant than the voluntary quit coefficients. Second, when misconduct denials were decomposed into the product of the determination rate and denials per determination, the determination rate dominated in importance. States where determinations on misconduct issues are below-average have much higher UI application rates than other states. Third, the positive sign on the misconduct denial rate is unexpected. It is positive in all six regressions and significant in five. The explanation for this unexpected sign is not apparent.

Recall from Chapter III that the difference in the average misconduct determination rate for the high 13 states relative to the low 13 states as shown Table III-2 was -0.112 (0.057 less 0.169). Applying this difference to the determination rate coefficient in equation (1) (-1.449) yields a point estimate of +0.162 for the difference in the average application rate between states with low and high misconduct determination rates (holding other factors constant).

Equation (2) drops the nonsignificant UI variables and shows results retaining just the partial benefits share, the weeks for minimum eligibility, the misconduct determination rate and the misconduct denial rate. The adjusted R^2 is essentially the same as for equation (1). The t ratios for three UI variables range from 6.1 to 17.6 with the misconduct determination rate having the largest t ratio. Again there is a “wrong” sign for the misconduct denial rate.

Equation (3) adds dummy variables for the census divisions. Note that the adjusted R^2 is

higher and that three slope coefficients on the macro-labor market variables change. The coefficients for unionization and the job loser share are smaller in equation (3) than in (2) and both have lower t ratios.

Equations (4)-(6) provide evidence that different methods of filing have effects on the application rate. As noted, filing by mail, telephone and employer filing are all more convenient for the claimant than filing in person. Ease of filing seems to raise the application rate. All three coefficients are positive and significant in each of the three regressions in Table V-1. Note that the smallest of these coefficients is associated with telephone claims. The regressions suggest that application rates will increase as workers increasingly file by telephone and the order of magnitude is akin to that concluded by a recent study by Mathematica Policy Research, Inc.⁵¹

Perhaps the most interesting finding for method of filing relates to employer-filed claims. For five southeastern states identified earlier in Map 3 of Chapter III (Alabama, Georgia, North Carolina, South Carolina and Tennessee), BAM data show that the share of initial claims filed by employers falls into the 0.10-0.25 range. Since these claimants on average collect for shorter periods than other claimants (because they are job-attached), the proportions reported in BAM data understate the importance of this method of filing.⁵² Note the large and highly significant coefficients in Table V-1. Employer filing makes uniformly large contributions in these regressions.

Equations (5) and (6) utilize a smaller set of UI variables for the 1988-1999 period with divisional dummies added in equation (6). Again, the job loser share and unionization have smaller and less significant coefficients when the divisional dummies are included.

Overall, the regressions in Table V-1 explain a measurable share of total variation in the application rate, over 45 percent in all equations and above 55 percent in three equations. The

⁵¹ See Needles, et.al. (2000). The impact effect suggested by this study did vary by state but the general order of magnitude is an average increase of about 10 percent.

⁵² Data collection in BAM focuses on the key week for investigations of benefit payment accuracy. This length-biased sampling means that BAM samples have an over representation of long duration claims. Hence, if employer-filed initial claims account for, say, 15 percent of weeks claimed in BAM, they would represent a much higher share of all initial claims filed in a given period, perhaps twice the BAM percentage.

coefficients on the variables generally have the expected signs. The only important exception is the “wrong” sign for the misconduct denial rate.

Of the most important variables, the job loser proportion, the partial benefits share, the misconduct determination rate and employer filing of initial claims fall into the first rank of significance followed in importance by the weeks for minimum eligibility, the misconduct denial rate, filing by mail, filing by telephone and unionization. For the first four variables, the effects on the application rate generally exceed 0.07 when the average values of these variables for the highest 13 states and lowest 13 states are multiplied by the coefficients in Table V-1. The very largest effect (for highest 13 versus lowest 13 states) is caused by the misconduct determination rate where the projected effect exceeds 0.14 on average, and it exceeds 0.10 across all six equations of Table V-1. High misconduct determination rates seem to exert a deterrent effect on applications for UI benefits.

Determinants of Repeat Applications, the NICIC Ratio

Table V-2 displays seven regressions explaining the NICIC ratio. This indicator of repeat applications within benefit years is available back to 1967, and equation (1) displays results for the full 33 years. The other regressions cover the periods 1971-1999 and 1988-1999. Equations (1), (2) and (5) use denial rates measured relative to new UI spells while the other equations decompose denials into the product of the determination rate and denials per determination.

Many of the variables tested in Table V-2 are the same as used in Table V-1. However, the proportion monetarily eligible was also tested, and it entered some equations with a significant negative coefficient.

Before examining the Table V-2 results, some discussion of the dependent variable and expected signs for regression coefficients is needed. As noted, the NICIC ratio is an indicator of repeat applications within a given benefit year. When more second and later applications occur, these lower the NICIC ratio (because they increase its denominator but do not affect the numerator). A higher ratio, in other words, means that comparatively fewer repeat applications are filed. An important reason for fewer repeat applications is that when there are denials of new initial claims there can be no repeat applications because benefit years are not established.

Table V-2. Determinants of NICIC, the Ratio of New Initial Claims to Initial Claims.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Constant	0.338 (6.5)	0.260 (4.7)	0.173 (3.1)	0.238 (4.6)	0.349 (2.4)	0.248 (1.8)	0.285 (2.2)
Capacity Utilization - Fed. Reserve Board Index	0.303 (5.4)	0.428 (7.0)	0.414 (7.0)	0.361 (6.5)	0.419 (2.4)	0.341 (2.2)	0.357 (2.4)
Unionization	-0.111 (3.9)	-0.103 (3.4)	-0.045 (1.5)	-0.014 (0.4)	-0.098 (1.8)	0.056 (1.1)	0.060 (0.9)
Partial Benefits, Share of Weeks Compensated	-0.452 (10.7)	-0.552 (11.4)	-0.525 (11.3)	-0.493 (11.0)	-0.568 (9.9)	-0.554 (10.7)	-0.542 (10.9)
Proportion Monetarily Eligible	-0.057 (2.3)	-0.073 (2.8)	-0.058 (2.3)	-0.036 (1.5)	-0.085 (2.3)	-0.046 (1.4)	-0.102 (3.1)
Misconduct Denial Rate 1 - a	1.100 (9.2)	1.005 (8.0)			0.857 (5.4)		
Misconduct Determination Rate - b			0.576 (11.6)	0.519 (10.3)		0.658 (10.0)	0.647 (9.0)
Misconduct Denial Rate 2 - c			-0.042 (2.6)	-0.119 (6.8)		-0.129 (5.4)	-0.116 (4.4)
Vol. Quit Denial Rate 1 - a	0.120 (3.2)	0.103 (2.7)			0.007 (0.2)		
Vol. Quit Determination Rate - b			0.067 (2.5)	0.179 (6.6)		-0.046 (1.2)	0.000 (0.0)
Vol. Quit Denial Rate 2 - c			0.090 (5.5)	0.045 (2.8)		0.144 (5.7)	0.132 (4.9)
Prop. Initial Claims Filed by Mail-d					-0.113 (5.0)	-0.132 (6.4)	-0.082 (3.9)
Prop. Initial Claims Filed by Telephone-d					0.039 (2.8)	0.022 (1.7)	0.023 (1.9)
Prop. Initial Claims Filed by Employer-d					-0.203 (4.1)	-0.004 (0.1)	-0.060 (1.2)
Dummy Variables for Census Divisions	No	No	No	Yes	No	No	Yes
Adjusted R2	0.242	0.269	0.332	0.415	0.346	0.474	0.538
Standard Error	0.076	0.073	0.070	0.066	0.063	0.057	0.053
Mean Dep. Variable	0.583	0.583	0.583	0.583	0.589	0.589	0.589
Time Period	1967-99	1971-99	1971-99	1971-99	1988-99	1988-99	1988-99
Sample Size	1683	1428	1428	1428	612	612	612

a - Denials relative to new UI spells. b - Determinations relative to new UI spells.
c - Denials relative to determinations. d - Benefit Accuracy Measurement (BAM) data.

Aspects of UI program administration can affect the NICIC ratio. In particular, when (monetary and/or separation) denials of applications are more common, the number of new initial claims will be high relative to all initial claims, increasing the NICIC ratio. Thus a lower monetary eligibility proportion would be expected to raise this ratio while higher separation determination rates (for both misconduct and voluntary quits) would also raise NICIC.

The frequency of repeat applications may also have a cyclical component. Hence all regressions in Table V-2 include the FRB capacity utilization index. Unionization is included for similar reasons as in the analysis of the application rate. Unions provide information about the UI program. High unionization might be expected to increase the volume of repeat applications. Under this hypothesis, the unionization rate would be expected to have a negative coefficient.

The regressions also test for effects of method of claims filing. Methods that make filing initial claims easier would also make it easier to file second and later claims in a given benefit year. Thus the three methods of filing used in the analysis of the application rate are included in these regressions as well. All three are expected to have negative coefficients.

The Table V-2 results show that variation in capacity utilization is significantly associated with rates of repeat claims filing. All seven coefficients on the FRB index are positive and the coefficients are significant but clearly less significant in equations (5)-(7) which have a short (twelve year) estimation period. When the economy is performing strongly, capacity utilization is high and the NICIC ratio is high as repeat claims decrease proportionately more than new initial claims. Unionization generally has small effects on the NICIC ratio. Only two of the unionization coefficients had t ratios of 2.0 or larger.

Of the variables reflecting UI program measures, the two with the most significant effects are the partial benefits share and the misconduct determination rate. In regressions where both are included they uniformly have t ratios of 9.0 or larger. Throughout all equations in Table V-2, the partial benefits share of weeks exhibits a negative coefficient in the range from -0.45 to -0.57 and its t ratio is remarkably stable across the regressions. There is a strong association between the importance of partial benefits and repeat claims. This is consistent with the idea that partial benefit recipients collect for short periods and because they are less likely to exhaust, they file repeat claims frequently.

Since the misconduct determination rate is only measured from 1971, it is instructive to compare equations (2) and (3). The overall fit is better in (3) than in (2) with respective adjusted R^2 s of 0.332 and 0.269. As in Table V-1 the determination rate for voluntary quits has much less significance than the misconduct determination rate in explaining the NICIC ratio in Table V-2.

While the proportion monetarily eligible has the expected negative coefficient, its size is small and its significance level is modest. The coefficient ranges from -0.036 to -0.102, and of seven t ratios, five exceed 2.0 but only one exceeds 3.0. Having high monetary eligibility rates lowers the NICIC ratio (increases repeat claims) only modestly.

Three methods of filing are tested in equations (5)-(7). Compared to their effects on the application rate in Table V-1, their effects in Table V-2 are much smaller. The proportions of mail claims and employer claims have the expected negative coefficients while telephone claims have positive coefficients. The latter was not expected, but its coefficient is only of modest size. Of the three methods of filing, filing by mail has the most consistently significant coefficient.

Addition of census division dummies does improve the fit of these regressions but otherwise the effects on other variables are generally small. The adjusted R^2 s in equations (4) and (7) are respectively higher than in equations (3) and (6) by 0.083 and 0.064. When pairs of coefficients are compared ((3) against (4) and (6) against (7)), no obvious patterns are observed. Introducing regional dummies as additional controls did not affect the estimated effects of the included variables in explaining variation in NICIC ratios.

One surprise in the Table V-2 regressions is the sign on the misconduct denial rate (misconduct denial rate 2, denials per determination). It enters four regressions with a negative coefficient which always has a t ratio larger than 2.0 in absolute value. No ready explanation of why higher denials per determination should reduce the NICIC ratio has been found.⁵³ When the determination rate and the denial rate are combined into a single variable (equations (1), (2), and (5)), the effect is positive as expected.

⁵³ The possibility of a strong negative correlation between the determination rate and the denial rate was investigated. However, the correlation between these two misconduct variables during 1971-1999 was -0.14 and during 1988-1999 it was -0.12. Because these correlations are quite small, this does not seem to explain the negative coefficients.

Note that decomposition of voluntary quit denials into a determination rate and a denial rate (equations (3), (4), (6) and (7)) generally yields the expected positive coefficients for both variables. Seven of eight coefficients are positive and six are statistically significant. As with the analysis of applications, however, note in Table V-2 that the coefficient for the voluntary quit determination rate is much smaller than for the misconduct determination rate. Simple averages across the four equations that employ both determination rates are respectively 0.050 and 0.600.

The pattern presented by the Table V-2 coefficients is that measures associated with greater access to UI benefits have negative coefficients while those associated with lesser access have positive coefficients. All seven coefficients on the share of partial benefit weeks are negative as are the coefficients on the monetary eligibility proportion. All six coefficients for the proportions filing by mail and by the employer are also negative. Thus the patterns of signs on the coefficients in Table V-2 are largely opposite to that observed in Table V-1 (and opposite to the patterns to be observed in Table V-3). As a rule, variables that increase the application rate (Table V-1) also increase the repeat application rate, hence reduce the NICIC ratio.

One finding is common to the analysis of the application rate (Table V-1) and the repeat application rate (Table V-2). The share of partial benefits in weeks compensated and the misconduct determination rate have very large effects on both of these variables related to inflows into UI benefit status. More new and repeat applications occur in states where partial benefits are more prevalent and in states where misconduct determination rates are less prevalent.

These two variables have the largest effects of all explanatory variables on the repeat application rate in Table V-2. The effects are estimated by multiplying the regression coefficients by the difference between the averages for the top 13 states and bottom 13 states ranked by the level of this variable. The average effect of top 13 less bottom 13 of the partial weeks variable generally exceeds 0.04 and for the misconduct determination rate the average effect generally exceeds 0.06. The misconduct determination rate has the largest effect of all explanatory variables on repeat claims (NICIC) as well as the largest effect on initial claims (ICNU).

Determinants of the First Payment Rate, the FPNIC Ratio

Several variables already introduced also entered the regression analysis of the first payment rate. However, two additional variables that reflect institutional aspects of UI programs were also tested, the waiting week and a variable showing the relative importance of liable versus agent initial claims in the individual states.

The waiting week is a 0-1 variable equal to 1 when a state has a one week waiting period and 0 when there is no waiting week. If there is a one week wait, the claimant will be less likely collect a benefit because the wait provides a week within which to find a job. Thus the expected sign of the waiting week coefficient is negative.

Certain states have provisions that make a 0-1 dichotomy an inadequate description of their waiting week arrangement. Some states, more in the 1960s and 1970s than in the 1980s and 1990s, have provisions for retroactive payment of the waiting week after a set number of weeks of benefits have been paid. The waiting week variable was assigned values between 0 and 1 in these situations.

In the project, new and additional claims measure interstate claims on a state-of-residence basis. In UI data reporting, however, first payments of interstate benefits are measured on a liable basis. If a state had a much larger volume of liable than agent claims, it would increase its FPNIC ratio because liable interstate claims would be included in the numerator of the ratio. To control for this measurement effect, a net (liable - agent) interstate initial claim proportion was created. Its numerator was the difference between liable and agent initial claims and its denominator was the sum of intrastate claims plus interstate agent claims. It was expected to have a positive coefficient. The method of filing initial claims is also included in the regressions.

Table V-3 shows results for the first payment ratio. All seven adjusted R^2 s exceed 0.3 and two exceed 0.5. Several variables make highly significant contributions to explained variation. Note there are four estimation periods in the table. The periods were chosen in recognition of constraints on data availability and to match with data periods utilized in earlier regressions.

Equation (1) was fitted for the full 33 years. Four explanatory variables have t ratios larger than 10.0. Nearly all coefficients on individual variables in equation (1) enter with expected signs. Capacity utilization has a negative sign while the net liable-agent proportion has

Table V-3. Determinants of FPNIC, the Ratio of First Payments to New Initial Claims.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Constant	1.100 (18.0)	1.032 (15.6)	1.074 (15.8)	0.734 (8.2)	0.719 (8.2)	0.827 (4.6)	0.852 (4.9)
Capacity Utilization - Fed. Reserve Board Index	-0.798 (11.6)	-0.758 (10.0)	-0.762 (10.0)	-0.513 (5.2)	-0.478 (5.0)	-0.558 (2.7)	-0.536 (2.7)
Job Loser Share of New Unemp. Spells				0.252 (6.8)	0.259 (6.9)	0.234 (5.3)	0.249 (5.3)
Waiting Week	-0.016 (2.8)	-0.013 (2.2)	-0.014 (2.4)	-0.016 (2.6)	-0.030 (4.8)	-0.033 (4.4)	-0.038 (5.0)
Net Liable - Agent - Interstate Claims Proportion-a	0.762 (16.4)	0.757 (16.7)	0.753 (16.6)	0.843 (16.5)	0.837 (16.1)	0.756 (11.1)	0.747 (10.6)
Proportion Monetarily Eligible	0.446 (14.6)	0.489 (15.6)	0.495 (15.8)	0.484 (14.2)	0.467 (13.7)	0.451 (10.7)	0.469 (11.1)
Misconduct Denial Rate 1 - b	-1.661 (12.9)	-1.736 (13.3)					
Misconduct Determination Rate - c			-0.582 (10.4)	-0.554 (9.2)	-0.490 (7.4)	-0.715 (9.0)	-0.828 (9.3)
Misconduct Denial Rate 2 - d			-0.215 (10.4)	-0.196 (8.5)	-0.123 (4.7)	-0.163 (5.3)	-0.121 (3.5)
Vol. Quit Denial Rate 1 - b	0.215 (4.7)	0.253 (5.5)					
Vol. Quit Determination Rate - c			0.148 (4.4)	0.229 (5.7)	0.142 (3.3)	0.155 (3.2)	0.183 (3.5)
Vol. Quit Denial Rate 2 - d			0.050 (2.4)	0.085 (3.5)	0.081 (3.2)	0.108 (3.4)	0.041 (1.2)
Prop. Initial Claims Filed by Mail-e						0.123 (4.5)	0.148 (5.2)
Prop. Initial Claims Filed by Telephone-e						-0.016 (1.0)	-0.009 (0.5)
Prop. Initial Claims Filed by Employer-e						-0.500 (8.3)	-0.618 (10.1)
Dummy Variables for Census Divisions	No	No	No	No	Yes	No	Yes
Adjusted R2	0.342	0.381	0.379	0.426	0.469	0.552	0.593
Standard Error	0.094	0.091	0.091	0.086	0.082	0.074	0.071
Mean Dep. Variable	0.772	0.775	0.775	0.778	0.778	0.786	0.786
Time Period	1967-99	1971-99	1971-99	1977-99	1977-99	1988-99	1988-99
Sample Size	1683	1479	1479	1173	1173	612	612

a - Ratio of (liable - agent) interstate initial claims to intrastate plus agent initial claims. b - Denials relative to new UI spells. c - Determinations relative to new UI spells. d - Denials relative to determinations. e - BAM data.

a positive sign as does the proportion with sufficient wage credits. From earlier results, the negative effect of the misconduct denial rate was to be expected.

Note across all equations the consistently negative effect of the waiting week. Since it has a 0-1 range of variation, the estimated effect on the first payment rate can be estimated directly from its coefficient. The size of the effect ranges from -0.013 to -0.038. Having a waiting week reduces the first payment rate as expected.

The one surprise in equation (1) is the coefficient on the voluntary quit denial rate. The sign is positive and the coefficient is significant with a t ratio of 4.7. In contrast, the misconduct denial rate enters with the expected negative sign which is much larger in absolute value and with much higher statistical significance.

Comparing equations (2) and (3) allows one to note the effects of separating the total denial rate into its constituent parts, the determination rate and denials per determination. For misconduct, both the determination rate and the denial rate enter equation (3) negatively and both are highly significant. First payments are deterred both by a high misconduct determination rate on new claims and by a high misconduct denial rate per determination. Note the consistently negative pattern of coefficients for these two misconduct variables across the five equations in Table V-3 where both enter.⁵⁴

The most perverse finding in Table V-3 is the consistent pattern of “wrong” signs on the voluntary quit determination rate and denial rate variables. Of their twelve coefficients, all are positive and all are statistically significant. The pattern of coefficients is the same whether the determination rate and denial rate are combined (in (1) and (2)) or they are separated (in (3)-(7)). While this finding is not new, it does raise questions of interpretation.⁵⁵

One explanation that has been advanced for this finding in the past is that movement to durational denials for voluntary quits reduced the UI application rate among job leavers. To the

⁵⁴ The high significance of the misconduct determination rate in Table V-3 repeats earlier findings reported in Tables V-1 and V-2. In the present analysis of the FPNIC ratio, the denial rate per determination is also highly significant.

⁵⁵ See Corson and Nicholson (1988) for a similar finding (using IUTU as the dependent variable) and their discussion.

extent that leavers generally have lower base period earnings than job losers, a change in the mix of applicants towards a lower share of job leavers might be expected to raise the monetary eligibility rate and raise the FPNIC ratio.⁵⁶ Also, when such claimants were subjected to fixed and variable length denials in the past, rather than durational denials, they may have found jobs during the denial period, hence causing FPNIC to be lower.⁵⁷ Some evidence in support of a change in claimant behavior associated with a movement towards durational denials is presented in Table VII-2 of Chapter VII.

Regressions (4) and (5) have 1977-1999 estimation periods, coinciding with the availability of data on the job loser proportion of new spells. Note that the job loser proportion enters significantly. Note also that capacity utilization continues to have a significant effect on the FPNIC ratio when the job loser proportion is included in the regression.

The addition of census division dummies does little to alter the appearances of the regressions. All variables are significant in equations (4) and (5) and all are significant in (6) and (7) which were fitted for the shorter 1988-1999 period.

Equations (6) and (7) also include the three methods of filing initial claims introduced previously, i.e., by mail, telephone and employer filing. Note that filing by mail increases the first payment rate but filing by employer lowers the first payment rate. Both methods of filing are highly significant, especially employer filing, where the t ratios are 8.3 and 10.1.

Considering the results across the three tables, a most interesting pattern of the effect of employer filing emerges. In the five southeastern states where this is prevalent, employer filing significantly raises the application rate, increases the repeat application rate but lowers the first payment rate. The effects on the application rate and the first payment rate are particularly large. The negative effect on the first payment rate acts to offset much of the positive effect on the application rate. This netting out causes the average inflow rate for these states to be roughly equal to the national average (Group 4 in Table III-3).

⁵⁶ Recall the time series pattern of WBIU displayed previously in Chart II-3.

⁵⁷ A similar argument can be made for durational denials reducing the application rate. Recall from Chart III-1 that the ICNU ratio was higher during 1967-1980 than during 1981-1998.

Considering the full set of seven regressions in Table V-3, most variables have expected signs and nearly every slope coefficient meets the standard tests for statistical significance. Probably more important, several variables have large effects, and the t ratios on their coefficients are 10.0 and larger. The results are not sensitive to the inclusion of census division dummies. The only “surprise” in these regressions is the consistent pattern of positive and significant coefficients on the voluntary quit determination rate and voluntary quit denial rate.

Three variables have the largest effects on the first payment rate: the net interstate claims proportion, the proportion monetarily eligible and the misconduct determination rate. For all three variables, the effect on FPNIC of multiplying the average difference between top 13 states and bottom 13 states times the regression coefficient exceeds 0.07.

Relative Duration in UI Benefit Status, the ADUIAD Ratio

Compared to the other three accounting identity ratios on the right hand side of expression (3), the ADUIAD ratio probably has the largest amount of statistical noise in its measurement. Earlier discussions from Chapters III and IV identified several factors affecting the measurement of both the numerator (ADUI) and the denominator (AD) of this ratio. Both unemployment duration series are affected by truncation in their measurement.

National data for ADUI and AD were shown previously in columns (5) and (3) respectively of Table IV-6. Both series in that table showed average unemployment duration to be longer in the 1980s and 1990s than in earlier decades.

Recognition of the issues in measuring ADUI and AD has influenced the approach used in the regression analysis of relative unemployment duration. Several regressions that focused on ADUI and AD individually were fitted before directly examining the ADUIAD ratio.

As with the other accounting identity ratios from expression (3), this analysis is strongly influenced by data availability. State-level information on ADUI is available from the late 1940s. Some regressions were fitted that extended over the 33 years 1967 to 1999. Duration measures from the CPS with state-level detail commence only in 1977. Thus the regression analysis of AD and then of ADUIAD is only possible starting in 1977.

The results to be reported are grouped into three sets of regressions, respectively

examining ADUI, AD and ADUIAD. As in earlier regressions, macro-labor market variables constitute one set of explanatory factors while a second set are variables reflecting aspects of UI laws and administration.

In these regressions, the UI explanatory variables pertain to potential duration, continuing eligibility and methods of filing continued claims. 1) Average potential duration would be expected to have a positive effect on actual duration. 2) The partial benefits share of weeks compensated is included in the specifications. As before, it is expected to have a negative coefficient as more partial benefits imply more payments to people with employment and likely shorter duration in benefit status.⁵⁸ 3) The effects of two types of ongoing administrative activities are tested. One activity is nonseparation nonmonetary determinations, both determination rates and denial rates. 4) The second is the frequency of eligibility reviews. In states where these activities are more frequent (relative to weeks of continued claims), duration in benefit status would be expected to be shorter. 5) Finally, there are tests for effects of filing continued claims by mail, telephone and employer-filed claims. Unfortunately, these BAM data are available only from 1988.

A new element in the analysis of unemployment duration is to test for lagged effects of the cyclical variables. All regressions reported here include capacity utilization lagged one year as an explanatory variable. As will be apparent, the lags typically have highly significant effects. Finally, there are also tests for increases in unemployment duration in the most recent years. This is done with 0-1 dummy variables that start in 1981 and in 1990.

Table V-4 displays seven regressions explaining ADUI, i.e., UI benefit duration. Equation (1) shows significant effects for all seven included variables and all coefficients have expected signs. Capacity utilization (current and lagged) and unionization are both highly significant over the 33 year estimation period. Both UI program variables, average potential duration and the nonseparation denial rate, have highly significant effects. The dummies indicate that UI benefit

⁵⁸ For the individual claimant payment of partial benefits implies more weeks of potential eligibility since the weekly payment at less than a full weekly benefit causes a smaller reduction in the potential entitlement. This effect is outweighed by the short duration in benefit status of claimants who are job-attached.

Table V-4. Determinants of Average Duration in UI Benefit Status, ADUI.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Constant	30.816 (17.8)	26.104 (13.4)	28.663 (14.7)	30.609 (11.0)	27.862 (10.8)	41.104 (7.2)	40.217 (8.0)
Capacity Utilization - Fed. Reserve Board Index	-0.157 (8.4)	-0.141 (7.2)	-0.148 (7.5)	-0.109 (3.7)	-0.085 (3.2)	-0.076 (1.2)	-0.055 (1.0)
Capacity Utilization - Fed Res. Board Index Lagged	-0.158 (8.7)	-0.109 (5.4)	-0.102 (5.1)	-0.169 (6.0)	-0.174 (6.9)	-0.327 (5.9)	-0.327 (6.7)
Job Loser Share of New Unemployment Spells				4.841 (5.0)	5.313 (5.9)	5.467 (4.8)	4.327 (3.9)
Unionization	9.335 (12.5)	11.584 (14.2)	10.739 (13.0)	9.389 (8.7)	9.393 (7.1)	3.918 (2.5)	4.681 (2.4)
Average Potential UI Benefit Duration	0.280 (12.0)	0.267 (10.7)	0.232 (9.2)	0.206 (7.1)	0.254 (9.4)	0.205 (5.5)	0.196 (5.7)
Partial Benefits, Share of Weeks Compensated		-9.210 (7.0)	-9.364 (7.2)	-8.768 (6.2)	-10.781 (8.3)	-2.237 (1.5)	-5.454 (4.0)
Nonseparation Denial Rate 1 - a	-4.310 (8.6)	-4.272 (8.3)					
Nonseparation Deter- mination Rate 1 - b			-1.897 (6.2)	-1.466 (4.2)	-2.747 (8.2)	-3.067 (6.8)	-3.317 (7.8)
Nonseparation Denial Rate 2 - c			-3.190 (9.6)	-2.879 (7.5)	-3.417 (9.1)	-3.232 (6.7)	-2.840 (6.1)
Eligibility Review Rate - d				-0.759 (6.9)	-0.713 (6.8)	-0.597 (4.7)	-0.625 (5.2)
Prop. Continued Claims Filed by Mail-e						1.900 (3.5)	1.385 (2.7)
Prop. Continued Claims Filed by Telephone-e						1.514 (2.7)	0.993 (1.9)
Prop. Continued Claims Filed by Employer-e						-16.942 (10.7)	-15.479 (9.7)
1981 Dummy Variable	0.684 (4.4)	0.880 (5.6)	1.065 (6.7)	0.301 (1.3)	0.311 (1.5)		
1990 Dummy Variable	1.084 (7.5)	1.186 (8.1)	1.253 (8.7)	1.010 (6.3)	1.049 (7.2)	0.264 (1.0)	0.456 (2.0)
Dummy Variables for Census Divisions	No	No	No	No	Yes	No	Yes
Adjusted R2	0.370	0.377	0.391	0.416	0.535	0.536	0.639
Standard Error	2.106	2.077	2.052	2.024	1.805	1.740	1.534
Mean Dep. Variable	13.396	13.668	13.668	13.753	13.753	13.745	13.745
Time Period	1967-99	1971-99	1971-99	1977-99	1977-99	1988-99	1988-99
Sample Size	1683	1479	1479	1173	1173	612	612

a - Denials per ten claimant contacts. b - Determinations per ten claimant contacts c - Denials per determination.
d - Eligibility reviews per ten claimant contacts. e - Benefit Accuracy Measurement (BAM) data.

duration increased from 1981 and again from 1990 compared to the earlier 1967-1980 period.⁵⁹

Equations (2) and (3) were fitted from 1971, and the importance of splitting the nonseparation denial rate into a determination rate and denials per determination is apparent. Both have highly significant negative coefficients in equation (3). Capacity utilization and unionization again enter significantly, and the dummy variables for 1981 and 1990 show average duration to have increased in the 1980s and again in the 1990s.

Equations (4) and (5) test for effects of the job loser proportion of new unemployment spells and for effects of eligibility reviews. These variables are first available in 1977.⁶⁰ Both enter the regressions with expected signs and both are highly significant. Note that the addition of census division dummies does not affect the coefficients on most variables. Note also that the nonseparation determination rate and denial rate are more significant in (5) than in (4).

The method-of-filing variables make significant contributions in equations (6) and (7). The contrasts among their coefficients are as expected. For both mail and telephone claims there is greater convenience for the claimant compared to in-person filing. Thus positive coefficients are to be expected. Employer-filed claims are usually made for job-attached workers, either working part-time schedules or on temporary layoff. Hence, a negative coefficient is expected. Its size is very large, and its t ratio is the highest of all variables in both equations (6) and (7). Note also that the partial benefits share of weeks compensated has much reduced significance in these two equations. To some extent, employer filing and the partial benefits share are measuring the same phenomenon, i.e., payments to job-attached claimants who have short spells in benefit status. Finally, adding census division dummies has small effects on the other coefficients.

Overall, the regressions in Table V-4 explain a large share of variation in UI benefit duration. Macro and labor market variables are important as are several UI variables. Benefit duration is longer when potential duration is longer, when fewer weeks of partial benefits are

⁵⁹ The 1981 dummy equals 1.0 in all years from 1981 while the 1990 dummy equals 1.0 in all years from 1990. Compared to 1967-1980, duration as explained in equation (1) was 0.684 weeks longer during 1981-1989 and 1.768 (0.684 + 1.084) weeks longer during 1990-1999.

⁶⁰ Eligibility reviews are available from ETA-5159 reports starting in 1981. The 1981 rates of eligibility reviews by state were used to extend rates backward to 1977-1980.

paid, when nonseparation determinations are less frequent, when there are fewer denials per nonseparation determination and when eligibility reviews are less frequent. All of these effects are in the expected direction. Finally, a high frequency of employer-filed claims is associated with shorter UI benefit duration.

Perhaps the most interesting finding in the Table V-4 regressions is evidence of sizeable effects of active administration on duration in benefit status. High rates of determinations on nonseparation issues and high rates of eligibility reviews both have measurable effects on duration. Note in equation (7) that the regression coefficients for the nonseparation determination rate and the eligibility review rate are -3.317 and -0.625 respectively. The top 13 and bottom 13 states had average nonseparation determination rates of 0.121 and 0.475 per ten claimant contacts (Table III-2) while the top 13 and bottom 13 had eligibility review rates of 0.130 and 0.806 respectively.⁶¹ The implied differential effect on duration between the top 13 and bottom 13 on nonseparation determination rates was 1.174 weeks while the implied difference between the top 13 and bottom 13 on eligibility review rates was 0.422 weeks.⁶² The combined effects of these two factors, each reflecting active administration of continuing UI eligibility, totals 1.60 weeks. Since mean UI duration was 13.75 weeks (see Table V-4) the combined effect represents 11.6 percent of the overall mean, a sizeable impact on average duration in benefit status.

Table V-5 displays six regressions to explain variation in the CPS-based measures of average duration. The first measure is the one developed for this project (or AD) while the second measure appears in BLS Geographic Profile publications (ADPUB). National data for these two series were displayed earlier in columns (3) and (1) respectively of Table IV-6.

The specifications in Table V-5 include just macro-labor market controls plus dummy variables for time periods (post-1981 and post-1990) and dummies for census divisions. In both sets of equations, lagged capacity utilization has much larger effects on duration than current year capacity utilization. Note also that the effects of lagged capacity utilization are much larger in

⁶¹The averages of eligibility reviews per ten claimant contacts do not appear in any table but were calculated as simple averages for two groups of 13 states from ETA-5159 data.

⁶² Both calculations are the product of the regression coefficient and the average difference between the top 13 and the bottom 13, e.g., $1.174 = 3.317 \times (0.475 - 0.121)$.

Table V-5. Determinants of Average Unemployment Duration in CPS Data, AD and ADPUB

	AD (1)	AD (2)	AD (3)	ADPUB (4)	ADPUB (5)	ADPUB (6)
Constant	23.110 (12.7)	30.793 (13.8)	29.795 (14.0)	40.878 (11.5)	45.527 (10.6)	43.526 (10.62)
Capacity Utilization - Fed. Reserve Board Index	-0.034 (1.4)	-0.071 (3.0)	-0.066 (2.9)	0.113 (2.4)	0.101 (2.2)	0.110 (2.5)
Capacity Utilization - Fed Res. Board Index Lagged	-0.190 (8.5)	-0.241 (10.5)	-0.240 (11.2)	-0.568 (13.0)	-0.611 (13.8)	-0.611 (14.8)
Job Loser Share of New Unemployment Spells	12.026 (16.7)	9.161 (11.8)	8.282 (11.0)	21.073 (15.0)	13.368 (8.9)	12.710 (8.7)
Unionization	4.801 (6.7)	7.418 (9.5)	11.725 (11.1)	8.079 (5.8)	15.713 (10.4)	20.530 (10.1)
1981 Dummy Variable		-0.350 (1.9)	-0.098 (0.6)		0.952 (2.7)	1.226 (3.7)
1990 Dummy Variable		1.239 (9.7)	1.396 (11.6)		2.201 (8.9)	2.365 (10.2)
Div 2 - Mid-Atlantic			0.169 (0.7)			1.199 (2.5)
Div 3 - East North Central			-0.702 (3.4)			0.815 (2.0)
Div 4 - West North Central			-0.446 (2.4)			-0.373 (1.0)
Div 5 - South Atlantic			0.738 (4.1)			2.025 (5.9)
Div 6 - East South Central			0.255 (1.2)			1.667 (4.1)
Div 7 - West South Central			0.242 (1.1)			1.396 (3.2)
Div 8 - Mountain			-0.904 (5.0)			-1.081 (3.1)
Div 9 - Pacific			-1.457 (7.0)			-1.617 (4.0)
Adjusted R2	0.324	0.376	0.462	0.304	0.371	0.459
Standard Error	1.719	1.652	1.533	3.359	3.193	2.961
Mean Dep. Variable	10.541	10.541	10.541	13.709	13.709	13.709
Time Period	1977-99	1977-99	1977-99	1977-99	1977-99	1977-99
Sample Size	1173	1173	1173	1173	1173	1173

AD - average duration as derived in the present project. ADPUB - average duration in BLS-LAUS data.

equations (4)-(6). A similar pattern also holds for the job loser share and unionization. Since ADPUB (means from BLS-LAUS data) exhibits more variation than AD (project estimates), the standard errors are roughly twice as large in equations (4)-(6) vis-a-vis (1)-(3).

In the four equations where the post-1990 dummy variable enters, it has a coefficient that is large and positive. These are much larger in (5)-(6) than in (2)-(3), again because ADPUB has fewer truncation constraints than AD. The lower significance of the post-1981 dummy should not be surprising as only four years of earlier data (1977-1980) could be included in the estimation period. The set of census division dummies make significant contributions in both equations (3) and (6).⁶³ In both sets of regressions note how the unionization coefficient is sensitive to the inclusion of both the time period dummies and the census division dummies.

Overall, the fits in Table V-5 are reasonably good with adjusted R²s in the 0.30-0.46 range. Unemployment duration as measured in the CPS is significantly longer when capacity utilization is low, the job loser share of new unemployment spells is high and unionization is high. Duration was significantly longer in the 1990s than in earlier years.

Having examined separately the numerator and the denominator of the ADUIAD ratio, a third regression analysis studied the ratio directly. Results appear in Table V-6. Compared to the preceding analyses of three accounting identity ratios, this analysis gives clear evidence of more noise in the estimated relationships. In Table V-6 the adjusted R²s are generally much lower than in Tables V-1, V-2 and V-3. The standard errors of estimate in Table V-6 are uniformly larger than their counterparts from these same three earlier tables. The standard errors in Table V-6 fall into the 0.162-0.225 range whereas the counterpart ranges in Tables V-1, V-2 and V-3 are 0.116-0.140, 0.053-0.076 and 0.078-0.094. Explaining relative unemployment duration was less successful than explaining the other three accounting identity ratios. Part of the explanation for the larger volume of noise in the ADUIAD ratio is the truncation in the measurement of unemployment duration, in both the numerator and denominator of the ADUIAD ratio.⁶⁴

⁶³ F tests at the .01 level yielded F's of 4.52 and 21.9 compared to a tabular F of 2.53.

⁶⁴ The greater noise in the ADUIAD ratio is also reflected in standard deviations. For the four factors on the right-hand side of relationship (3) from Chapter III, these were as follows for the 1977-1999 period: ICNU - 0.192, NICIC - 0.082, FPNIC - 0.113 and ADUIAD - 0.234.

Table V-6. Determinants of Relative Unemployment Duration, ADUIAD

	(1)	(2)	(3)	(4)	(5)	(6)
Constant	0.564 (1.9)	0.526 (1.7)	0.375 (1.4)	3.027 (4.5)	3.870 (6.3)	3.844 (7.2)
Capacity Utilization - Fed. Reserve Board Index	-0.0021 (0.6)	-0.0014 (0.4)	0.0006 (0.2)	-0.0416 (5.2)	-0.0490 (6.9)	-0.0461 (7.7)
Capacity Utilization - Fed Res. Board Index Lagged	0.0128 (4.1)	0.0126 (4.1)	0.0122 (4.8)	0.0238 (3.5)	0.0207 (3.4)	0.0200 (3.9)
Job Loser Share of New Unemployment Spells	-0.582 (5.5)	-0.508 (4.8)	-0.450 (5.0)	-0.735 (5.4)	-0.510 (4.1)	-0.415 (3.5)
Unionization	0.628 (5.9)	0.275 (2.3)	-0.259 (1.9)	0.983 (6.3)	-0.029 (0.2)	-0.631 (3.0)
Average Potential UI Benefit Duration		0.006 (1.9)	0.015 (5.4)		0.005 (1.2)	0.012 (3.2)
Partial Benefits, Share of Weeks Compensated		-0.679 (4.4)	-0.883 (6.7)		-0.038 (0.2)	-0.372 (2.6)
Nonseparation Deter- mination Rate 1 - a		0.072 (1.9)	-0.155 (4.6)		-0.022 (0.5)	-0.170 (3.8)
Nonseparation Denial Rate 2 - b		-0.100 (2.4)	-0.227 (6.0)		-0.107 (2.0)	-0.158 (3.2)
Eligibility Review Rate - c		-0.071 (6.0)	-0.071 (6.7)		-0.062 (4.5)	-0.074 (5.9)
Prop. Continued Claims Filed by Mail-d					0.166 (2.8)	0.023 (0.4)
Prop. Continued Claims Filed by Telephone-d					0.245 (4.0)	0.088 (1.6)
Prop. Continued Claims Filed by Employer-d					-1.769 (10.3)	-1.163 (6.9)
1981 Dummy Variable	0.053 (2.1)	0.066 (2.7)	0.042 (1.9)			
1990 Dummy Variable	-0.047 (2.7)	-0.053 (2.4)	-0.062 (4.3)	-0.156 (5.0)	-0.243 (8.5)	-0.239 (9.7)
Dummy Variables for Census Divisions	No	No	Yes	No	No	Yes
Adjusted R2	0.075	0.123	0.395	0.157	0.352	0.522
Standard Error	0.225	0.219	0.182	0.216	0.189	0.162
Mean Dep. Variable	1.324	1.324	1.324	1.305	1.305	1.305
Time Period	1977-99	1977-99	1977-99	1988-99	1988-99	1988-99
Sample Size	1173	1173	1173	612	612	612

a - Determinations per ten claimant contacts b - Denials per determination. c - Eligibility reviews per ten claimant contacts. d - Benefit Accuracy Measurement (BAM) data.

Note that the macro-labor market variables (capacity utilization, the job loser share and unionization) appear here as in the preceding two tables. Since their coefficients almost always had the same algebraic sign in the Tables V-4 and V-5, their coefficients would be expected to be smaller in Table V-6 due to a netting out of effects within the ADUIAD ratio. This expectation is confirmed with the eight coefficients that can be compared.⁶⁵ The reduction in significance in Table V-6 was especially large for current capacity utilization and for unionization.

Two time periods were examined, each with three regressions. The approach for each trio was first to fit a regression with just the macro-labor market variables. Variables reflecting UI eligibility and administration were added in the second equation. Finally, the third equation added the census division dummy variables.

Many of the UI variables are significant in Table V-6. Potential benefit duration enters positively in four regressions, but it is significant only in specifications that also include the dummies for census divisions. The nonseparation determination rate coefficient is negative and significant in two of four regressions while the nonseparation denial rate coefficient is negative and significant in all four. The rate of eligibility reviews enters all four regressions with negative coefficients that have high significance, t ratios of 4.5 or larger. The mail claims and telephone claims proportions generally have positive and significant coefficients while the employer-filed claims proportion has very large negative coefficients. As in Table V-4, the significance of the partial benefits share is sharply reduced when the employer-filed claims proportion also enters (equations (5) and (6)).

Note that the post-1990 dummy variable enters all six equations of Table V-6 with a significantly negative coefficient. During the 1990s, average unemployment duration as measured in the CPS increased more than average duration in UI data when several other factors were held constant.

To summarize, the analysis of relative unemployment duration (ADUIAD) proceeded differently than the analysis of the other three accounting identity ratios on the right-hand side of expression (3). Here, the numerator and denominator were first examined separately before their

⁶⁵ The comparison involves equations (4) and (5) of Table V-4, equations (2) and (3) of Table V-5 and equations (2) and (3) of Table IV-6.

ratio was studied. Macro-labor market variables and UI program variables both had a significant effect on the ADUIAD ratio. A greater frequency of both nonseparation determinations and eligibility reviews significantly reduced relative unemployment duration as did higher nonseparation denial rates. While the method of claims filing was generally significant for the mail claims and telephone claims proportions, the largest and most significant coefficients were those for employer filing. Whereas it was previously found (Table V-1) that a higher rate of employer filing raised the application rate but lowered the first payment rate (Table V-3), employer filing of continued claims was associated with significantly lower actual duration (Table V-4) and relative unemployment duration (Table V-6). Despite the greater noise in the underlying duration variables, relative unemployment duration was found to be significantly affected by several variables reflecting UI eligibility and administration.

Finally, it is worth recalling from Chapter III that of the four ratios on the right-hand side of accounting identity expression (3), ADUIAD has the lowest correlation with benefit reciprocity as measured by the WBTU ratio. Because of this low correlation with WBTU, making changes in relative unemployment duration would have a less systematic impact on the states with low WBTU ratios than the factors shown to affect the application rate, i.e., ICNU.

Summary of the Regression Analysis

The preceding regression analysis represents a first analysis of the accounting identity ratios derived in Chapter III. Probably the most important overall finding is that several highly significant factors were identified that affect one or more of these four ratios. The ratios can be productively examined with standard economist's tools, i.e., multiple regressions using pooled data. A number of explanatory variables had highly significant coefficients with expected signs in the regressions reported in Tables V-1 to V-6.

Important and significant effects were found for both macro-labor market variables (capacity utilization, the job loser proportion and unionization) and variables that reflect aspects of UI programs in the states. The latter reflect UI program administration, statutes and methods of applying for benefits. All were important in explaining one or more of the accounting ratios. More testing of alternative specifications may be warranted and further data collection may also

be appropriate.⁶⁶

One finding present in three summary tables (V-1, V-2 and V-3) seems especially important: the large effects of nonmonetary determinations related to misconduct. While misconduct issues have about the same overall prevalence as voluntary quit issues, determinations on misconduct consistently had much larger and more significant effects in each of Tables V-1, V-2 and V-3. From Table V-1 it appears that the frequency of misconduct determinations is closely linked to initial applications for benefits. Higher determination rates reduce UI applications. Since the ICNU ratio has the greatest variation of the four accounting identity ratios (recall the summaries at the bottom of Table III-1), finding what seems to be a deterrent effect of UI administration seems particularly important. States where misconduct determination rates are very high would seem especially worthy of more detailed analysis.

Since the FPNIC ratio is also significantly correlated with the overall recipiency ratio, two findings in Table V-3 are encouraging. The monetary eligibility rate and the misconduct determination rate both are very important determinants of the FPNIC ratio. Also, the misconduct denial rate makes a large contribution which is clearly separate from the misconduct determination rate. Low FPNIC ratios are found in states where monetary eligibility rates are low, misconduct determination rates are high and misconduct denial rates (denials relative to determinations) are high. Since the effects of misconduct determination rates have already been highlighted, further analysis of states where the monetary eligibility rate is low also seems warranted. Some regression analysis of administrative measures is conducted in Chapter VII.

⁶⁶ For example, since the manufacturing sector's share of employment varies widely by state, its effects on application rates should be explored.

Chapter VI. State Site Visits

Interstate differences in rates of UI reciprocity among the unemployed can have several determinants. Of particular interest are the possible effects of different statutes and administrative procedures present in the individual states. To investigate this possibility in some detail, the project conducted site visits in nine individual states. Typically two members of the research team participated in two days of meetings. This chapter summarizes the findings of the site visits.

The chapter is divided into seven sections. Part 1 describes how the individual states were selected. Part 2 describes some of the administrative diversity among these states. Part 3 examines issues related to claimant information about the UI program. This addresses three areas: 1) information dissemination and advertising by the UI agency, 2) information provided by employers and 3) alternative ways for claimants to make inquiries about UI benefits. Part 4 examines aspects of UI applications and procedures followed for specific groups of claimants and types of claims. Part 5 reviews specific aspects of monetary and nonmonetary eligibility in these states. Part 6 focuses on determinants of continuing eligibility and appeals and discusses the use of claimant satisfaction surveys. Part 7 summarizes the most important findings.

Several contrasts were found that distinguish high reciprocity from low reciprocity states. Among the most obvious of the contrasts were the following. 1) States with high reciprocity are much more likely to transact with claimants in languages besides English. 2) Among the states visited, initial claims in high reciprocity states were much more likely to be transacted over the telephone than through in-person visits to local offices. 3) High reciprocity states are generally more likely to have monetary requirements that are easy to satisfy. 4) Rates of adjudication on separation issues related to initial claims, both voluntary quits and misconduct, are generally lower in states with high reciprocity. 5) Compensation of persons who voluntarily leave jobs appears to be more likely in high reciprocity states. 6) Disqualifications for receipt of pension benefits and severance pay are less likely in high reciprocity states than in low reciprocity states. 7) Rates of employer appeals of nonmonetary determinations are lower in states with high reciprocity and vice versa. The preceding conclusions are all qualitative in nature. Their quantitative importance,

individually and collectively, was not assessed.

Selection of States for Visits

Since the purpose of this project is to investigate the reason(s) for low reciprocity, a key factor in selecting states for visits was the ratio of beneficiaries to unemployment (termed the WBTU ratio in Chapter II). Multiyear statewide averages of this ratio range from more than 0.40 to less than 0.20. Table III-1 shows state-level detail on WBTU ratios averaged for the 22 years 1977 to 1998. The WBTU ratios in both tables array the states from high to low.

If differences in the UI programs of the states contribute to differences in reciprocity, it is more likely the differences can be found by selecting states from the extremes of the distribution of WBTU ratios. The strategy followed in selecting states for site visits was to choose from among those with the highest and lowest reciprocity. The thirteen with the highest and the thirteen with the lowest WBTU ratios were considered for selection.

While several factors could contribute to interstate differences in UI reciprocity, the project considered two factors besides average reciprocity rates: geography and the presence of employer-filed claims. When employers file claims, the individual almost always remains job-attached, experiencing either a temporary layoff or a short work week. There is no need to search for work in such situations (because there is a job waiting or the person remains employed), and the duration of unemployment is likely to be much shorter than for a permanent separation.

Table VI-1 arranges 32 states along the three dimensions previously noted: level of reciprocity (WBTU ratio), geography and presence of employer-filed claims. Employer-filed claims are most important in five states located in the southeastern U.S.. These five are shown in the final column of Table VI-1.

The geographic detail in Table VI-1 appears in the left hand column. The Census Bureau divides the county into nine divisions from New England to the Pacific.

As noted earlier, UI reciprocity has a strong regional component which is highlighted in Table VI-1. The middle columns of the table identify by Census Division the 13 states with lowest reciprocity and the 13 (plus California) with highest reciprocity. While California ranked 15th in its average WBTU ratio during 1977-1998, it could be described as a near miss from the

Table VI-1. States Considered and States Selected for Site Visits

Census Region	High WBTU	Low WBTU	Employer Filed Claims
New England	Connecticut Maine Massachusetts-S Rhode Island Vermont	New Hampshire-S	
Mid Atlantic	New Jersey New York Pennsylvania		
East North Cent.	Wisconsin-S	Indiana-S	
West North Cent.		South Dakota	
South Atlantic	District of Columbia	Florida-D Georgia Virginia-S	Georgia North Carolina-S South Carolina
East South Cent		Mississippi	Alabama Tennessee
West South Central		Louisiana-S Texas Oklahoma-S	
Mountain		Arizona-D Colorado New Mexico	
Pacific	Alaska California-S Oregon Washington		
Total Number	14	13	5
Number Selected	3	5	1

S = State visited. D = Declined to participate in site visits.

top 13. The ratio for Maine (ranked 13th) was 0.365 while California's ratio was 0.358.

Table VI-1 displays the states in nine geographic clusters. At least one state was selected from eight clusters. Because the project was particularly interested in the determinants of low reciprocity, more states were selected from the low WBTU clusters than from the high WBTU clusters. States selected for site visits are identified with S's. There are five states with low reciprocity, three with high reciprocity and one with a large volume of employer-filed claims.

Most states agreed to visits when approached by representatives of the U.S. Department of Labor's regional offices. However, Florida elected not to participate as did Arizona. The project had hoped to visit Arizona during September 2000, but this coincided with the implementation of telephone claims in the Phoenix area. The timetable for the overall project was too tight to wait until November 2000 for a visit to Arizona.

To replace Florida and Arizona, the project respectively selected Louisiana and Oklahoma as alternatives. Note that both with the original selections and with the alternative selections, eight of the nine geographic clusters were visited.

Finally, note that just one of the five states with a high volume of employer-filed claims was selected. Altogether, four of the nine states visited were located in the South. Geographic diversity in the low reciprocity states was provided by selecting New Hampshire and Indiana.

The strategy employed in visiting the individual states was to use one (Virginia) as a pilot and build upon those experiences in visiting the other states. For six of nine states, two members visited the state for a two-day stay.⁶⁷ Typically, the visit included meetings at the headquarters office and visits to one or two local offices in states where in-person filing was still practiced. We observed the telephone procedures used for initial claims, continued claims and nonmonetary determinations in states that now rely on telephones. Visits to one-stop centers and discussions of profiling procedures were also included in the visits. As will soon be apparent, we also gathered

⁶⁷ John Trutko and Wayne Vroman visited Virginia, Louisiana, Indiana and California. In Virginia and Louisiana, Crystal Woodard from the national office also participated in the interviews. Jamie Bachinski and Estella Garcia from the USDOL regional office in San Francisco participated in the site visit to California. Steve Woodbury and Wayne Vroman visited Massachusetts and New Hampshire. Vroman undertook solo visits to Wisconsin, North Carolina and Oklahoma.

information on administrative procedures from Rhode Island. This was important for addressing certain interstate issues and for formulating the approach to be followed during the full site visits to the states. The nine full site visits were spread over the period from March to September 2000.

Attempting to digest the most significant aspects of administrative operations in a state within two days could be described as presumptuous. We were treated graciously by our hosts in each of the states visited and received excellent cooperation, both at the time of the visits and in follow-up telephone conversations intended to clarify questions and issues not posed or resolved at the time of the visits. However, we are sensitive to the possibility of missing important features of agency operations during these short visits. Readers of this chapter can probably judge this question for themselves. If there are errors, it is not for lack of help from the states but rather a matter of tight timetables for the visits and our limitations as observers of state UI programs.

Administrative Diversity

Visiting the nine states yielded two overriding impressions. 1) The states employ a wide variety of organizational arrangements to gather information and make decisions about initial eligibility and continuing eligibility. 2) The UI agencies are currently in the midst of several major changes in their ways of doing business. As a result, many of the procedures observed during the site visits will have changed if the same states were visited in, say, 2002 or 2003.

To emphasize the diversity of organizational arrangements, it will be useful to note the different ways the nine states accomplish three tasks of UI benefits administration: initial claims, continued claims and nonmonetary determinations. Initial claims are received in two main ways. Five of the nine states in the year 2000 relied mainly upon telephones to take initial claims while four relied mainly on in-person applications. Within both of these broad approaches, however, clear variants can be identified. Of the five that mainly rely on telephones (Massachusetts, Wisconsin, California, New Hampshire and Oklahoma), Wisconsin stands out in its reliance on interactive voice response (IVR) procedures. Following a scripted set of questions, claimants complete a substantial portion of the initial claim using the IVR before moving to a conversation with a live agency representative. While very few new initial claims are completed within the IVR, a more substantial share of additional claims are completed within the IVR. In contrast,

Massachusetts, California, New Hampshire and Oklahoma use the IVR to sort calls into major applicant categories and to record modest amounts of claimant-supplied information. Once the call is identified as an initial claim, their systems move quickly to a live conversation with a claims specialist in the phone center. Oklahoma takes initial claims by phone in the Oklahoma City and Tulsa metropolitan areas. However, after completing the claim by phone, the claimant is required to visit a local office or one-stop center to sign the application form. Signing completes the application.

Different approaches to taking in-person claims were also encountered. Local offices may be co-located with Employment Service or one-stop centers. In filing for benefits, the claimant may also be informed about job services, the availability of on-line job listings and availability of computers for preparing resumes. This information may be conveyed by a claims specialist or through a film presentation. Typically the information needed for the claim is directly entered onto computer screens by the claims specialist.

Perhaps the most interesting in-person intake procedure was found in Indiana where the claimant is directed to a computer terminal in the local office to enter scripted information needed for the application. Usually the script cannot be fully completed by the claimant, and a one-on-one session with a claims specialist then follows. The self-entered information is reviewed and further information is gathered on prior work history and the job separation. If the full script is completed by the claimant at the terminal, i.e., there are no separation issues and no base period wages outside Indiana covered employment, the applicant does not need to have a direct conversation with a claims specialist. The claimant can leave the local office (co-located with the Employment Service and in many instances a one-stop center) and expect to receive a payment following the waiting period.

Continued claims are filed by mail or by telephone in these states. Under both methods, the claimant answers five or six questions, and typically the responses do not disqualify the person from receipt in the following week. However, a variety of approaches are followed in matters such as reliance on eligibility reviews. Of the states visited, New Hampshire and North Carolina make extensive use of eligibility reviews. Claimants have to report for eligibility reviews at fixed intervals, e.g., every 4 or 8 weeks, and describe efforts to secure a job. In contrast, California,

Massachusetts and Wisconsin conduct eligibility reviews only infrequently.

Several approaches are followed in completing nonmonetary determinations on separation issues. Louisiana and Virginia still do them in each local office. California, Massachusetts, and Wisconsin use centralized determination units located in the phone centers (Massachusetts and Wisconsin) or as freestanding centers (California). Indiana and Oklahoma follow a mixed approach. In Indiana, there are centralized nonmonetary determination units in three metropolitan areas (Indianapolis, Fort Wayne and South Bend), but separation determinations are done in local offices elsewhere. In Oklahoma, determinations are done in local offices except in Oklahoma City and Tulsa where there are nonmonetary determination units within the phone centers.

Changes in procedures are occurring in several states with a trend towards increased use of telephones for initial claims and continued claims. Of the nine states, Oklahoma was fully reliant on the two phone centers in its two largest metropolitan areas as of 2000. Current plans are to continue with in-person procedures in all other areas of the state. New Hampshire moved to telephones for all continued claims in January 2000, and by the end of 2000, it was using telephones for all initial claims. As noted, Arizona was not visited because it was implementing telephone claims filing in the Phoenix area during September-October 2000. Virginia's movement to telephone continued claims was completed in 1999 while Indiana's use of claimant-entered data for initial claims at the local office is a recent phenomenon.

Plans for major changes are also present in several of these states. California anticipates replacing mail-in continued claims with telephone procedures within the next two or three years. Virginia anticipates a changeover in initial claims procedures to telephones in either 2001 or 2002. Additionally, several states are starting to actively explore ways to use the internet to take initial claims and/or continued claims.

Data on methods of claims filing are available from the Benefit Accuracy Measurement (BAM) samples of claims drawn in each state to assess the accuracy of benefit payments. Information on methods of claims filing in these data is instructive. For both initial claims and continued claims, states increasingly use telephones. National totals based on the BAM samples show that 6 percent of initial claims were filed by telephone in 1996 but 29 percent in 1999. The corresponding telephone percentages for continued claims were 35 percent in 1996 and 61

percent in 1999. Paralleling the changes in the method of filing intrastate claims are developments in interstate claims filing. Increasingly, interstate claims are being received directly by phone in the liable states. These kinds of changes can be expected to continue into the foreseeable future.

Information to Claimants About UI Benefits

A common presumption is that unemployed workers know about UI and can be expected to file for benefits in most situations. However, from the data displayed in Chapter III it is clear that rates of applications among the unemployed vary widely across states. The range of application rates (average ICNU ratios for 1977-1998 as displayed in Table III-1) was from a high of 0.982 in Rhode Island to a low of 0.236 in Florida.

Part of the explanation for low application rates in some situations is lack of knowledge about the UI program, either its existence or, more likely, the exact requirements for eligibility. How can there be a lack of knowledge about a program that has existed since the 1930s? Data from special supplements to the household labor force survey show that most of the unemployed who do not apply know about UI but are deterred because they think they are not eligible.⁶⁸

On the other hand, because unemployment is disproportionately concentrated among young workers, they may not know important details concerning UI eligibility. Some support for this conjecture may be found in survey data from Wisconsin. During each of the first ten weeks of every quarter, Wisconsin selects a sample of 50 telephone initial claims (500 per quarter) and asks questions about satisfaction with services and procedures associated with telephone claims filing. For calendar year 1999, 60 percent of respondents indicated they had never filed for benefits in-person at a local UI office. Wisconsin moved fully to telephone initial claims in 1996, and yet only three years later, 60 percent of claimants' lifetime experiences in filing had been only by telephone. While 1999 was a year of strong labor markets in Wisconsin (as in nearly all states), and many who had experienced unemployment in earlier years would have previously filed in-person, these survey responses are instructive. Many clients of UI do not have extensive past histories in filing for benefits. Informational deficiencies are undoubtedly greatest for those who

⁶⁸ See, for example, Tables 4 and 5 in Vroman (1991).

are young and for persons where unemployment is not a repeated experience.

Information about UI and potential eligibility can be obtained through three channels: 1) UI agency outreach, 2) at the work site or 3) through inquiries directed to the agency. While other methods also exist, e.g., from conversations with family, friends and co-workers and from outreach by unions and claimant advocacy groups, the preceding three were examined during the site visits.

Table VI-2 summarizes the findings in ten states.⁶⁹ The columns in the table array the ten states in descending order according to their average WBTU ratios for the 1977-1998 period. Much of the attention of the site visit analysis focused on contrasts between the four high reciprocity states (Rhode Island, Massachusetts, Wisconsin and California) and the five low reciprocity states (Louisiana, New Hampshire, Indiana, Oklahoma and Virginia). Throughout this chapter, statements about high reciprocity states and low reciprocity states will refer to these sets of four and five states respectively. North Carolina is intermediate in terms of average reciprocity (WBTU average of 0.261 compared to the national average of 0.301 for the 1977-1998 period). However, it was important to include North Carolina because it relies heavily on employer-filed claims, and it is unusually active in relying on eligibility reviews to determine continuing eligibility for claimants.

The information in Table VI-2 is displayed in three panels. Panel A summarizes information on agency outreach efforts. Panel B summarizes posting requirements and other information provided by the employer at the work site. Panel C summarizes information the claimant can gather by directly making inquiries of the UI agency.

For six of the ten states, Panel A indicates that some form of annual report is issued that summarizes agency activities for the year, but with details that vary widely. Note that reports

⁶⁹ Rhode Island is included in Table VI-2 and later tables to provide a representation of four high-reciprocity states. While the project did not conduct a full site visit as with the other nine states, the principal investigator spent half of one day in Providence at the agency headquarters. Questions similar to those in the other nine states were posed to agency staff. Some of Rhode Island's responses were obtained in later telephone conversations.

Table VI-2. Information About Unemployment Insurance Benefits Available to Unemployed Workers

	Rhode Island	Massachusetts	Wisconsin	California	North Carolina	Louisiana	New Hampshire	Indiana	Oklahoma	Virginia
Panel A. Agency Outreach										
1. Annual Report?	Yes	No-a	Yes	No	Yes	No	Yes	Yes	Yes	No
Issued by	Dept. of Labor and Training	Dept. of Emp. and Training	Advisory Council		ESC to Governor		Employment Security	Dept. of Workforce Dev.	Emp. Sec. Commission	
2. Advertising?										
Print media	Newspaper, Jan., July	No	No	Some	No	No-b	Yes	No-c	Yes - Info. about tel. claims	No-d
Radio	Some public service spots	No	Some, Thanksgiving Christmas	On occasion	Some public service spots	Some	No, but in future	No	No	No-d
Television	No	No	No	No	Some	Some	No	No	No	No
Panel B. Information at the Place of Work										
3. Workplace posting requirement?	Yes	Yes	Yes	Yes - 2 posters	Yes	Yes	Yes	Yes	Yes	Yes
4. State law on posting?	Yes	Yes, revised in 1998	Yes	Yes	Yes	Yes	Admin. rule	Yes	Admin. rule	Yes
5. Location of notice	Prominent place at worksite	Conspicuous place at worksite	Prominent place	Place readily accessible	Where all can see it	Places readily accessible	Conspicuous place	Not specified	Places readily accessible	Prominent place
6. Notice include information on how to file for UI benefits?	No	Yes	No	Yes	Yes	No	Yes, and 800 num. shown	No	No	No
7. Monitoring of postings?	No	No	No, only if complaint	No	No	No	No	No	No	No
8. Sanctions for failure to post?	Fines, but never levied	Progressive: Warning, Fines				No	No	No		
9. Employer required to inform worker about UI in sep. notice or at exit interview?	No	Yes-e	No	Yes	No	No-f	No	Yes, but not enforced	Yes, if requested	No
10. Penalties for failure to inform		Retroactive entitlement								
Panel C. Information from Direct Inquiries of the Agency										
11. Claimant handbook?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12. Telephone inquiries? Yes-No and numbers	Yes 5 Numbers	Yes 4 Numbers	Yes 2 local and 800 no.	Yes 6 Call Cent	Yes	Yes	Yes	Yes (800 No)	Yes	Yes
13. Internet site Yes-No and address	Yes www.dlt.state.ri.us	Yes www.detma.org	Yes dwd.workweb.ui	Yes www.edd.ca.gov	Yes www.esc.state.nc.us	Yes www.laworks.net	Yes www.nhes.state.nh.us	No (but soon)	Yes HTTP/info.oesc.state.ok.us	Yes www.vec.state.va.us

a - Quarterly actuarial report.

b - Some advertising for mass layoffs

c - Advertising on amount of benefits paid locally

d - Advertising for TRA and for Job Service

e - To Massachusetts Workers: How to File for Unemployment Insurance Benefits

f - Employer provides form LDOL-ES 77 when separation is thought to be disqualifying

are not issued by two states with high reciprocity (Massachusetts and California) and two with low reciprocity (Louisiana and Virginia).⁷⁰ Table VI-2 identifies three forms of advertising available to the agencies to publicize UI, e.g., print media, radio and television. These are used only sparingly. When a state indicated it did advertise in the media, it frequently targeted specific client groups (those affected by mass layoffs or eligible for trade readjustment assistance or disaster unemployment assistance) as opposed to the general claimant population. Some states did advertise in peak periods of seasonal claims (Rhode Island and Wisconsin). Of the three media identified in the table, television was the least utilized.

Overall, it appears that agency outreach through annual reports and advertising is a modest endeavor in nearly all the states visited. For the majority of claimants, information about the UI program in their state would have to come from sources other than agency advertising. The site visits did not identify large differences between high reciprocity states and low reciprocity states in the commitment of agency resources to advertise UI benefit availability.

Panel B summarizes several aspects of information dissemination at the workplace. A worker might learn about UI availability at the worksite either through posters displayed in common areas or through information supplied by the employer at the time of termination from employment. Lines 3-8 and 9-10 respectively address these two possibilities.

All ten states have a workplace posting requirement, and in eight (all but New Hampshire and Oklahoma) the requirement is statutory. Nine of the ten (all but Indiana) specify that the poster be displayed in a prominent place. The states generally supply new employers with the posters and the instructions for posting. The posters provide general information on applying for benefits including the location of offices and relevant telephone numbers to call for information and (where relevant) for filing by telephone. Massachusetts, California, North Carolina and New Hampshire provide some additional specifics about applying for benefits.

Monitoring and enforcement of posting requirements is generally lax. Wisconsin may be typical in that it contacts employers only if there is a complaint about the absence of the poster.

⁷⁰ Reports on the position of the state's trust fund are not considered here, rather summaries of UI activities that include information on workload items such as numbers of applicants, recipients average benefits, determinations and denials.

Rhode Island and Massachusetts have statutory authority to levy fines, but no recent instance of a fine was cited by the staff of either state.

Four states require employers to inform workers about UI at the time of the job separation. This is potentially much more relevant than a requirement to post information about UI since the separation is a real event which will activate worker concerns about future income. A notice is to be included in the employees final pay slip in Massachusetts. Failure to do so can result in backdating a claim when the person is eligible. Indiana and Oklahoma also require employers to inform workers upon termination. The requirement applies in Oklahoma only if there is a request from the worker. In both states, however, there is no active enforcement of this requirement. Massachusetts was the only state where there seemed to be real consequences for failure to inform workers at the time of termination about potential UI eligibility.

Thus posting requirements were present in all states, but only four had a requirement to inform the worker about UI at the time of termination. Monitoring of these requirements was generally lax. Only in Massachusetts did failure to inform workers about UI seem to have consequences for receipt of benefits.

Panel C shows that all states have a claimant handbook. This provides important details about eligibility including the definition of the base period and the benefit formula. All states have procedures to answer questions by telephone, and all but Indiana have an internet web site designed to provide information to claimants. Thus, three media for acquiring information about UI are widely available. Nothing in Panel C suggests major contrasts between states with high reciprocity and those with low reciprocity.

Claims Filing, Specialized Claims and Claimants in Special Circumstances

Table VI-3 summarizes information on methods of filing claims, specialized claims and claimants in special circumstances. The historical BAM data in line 1 of Panel A show that telephones were the predominant method for filing initial claims in four states in 1998 and 1999. However during the year 2000, Oklahoma operated with telephone claims in the Oklahoma City and Tulsa metro areas which historically have accounted for 60-65 percent of statewide totals. New Hampshire started to use telephone initial claims in the second half of 2000 and expected

Table VI-3. Main Methods of Claims Filing, Specialized Claims and Claimants in Special Circumstances

	Rhode Island	Massachusetts	Wisconsin	California	North Carolina	Louisiana	New Hampshire	Indiana	Oklahoma	Virginia
Panel A. Main Methods of Filing Claims										
1. Initial Claims - Main Method - Pct.-a	T 55% - 1998 T 85% - 1999 T - 2000	T 79% - 1998 T 91% - 1999 T - 2000	T 91% - 1998 T 90% - 1999 T - 2000	T 99% - 1998 T 99% - 1999 T - 2000	IP 69% - 1999 Er 30% - 1999 IP-Er - 2000	IP 100% - 1998 IP 99% - 1999 IP - 2000	IP 100% 1998 IP 80% - 1999 T - 2000	IP 99% - 1998 IP 99% - 1999 IP - 2000 (interact. w computer)	IP 96% - 1998 IP 99% - 1999 T - 2000	IP 98% - 1998 IP 95% - 1999 IP - 2000
Telephone: live or IVR?	Live	Live	Both	Live		Not applic.	Live	Not applic.	Live	To be determined-b
No. of call centers	5	4	2	6	1	Not applic.	1	Not applic.	2	Not applic.
Local offices for walk-ins?	Yes-c	Yes-26	No	No	Yes - 90	Yes	No	Yes	Yes-d	Yes
2. Continued Claims - Main method - Pct.-a	T 88% - 1998 T 89% - 1999 T - 2000	M 99% - 1998 M 98% - 1999 M - 2000	T 100% - 1998 T 100% - 1999 T - 2000	M 100% - 1998 M 100% - 1999 M - 2000	T 69% - 1999 Er 31% - 1999 T-Er - 2000	T 94% - 1998 T 94% - 1999 T - 2000	M 98% - 1998 M 99% - 1999 T - 2000	M 81% - 1998 M 82% - 1999 M - 2000	T 94% - 1998 T 96% - 1999 T - 2000	T 48% - 1998 T 70% - 1999 T - 2000
Telephone: Live or IVR?	IVR	Not applic.	IVR	Not applic.	IVR	IVR	IVR	Not applic.	IVR	IVR
Panel B. Specialized Types of Claims										
3. Interstate liable: telephone initial claims - Pct.	Majority	Method in agent state	95%	100%	34% and growing	Method in agent state	Moving to all by phone	Method in agent state	Majority by phone	Method in agent state
Live or IVR?	Live		Both	Live	Live		Live		Live	
4. Importance of agent versus liable?										
Net effect on WBTU?	Small Agent>Lia. Lowers WBTU	Small Lia. > Agent Raises WBTU	Small Lia. > Agent	Small Lia. > Agent	Small Lia. > Agent	Intermed. Agent>Lia. Lowers WBTU	Large Agent>Lia. Lowers WBTU	Small Agent>Lia.	Intermed. Agent>Lia Lowers WBTU	Small Agent>Lia.
(Agent - Lia)/(Intra. + Agent) - 1998 Continued claims - ETA-5159 data	.010	-.024	-.006	-.008	-.011	0.041	0.116	.024	.038	.017
5. Importance of commuter claims?						Low				
Net effect on weeks claimed?	More out-commuters Lowers WBTU	More in-commuters, Raises WBTU	Small-d	Small-d	Small-d	Small-d	More out-commuters Lowers WBTU measurably	Small-d	Small-d	Small-d
6. Importance of combined wage claims?										
CWC share of weeks compensated (U.S. = 0.032 in 1998) ETA-586 and ETA-5159 data	0.060	0.006	0.028	0.018	0.038	0.030	0.201	0.019	0.051	0.033
Panel C. Applicants in Special Circumstances										
7 - Non English speakers										
Claims forms/ info. brochures in non-English languages?	Yes - 5 (Spanish, Portuguese, Vietnamese, Hmong, Lao)	Yes - 5 (Spanish, Portuguese, Chinese, Vietnamese, Haitian)	Yes - 2 (Spanish, Hmong)	Yes - 3 (Spanish, Chinese, Vietnamese)	Yes Spanish	No	No	No	No	No
Staff with foreign languages? Languages?	Yes (Spanish, Portuguese - direct phone intake, Asian - callbacks)	Yes (Spanish, Portuguese Chinese) ATT lang. line	Yes (Spanish, Hmong) rest - ATT lang. line	Yes 43 in total in EDD and other agencies	Yes Spanish Spanish - IVR	Yes (Spanish, French, 3 others)	No (NHES to use ATT lang. line)	Yes (Spanish, Port., Vietnamese, Albanian)	Yes, (Spanish, Native American)	No
8 - Hearing impaired	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes-e
Claims Procedures	TDD- tel. device for deaf	TDD	TTY-TDD, paper forms	TTY-TDD	ESC-paid consult. signers	Some DOL local office staff sign	TDD	TDD	TDD	Mail

a - T = telephone, IP = in-person, Er = employer, M = mail. Percentages from BAM data.
b - Conversion to telephone in 2001-2002. Have not determined type of phone system.
c - Share of walk-ins expected to continue to decrease
d - Net effect uncertain
e - TDD for information only

telephone claims to operate statewide by the end of the year. Wisconsin places greatest reliance on the IVR for gathering claims information by telephone. Even in Wisconsin, however, roughly five initial claims in six are completed through a conversation between the claimant and the claims specialist.

Of the states with telephone claims, Massachusetts and Oklahoma plan to maintain a walk-in filing option. The areas not served by the two phone centers will continue to operate with in-person filing in Oklahoma. Even in the state's two large metro areas, it is still necessary for claimants to visit a local office to complete the process by signing the application. Massachusetts is required by state law to maintain local offices. In some geographic areas the offices have measurable numbers of walk-ins. The walk-in volume in Massachusetts is declining, and the long run share of walk-in initial claims is likely to stabilize at less than 10 percent.

Six states used telephones for continued claims in 1998 and 1999 and except for Virginia the percentages were stable between the two years. This increased to seven states in 2000 with the changeover in New Hampshire. These claims are done by IVR in all states. Note that employer filing, for both initial claims and continued claims, is a stable feature of North Carolina's procedures. The actual percentages are closer to 50 percent than the 30 percent shown in Table VI-3. Because the BAM data, the source for the percentages, select disproportionately from claims with long duration, the percentages understate employer filing which typically involves short durations in benefit status.⁷¹

Panel B of Table VI-3 focuses on three specialized types of claims: interstate, commuter claims and combined wage claims. As noted in Chapter IV, state practices for filing interstate claims are evolving. Increasingly, liable states take interstate claims by phone. The states provided ballpark estimates of the prevalence of this practice. Line 3 summarizes these state estimates. In some instances the estimates were more qualitative than quantitative.

Line 4 uses ETA-5159 data from 1998 to show the net effect of agent versus liable interstate claims for these states. As a rule, states with high reciprocity had more liable than agent claims while those with low reciprocity had more agent than liable claims. The difference between

⁷¹ A tabulation from North Carolina for 1999 indicated that average duration for employer filed claims was about four weeks whereas it was about 16 weeks for claims filed in-person.

agent and liable weeks claimed was by far the largest in New Hampshire where it equaled 0.116 of all continued claims in 1998, but it also exceeded .030 in Louisiana and Oklahoma as well. A correlate of low reciprocity states seems to be that claimant residents of such states are more likely to be paid by other states than are claimant residents in high reciprocity states. From line 4 in Table VI-3 the direction of the effect is clear even if its size is generally small.⁷²

Conversations with the states about commuter claims did not produce major surprises. In most states commuter claims were viewed as small and quantitatively unimportant in agency operations. However, the agencies did not regularly track commuter claims in their reporting systems. The information shown for Rhode Island, Massachusetts and New Hampshire in line 5 was derived from special tabulations undertaken by the agencies in Rhode Island and Massachusetts.⁷³ It appears New Hampshire is the only state among these ten where commuter claims are important enough to affect overall measures of reciprocity.

Combined wage claims (CWC) are also generally small among these states except for New Hampshire. In contrast to commuter claims, however, there are quantitative data on CWCs. Line 6 shows CWCs represented 0.201 of total weeks compensated in New Hampshire in 1998 (0.149 of weeks compensated for the three years 1996-1998). Rhode Island and Oklahoma were two other states where CWCs represented more than 0.050 of total weeks compensated.

Discussions with the states did not reveal important problems in processing these claims. New England is one area where CWCs are prevalent, particularly for states that border Massachusetts. Note in line 6 that CWCs are relatively more frequent in New Hampshire and Rhode Island than in Massachusetts. This pattern is to be expected given commuting patterns, higher wages paid in Massachusetts and the higher UI benefit levels in Massachusetts and Rhode Island vis-a-vis New Hampshire. As noted in Chapter IV, New Hampshire is unusual in the importance of all three types of border claims: interstate agent claims, commuter claims (predominantly against Massachusetts) and combined wage claims.

⁷² The contrast between high reciprocity states and low reciprocity states shown in line 4 for 1998 was also present in 1997 and 1996.

⁷³ These data were discussed in Chapter IV and displayed in Table IV-3.

Panel C of Table VI-3 summarizes state treatment of applicants in special circumstances. Two special circumstances are examined: claimants who are not native English speakers and applicants who are hearing-impaired. Of the two groups, the hearing-impaired represent a much smaller part of the claimant population. No state had ready data on numbers served, but all states had some arrangement for taking their claims. Seven of ten use telephone devices for the deaf or telephone typing, referred to in short hand as TDD and TTY. North Carolina and Louisiana used signers (respectively consultants and agency staff) to take these claims while Virginia uses mail claims from these persons. No state indicated that serving the hearing impaired presented unusual administrative difficulties.

One of the most striking contrasts among the states concerned agency procedures for non-English speakers. Of the states visited, high reciprocity states have much more client-friendly procedures than low reciprocity states. The former states have claims forms and/or information brochures in several non-English languages. The counts in line 7 are worth noting: Rhode Island - 5, Massachusetts - 5, Wisconsin - 2, and California - 3. The five states with low reciprocity presented a uniform English-only approach to claims filing. In these states the claimant handbook is available only in English.

The four high reciprocity states all take claims by telephone and all have procedures to accommodate non-English speakers. The telephone systems are manned by staff fluent in the particular state's most common non-English languages. Claimants are routed to these staff in filing initial claims. What can be termed fully supported languages in these states are the following: Rhode Island - Spanish and Portuguese; Massachusetts - Spanish, Portuguese and Chinese; Wisconsin - Spanish and Hmong; and California - Spanish, Chinese and Vietnamese. Claimants dial-in to designated numbers and speak with claim specialists in these tongues.

Other (usually less common) languages are also accommodated in these states. Typically, a time for a call-back is established and the information inquiry or claim is serviced at that time. California goes furthest in this area with access to 43 different languages for claims operations.

Among these states, California appears unique in its pervasive use of procedures to accommodate non-English speakers. Not only are initial claims taken in foreign languages but so are their nonmonetary determination fact finding interviews with claimants. At the claimant's

request, the written determination can be made available in his or her native tongue. Given the size and diversity of the state, it may not be surprising that California has developed claims procedures in so many languages.

In low reciprocity states the claimant may encounter staff who speak his or her language, but it appears to be less the result of statewide UI agency policy than of decisions made by certain local office managers. Four of the five low reciprocity states have staff fluent in some non-English languages. Line 7 in Table VI-3 shows the languages identified during the site visits. They reflect variation in the ethnic makeup of these states' populations. New Hampshire has arranged for support from the ATT language line. Among the five low reciprocity states, Virginia appears to be unique in not offering some form of accommodation to non-English speakers.

States with foreign language options for filing telephone initial claims can track the importance of these claims within their overall caseload. The project team was provided information in Massachusetts and California for selected recent periods. Spanish is uniquely important among the various foreign languages. In Massachusetts, claims in Spanish represented about 5 percent of the total while the California percentage was above 10 percent. These percentages suggest that language accommodation is important to a measurable part of the claimant population.

Important as it may be, the project did not attempt to estimate the quantitative importance of language accommodation to observed interstate differences in UI reciprocity. The site visits were useful in establishing that major differences in language accommodation do exist. Several states with low UI reciprocity have large Spanish speaking populations. The possible link between lack of language accommodation and low reciprocity would seem to merit some type of direct investigation.

Factors in Initial Eligibility

Information related to initial eligibility determinations summarized in Table VI-4. This information was gathered both from the site visits to the states and from standard reports submitted by the states. Panels A and B respectively focus on monetary determinations and

Table VI-4. Monetary and Nonmonetary Provisions Affecting Entry Eligibility

	Rhode Island	Massachusetts	Wisconsin	California	North Carolina	Louisiana	New Hampshire	Indiana	Oklahoma	Virginia
Panel A. Aspects of Monetary Eligibility										
1. Weeks for monetary eligibility 1990s (U.S. = 3.4)-a	4.3	2.9	3.1	1.9	5.6	2.6	5.5	5.3	7.3	6.2
2. Added eligibility requirement?	No	No	No	No	No	No	Yes-b	Yes-b	Yes-b	Yes-b
3. Alternative earnings requirement?	No	No	No	Yes-c	No	No	No	No	Yes-c	No
4. Alternative Base Period (ABP)?	Yes	Yes	No-d	No	Yes	No	No-d	No	No	No
5. Short-time Compensation (STC)?	Yes	Yes	No	Yes	No	Yes-e	No	No	No	No
6. Proportion monetarily eligible ETA-218 data 1977-1998 (U.S. = 0.86)	0.92	0.94	0.93	0.80	0.86	0.80	0.87	0.82	0.75	0.81
Panel B. Aspects of Separation Determinations										
7. Adjudicate base period separations?	No	No	No	No	No	Yes	No	Yes	No	Some, back to liable employer
Voluntary quits										
8. Statute allow quits for urgent, compelling or necessitous reasons?	No, but covered by case law	Yes	No, but similar concept used	No, but recognized in admin. det.	No	No	No	No	No	No, but covered by case law
9. Statute allow good personal reasons for quitting?	Yes	No	No	Yes	No	No	No	No	No	Yes
10. Allowable personal reasons for quitting										
Own illness	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes
Care of family member	Yes	Yes	Yes	Yes	No-f	No	No	No	Yes-g	No
Domestic violence	Yes - admin. discretion	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes - admin. discretion
Follow spouse	Yes	No	No	Yes	Yes	No	No	No	Yes	No
To take better job	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes-h	Yes
11. Volun. quit determination rate, 1977-98 ETA-207 (U.S. = 0.104)	0.077	0.068	0.080	0.090	0.041	0.167-i	0.099	0.158-i	0.126	0.062-i
Misconduct										
12. Agency test for misconduct	2 part test: 1) deliberate willful disregard of Er interest or 2) knowing violation of rule or policy	2 part test: 1) deliberate willful disregard of Er interest or 2) knowing violation of rule or policy	Willful or wanton disregard of Er interest, two part test from Boynton Cab case	Willful or wanton disregard of Er interest, from Wisconsin Boynton Cab case	Regular misc. or substantial fault	Mismanagement of position..., action or inaction... neglect, dishonesty...	2 part test: 1) single incident that rises .. or 2) repeated occurrence	Discharge for just cause, but not limited to 8 just cause reasons	No definition of misconduct	Deliberate violation of Er rule or acts of willful disregard, Branch Case
13. Specific statutory disqualifications	No	No	No	Use of intoxicants	Use of intoxicants or drugs 0.051	Refusal of drug test	Refuse alcohol, drug Felony dishonesty	8 - Just cause reasons	Refuse drug-alcohol, Misrep. criminal rec.	Misrepresentation of past criminal record
14. Misconduct determination rate, 1977-98 ETA-207 (U.S. = 0.102)	0.050	0.067	0.062	0.093	0.051	0.179-i	0.093	0.093-i	0.151	0.089-i

a - Base period earnings requirement as a ratio to the average weekly wage, average 1990-1999.

b - New Hampshire - \$1400 in each of two quarters and fixed 12 month base period, Indiana - \$1650 in the last two quarters of base period, Oklahoma - person must sign initial claim in a local office of ESC, Virginia - \$2500 in highest two quarters of base period.

c - California - \$1300 in one quarter, Oklahoma - \$8700 in base period.

d - Wisconsin - ABP starting 7-1-00, New Hampshire - ABP starting 7-1-01.

e - Statutory authorization but no STC benefits paid in past ten years.

f - Care of dependent parent

g - Care of minor child

h - Leave to take full time work

i - Includes adjudications of all or some base period separations

nonmonetary separation determinations. Both types of determinations influence the rate at which applicants move into benefit status.

While monetary eligibility criteria vary widely from state to state, the most typical situation is that an applicant must satisfy both a base period and a high quarter earnings requirement. Both dollar thresholds vary by state. Some states have additional requirements on monetary eligibility beyond the base period and high quarter requirements, e.g., Indiana requires a threshold of earnings in the final two quarters of the base period. Conversely, some states allow claimants to use alternative monetary amounts if the standard base period requirements are not satisfied. These alternative requirements may take the form of alternative dollar thresholds (using the standard base period, usually the earliest four of the five most recent fully completed quarters) or recognizing more recent earnings than used in the standard base period.

Lines 1-4 in the table cover these requirements for the ten states. To standardize the base period monetary requirement across states, each state's requirement was measured relative to the average weekly wage in the state. These "weeks for monetary eligibility" ratios were averaged for the ten years 1990 to 1999. The national average for these ten years (averaged across 51 programs or 510 observations) was 3.4 weeks. Note that three of the four high reciprocity states had averages below 3.4 weeks while four of five low reciprocity states had averages above 3.4. For these latter four, the average was at least 50 percent higher than the national average.

Four of the five low reciprocity states also have an additional eligibility requirement as shown in line 2. Details of these added requirements are provided in footnote b, but all have the effect of rewarding steady earnings streams, recent earnings or, in Oklahoma, requiring a visit to the local ESC office after filing a telephone initial claim. No added requirements are present in any of the four high reciprocity states.

Among the ten states, two (California and Oklahoma) have a second or alternative requirement to satisfy monetary eligibility. Details are given in footnote c. These alternative requirements use the same base period as the regular monetary requirements. Additionally, three states offered an alternative base period (ABP) in 1999 and five will have an ABP in 2001. At that later date three of four high reciprocity states will have an ABP compared to just one of the five

with low reciprocity.⁷⁴ The alternative earnings requirements and the ABP are both claimant-friendly and would be expected to increase reciprocity.

Line 5 shows the presence of short time compensation (STC, also termed worksharing) in the states. These states allow people to work part week schedules and collect UI benefits for the remaining days of the work week. As noted in Chapter IV, 18 states have STC programs, and they have been quite small throughout their histories. Employers initiate plans that allow for STC payments in states with these programs, but they are generally popular with workers placed on short schedules.⁷⁵

Four of the ten states in Table VI-4 have STC, and three are high reciprocity states. Louisiana, the fourth state, has STC but the program is moribund. No Louisiana employer has utilized STC to compensate workers on short schedules during the past ten years.⁷⁶ For the states of interest in this chapter, STC is a phenomenon of the high reciprocity states that were visited.

Alternative earnings requirements, the ABP and STC can be described as three claimant-friendly initiatives. They are much more prevalent in high reciprocity states than in low reciprocity states. Summing the “Yes” entries in lines 3, 4 and 5 of Table VI-4, the totals are six of twelve in the four high reciprocity states and two of 15 in the five low reciprocity states. States with high reciprocity appear more likely to implement these measures than low reciprocity states.

A summary measure of monetary eligibility is provided by the ETA-218 data, i.e., the proportion monetarily eligible out of all monetary determinations. Line 6 displays averages for the 22 years 1977 to 1998. The national average for these years was 0.86.⁷⁷ Note that three of the high reciprocity states (all but California) had above-average monetary eligibility proportions while four of the five low reciprocity states (all but New Hampshire) had averages below the national

⁷⁴It should also be noted that the Governor of California vetoed an ABP legislative proposal in the fall of 2000.

⁷⁵See Table V-8 and the associated text in Berkeley Planning Associates and Mathematica Policy Research (1997).

⁷⁶ This is based on STC data as reported in ETA-5159 reports.

⁷⁷ National time series data on the monetary eligibility proportion are displayed in Chart VII-1 of Chapter VII.

average.

From the information summarized in Panel A, monetary requirements and the outcomes of monetary determinations are linked. Higher monetary requirements are associated with lower proportions of claimants who are monetarily eligible. Lower monetary eligibility proportions are associated with the imposition of additional requirements (line 2) and the absence of alternative monetary requirements, ABP and STC (lines 3, 4 and 5).⁷⁸

Panel B presents selected information on nonmonetary separation determinations. If the claimant and the employer agree that a separation was employer-initiated and it was due to lack of work, it is commonly termed a clean separation. Clean separations do not need a separation determination. If either of the parties allege the separation involved a quit or misconduct, the agency must undertake a separation determination (an adjudication) in judging the claimant's eligibility. Nationwide, roughly one quit issue and one misconduct issue is adjudicated for every ten (new and additional) initial claims.

Organizational arrangements and administrative procedures for conducting adjudications vary widely across the states. Adjudication may be undertaken in local offices or in centralized offices that serve broad geographic areas, perhaps the entire state. Of the states visited, Louisiana and Virginia conduct all adjudications in local offices. North Carolina conducts all separation adjudications in one central office located in Raleigh. Massachusetts conducts adjudications from its phone centers. California has eight adjudication centers that serve broad areas within the state. Indiana and Oklahoma have mixed arrangements with centralized offices serving the largest urban areas while local office conduct adjudications in the remainder of the state.

Adjudication is always required if there is a quit or discharge issue associated with the most recent separation. However, line 7 of Table VI-4 identifies three states where adjudications also extend back in time into some or all of the base period. Indiana and Louisiana adjudicate all base period separations. Virginia adjudicates all separations back to the separation from the chargeable employer. Adjudication of earlier separations can result in reduced claimant eligibility. In Virginia the claimant may be precluded from eligibility while in Indiana and Louisiana the size

⁷⁸ The regression analysis of Chapter VII directly examines interstate differences in monetary eligibility.

of the potential entitlement may be reduced.

In the regression analysis of Chapter V, the misconduct adjudication (or determination) rate was found to be a significant determinant that reduced the application rate, the repeat application rate and the first payment rate. Part of the reason for higher rates of misconduct determinations in some states is the effect of adjudicating these earlier separations.

Compensation following voluntary quits is thought to vary widely across the states, and may be an important factor contributing to interstate differences in IUTU and WBTU ratios. Interestingly, of all the states visited, none could provide an estimate of the share of total weeks compensated related to quits that were adjudicated and allowed. Allowances associated with quit determinations are reported in the ETA-207 reports, but the associated weeks compensated are not tracked. This is a basic measurement issue for the present project that could and should be investigated. The required information is present in the data systems of the state programs. A special tabulation could be undertaken in some states. Perhaps a good starting point would be to secure the needed information from a few high-recipienty and a few low-recipienty states, both for total weeks paid following allowable quits and the specific issue that was adjudicated in these allowable quits.

Quits arise either from factors related to the job or to personal factors. In some states, a voluntary quit may be compensated only if it is related to the conditions of employment (job related). In other states, statutory language or administrative rules may recognize personal reasons for quitting which are “urgent, compelling and necessitous.” Benefits may be paid in the latter situations if the person first tries to preserve the employment relationship (requests and is granted a leave of absence), but then the job is no longer available when the person tries at a later time to resume employment with the former employer.

Following conversations in a few states regarding personal and job-related reasons for quitting, it became apparent that contradictory statutory language on these two broad reasons for quitting could exist. Also, administrative practices and/or determinations from court cases could allow compensation even though the statute restricted eligibility to quits for job-related reasons. The Massachusetts statute, for example, restricts quits to job-related reasons but also recognizes urgent, compelling and necessitous reasons. Lines 8 and 9 of Table VI-4 summarize statutory

language on quits for urgent, compelling and necessitous reasons and quits for good personal reasons in the ten states.

Since the administrative decisions were not always clear at the level of quits in general, we decided to pursue the matter by asking about compensability in five specific quit situations. These were: quits due to own illness, to care for a family member, due to domestic violence, to follow a spouse whose job is moved out of the local labor market and to take a better job. Line 10 summarizes the results. In each instance, the question of compensability was pursued in the context of a worker who tries to preserve the employment relationship (for own illness and care of a family member) or is able and available for work.

Potential compensability in these five situations does vary systematically between high reciprocity and low reciprocity states. For the four high reciprocity states, the person could be compensated in 18 of 20 situations (four states and five situations per state). The corresponding situation in the five low reciprocity states was compensation in 11 of 25 situations. While these summaries are qualitative, they suggest systematic differences in the potential compensability of quits. Their actual quantitative importance is not known.

Line 11 of Table VI-4 summarizes average determination rates for voluntary quits in the ten states for the 22 years 1977-1998. The national average proportion (determinations per new spell of unemployment) for these years was 0.104 and all four high reciprocity states had below-average determination rates. For the five with low reciprocity, three (Louisiana, Indiana and Oklahoma) had determination rates substantially above the national average and only Virginia had a determination rate much below the national average.

Compared to voluntary quits, state-level procedures for misconduct determinations seem more difficult to summarize (at least to the principal investigator). The burden of proof for misconduct initially lies with the employer who must demonstrate that the reason for the separation was employee misconduct. Usually, misconduct has a statutory definition or a definition based on a court case. Misconduct typically involves willful, deliberate and/or repeated actions by the worker that the worker knew was not appropriate or was against the employer's economic interests and was not accompanied by some mitigating circumstance. The act or acts must be recognized by the employee as inappropriate. Incompetence in doing the work does not

constitute misconduct.

Exact definitions of misconduct vary by state. Lines 12 and 13 of Table VI-4 briefly summarize two aspects of agency guidelines in misconduct cases. Respectively these give the general guidelines under which adjudicators operate and specific acts that the statute identifies as misconduct. The latter may be related to refusal to take a drug test or a test for intoxication or misrepresentation of a past criminal record. Note in line 12 that Indiana equates misconduct with discharge for just cause and identifies 8 specific acts that constitute just cause. Oklahoma does not define misconduct per se but operates with administrative guidelines for several specific situations.

Given the quantitative importance of the misconduct determination rate as a determinant of the application rate, the repeat application rate and the first-payment-to-new-initial-claims ratio (Chapter V), the approaches to misconduct in the site visit states were studied in qualitative data. One investigation reviewed the statutory and administrative procedures in these states as summarized in the CCH legal summaries for each state. The misconduct section (paragraph 1970) in the CCH volumes is arranged alphabetically by topic area. A spreadsheet was developed that noted each misconduct topic area in the rows and individual states in the columns. The exercise revealed that the misconduct topic areas (issues) were not the same across the states, or at least did not follow a common topical organization. North Carolina, New Hampshire and Oklahoma had an organization of topic areas so different from the other states that they could not be fitted into the overall framework of topic areas present in the other states. The spreadsheet for ten states⁷⁹ eventually grew to about 125 lines. It was clear that the number of lines would continue to grow if the investigation was widened to include more states.

The short conclusion of the project's investigation of misconduct was that it was a large area with many different types of worker actions constituting misconduct. Perhaps an investigation that focused on a few problematical areas would provide insights into differences in state procedures, presumptions and standards of evidence for specific acts. Some possible subject areas might be repeated tardiness, absences from work, disobedience and use of profane language. This seems appropriate material for a completely separate research project.

⁷⁹ These were the six site visit states outside of North Carolina, New Hampshire and Oklahoma plus Arizona, Rhode Island, South Carolina and Texas.

The final aspect of misconduct addressed in Table VI-4 is variation among states in determination rates. Line 14 shows that misconduct determination rates were substantially less than the national average (0.102) for three of the four high reciprocity states (all but California). For the five low reciprocity states, two (Louisiana and Oklahoma) had determination rates substantially above the national average while in the other three states, determination rates were close to the national average.

Of the information presented in Table VI-4 several consistent differences between low reciprocity and high reciprocity states were found. In general, monetary requirements were easier to satisfy in high reciprocity states. More allowable reasons for quits were present in the high reciprocity states. Determination rates both for quits and misconduct were generally higher in the low reciprocity states. The administration of monetary determinations and nonmonetary separation determinations appear to contribute to interstate differences in UI reciprocity.

Continuing Eligibility, Appeals and Claimant Satisfaction Surveys

Panel A in Table VI-5 summarizes information on nonseparation nonmonetary determinations. Five areas where UI programs make determinations related to continuing eligibility for benefits are highlighted: able and available for work, disqualifying and deductible income, refusal of suitable work, reviews of continuing eligibility for benefits and profiling.

Of the ten states visited, three allow unemployed workers to search for part-time work (less than 35 hours per week) under certain circumstances and receive UI benefits (line 1). Two of the three are high reciprocity states (Massachusetts and California) and one is a low reciprocity state (Oklahoma). Louisiana also will allow search for part-time work if the person has always worked part-time in the past. No obvious contrast between the two groups of states was found in allowing claimants to search for part-time work and receive UI benefits.

Clear contrasts were found in the area of disqualifying and deductible income. State practices in this area are quite varied. Most states deduct pensions received from base period employers and most deduct severance pay (at least for some situations). Line 2 of Panel A identifies three situations where state practices were found to vary: not deducting the employee-

Table VI-5. Determinations of Continuing Eligibility, Appeals and Claimant Satisfaction Surveys.

	Rhode Island	Massachusetts	Wisconsin	California	North Carolina	Louisiana	New Hampshire	Indiana	Oklahoma	Virginia
Panel A. Nonseparation Nonmonetary Determinations										
1. Test of availability for work	For full-time work	For part-time work	For full-time work	For part-time work	For full-time work	For full-time work-a	For full-time work	For full-time work	For part-time work-b	For full-time work
2. Disqualifying and deductible income, benefits that do not reduce UI-c										
Pensions - Exempt employee share of pension contribution?	Yes	Yes	Yes	Yes	No	No	Yes	No	No	No
Exclude pensions not affected by BP earnings?	No	Yes	Yes	Yes	No	No	Yes	No	Yes	No-d
Full UI benefit when severance is paid?	Yes	Yes	No	Yes	No	No	No	No	Yes	No
3. Refusal of Suitable work										
Definition of Suitable	Several factors-e	Ee reasonably fitted by training and exp.	4 elements-f	4 elements-f	4 elements-f	60% of preceding wage	7 part definition	80% of previous wages	4 elements-f	Not in statute, case by case determination
Penalty	Duration	Week + 7 Wks	Duration	1-9 Weeks	Duration	Duration	Duration	Duration	Duration	Duration
4. Reliance on eligibility reviews (ERPs)										
Frequency of reviews	Pilot, 2 of 7 one stops	Infrequent	Infrequent	Mostly discontinued	Every 4 weeks	In 8th week	4th or 8th week	6th week if profiled, 10th week if not profiled	When half of entitlement has been paid	Infrequent
ERP per Claimant Contact, 1998 (ETA-5159 data, U.S. = 0.020)	0.011-g	0.000	0.000	0.000	0.056	0.074	0.072	0.002	0.040	0.004
Denials per Rep. Req. Det., 1998 (ETA-207 data, U.S. = 0.623)	0.871	0.501	0.393	0.522	0.838	0.930	0.917	0.922	0.991	0.931
Penalty for failure to appear	1 week denial	1 week denial	1 week denial for first failure	1 week denial	1 week denial for first failure	Indefinite denial	Indefinite denial	Indefinite denial	Indefinite denial	1 week denial for first failure
5. Profiling										
Method of selecting potential exhaustees	Characteristics	Declining industries	Model	Model	Model	National model (done by ES)	Model	Model	Model	Model
Profiling frequency, determinations per new spell of unemp., 1998 (ETA-207 data U.S. = 0.0043)	0.0001	0.0049	0.0026	0.0176	0.0001	0.0092	0.0033	0.0019	0.0181	0.0009
Panel B. Appeals										
6. Frequency (ETA-5130 data, 1998)										
Lower authority - Claimant, All issues (U.S. = 0.160)	0.246	0.160	0.094	0.159	0.161	0.152	0.093	0.159	0.150	0.132
Lower authority - Employer, All issues (U.S. = 0.074)	0.046	0.073	0.056	0.029	0.141	0.145	0.042	0.155	0.128	0.122
7. Time limits for filing appeals (Comparison of UI Laws, Table 502)	15 days - lower 10 days upper	10 days - lower 30 days - upper	14 days - lower 21 days - upper	20 days	10 days	15 days	14 days	20 days - lower 15 days - upper	10 days	30 days
8. Who pays lawyers' fees	Sometimes agency for claimant	Claimant	Claimant	Claimant	Claimant	Claimant	NH Emp Comm-h	Claimant	Claimant	Claimant
Panel C. Surveys of Claimants?										
9. Claimant satisfaction surveys?	No	Yes, when telephone claims initiated	Yes	Yes-i	Yes, ES Division	Yes-j	Yes - but only in reference to profiling	Yes-on occasion	Yes - mid 1990s, one is planned	Yes - mid 1990s
10. Regular survey of claimants?	No	No	Yes	No, but future plans	No	No	No	No	No	No

a - Full-time unless always worked part-time in the past

b - Availability in line with prior work experience

c - Most states (all but three) reduce UI benefits when pensions are received from base period employer.

d - Virginia also reduces UI benefits when pensions are received from non-base-period employers

e - Distance from home, working conditions, wages and working conditions not substantially less favorable than prevailing

f - Four components: 1 - wages, 2 - commuting distance, 3 - shift offered, 4 - occupation

g - Data for 1997

h - Two NHES claims representatives advise and represent claimants

i - Surveys in 1998 and 1999 linked to BAM, surveys linked to telephone claims

j - One survey of satisfaction with telephone claims

financed share of a pension payment, not deducting pensions from other-than base period employers and payment of full benefits when severance pay is received. Each “Yes” entry indicates the payment of UI is not reduced in the indicated situations. For the four high reciprocity states, ten of the twelve cells have “Yes” entries. In contrast, only four of fifteen cells have “Yes” entries for the five low reciprocity states. Deductions from UI benefits in these three situations are much more likely in the low reciprocity states than in high reciprocity states.

Over the past three decades, disqualifications for refusing suitable work have been declining for nearly all UI programs. A variety of definitions of “suitable” are used by the states. In line 3 note that the most common situation involves consideration of four factors: the level of wages, commuting distance, the shift offered and occupation of the offer. If the wage of the job offered is below the wage of the past job, the refusal of such a job is not disqualifying in most states. In Louisiana and Indiana respectively, however, an offer is deemed suitable when the level of pay is 60 percent and 80 percent of the previous wage. In Virginia, case by case determinations of suitability are made.

Usually a refusal of suitable work is disqualifying for the duration of the current unemployment spell. Of the ten states, only Massachusetts and California have penalties of shorter duration.

Visits to individual states encountered a wide range of reliance on eligibility reviews for determining continuing eligibility. Massachusetts, Wisconsin and California indicated that they have largely or completely stopped relying on eligibility reviews. At the opposite extreme, North Carolina and New Hampshire both indicated that eligibility reviews were so important to the integrity of the claims process that they provide supplemental administrative funding for eligibility reviews. Reviews take place at set intervals, e.g., every 4 or 8 weeks, while a claimant is receiving benefits. These two states are characterized by short durations in benefit status.⁸⁰

Line 4 of Table VI-5 summarizes the guidelines as to when reviews are to take place and provides some quantitative data on their frequency. Across the U.S. in 1998, eligibility reviews occurred with a frequency of about one week for every fifty weeks claimed (a rate of 0.020

⁸⁰ In 1999 average benefit duration was 14.5 weeks nationwide, but it was 9.6 weeks in New Hampshire and 10.0 weeks in North Carolina.

nationwide). Note the higher rates in North Carolina, Louisiana, New Hampshire and Oklahoma. In contrast, rates were zero or very close to zero in Rhode Island, Massachusetts, Wisconsin, California, Indiana and Virginia.

Two other patterns of note are the contrasts in denial rates (denials per determination) and denial penalties. For all five low reciprocity rate states the denial rates related to reporting requirement determinations exceeded 0.90 in 1998. In contrast, three of four high reciprocity states had denial rates in the 0.39-0.52 range. Note also the contrasts in the denial penalties for failure to appear. In states with low reciprocity it is much more likely to be an indefinite denial rather than a one week denial. On average, eligibility reviews and reporting requirements have more “teeth” in the five low reciprocity states than in the four high reciprocity states included in Table VI-5.

Line 5 in the Table VI-5 focuses on “profiling” in the states. All states are required to follow a procedure to identify the claimants most likely to exhaust their benefit entitlements. Profiling is applied to all except for a few exempt categories, e.g., claimants on temporary layoff. Claimants identified as likely exhaustees are scheduled for group meetings, and, depending upon local availability, may receive specific reemployment services. The group sessions and services may help to shorten benefit duration. Most states use a statistical model to identify likely exhaustees. Rhode Island and Massachusetts are the two exceptional states among these ten.

Those identified as likely exhaustees do not always follow recommended procedures and may be subject to sanctions. However, the frequency of profiling determinations among these states appears generally low in 1998. The national average was 0.0043 determinations per new spell of unemployment. Among the ten states in Table VI-5, the determination rate exceeded 0.01 in just two, California and Oklahoma. Louisiana was a third state where the determination rate was close to 0.01. The other seven states had determination rates below 0.005. These low determination rates stand in apparent contrast to supportive comments made in some states about the importance and usefulness of profiling. The low rates merit some added explanation.

The frequency of profiling is high in all states, and this is shown in other reported data.⁸¹

⁸¹ There is an explicit ETA report on profiling, the ETA 9048 report.

However, the aspect of profiling that typically appears in nonmonetary determination reports is explicit refusals by claimants to report to profiling sessions. If someone simply does not appear at a profiling session, this no-show may prompt follow-up by the state. At that point the no-show may be classified as a reporting issue in state reports on nonmonetary determinations. Thus determinations and sanctions associated with failure to participate in profiling activities may be classified as “reporting” issues not as “profiling” issues. This probably explains the low reported rates of nonmonetary determinations related to profiling shown in line 5.

Varying opinions regarding the usefulness of profiling were offered by the states. Some supported profiling as useful both to administrators and to claimants. However, concerns were expressed that effective services could not be provided to many identified as likely exhaustees. The site visits also found that no-show rates at profiling sessions varied widely across states.

Panel B of Table VI-5 addresses appeals. The project held lengthy conversations about appeals in some states (Virginia, Wisconsin, Indiana and Louisiana) while in others appeals received only cursory attention (Massachusetts, North Carolina, New Hampshire and Oklahoma). This uneven treatment of appeals reflects a judgement made early in the project that state-level measures of UI benefit reciprocity are not linked to appeals volume and/or procedures in an important way. Appeals of individual cases may provide redress for one party when it disagrees with an agency decision, but in the aggregate they largely net out as a determinant of weeks compensated. This judgement was corroborated during interviews in more than one state.

One pattern in appeals is apparent in line 6 of the table. Rates of appeals by employers are generally high in states with low reciprocity. Nationally, the rate of employer appeals (all issues) per nonmonetary determination was 0.074 in 1998. For four of the five low reciprocity states, the rates of appeals ranged from 0.122 to 0.155. In contrast, for three of the four high reciprocity states, rates of appeals were substantially below the national average. No similar patterns are apparent in the rates of appeals by claimants. The simple averages of the employer rates of appeals were 0.051 in the four high reciprocity states and 0.118 in the five low reciprocity states.

Employers appeal when agency decisions rule in favor of claimants regarding a disagreement over eligibility. It seems that a greater willingness of employers to dispute agency determinations is associated with low reciprocity.

Conversations with UI agency staff regarding employer appeals encountered one common suggestion. In Massachusetts, Wisconsin and California there were comments that the burden of proof on employers is sufficiently high that it deters employers from pursuing appeals. Low rates of appeals do not necessarily reflect employer satisfaction with decisions in areas such as misconduct but rather the difficulty of prevailing on misconduct issues. In at least one state, Wisconsin, there is active legislative interest in changing the approach to appeals, and during the year 2000 a working group had started to examine the issue.

When claimants' prevail in an appeal and have representation, they typically pay the lawyer with money from their own resources. Alternative arrangements were encountered in two states. In Rhode Island the UI agency will pay claimant legal fees in some instances, and in New Hampshire the agency will provide representation of claimants in some cases.

In certain areas, information about appeals could be improved. Two areas come immediately to mind. First, we heard several comments that employers were much more likely to be represented at appeals hearings than workers. However, no data on rates of representation were available from any of the states. A study of appeals in Wisconsin in 1994 found that employers appealed in about 8 percent of cases and that employers were more likely to have representation than claimants at appeals.⁸² Having more recent information on representation at hearings from several states would be useful. Second, the current reporting system (monthly ETA-5130 reports) does not show appeals by issue and by moving party. Thus one cannot determine from these data the number of employer appeals that follow an award on a misconduct case. Data are reported by moving party and by issue but are not cross-classified. Three states provided tabulations on the moving party and issue for lower appeals on separation issues: Massachusetts, New Hampshire and Rhode Island. In these states, employers were more likely to appeal awards in misconduct cases in New Hampshire than in Massachusetts and Rhode Island.

To improve understanding of the causes for differences among states in UI benefit reciprocity, pursuing research into appeals may not be a high priority area. This reflects a judgement about the netting out in weeks compensated that occurs when both employers and

⁸² An analysis of appeals in Wisconsin was conducted under the auspices of the Advisory Council on Unemployment Compensation. See Ashenfelter and Levine (1996).

claimants file appeals and both win a measurable proportion of cases.

Paying benefits to unemployed workers is a principal purpose of UI. In each site visit, we asked questions about claimant satisfaction surveys. Lines 9 and 10 summarize aspects of state responses. Nearly all states (nine of ten) reported past use of claimant satisfaction surveys. However, Wisconsin was unique among these ten states in having an ongoing survey of claimants. It surveys 500 claimants each quarter asking questions about filing by phone and comparing current procedures with earlier in-person filing. The other states have conducted ad-hoc surveys at some point (or points) in the past. Often surveys were mounted following the changeover to telephone claims filing.

It appears these states could make greater use of surveys to improve services to clients. Surveys could lead to improvements in existing services and could identify areas where new services are needed.

Summary

Site visits to states revealed a number of contrasts among the states. In several areas the contrasts between high reciprocity states and low reciprocity states were in the expected direction, i.e., procedures and requirements were less claimant friendly in low reciprocity states.

Seven specific examples identified in this chapter that illustrate contrasts among the states were the following. 1) High reciprocity states have made much more accommodation to non-English speakers in filing for UI benefits. 2) Requirements for monetary eligibility are generally easier to satisfy in high reciprocity states. This encompasses lower monetary thresholds (measured relative to the average weekly wage), the absence of added monetary requirements, having alternative earnings requirements and offering an ABP and STC. The differences in monetary requirements can be summarized with average monetary eligibility proportions. In line 6 of Table VI-4 these proportions averaged 0.90 in the four high reciprocity states but only 0.81 in the five low reciprocity states. 3) Rates of adjudication on separation issues, both quits and misconduct, are generally lower in states with high reciprocity. 4) Quits are more likely to be compensated in high reciprocity states. 5) Disqualifying and deductible income denials are less likely in high reciprocity states. 6) Eligibility reviews generally occur less frequently in high reciprocity states

while penalties for failure to meet reporting requirements have more teeth in low reciprocity states.

7) Rates of employer appeals of nonmonetary determinations are much lower in high reciprocity states, less than half the rate of appeals in low reciprocity states.

Perhaps the most important finding of the site visits is that many contrasts were encountered and that several are plausibly linked to interstate differences in UI reciprocity. The previous paragraph highlights the most important of these contrasts.

This chapter did not try to assess the quantitative importance of the differences that were encountered. However, some variables highly significant in the regression analysis of Chapter V reflect contrasts in administrative outcomes studied in this chapter. Recall that monetary eligibility rates and misconduct determination rates were both highly significant determinants of the FPNIC ratio and that the misconduct determination rate was also significantly linked to the application rate, i.e., higher determination rates reduce the ICNU ratio.

Direct regression analysis of monetary eligibility and separation determination rates (both voluntary quits and misconduct) is undertaken in the next chapter. One purpose of that analysis is to examine the similarity across states in monetary and nonmonetary administrative outcomes.

This chapter noted several areas where information about administrative procedures could be improved. These will not be reviewed here but rather reserved for a section of the final chapter which discusses useful areas for new data collection and added research.

Chapter VII. Regression Analysis of Three UI Administrative Variables

Chapter VI examined several aspects of UI program administration utilizing data gathered from site visits as well as information from state reporting on administrative activities. Attention was focused on a sample of states selected from the high and low ends of the overall reciprocity distribution. Site visits were conducted in five states with low WBTU ratios and three with high WBTU ratios.

This chapter is also concerned with UI administrative activities. Three administrative variables are the center of attention: 1) monetary eligibility proportions, 2) determination rates for voluntary quits and 3) determination rates for misconduct. All three variables entered the regression analysis of Chapter V as explanatory variables included in regressions to explain the accounting identity ratios from expression (3) of Chapter III. Here, the three are dependent variables, and the reasons for their interstate variation are examined.

The scope of this chapter is deliberately limited. Several other UI program variables introduced in earlier chapters could also be examined, e.g., nonseparation determination rates and denial rates for both separation and nonseparation issues. However, the three selected reflect major administrative decisions central to the initial receipt of UI benefits. The monetary eligibility rate and the misconduct determination rate were important determinants of the first payment ratio (FPNIC), and the misconduct determination rate was also a significant determinant of both the application rate (ICNU) and the repeat application rate (NICIC). Because these variables have an important effect on reciprocity, it is logical to investigate factors that cause them to vary across states.

The approach of this chapter is similar to that of Chapter V in that all states are included in a multiple regression analysis. The explanatory variables of interest reflect the operation of macro-labor market forces and aspects of UI statutes and administration.

One objective here is to determine how much of the variation in the three administrative variables could be explained. A second objective, closely linked to the larger concerns of the project, was to test for interstate differences in administrative stringency. Chapter VI found

several important differences between high reciprocity and low reciprocity states in administrative procedures and outcomes. In a later section, this chapter examines the unexplained elements of the three administrative variables to compare patterns. If a state makes it relatively difficult to collect UI benefits, a specific pattern of unexplained residuals would be expected, e.g., overprediction of monetary eligibility rates but underprediction of both misconduct and voluntary quit determination rates.

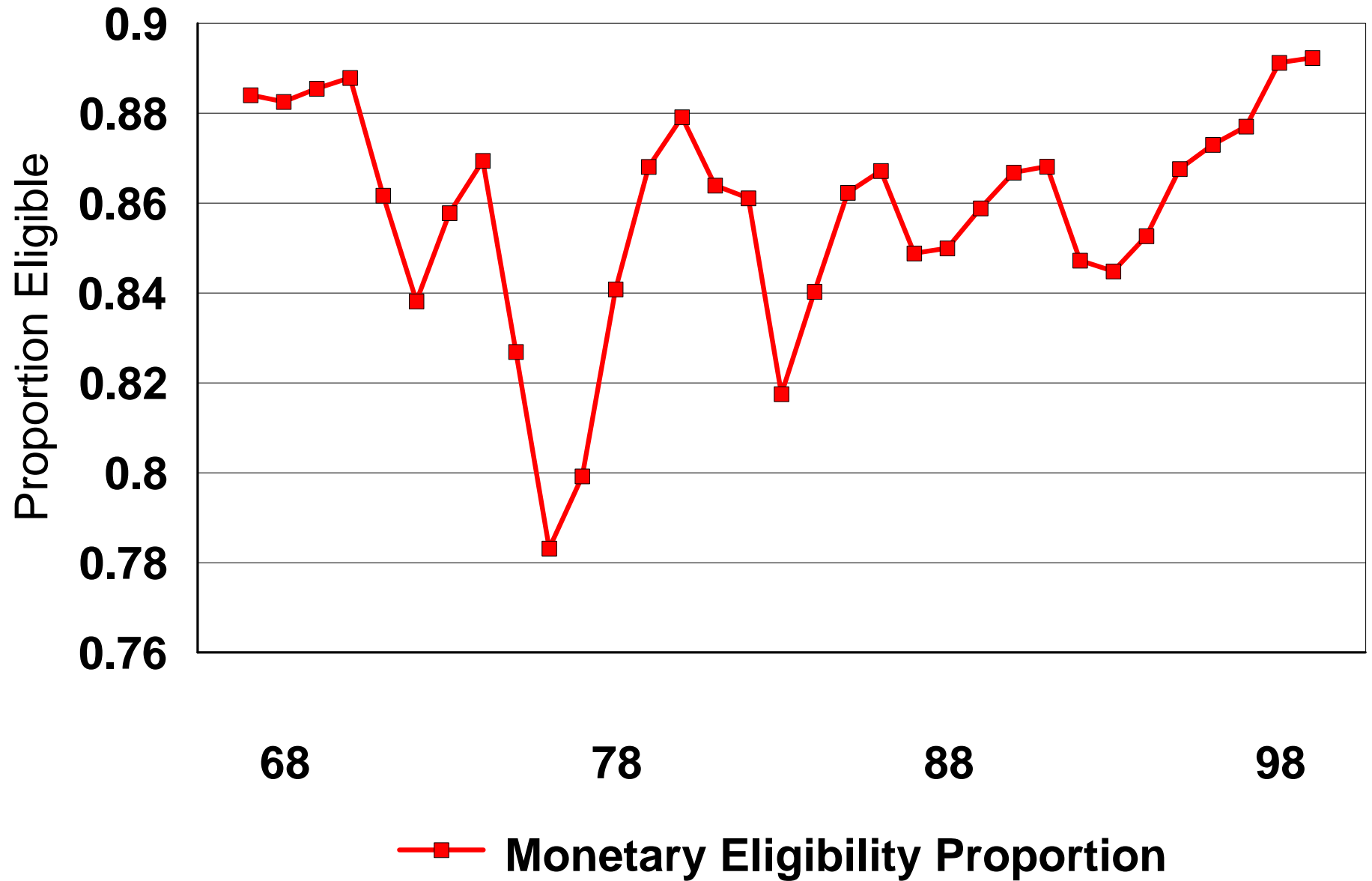
The chapter reaches three principal conclusions. 1) The regressions do explain a significant share of the variation in all three UI administrative variables. The R^2 s fall into the range from 0.20 to 0.40, and several highly significant explanatory variables were identified. 2) Some systematic patterns in average residuals by state were found to lend support to the idea of administrative stringency (or its opposite) being especially noticeable in some states. One noteworthy pattern was found: states with unexpectedly high rates of misconduct determinations tended to have unexpectedly high rates of voluntary quit determinations. 3) Two measures of administrative stringency demonstrate a measurable association with benefit reciprocity. Positive average residuals (underpredictions) from voluntary quit and misconduct determination rate regressions were found in several states with low UI benefit reciprocity, i.e., low WBTU ratios.

The sequencing of the analysis in the chapter follows the sequencing of administrative determinations made in an application for UI benefits. Monetary determinations are examined first and then separation nonmonetary determinations are studied, both voluntary quits and misconduct. Then in the last section, the results from the regressions are tied back to measures of overall UI benefit reciprocity.

Monetary Eligibility Rates

Monetary eligibility data by state are available for more than forty years. The proportion monetarily eligible in national data is displayed in Chart VII-1 for the 33 years 1967 to 1999. The most striking feature of this chart is the decrease in monetary eligibility during 1975-1977. These were years of the Supplemental Unemployment Assistance (SUA) program, a program that paid benefits to persons not eligible under the regular UI program. To be eligible for SUA benefits, the claimant had first to file for regular UI and be deemed ineligible. Monetary determinations

Chart VII-1. Monetary Eligibility, 1967 to 1999



for these three years thus reflect a large volume of denials among claimants who normally would not have applied for regular UI benefits.

The regression analysis of monetary eligibility utilized two macro-labor market variables. The state level unemployment rate (TUR) as measured in the CPS entered as a cyclical indicator. It is known that monetary eligibility declines at some point after the onset of a recession because unemployed workers experience reduced base period earnings. Thus the TUR in the regressions was lagged one year. Unionization was included as a second labor market variable.

Several UI variables entered the regression specifications. Most of these were introduced previously in Chapter VI in the discussion related to Table VI-4. 1) The effect of the base period earnings requirement, measured as a ratio to the state's average weekly wage, was tested. A higher requirement would be expected to reduce monetary eligibility. 2) Dummy variables were included to test for three special features of monetary eligibility in the states. The first was the presence of added earnings requirements, such as the minimum earnings threshold for the final two quarters of the base period required in Indiana. 3) The second was the presence of an alternative monetary eligibility requirement if a claimant was found ineligible under the standard monetary eligibility requirement. In Table VI-4 it was noted that among the site visit states, California and Oklahoma both had alternative earnings requirements. 4) A dummy variable for the presence of an alternative base period (ABP) was tested. Having an alternative earnings requirement or an ABP would be expected to increase the monetary eligibility proportion.

Three time-specific dummies were tested. The first was a dummy for the 1975-1977 period to capture effects of the SUA program on monetary eligibility. Dummies for years from 1981 and years from 1990 were also included to test for changes in monetary eligibility during the past two decades. Finally, dummies for census bureau divisions were also included.

Table VII-1 displays six regressions, three for the 1967-1999 period and three for the 1971-1999 period. The shorter estimation period starting in 1971 was selected due to a data availability constraint for nonmonetary determinations. Regressions (4)-(6) have the same estimation period as the nonmonetary determination rate regressions to be examined later. The results for the two time periods in Table VII-1 were very similar.

The TUR and the unionization rate entered all regressions with highly significant

Table VII-1. Factors Related to Monetary Eligibility Rates

	(1)	(2)	(3)	(4)	(5)	(6)
Constant	0.845 (109.7)	0.835 (104.7)	0.860 (77.9)	0.854 (100.8)	0.842 (95.6)	0.858 (70.0)
TUR Lagged	-1.137 (13.4)	-1.026 (11.7)	-0.976 (10.4)	-1.118 (12.0)	-0.998 (10.4)	-0.968 (9.3)
Unionization	0.336 (14.3)	0.351 (14.9)	0.310 (9.0)	0.323 (12.1)	0.340 (12.7)	0.316 (8.1)
Weeks for Minimum Benefits-a	-0.0070 (6.6)	-0.0065 (6.2)	-0.0069 (6.6)	-0.0079 (6.9)	-0.0075 (6.5)	-0.0078 (6.7)
Added Earnings Requirement Dummy-a	-0.0055 (1.1)	-0.0059 (1.2)	-0.0057 (1.1)	-0.0070 (1.3)	-0.0076 (1.4)	-0.0062 (1.1)
Alternative Earnings Requirement Dummy-a	0.0172 (3.7)	0.0147 (3.1)	0.0133 (2.6)	0.0168 (3.4)	0.0139 (2.8)	0.0126 (2.3)
Alternative Base Period (ABP) Dummy-a	0.0293 (3.2)	0.0201 (2.2)	0.0120 (1.3)	0.0308 (3.3)	0.0215 (2.3)	0.0172 (1.8)
Dummy Variable, 1975-1977 = 1	-0.020 (3.1)	-0.021 (3.4)	-0.023 (3.7)	-0.023 (3.5)	-0.025 (3.7)	-0.025 (3.8)
Dummy Variable, 1981 and Later Years = 1	0.058 (13.0)	0.047 (9.3)	0.044 (8.2)	0.054 (11.2)	0.044 (8.2)	0.042 (7.6)
Dummy Variable, 1990 and Later Years = 1		0.022 (4.6)	0.022 (4.7)		0.022 (4.5)	0.022 (4.5)
Div 2 - Mid-Atlantic			-0.002 (0.3)			0.001 (0.1)
Div 3 - East North Central			-0.002 (0.2)			0.003 (0.4)
Div 4 - West North Central			-0.029 (4.4)			-0.024 (3.3)
Div 5 - South Atlantic			-0.017 (2.6)			-0.011 (1.5)
Div 6 - East South Central			-0.026 (3.4)			-0.018 (2.2)
Div 7 - West South Central			-0.037 (4.5)			-0.027 (3.1)
Div 8 - Mountain			-0.005 (0.8)			0.005 (0.7)
Div 9 - Pacific			-0.033 (4.3)			-0.030 (3.6)
Adjusted R2	0.239	0.248	0.273	0.236	0.246	0.269
Standard Error	0.067	0.066	0.065	0.068	0.067	0.066
Mean Dep. Variable	0.852	0.852	0.852	0.851	0.851	0.851
Time Period	1967-99	1967-99	1967-99	1971-99	1971-99	1971-99
Sample Size	1683	1683	1683	1479	1479	1479

Source: Monetary determinations as reported in ETA-218 data. a - Variables in Table VI-4 of Chapter VI.

coefficients. Higher unemployment rates significantly reduced monetary eligibility⁸³ while higher unionization had consistently positive effects. The size of the coefficients for unionization is somewhat surprising. While union members are generally high wage workers compared to many others among the unemployed, the implied differential in monetary eligibility rates between high and low unionization states exceeds 0.05.⁸⁴ This seems to be a large effect.

Of the UI monetary requirements variables, the greatest significance was added by the base period weeks-for-minimum-benefits variable. Its negative coefficients and its t ratios are remarkably stable across the six regressions, with the t ratios ranging from 6.2 to 6.9. The other three monetary variables enter with expected signs but they exhibit more modest significance levels. All six coefficients for added earnings requirements are negative while all six are positive for both alternative earnings requirements and for the alternative base period (ABP). Ten of twelve t ratios for the latter two variables exceed 2.0 and five exceed 3.0.

The time dummies all make significant contributions. The 1975-1977 dummy enters with a negative coefficient as expected. The 1981 and 1990 time dummies both enter positively suggesting that monetary eligibility has been increasing in recent years. Of the two, the 1981 dummy makes the more significant contribution in all four equations where both are included.

The dummy variables for the census bureau divisions are often significant in equations (3) and (6). Since New England is the omitted division, the coefficients show the deviations in monetary eligibility proportions in the other divisions from the average proportion in New England. Five divisional dummies are significant in equation (3) and four are significant in equation (6). Compared to the states in New England, monetary eligibility is systematically lower in four divisions: the West North Central, East South Central, West South Central and Pacific. Formal F tests showed the divisional dummies as a group made a significant contribution to

⁸³ Specifications were tested that included the TUR for the current year as well as the TUR lagged. In all regressions the current year TUR entered with a negative coefficient which was much smaller and less significant than for the TUR lagged.

⁸⁴ The average unionization rate in the top 13 states during 1971-1999 was 0.267 compared to an average of 0.099 in the lowest 13. Multiplying this differential of 0.168 times the coefficient of 0.313 in equation (6) yields an estimated effect of 0.053.

explained variation in both equations.⁸⁵

Overall, the regressions yielded several significant findings and the variables entered with expected signs. Note that the regressions explained from 23 to 27 percent of the variation in the monetary eligibility proportion even with the inclusion of dummy variables for census divisions. These R^2 's are somewhat lower than the R^2 's for most regressions fitted in Chapter V.

Separation Determinations

As recorded in ETA-207 reports, voluntary quits and misconduct account for nearly all separation nonmonetary determinations. Given the contrasting findings of Chapter V regarding their differential significance in explaining reciprocity (misconduct had consistently higher significance), they were examined separately. Data on determination rates for both (determinations as a proportion of new UI spells) are first available in 1971. This availability dictated the starting year for the analysis of both types of determinations.

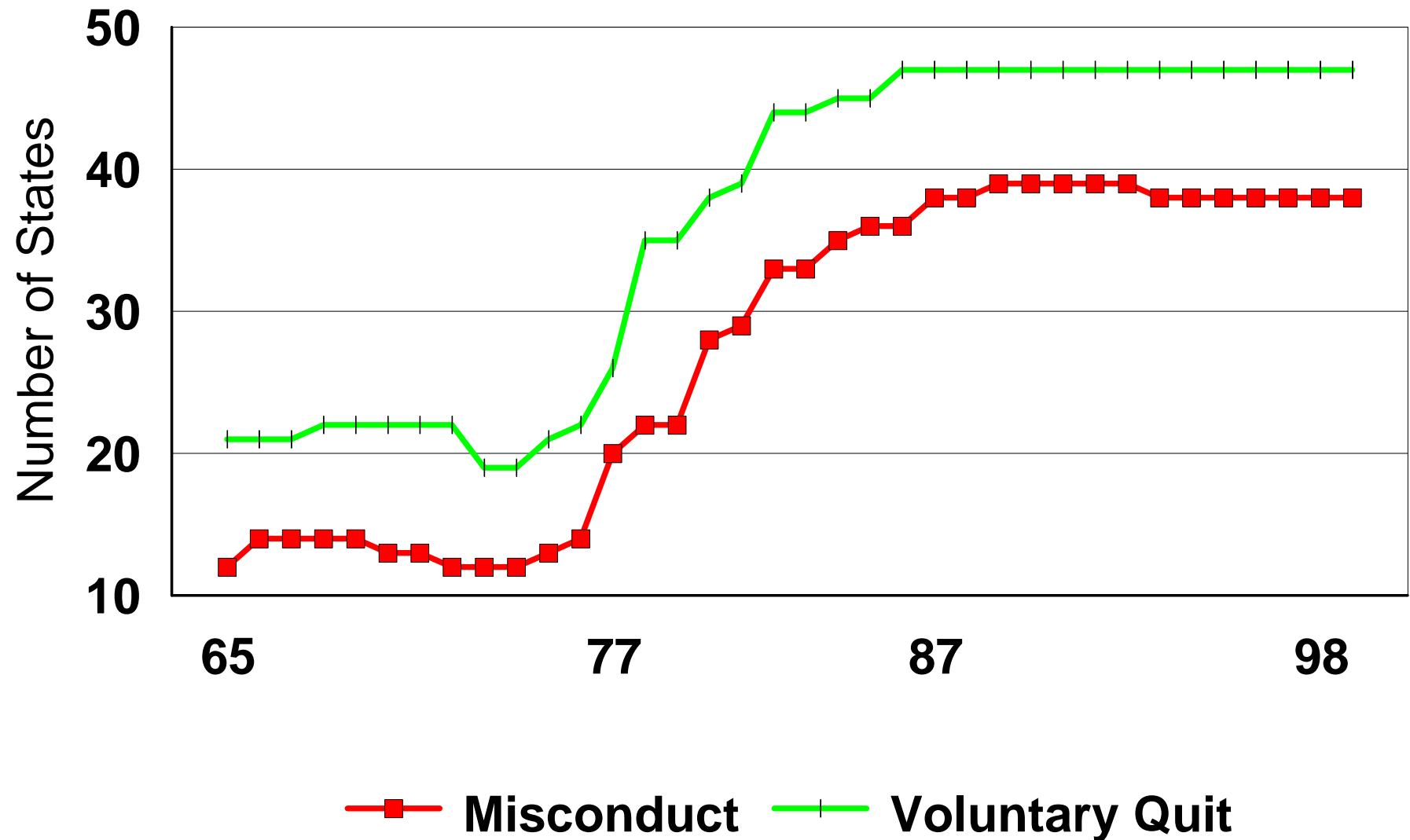
Over the past three decades the penalties for nonmonetary determinations on separation issues have become more severe. Nearly all states now impose a durational penalty for a voluntary quit denial. About three-quarters of the states also impose durational penalty for misconduct denials. The claimant is disqualified for the entire current spell of unemployment in these situations.

Chart VII-2 summarizes the evolution of durational penalties since 1965. Across 51 UI programs (the 50 states plus the District of Columbia), the voluntary quit penalty in 1999 was for the duration of the unemployment spell in 47 programs. Note the increases from 1965 when only 21 states imposed a durational penalties for voluntary quits. Over the same period this penalty for misconduct denials increased in prevalence from 12 states to 38 states. Note that most of the increase took place between 1976 and 1985.

The time series patterns for the two durational penalties are similar. Essentially there was a period of stability until 1975 and stability again prevailed from the late 1980s. However, between 1975 and 1986-1987 there was a sharp increase in their prevalence. This interval

⁸⁵ The calculated F ratios were 7.97 and 6.69 for equations (3) and (6) respectively. The F required for significance at the .01 level was 2.53.

Chart VII-2. States with Durational Penalties 1965 to 1999



coincides with two periods when UI financing problems were experienced by the majority of the states. There undoubtedly was a link between the financing problems and the adoption of durational penalties by many individual states.

Table VII-2 displays eight regressions that explain variation in the two nonmonetary determination rates. The sequencing of both sets of regressions is identical. The 1990 dummy is added in equations (2) and (6) and census division dummies enter the last two of each set of four equations. The specifications all have two macro-labor market variables, the unemployment rate (TUR) and the unionization rate.

The effects of three UI statutory provisions are tested in Table VII-2. 1) Durational penalties for the two types of determinations enter as dummy variables (= 1 when the denial is for the duration of the spell). 2) States that compensate quits only for job-related reasons are identified with 0-1 dummies. This number increased from 24 states in 1965 to 37 since 1987. If quits for a broader range of reasons are allowed, it would be expected to increase the rate of quit determinations. Thus a negative coefficient is expected. 3) The states with two levels of misconduct (regular and aggravated or gross misconduct) are identified with 0-1 dummy variables. Having two levels makes it more likely that issues of regular misconduct will be raised, thus increasing the misconduct determination rate.

As in Table VII-1, the regressions in Table VII-2 include time dummies. The 1981 dummy and the 1990 dummy equal zero before these years, and then one from these years forward. Dummies for the census bureau divisions are also included.

The macro-labor market variables enter these regressions in a consistent manner and at high levels of statistical significance. The unemployment rate has much larger coefficients in explaining the voluntary quit determination rate than the misconduct determination rate. Both variables have uniformly significant coefficients, and 12 of 16 have t ratios above 5.0. Higher rates of unionization consistently lower separation determination rates.

Durational penalties are uniformly significant in all equations. For both types of separation issues, the determination rate is lower when denials are for the duration of unemployment. However, the coefficients in the voluntary quit regressions are roughly six to eight times larger than in the misconduct regressions. The t ratios in the voluntary quit

Table VII-2. Determination Rates for Voluntary Quits and Misconduct.

	Vol Quit (1)	Vol Quit (2)	Vol Quit (3)	Vol Quit (4)	Miscond. (5)	Miscond. (6)	Miscond. (7)	Miscond. (8)
Constant	0.282 (31.6)	0.282 (30.7)	0.238 (20.7)	0.235 (19.7)	0.169 (31.8)	0.166 (30.1)	0.121 (17.7)	0.114 (16.0)
TUR	-1.017 (10.4)	-1.015 (10.0)	-0.795 (7.9)	-0.766 (7.3)	-0.411 (6.5)	-0.371 (5.6)	-0.531 (8.4)	-0.469 (7.2)
Unionization	-0.158 (5.4)	-0.158 (5.4)	-0.145 (3.6)	-0.138 (3.4)	-0.246 (13.1)	-0.241 (12.8)	-0.121 (4.8)	-0.104 (4.0)
Durational Penalty	-0.090 (17.5)	-0.090 (17.5)	-0.080 (15.9)	-0.080 (15.9)	-0.012 (4.2)	-0.012 (4.3)	-0.013 (4.9)	-0.013 (5.0)
Quits Allowed Only for Job-Related Reasons	0.003 (0.8)	0.003 (0.8)	0.002 (0.3)	0.001 (0.3)				
Gross Misconduct Disqualifications					0.004 (1.6)	0.004 (1.5)	0.003 (1.3)	0.003 (1.0)
Dummy Variable, 1981 Later Years = 1	-0.017 (3.4)	-0.017 (3.1)	-0.020 (3.9)	-0.022 (4.0)	0.005 (1.5)	0.001 (0.4)	0.014 (4.4)	0.010 (2.9)
Dummy Variable, 1990 Later Years = 1		0.000 (0.1)		0.005 (1.0)		0.008 (2.3)		0.011 (3.5)
Div 2 - Mid-Atlantic			0.005 (0.5)	0.004 (0.4)			0.006 (1.0)	0.004 (0.7)
Div 3 - East North Central			0.023 (2.8)	0.022 (2.7)			0.024 (4.5)	0.022 (4.2)
Div 4 - West North Central			0.062 (8.4)	0.062 (8.4)			0.032 (7.0)	0.034 (7.3)
Div 5 - South Atlantic			-0.012 (1.6)	-0.012 (1.6)			0.033 (7.3)	0.033 (7.4)
Div 6 - East South Central			-0.007 (0.8)	-0.007 (0.8)			0.001 (0.1)	-0.001 (0.1)
Div 7 - West South Central			0.052 (5.8)	0.053 (5.8)			0.088 (15.7)	0.089 (15.9)
Div 8 - Mountain			0.054 (7.4)	0.054 (7.4)			0.041 (9.4)	0.042 (9.5)
Div 9 - Pacific			0.021 (2.3)	0.020 (2.2)			0.024 (4.6)	0.021 (4.1)
Adjusted R2	0.290	0.290	0.382	0.383	0.202	0.204	0.350	0.355
Standard Error	0.075	0.075	0.070	0.070	0.048	0.048	0.043	0.043
Mean Dep. Variable	0.113	0.113	0.113	0.113	0.098	0.098	0.098	0.098
Time Period	1971-99	1971-99	1971-99	1971-99	1971-99	1971-99	1971-99	1971-99
Sample Size	1479	1479	1479	1479	1479	1479	1479	1479

Source: Determinations reported in ETA-207 data. Determination rate measured as determinations per new spell of unemployment.

regressions are some three to four times larger than in the misconduct regressions. Durational denials have a larger effect in reducing determinations when the issue is a voluntary quit. This finding suggests a negative effect on UI application rates among job leavers.

The effects of quits for only job-related reasons is uniformly insignificant. The presence of gross misconduct penalties has marginal significance. The largest of the eight t ratios for these two variables is only 1.6.

There are also different time patterns of change in the determination rates for the two separation issues. For voluntary quits, there is a decline in the determination rate after 1981 but no additional change in 1990. For misconduct, there seems to be a secular increase in the determination rate. The coefficients for the 1981 dummy and the 1990 dummy are both positive and significant in equation (8).

Addition of divisional dummies improves the fits for both types of determinations. For voluntary quits, the adjusted R^2 increases from 0.290 in equation (2) to 0.383 in equation (4), or by about one third. Compared to New England, determination rates on voluntary quits are especially high in three divisions: West North Central, West South Central and Mountain. These three sets of divisional dummy coefficients are about half the size of the overall mean of 0.113.

An even larger increase in explained variation is realized when divisional dummies are added in the misconduct equations. The adjusted R^2 s increase by about 75 percent (from 0.204 in (6) to 0.355 in (8)). Note the particularly large dummy for the West South Central division. There are also large and highly significant dummies for three other divisions: West North Central, South Atlantic and Mountain.⁸⁶ Compared to their effects in the monetary eligibility equations of Table VII-1, the regional dummies in Table VII-2 have larger effects on explained variation in both the voluntary quit and the misconduct equations.

The regressions summarized in Tables VII-1 and VII-2 revealed several important factors linked to interstate differences in monetary eligibility rates, voluntary quit determination rates and misconduct determination rates. State-level unemployment rates and unionization both had strong and statistically significant effects on these administrative measures. High unemployment reduces

⁸⁶ F tests for addition of the census division dummies had the following results. The calculated F were 28.57 between equations (2) and (4) and 43.95 between equations (6) and (8).

monetary eligibility rates and it also lowers separation determination rates, particularly for voluntary quits. High unionization increases monetary eligibility while it reduces both types of separation determination rates. The exact mechanism linking high unionization to lower determination rates was not identified. Union influence may well operate to lower the presumptive bar a claimant must meet in cases of voluntary quits and to raise the presumptive bar that employers must meet to establish misconduct.

Several UI statutory provisions were also found to be important. Monetary eligibility proportions are higher when base period earnings requirements are lower and when there are alternative earnings requirements and an ABP in a state. Voluntary quit and misconduct determination rates are lower when durational penalties are present. Their effect on voluntary quit determinations was especially large.

The regressions also found evidence of time-dependent effects. The post-1981 and post-1990 dummy variables were both significant in the monetary eligibility regressions, both showing increases in the monetary eligibility proportions. In contrast, voluntary quit determination rates decreased after 1981. There was also evidence of increases in misconduct determination rates after 1981 and after 1990.

Finally, strong regional contrasts in administrative determination rates were found. Dummy variables for the census divisions made significant contributions to explained variation. However, the regional contrasts were much more muted for monetary determinations (Table VII-1) than for separation determinations (Table VII-2). Addition of regional dummies raised the adjusted R^2 s in Table VII-1 by about 10 percent. The increments to the adjusted R^2 s in Table VII-2 were roughly 30 percent for the voluntary quit determination rates and 75 percent for the misconduct determination rates. Of the three types of administrative determinations examined here, regional contrasts in misconduct determination rates are by far the largest.

The findings in Tables VII-1 and VII-2 show that several factors can be identified that cause interstate differences in monetary eligibility proportions and separation determination rates. Statutory factors play an important role in this interstate variation. Additional analysis of these and other UI administrative outcomes would seem to be warranted. Given the important effects of misconduct determination rates on UI reciprocity (Recall Tables V-1, V-2 and V-3), developing a

better understanding of the factors leading to these contrasts would seem to be a high priority area for future research.

Evidence of Stringency in UI Program Administration

The regressions in Tables VII-1 and VII-2 can be utilized to explore the issue of stringency in UI program administration. Agency decisions regarding monetary eligibility and separation issues could operate to the disadvantage of claimants and contribute to low rates of UI benefit recipiency. States where, on balance, administrative decisions operate to exclude a proportionately larger share of UI claimants from benefits could be described as having stringent program administration.

To address this question, the analysis focuses on the pattern of residuals from the regressions shown in Tables VII-1 and VII-2. If a state operated with a stringent administration, evidence could be provided by the residuals. Stringent administration of monetary eligibility would be evidenced by overpredictions of monetary eligibility proportions, i.e., lower proportions than projected by the regression equation. For separation determinations, underpredictions of both voluntary quit and misconduct determination rates would be expected, i.e., higher determination rates than projected by the regression equations. The reader should note that some interstate variation is included in the predictions from the regressions. Essentially, this analysis focuses on the unexplained reasons for interstate variation.

Equation (5) from Table VII-1 and equations (2) and (6) from Table VII-2 were used in the exercise. Note that all equations were fitted over the 29 year period 1971 to 1999. Note also that the residuals are from regressions where divisional dummy variables were not included in the specifications. Thus the residuals can be interpreted as the deviation of each state from the national average, not from the census division average. The residuals to be examined are the averages for the full 29 years 1971 to 1999.

These average residuals are displayed in Table VII-3. Note that the states have been sorted by census division with states in the South Atlantic division further divided into the northern four and the southern five. Columns (2)-(4) show individual state average residuals while columns (5)-(7) show simple averages for the ten geographic groupings.

Table VII-3. Comparison of Average Errors for Monetary Eligibility and Separation Determinations by State and Division

State	Census Division	Proportion Mon. Qual. Average Error 1971-99	Vol. Quit Det Rate Average Error 1971-99	Misconduct Det Rate Average Error 1971-99	Proportion Mon. Qual. Avg. Error by Division	Vol. Quit Det Rate Avg. Error by Division	Misconduct Det Rate Avg. Error by Division
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
CONNECTICUT	N Eng	-0.057	-0.032	0.016			
MAINE	N Eng	-0.082	-0.028	-0.038			
MASSACHUSETTS	N Eng	0.083	-0.035	-0.023			
NEW HAMPSHIRE	N Eng	0.044	-0.023	-0.027			
RHODE ISLAND	N Eng	0.053	0.003	-0.033			
VERMONT	N Eng	0.019	-0.024	-0.059	0.010	-0.023	-0.028
NEW JERSEY	M Atl	-0.008	-0.013	-0.009			
NEW YORK	M Atl	0.046	0.006	0.004			
PENNSYLVANIA	M Atl	-0.011	-0.031	-0.029	0.009	-0.012	-0.011
ILLINOIS	EN Cent	-0.034	-0.024	0.025			
INDIANA	EN Cent	-0.027	0.074	0.011			
MICHIGAN	EN Cent	0.038	0.012	0.005			
OHIO	EN Cent	0.032	-0.024	0.003			
WISCONSIN	EN Cent	0.051	-0.028	-0.025	0.012	0.002	0.004
IOWA	WN Cent	-0.003	0.063	-0.014			
KANSAS	WN Cent	-0.023	-0.043	0.012			
MINNESOTA	WN Cent	0.054	0.010	0.010			
MISSOURI	WN Cent	-0.068	0.011	0.027			
NEBRASKA	WN Cent	0.074	0.245	0.059			
NORTH DAKOTA	WN Cent	-0.045	-0.043	-0.048			
SOUTH DAKOTA	WN Cent	-0.077	-0.005	-0.016	-0.013	0.034	0.004
DELAWARE	S Atl-a	0.049	-0.046	-0.022			
DIST OF COL	S Atl-a	-0.107	0.003	0.087			
MARYLAND	S Atl-a	-0.052	-0.054	0.018			
WEST VIRGINIA	S Atl-a	0.064	-0.006	-0.015	-0.011	-0.026	0.017
FLORIDA	S Atl-b	-0.018	0.015	0.044			
GEORGIA	S Atl-b	0.056	-0.026	0.031			
NORTH CAROLINA	S Atl-b	0.046	-0.096	-0.076			
SOUTH CAROLINA	S Atl-b	-0.024	-0.064	-0.046			
VIRGINIA	S Atl-b	-0.008	-0.050	-0.030	0.010	-0.044	-0.015
ALABAMA	ES Cent	-0.027	-0.013	-0.039			
KENTUCKY	ES Cent	0.005	-0.031	-0.036			
MISSISSIPPI	ES Cent	-0.013	-0.005	-0.018			
TENNESSEE	ES Cent	0.011	-0.056	-0.043	-0.006	-0.026	-0.034
ARKANSAS	WS Cent	0.040	-0.002	-0.038			
LOUISIANA	WS Cent	-0.020	0.077	0.063			
OKLAHOMA	WS Cent	-0.080	0.026	0.042			
TEXAS	WS Cent	-0.001	0.017	0.133	-0.015	0.029	0.050
ARIZONA	Mountain	0.006	0.027	0.033			
COLORADO	Mountain	0.050	0.166	0.021			
IDAHO	Mountain	0.019	-0.010	-0.034			
MONTANA	Mountain	-0.031	0.014	-0.030			
NEVADA	Mountain	0.047	0.036	0.078			
NEW MEXICO	Mountain	0.027	0.028	0.009			
UTAH	Mountain	0.056	0.017	0.017			
WYOMING	Mountain	-0.044	-0.040	-0.015	0.016	0.030	0.010
ALASKA	Pacific	-0.034	-0.049	-0.028			
CALIFORNIA	Pacific	-0.055	0.021	0.019			
HAWAII	Pacific	0.035	0.027	0.027			
OREGON	Pacific	-0.037	0.008	0.012			
WASHINGTON	Pacific	-0.015	-0.001	-0.014	-0.021	0.001	0.003

Source: Average errors based on equation (5) in Table VII-1 and equations (2) and (6) in Table VII-2.

a - Four northern states of the South Atlantic division. b - Five southern states of the South Atlantic division.

One aspect of the divisional averages is to show the importance a single state can have on a divisional average. Note, for example, the states in the West North Central division in columns (3) and (6). Nebraska has a very high volume of unexplained voluntary quit determinations. Its average residual in column (3) is 0.245. When this average residual is removed from the divisional average in column (6), the average decreases from 0.034 to -0.001. This illustrates how a single state can have a large impact on the divisional averages in columns (5)-(7).

One analysis of the average residuals noted their correlations. A second analysis examined the consistency of their algebraic signs. To examine the consistency of algebraic signs it was necessary to reverse the signs for the monetary eligibility residuals. Thus positive averages would indicate greater restrictiveness than suggested by the predicted value from the underlying regression.⁸⁷ The null hypothesis for the tests of algebraic signs was that the distribution of pluses and minuses was random within each state. If this were the case, the distribution of outcomes should be the same as from three flips of a coin, i.e., outcome proportions of 1/8, 3/8, 3/8 and 1/8. The two extreme combinations (three pluses and three minuses) should each occur in one state in eight or in six programs across the 51 included in Table VII-3.

This test of signs found nine states where all three average residuals were positive and eleven where all three were negative.⁸⁸ These counts exceed what would be expected if the average residuals were randomly distributed within each state. Of the nine states where all three average residuals were positive (suggesting stringent UI administration), five were among the 13 states with the lowest long average WBTU ratios: Indiana, Florida, Louisiana, Oklahoma and Texas. Two were from among the 13 with the highest long run WBTU ratios: the District of

⁸⁷ For voluntary quit and misconduct determinations positive residuals indicate that more determinations occurred than predicted by the regression. For monetary eligibility a positive residual would mean eligibility was greater than predicted by the regressions. If this sign is reversed a positive number would then mean there was a lower eligibility proportion than predicted by the regression.

⁸⁸ The states with three positive signs were Indiana, Missouri, the District of Columbia, Florida, Louisiana, Oklahoma, Texas, California and Oregon. The states with three negative signs were Massachusetts, New Hampshire Vermont, Wisconsin, Delaware, West Virginia, North Carolina, Kentucky, Tennessee, Arkansas and Idaho. Readers are reminded to change the sign for the column (2) residuals in performing this test.

Columbia and Oregon.⁸⁹ From the eleven where all three average residuals in Table VII-3 were negative (suggesting non-stringent or more passive UI administration) three were from the group of 13 states with the highest WBTU ratios (Massachusetts, Vermont and Wisconsin) while just one state (New Hampshire) was from the 13 with the lowest long run WBTU ratios. These patterns are suggestive of a link between the Table VII-3 residuals as indicators of administrative stringency and low overall UI benefit reciprocity.

The correlation analysis examined pairwise correlations among columns (2)-(4) and (5)-(7) of Table VII-3 (with the signs reversed for (2) and (5)). When columns (2)-(4) were compared, two of three pairwise correlations were positive, to be expected if administrative stringency affects many aspects of UI administration within a state. However the pairwise correlation between the monetary eligibility errors and voluntary quit determination errors, e.g., columns (2) and (3), was not significant. Similarly, the correlation between the monetary eligibility errors and the misconduct determination errors, e.g., columns (2) and (4), also was not significant. However, the correlation between the average errors for voluntary quit and misconduct determination rates, i.e., columns (3) and (4), was positive and statistically significant. The average errors for these two determination rates were strongly positively linked.⁹⁰

The preceding discussion referred to correlation tests conducted with the 51 programs included in columns (2)-(4). Identical results were obtained when the average residuals for the ten divisions in columns (5)-(7) were tested for significant correlations. The only pairwise correlation that was significant was between the voluntary quit average residuals and the misconduct average residuals.

A final analysis of the Table VII-3 residuals was to make direct comparisons between the residuals and long run benefit reciprocity. Some interesting and (perhaps) expected patterns were found. The average residuals in columns (2), (3) and (4) were sorted, and the top 13 and bottom

⁸⁹ Recall that California which also had three positive residuals had the 15th highest long run WBTU average.

⁹⁰ The three pairwise correlations were: 0.192 between columns (2) and (3), negative 0.112 between columns (2) and (4) and positive 0.514 between columns (3) and (4). Significance at the 0.05 and 0.01 levels requires correlations that exceed 0.277 and 0.358 respectively.

13 states were then compared with the WBTU ratios (like those in Table III-1 but calculated for the period 1971-1999). For the monetary eligibility residuals of Table VII-3, no clear pattern distinguished states with large positive average residuals from those with large negative average residuals. Of the 13 with the largest negative residuals in column (2), four were among the 13 with the highest WBTU ratios and two were among the 13 with the lowest WBTU ratios. Of the 13 with the largest positive residuals in column (2), four were from the 13 with the highest WBTU ratios and two were from the 13 with the lowest WBTU ratios. Average monetary eligibility residuals, in effect, had no systematic relationship with overall UI benefit reciprocity.

Comparing the voluntary quit residuals of column (3) with average WBTU ratios yielded different results. Of the 13 states with the largest positive voluntary quit residuals in Table VII-3 (indicating administrative stringency), seven were from the group with the lowest WBTU ratios.⁹¹ Conversely three with the most negative average residuals in column (3) of Table VII-3 were from the 13 with the highest WBTU ratios (Connecticut, Massachusetts and Alaska).

While the preceding comparison is suggestive, a formal statistical test did not yield strong findings. The correlation between the WBTU ratio (1971-1999 average) and the average voluntary quit residuals in column (3) was negative (more stringent administration associated with low reciprocity). However, the t ratio was only -1.62, just short of significance at the 0.10 level using a two sided test.⁹²

Similar results were obtained when the column (4) average residuals for misconduct were compared with the WBTU ratio. From the 13 states with the largest positive residuals for misconduct determinations, seven had the lowest WBTU (1971-1999 average).⁹³ Again three of the 13 states with the largest negative average residuals were from the top 13 states in Table III-1 (Rhode Island, Maine and Vermont). The statistical test of the association between these misconduct determination errors and the WBTU ratio also showed a negative association, but just

⁹¹ The thirteen states with the lowest WBTU ratios during 1971-1999 were the same 13 as shown earlier in Table III-1. The seven with the largest voluntary quit residuals and lowest WBTU ratios were Colorado, Louisiana, Indiana, New Mexico, Arizona, Oklahoma, and Texas.

⁹² The t ratio required for significance at the 0.10 level is 1.68.

⁹³ These were Texas, Louisiana, Florida, Oklahoma, Arizona, Georgia, and Colorado.

short of statistical significance at the 0.10 level, i.e., t ratio of -1.61.

Five states with low WBTU ratios had large positive average residuals (among the top 13) for both voluntary quit and misconduct determination rates. These states were Arizona, Colorado, Louisiana, Oklahoma and Texas. Low recipiency was associated with higher than predicted determination rates for both types of separations in these five states.⁹⁴

Summary

This chapter examined three measures of administrative activities, the monetary eligibility proportion, the voluntary quit determination rate and the misconduct determination rate. Multiple regressions identified several factors that had significant effects on these three variables that reflect UI administrative decisions.

State unemployment rates and unionization rates had highly significant effects on all three administrative variables. Of the 28 regression coefficients for these two variables displayed in Tables VII-1 and VII-2, 13 had t ratios of 10.0 or larger and 24 had t ratios of 5.0 or larger. High unemployment reduced all three administrative variables though undoubtedly for different reasons, a lagged effect on monetary eligibility and a mix effect on separation determinations. High unionization is associated with high monetary eligibility rates but low rates of both voluntary quit and misconduct determinations.

Monetary eligibility was also affected by several UI program variables. Higher monetary requirements reduced eligibility. The presence of added earnings requirements, alternative earnings requirements and the alternative base period all entered with anticipated effects but with mixed levels of significance. Eligibility was lower during 1975-77, the years of the SUA program. The positive coefficients for the 1981 and 1990 time dummies suggest a secular increase in monetary eligibility rates during the most two recent two decades.

Imposition of durational penalties reduced determination rates for both quits and misconduct. The effect on voluntary quits was particularly large. The time dummies suggest the

⁹⁴ Note that all five states are from the group of nine “southwestern” states identified in Map 3 of Chapter III. They are characterized by low inflow rates but high relative duration in UI benefit status.

prevalence of voluntary quit determinations decreased after 1981 while misconduct determinations were higher after 1981 and again after 1990.

One interesting contrast between the monetary and separation determinations should be pointed out. For all three administrative variables, specifications were fitted which included dummy variables for census divisions. These dummies cause only modest increases in explained variation for monetary eligibility, roughly 10 percent in Table VII-1. However, for voluntary quit and especially for misconduct determinations, their contributions are much larger. The adjusted R^2 s increase by more than 30 percent for voluntary quits in Table VII-2 (compare (3) and (4) with (1) and (2)) and by more than 70 percent for misconduct (compare (7) and (8) with (5) and (6)). The especially large positive coefficients and associated t ratios for some census division dummies pinpoint divisions where these determination rates are especially high. The pattern of these dummies in Tables VII-1 and VII-2 suggest large differences in administration of nonmonetary determinations across areas. High determination rates for both voluntary quits and misconduct were found in the West North Central, West South Central and Mountain divisions.

Using average residuals from the regressions, the chapter conducted a first analysis of administrative stringency. Stringency was approximated with the average state-level residuals from the regressions. There was a link between the residuals for voluntary quit determinations and the misconduct determinations and UI reciprocity. States where these two residuals were large and positive, i.e., with more determinations than projected by the regression equations, were found to be disproportionately concentrated among the 13 states with the lowest average UI reciprocity as reflected in WBTU ratios. Formal statistical tests of this association using the WBTU ratio as the measure of reciprocity were supportive of this interpretation but not particularly robust.

Chapter VIII. Summary and Conclusions

This project examined a major question about the unemployment insurance (UI) program in the United States. Why does the receipt of UI benefits vary so widely from one state to the next? In addressing this question, greatest interest centered on those states where reciprocity is especially low.

Chapter II documented the variation in reciprocity rates examining two state level measures, IUTU ratios and WBTU ratios. Focusing primarily on WBTU ratios (weekly UI beneficiaries as a ratio to weekly unemployment), the chapter summarized state-level data for the years since 1967. Long run averages of WBTU ratios were found to exceed 0.40 in some states while in other states WBTU ratios averaged less than 0.20. State-specific patterns of high reciprocity and low reciprocity were shown to persist over several years.

As a matter of logic, low reciprocity results from the effects of a low inflow rate into benefit status by unemployed workers and/or short duration in benefit status. In Chapter III, an accounting framework was developed that is useful for examining interstate differences in reciprocity. The framework explicitly identifies three factors related to inflows into benefit status (the application rate, the repeat application rate and the first payment rate) which along with relative duration (UI benefit duration relative to overall unemployment duration) combine to determine the level of benefit reciprocity.

Applying this framework to state-level data, three distinct patterns of low reciprocity were identified. 1) In five widely dispersed states, a low inflow rate and short benefit duration both contribute to low reciprocity.⁹⁵ 2) In nine states, inflows into benefit status are low while relative duration exceeds the national average. Because inflow rates are so very low, however, low reciprocity is the result. Eight of these nine states are geographically contiguous, located broadly

⁹⁵ The five are Indiana, Mississippi, New Hampshire, South Dakota and Virginia.

in the southwest and Rocky Mountains.⁹⁶ A common characteristic of UI program administration in these states is an above-average rate of agency determinations on separation issues, i.e., voluntary quits and misconduct. 3) In five states, there is an average rate of inflow into benefits but short relative benefit duration. These five are also contiguous, located in the southeast.⁹⁷ A characteristic of the UI program in these states is that many claims are filed by employers on behalf of job-attached workers. The ability to identify these contrasts among three groups of states with low reciprocity illustrates the usefulness of accounting framework developed within the project. Map 3 of Chapter III displays the three groups of states.

The project followed two approaches in studying the explanation for low reciprocity. 1) Inferences were drawn from multiple regressions and other analyses using data from all states. Chapters IV, V and VII reported findings from the regressions and related analyses. 2) Site visits were conducted in nine states. The site visits focused on detailed aspects of UI statutes and administration and the findings were summarized in Chapter VI.

The regression analysis of UI reciprocity in Chapter V utilized the accounting framework from Chapter III and applied it to pooled data from the states spanning several years. The regressions included both macro-labor market variables and variables reflecting key aspects of UI statutes and program administration as well as methods of filing for benefits. All three groups of variables made important contributions to explained variation. The regressions focused on three ratios related to the inflow into UI benefit status and a fourth ratio reflecting relative duration in benefit status.

The application rate, the inflow variable with the widest range of state to state variation, was found to depend on several identifiable factors. 1) Two labor market variables, the job loser share of new unemployment spells and the unionization rate, made important contributions to explained variation. 2) Applications were strongly and inversely linked to the misconduct determination rate (determinations as a share of new applications). 3) Applications were

⁹⁶ The eight contiguous states are Louisiana, Texas, Oklahoma New Mexico, Arizona, Colorado, Utah and Wyoming. The ninth is Florida.

⁹⁷The five are North Carolina, South Carolina, Georgia, Alabama and Tennessee.

significantly higher in states where partial benefits were more prevalent and where minimum monetary eligibility requirements were easier to satisfy. 4) Methods of filing initial claims other than in-person filing were found to increase application rates with the biggest effect caused by employer-filed claims. Of the various influences on the application rate, the most important single factor was the misconduct determination rate. This finding strongly suggests that applications are deterred in states where misconduct determinations occur with high frequency.

Repeat applications for unemployment benefits were also found to depend negatively on the misconduct determination rate. Other important determinants of repeat applications included the prevalence of partial benefits and the rate at which voluntary quit determinations resulted in denials. The misconduct determination rate had the largest quantitative on repeat applications of all the individual explanatory variables.

The first payment rate, first payments as a proportion of new initial claims, was significantly dependent on several factors. 1) An indicator of net (liable less agent) interstate claims activity exerted a strong positive effect on the first payment rate. 2) The misconduct determination rate had a large negative effect. 3) As would be expected, the monetary eligibility proportion had a large and significantly positive effect. 4) The misconduct denial rate had a large negative effect on the first payment rate. 5) Interestingly, the share of initial claims filed by employers had a negative effect on first payments. This probably reflects a low first payment rate on new claims other than employer-filed claims.

While several important determinants of the repeat application rate and the first payment rate were identified, their range of variation across states was much smaller than the range for the application rate. In states with low reciprocity the biggest single factor is that claimants simply do not file for benefits.

In the explanation of inflows into UI benefit status, the largest effect was found for the misconduct determination rate. High misconduct determination rates were associated with low application rates, low repeat application rates and low first payment ratios. In short, all three facets of claimant inflows into benefits were reduced by high misconduct determination rates. While several other factors were important determinants of one or, sometimes, two of the inflow variables, the misconduct determination rate was uniquely important in exerting large, significant

and negative effects on all three inflow variables.

Relative unemployment duration, i.e., duration of UI benefits relative to overall unemployment duration in the state, was strongly linked to several factors. 1) Relative duration was high in states with a high job loser share of new unemployment spells. 2) High potential UI benefit duration increased relative duration. 3) The method of filing continued claims was important. High shares of claims filed by mail and telephone both increased relative duration while a high share of employer-filed claims shortened duration. The latter effect was especially large. 4) High levels of the nonseparation determination rate, the nonseparation denial rate and the rate of eligibility reviews all operate to reduce relative duration in benefit status.

The strong effects of the nonseparation determination rate and the eligibility review rate on relative duration show that active administration of continuing claims significantly shortens the average duration of benefits. Some states, e.g., New Hampshire and North Carolina, even add state-level resources to ensure that the administrative activities related to continuing eligibility are adequately funded.

It should be reemphasized that the preceding findings were based on multiple regressions that also included large and significant effects of capacity utilization, the job loser share of new spells of unemployment and the unionization rate. Even controlling for these key factors in the macro-labor market of the states, UI program (statutory and administrative) variables had important effects on all aspects of UI reciprocity covered by the regression analysis.

While the findings of the site visits were more qualitative than quantitative, several patterns were identified that differentiated four high reciprocity states from five low reciprocity states. Seven specific examples were the following. 1) States with high reciprocity states have made much more accommodation to non-English speakers in filing for UI benefits. 2) Requirements for monetary eligibility are generally easier to satisfy in high reciprocity states. This encompasses lower monetary thresholds (measured relative to the average weekly wage), the absence of added monetary requirements, having alternative earnings requirements and offering an ABP and STC. The net effect of differences in monetary eligibility requirements can be summarized with average monetary eligibility proportions. These proportions averaged 0.90 in the four high reciprocity states but only 0.81 in the five low reciprocity states while the national

average was 0.86. 3) Rates of adjudication on separation issues, both quits and misconduct, are generally lower in states with high reciprocity. 4) Quits are more likely to be compensated in high reciprocity states. 5) Disqualifying and deductible income denials are less likely in high reciprocity states. 6) Eligibility reviews generally occur less frequently in high reciprocity states while penalties for failure to meet reporting requirements have more “teeth” in low reciprocity states. 7) Rates of employer appeals of nonmonetary determinations are much lower in high reciprocity states, less than half the rate of appeals in low reciprocity states. While the separate contributions of these individual factors are difficult to estimate, all operate to reduce reciprocity in the states with low reciprocity.

Because the methodologies used in the two research approaches were so different, exact comparisons of their findings are somewhat difficult to make. However, the two approaches did yield one broad common finding. From the regressions and from the site visits, factors related to UI statutes and program administration were identified that result in low reciprocity. Additional quantitative and qualitative analysis seems warranted in order to develop a more complete understanding of low benefit reciprocity.

Chapter VII addressed the issue of UI administrative stringency by examining three administrative decisions important in determining the inflow of claimants into benefit status: the monetary eligibility proportion, the voluntary quit determination rate and the misconduct determination rate. These variables were examined with a series of multiple regressions. The patterns of average residuals from the regressions were then compared. Probably the most important finding of Chapter VII was that low benefit reciprocity, as signaled by the WBTU ratio, was negatively associated both with the voluntary quit determination rate residuals and with the misconduct determination rate residuals. Large positive average determination rate residuals, i.e., unexpectedly high determination rates, were present in several states with low WBTU ratios.

Considering the findings across all chapters, three broad conclusions can be offered. 1) Variation from state to state in UI benefit reciprocity can be productively studied, and the present analysis indicated that low reciprocity is systematically linked to variables reflecting UI statutes and administrative operations. 2) Varying rates of inflow into benefit status generally have larger effects on benefit reciprocity than duration in benefit status. The application rate and the first

payment rate, two of the three inflow variables studied in Chapter V, are most closely linked to overall reciprocity as measured by the WBTU ratio. 3) The misconduct determination rate has an especially large effect on all three ratios linked to inflows into UI benefit status. Developing a more detailed understanding of the reasons for variation in misconduct determinations should be a priority area for future research.

Employer filing of UI claims is a major phenomenon in the UI programs of five states, all located in the southeast. When this type of filing is examined, however, it has large effects on UI reciprocity in these five states. A short summary of key features of the UI programs in these states would be: 1) high application rates, 2) low first payment rates, 3) low benefit duration and 4) low determination rates on separation issues, both voluntary quits and misconduct. These consequences flow largely from a situation where a high proportion of claimants are still job attached. In states with a significant volume of employer filing, the UI program experiences an especially fast flow-through of claimants when compared to other states.

The distinctive features of the UI programs in these five southeastern states are highlighted in the regressions by their distinct “marker” variable, i.e., the high share of employer-filed claims. There is no comparable marker variable that specifically distinguishes the nine, mainly southwestern, states characterized by very low inflows but above-average benefit duration. As noted, these states also have distinct characteristics: 1) low application rates, 2) long benefit duration, and 3) high determination rates on separation issues, both voluntary quits and misconduct. The closest to a marker variable for these states is the misconduct determination rate. They account for seven of the thirteen states with the highest average misconduct determination rates, and only one state from these nine (New Mexico) has an average lower than the national average. This could suggest that UI agencies in these states set a low threshold for the burden of proof that employers must satisfy in order to establish claimant misconduct.

In conducting the research for this project, several questions were encountered that seemed fruitful areas for further research. Some were questions that could be addressed through requests for information already resident in UI administrative records but not routinely summarized in reports submitted by the states.

A short listing would include the following. 1) How many people combine work with the

receipt of UI benefits in the same week? Data on partial weeks compensated, about 9 percent of all weeks compensated, understate the prevalence of this phenomenon because some claimants receive full weekly benefits and also have earnings in the same week. 2) What share of weeks compensated is paid to persons who quit their last jobs? All that is known at present is the number of allowances of claims where there was a voluntary quit separation issue. Subsequent first payments and weeks compensated are not tracked. 3) What is the net effect of commuter claimants on reciprocity by state when all commuters are classified according to their state of residence? All three questions could be addressed with tabulations of UI administrative data and ICON data. A starting point would be to make selective inquiries in a few high reciprocity states and a few low reciprocity states.

Other important questions would have to be pursued with differing approaches. 5) Of the issues affecting reciprocity addressed in the present project, one in particular deserves more analysis. That is the reason(s) for increased unemployment duration in the 1980s and 1990s compared to earlier decades. As documented in Chapter IV and in Chart IV-2, the increase is apparent in both UI data and in data from the CPS. Because average duration has increased more in CPS data than in UI data, this has contributed to the decrease in IUTU and WBTU ratios. The question has ramifications beyond just the regular UI program, the principal arena for the present project. UI benefit duration is affected by agency activities examined in Chapter V (nonseparation determinations and eligibility reviews). It is also a concern of OWS as it encourages states to institute effective profiling procedures. However, if evolutionary changes in the labor market are causing the increase in average unemployment duration, it then becomes all the more important to understand why, if initiatives to shorten UI benefit duration are to be effective. There is a need for added research on the determinants of unemployment duration.

Some other questions not directly addressed by this project also merit research. 5) Why do voluntary quit and misconduct determination rates vary so widely across states? 6) How much is reciprocity increased by having language accommodation to non English speakers? 7) What role do third party representatives play in influencing UI benefit reciprocity? 8) Do high rates of employer appeals affect UI benefit reciprocity?

All these questions seem worthy of further investigation.

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List of Abbreviations

- ABP - alternative base period, time period more recent than the regular base period used for monetary eligibility determinations
- AD - average unemployment duration, CPS data, derived by the project
- ADPUB - average unemployment duration, published CPS data
- ADUI - average duration in UI benefit status
- ADUIAD - ratio of ADUI to AD
- CCH - Commerce Clearing House, Inc., UI statutes summarized in CCH UI Reports
- CPS - Current Population Survey, monthly labor force survey of households
- CWC - combined wage claims, claims involving covered wages from two or more states
- ETA - Employment and Training Administration of the U.S. Department of Labor
- FPNIC - ratio of first payments to new initial claims
- ICNU - ratio of initial claims to new spells of unemployment
- IU - insured unemployment or active UI claimants
- IUTU - ratio of insured unemployment to total unemployment
- IVR - Interactive Voice Response, automated telephone system for collecting claims information
- NICIC - ratio of new initial claims to initial claims
- STC - short time compensation or worksharing, specialized claims in for situations where the claimant works but less than a full-week schedule
- SUA - Supplemental Unemployment Assistance, special UI benefit program for those not eligible for regular UI, operative from 1975 to early 1978
- TU - total unemployment from the monthly labor force survey of households
- WB - average weekly number of UI beneficiaries
- WBIU - ratio of weekly UI beneficiaries to insured unemployment
- WBTU - ratio of weekly UI beneficiaries to total unemployment