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STUDY TITLE

Unemployment Compensation in Varying Phases of Joblessness

ABSTRACT

This paper discusses the role of unemployment insurance in society's overall effort to provide people with income security. The unique goal of unemployment insurance is indicated as distinct from that of welfare programs. The course of unemployment is traced with respect to beneficiaries' prospects for reemployment and their concomitant standard of living. The consequent transformation of the UI goal of helping to maintain the beneficiaries' standard of living is discussed. A gradual merging of UI type and welfare type income maintenance goals takes place, with implications for the financing scheme of unemployment benefits for the long-term unemployed. The author advocates conceptual distinction of unemployment insurance per se, applicable to the initial phase of joblessness, from unemployment compensation, applicable to long-term unemployment.

This paper emphasizes the fundamental importance of job security for all able workers as a means of achieving their income maintenance, with a direct payment approach such as through unemployment insurance programs only as a last resort to attain income security. For this reason, emphasis is placed on the importance of: (1) a preventive labor market policy directed at employed workers in the face of dynamic changes in the economy; (2) continued unemployment benefits during extended unemployment partly to subsidize the beneficiary's labor market and job search expenses; and, (3) intensive governmental efforts to match jobs and workers. This troika of policy measures would enhance substantively the efficacy of unemployment insurance as an employment security program. Further, a clear delineation of the functions of unemployment insurance that emerges will define the division of labor between unemployment insurance and welfare programs in providing the society with comprehensive income maintenance.

AUTHOR

Manoru Ishikawa, Unemployment Insurance Service

AVAILABILITY

Copies of the paper are available from DOL/ETA, Office of Communications, Patrick Henry Building, Room 10225, 601 D Street, N.W., Washington, D.C. 20213

Problem Studied: UI Monetary Requirements

Study Title: Monetary Requirements for Establishing Eligibility to Qualify for UI in S.C.

Method: This analysis issued in June 1977 presented a detailed comparison and evaluation of UI monetary eligibility requirements in S.C. Empirical work for this research used the data from the ES-206 Annual Distribution of Claimants by Earnings Report.

Results and Findings: From this study, several proposed changes to the monetary requirements (i.e. revised minimum limits, higher minimum WBA) to qualify for UI were suggested. A comparison of UI monetary statistics on an annual average basis for all states was included in charted formats.

Author: Dennis Degnan

Availability: Gary Crossley, Room 617  
S.C. Employment Security Commission  
Post Office 995  
Columbia, S.C. 29202  
(803) 758-8983

### Problem Studied

The purpose of this study was to determine the impact of various methods of measuring past attachment to the labor force used by States for testing UI eligibility. The major objective was to find out whether the multiple of high quarter earnings, the multiple of the weekly benefit amount and the flat dollar amount of earnings qualifying requirements were adequate proxies for time at work.

### Study Title

A Study of Measures of Substantial Attachment to the Labor Force.

### Method

#### Sampling design

A stratified random sample of monetary eligible and ineligible UI claimants was selected in four States (Michigan, Minnesota, New York and Oregon) which now use a weeks of work requirement.

#### Data source

Personal and economic characteristics were collected from initial claim forms.

#### Method of analysis

The effect on eligibility for UI benefits of alternative criteria for measuring substantial attachment to the labor force was analyzed both for the total claimant samples and according to claimant characteristics. For these analyses, the percent that qualify for benefits is an indication of how those who currently file for benefits, not the total insured unemployed population in the State, would fare under the alternative requirements.

Seasonal industries were identified and compared to the State sample average in weeks of work and average weekly wage.

### Results

#### Major Findings

1. Flat earnings requirements, even when allocated over a specified number of quarters, are not designed to simulate the length of time at work either directly or indirectly.

This method measures attachment in terms of income and therefore, the amount of time necessary to qualify for benefits is directly related to the wage rate.

2. The use of theoretically "equivalent" alternative definitions of labor force attachment -- i.e., weeks of work and the "equivalent" multiple of weekly benefit amount and multiple of high quarter

earnings definition -- has relatively little impact upon the overall eligibility rates for UI benefits. For example, the total number of claimants who would be monetarily eligible for benefits would be roughly the same if States used 20 weeks of work, 1.50 times high quarter earnings, OR 40 times the weekly benefit amount as their monetary qualification criteria.

3. The "equivalent" alternatives to weeks of work are not, however, good predictors of individual eligibility for UI benefits. In other words, the "equivalent alternatives" achieve similar results in the aggregate but they do not consistently simulate time at work for individual claimants very well. Thus, time at work is over-estimated by these "equivalents" for some claimants, and under-estimated for others.
4. Two biases of the "equivalent" alternatives definitions of past labor force attachment are particularly noteworthy:
  - (a) Multiples of weekly benefit amount criteria have a powerful bias in favor of claimants with high weekly wages (over \$200) compared to weeks of work or multiples of high quarter earnings criteria.
  - (b) Multiples of high quarter earnings criteria have a strong bias toward overstating time at work for those workers with less than 15-20 weeks of work.
5. Claimants who worked in seasonal industries do not as a group consistently differ from other claimants in either base year earnings or weeks of work.

#### Policy implications

The authors recommend that States consider using the weeks of work qualifying requirement. The multiple of high quarter earnings requirement is recommended as the best proxy for the weeks of work requirement.

The authors also recommend that workers in seasonal industries be subjected to the same qualifying requirements as all other workers.

#### Authors

Christopher Pleatsikas, Lawrence Ballis and Judith Dernburg. Urban Systems Research and Engineering, Inc. under contract to the Department of Labor.

#### Availability

Copies of the report are available from DOL/ETA, Office of Communications, Patrick Henry Building, Room 10225, 601 D Street, N.W., Washington, D.C. 20213.

## PROBLEM STUDIED

Effectiveness of Monetary Eligibility Formula: The purpose of this research was to assess the effect of Wyoming's current wage formula for determining the monetary eligibility of unemployment insurance claimants. It was desirable to learn whether a greater number of claimants were being determined ineligible for benefits under the present monetary wage formula than under the one previously used.

## STUDY TITLE

Effect of Revised Formula for Monetary Eligibility.

## METHODOLOGY

### Sampling Design:

Universe of monetary determinations and redeterminations issued between April 17, 1978 and July 14, 1978.

### Data Source:

Data were supplied by the Benefit Section of the Unemployment Compensation Division.

### Method of Analysis:

Prior to July 1, 1977, a claimant was monetarily eligible if he/she had base period earnings of \$800.00 and had worked at least twenty (20) hours per week in each of twenty (20) weeks during the base period. Effective July 1, 1977, the statutory formula was changed to provide that the claimant must have high quarter earnings of at least \$600.00 during the base period, and total base period wages of one and six-tenths (1.6) times the high quarter's earnings (for a minimum total base period earnings of \$960.00).

The monetary determinations and redeterminations issued during the study period were analyzed to see if the claimants were ineligible under the new formula but might have been eligible under the prior formula. Wage records and wage and separation information requests sent to individual employers were studied to determine the length of time worked.

## RESULTS

The study revealed that of 371 claimants determined ineligible under the revised monetary formula, 53 or 14% would have been eligible under the previous formula. Thus, it was indicated that the new formula for eligibility is monetarily disqualifying more potential claimants than the previous formula.

## AUTHOR

Ms. Kathleen Taylor, Unemployment Compensation Division.

## AVAILABILITY

Summaries of the study are available on request from the Employment Security Commission of Wyoming, Unemployment Compensation Division, P. O. Box 2760, Casper, Wyoming 82602.

### PROBLEM STUDIED

The purpose of this study was to determine the impact of disqualification provisions on claimants. Specific questions addressed were: What are the characteristics of the disqualified compared to those of beneficiaries? What is the effect of disqualification provisions on the duration of unemployment and post unemployment labor market experiences of disqualified claimants?

### STUDY TITLE

A Statistical Evaluation of the Impact of Disqualification Provisions of State Unemployment Insurance Laws

### METHOD

#### Sampling design:

Random samples of beneficiaries and the disqualified whose benefit years began at specified time periods during 1976-77 were selected in five States (Arizona, Georgia, Kansas, Louisiana, New York). The disqualified included those who voluntarily quit without good cause, were discharged for misconduct, or refused a suitable work offer.

#### Data source:

The data for the analysis were obtained from UI records and from a mail questionnaire sent to each participant.

#### Methods of analysis

Multivariate regression analysis was performed.

### RESULTS

#### Major findings

1. The disqualified, compared to beneficiaries, are more likely to be young, better educated, nonwhite, female, unmarried, and to have lower base period earnings and wage rates.
2. The average length of a spell of unemployment was found to be much longer than the six to eight weeks commonly considered to be the "normal period" of unemployment.
3. When benefits are denied for the duration of unemployment, the disqualified worker returns to work sooner than the unemployed worker who received benefits. If benefits

are denied for a fixed or variable time period which is less than the duration of unemployment, the disqualified worker returns to work after the unemployed worker who received benefits.

4. No major differences were found in the post unemployment labor market status, level of job satisfaction, relative wage gains and relative earnings gains of the beneficiaries and the disqualified.

#### Conclusions and policy implications

Results suggest that if the disqualification penalty is imposed for the duration of unemployment, the disqualified worker is likely to return to work sooner than if the disqualification penalty is imposed for a prescribed number of weeks. The results also suggest that the disqualified worker is no worse off than the beneficiary in the post unemployment job.

The study is limited to five States and may not apply to all States. Although findings are not conclusive, they indicate that further study is needed to determine the effect of alternative types of disqualification provisions on claimants. Following further study of the problem, reassessment of recommended policy with respect to disqualification provisions may be needed.

#### AUTHOR

Henry Felder, SRI International

#### AVAILABILITY

Copies of the report are available from DOL/ETA, Office of Communications, Patrick Henry Building, Room 10225, 601 D Street, N.W., Washington, D.X. 20213

### PROBLEM STUDIED

The major purpose of the study was to evaluate the adequacy of the weekly benefit amount by determining the extent to which it helps beneficiaries maintain their preunemployment standard of living.

### STUDY TITLE

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

The Adequacy of Unemployment Insurance Benefits: An Analysis of Adjustments Undertaken Through Thirteen and Twenty-five Weeks of Unemployment.

### METHOD

#### Sampling design:

A statewide random sample of beneficiaries filing for their fifth consecutive week of benefits in the benefit year was selected over a one-year period in 1975-76.

#### Data source:

Data sources were UI claim records and interviews administered at the fifth, thirteenth and twenty-fifth consecutive weeks of benefits.

#### Methods of analysis

The emphasis of the analysis was the determination of the extent to which weekly benefits meet the beneficiaries' share of a bundle of expenses (necessary/obligated expenses) during the pre-unemployment month. The share was based on the proportion beneficiary wages were of household income. Several alternative benefit formulas were simulated to determine their effect on the relative adequacy level for the sample of beneficiaries. Adjustments undertaken by the beneficiaries during their unemployment were also examined.

### RESULTS

#### Coverage of Preunemployment Month Expenses

Overall, the beneficiaries had an average of 63 percent of their share of necessary/obligated expenses covered by their weekly benefit amount; however, considerable variation existed among individuals in adequacy level. Benefits covered 100 percent or more of the expense bundle for 14 percent of the beneficiaries and half or less for 32 percent. The extent of adequacy tended to be lower for those at higher wage level largely due to the maximum benefit amount (\$85). The extent of adequacy was also

low for beneficiaries at the lowest wage levels. Benefits were less adequate for those at the maximum than for those in any other weekly benefit amount category. And, they were less adequate for beneficiaries who were sole earners in households of three or more persons than for those in other household types.

#### Changes in Benefit Adequacy with Simulated Benefit Formulas

Increases just in the maximum benefit amount would provide some additional income for over 40 percent of the total sample. Successive increases in the maximum weekly benefit amount (with no change in the existing high quarter fraction) to \$95 (50 percent of the average weekly wage in covered employment), to \$105 (55 percent of the average weekly wage) and to \$127 (67 percent of the average weekly wage) would each increase somewhat, but not markedly, the percent of claimants in the top benefit adequacy categories. Each change decreases the percent of claimants in the lowest benefit adequacy categories.

An increase in the minimum weekly benefit amount to \$35 and the maximum to \$95, but with an increase in the high quarter fraction from 1/25 to 1/22 of high quarter earnings would bring about a shift in the total weekly benefit amount distribution from lower to higher because of the increased wage replacement ratio for all beneficiaries. The percent of beneficiaries in the top two categories under this formula would be about the same as the percent in these categories under the \$127 maximum formula.

Introduction of a flat \$5 dependents allowance would produce almost the same overall effect on benefit adequacy as an increase in the maximum benefit to \$105. Investigation of the differential effects on adequacy among household types of these two changes showed that either would considerably reduce the disparity in adequacy among different household types. This would be true even though the impact on the overall adequacy level for the entire sample would be much less striking than the impact on those households for which current benefits were relatively inadequate.

#### Adjustments to Unemployment

Follow-up data collected on those beneficiaries receiving checks for the thirteenth and twenty-fifth consecutive weeks of compensated unemployment showed that about two-thirds of the beneficiaries surveyed at each period reduced their necessary and obligated expenses from the employed month to the month prior to the interviews. A substantial proportion of households made large reductions in their expenses. The general pattern was for

the largest part of the adjustment to have been undertaken by the earlier (thirteenth week) interview and then maintained at that level through the time of the later interview. About one fourth of the beneficiaries in the thirteenth week sample with savings had exhausted savings at interview time. One third of the twenty-fifth week sample had exhausted savings at the time of the interview. The principal sources of cash other than savings to help meet household expenses were loans and sale of personal property. Most adjustments to unemployment had been made by the time of the thirteenth week interview.

In general, a greater percentage of beneficiary households for which benefits were more versus less adequate, as measured by the expense coverage standard above, made adjustments.

#### AUTHORS

- I. Paul Burgess, Jerry Kingston and Chris Walters
- II. Jerry Kingston, Paul Burgess and Chris Walters

Arizona State University and Arizona Department of Economic Security

#### AVAILABILITY

Copies of the reports are available from DOE/ETA, Office of Communications, Patrick Henry Building, Room 10225, 601 D Street, N.W., Washington, D.C. 20213

### PROBLEM STUDIED

The purpose of the study was to determine the effects of State laws and economic factors on exhaustion ratios for regular UI claimants.

### STUDY TITLE

The Effect of State Laws and Economic Factors on Exhaustion Rates for Regular UI Benefits: A Statistical Model.

### METHOD

A statistical model was developed to analyze various UI policy issues over the business cycle. The model was estimated from quarterly pooled time-series, cross-sectional data for all States over the period 1965-1974.

### RESULTS

Exhaustion rates were positively correlated with insured unemployment rates (IURS). A cyclical, 1 percentage point increase in the IUR was calculated to result in a 4 to 5 percentage point increase in the exhaustion rate. That effect was offset somewhat by the tendency of average potential UI durations to rise during cyclical downturns.

Higher average potential UI durations tended to reduce exhaustion rates. Average potential durations would have to be increased by 3 to 4 weeks to offset the impact of a 1 percentage point increase in the IUR.

Wage-replacement ratios on UI tended to have a positive effect on exhaustion rates. The quantitative size of that effect was roughly similar to that derived from other studies that attempt to measure the "disincentive effect" of UI benefits. There was also some evidence that UI enforcement procedures had a negative effect on exhaustions.

Uniform-duration States were found to have exhaustion rates that were, on average, 8 to 9 percentage points lower than variable-duration States. About one-half of that difference could be accounted for by the higher average potential durations that occurred in uniform-duration States.

Increasing States' maximum potential duration by one week was estimated to reduce average exhaustion rates by one-half of a percentage point. An increase in the fraction of base-period wages to which UI recipients were entitled was also estimated to reduce the exhaustion rates somewhat through its positive effect on average potential durations.

Existence of the Extended Benefits (EB) program was estimated to increase exhaustion rates for regular UI by 4 to 5 percentage points. The combined effect of the EB and FSB (Federal Supplemental Benefits) programs was estimated to add nearly 7 percentage points to the exhaustion rate.

Issues related to the triggering of extended benefits were examined. It was noted that current trigger mechanisms operated with a great lag (both for triggering-on and for triggering-off benefits) and were susceptible to seasonal influences. The use of a trigger formula that took exhaustions into account did not significantly affect these problems, but the use of a seasonally adjusted IUR in the State trigger formulas did moderate the sharp seasonal fluctuations.

AUTHORS

Walter Nicholson and Walter Corson, Mathematica Policy Research.

AVAILABILITY

Copies of the study are available from DOL/ETA, Office of Communication, Patrick Henry Building, Room 10225, 601 D Street, N.W., Washington, D.C. 20213.

### Problem Studied

The purpose of this study was to obtain information from a sample of individuals in the five to six month period following their exhaustion of benefits under the Federal Supplemental Benefits Program (FSB). Respondents provided information primarily concerning their demographic characteristics, labor force status, job-seeking activities, sources of support after exhaustion of benefits and their participation in social welfare programs.

### Study Title

Results of a Follow-Up Study of New Jersey Claimants Who Exhausted Federal Supplemental Benefits During the Period October 12, 1976 through November 12, 1976.

### Methodology

#### Sampling Design

The sample for this study was randomly selected from a population of 6392 individuals who exhausted benefits under the Federal Supplemental Benefits Program (FSB) during the period from October 12, 1976 through November 12, 1976. Questionnaires were mailed to 952 of these individuals during April, 1977, which was approximately five to six months after exhaustion of benefits. The response rate was 43.8 percent.

#### Data Sources

1. Questionnaires returned by sample FSB exhaustees.
2. Agency U.I. claimant records.

#### Methods of Analysis

Information obtained from questionnaires and agency claimant records were coded and transferred to a Post-Exhaustion Survey Record. These records comprised the computer input data from which cross-referenced tabulations were produced and analyzed.

#### Results

FSB exhaustees had a reasonably strong attachment to the labor force; (1) Five to six months after exhaustion of benefits nearly three of every four FSB exhaustees were still looking for work or had found a job. The survey indicates that 29 percent were employed, 45 percent were unemployed and 26 percent had withdrawn from the labor force; (2) Half of those FSB exhaustees who were employed at the time of the survey had accepted less wages than they had earned prior to drawing unemployment benefits; (3) Nearly four of every five FSB exhaustees had worked at least three years in their regular occupation.

The burden of long-term unemployment falls most heavily on the older worker. Over one-third of FSB exhaustees were 55 years old or more. Only 17 percent in this age group had found employment in the five to six months period following exhaustion of benefits.

Considering their long period of unemployment (three of every four FSB exhaustees collected unemployment benefits for 61 to 65 weeks) comparatively few FSB exhaustees participated in public assistance programs. At least part of this phenomenon may be attributed to the fact that in 50 percent of FSB exhaustee households there was at least one other person who worked at a regular job. In 27 percent of FSB exhaustee households the exhaustees reported they depended on the wages of this other worker. Another 28 percent of FSB exhaustees reported they used their savings to support themselves during the five to six months period following exhaustion of FSB benefits. Participation in Welfare Programs was 7 percent and in the Food Stamp Program 10 percent.

Author: Vincent Bonfanti  
New Jersey Department of Labor and Industry  
Division of Planning and Research

Availability: Limited distribution--final copies to be available shortly--copies may be obtained by writing to:

New Jersey Department of Labor and Industry  
Division of Planning and Research  
P.O. Box 2765  
Trenton, NJ 08625

Problem studied

PL 95-19 not only extended the FSB program but reduced the maximum amount of FSB entitlement from 26 to 13 weeks and specified requirements with respect to job search and job acceptance. This study was intended to determine the impact of these provisions on the FSB claimant population.

Study title

The Federal Supplemental Benefits Program: National Experience and the Impact of PL 95-19.

The Federal Supplemental Benefits Program: Impact of PL 95-19 on Individual Recipients.

Method

Sampling design

For analyses of aggregate data, 13 States were selected that triggered onto the program for the entire observation period. Individual claimant data were obtained in four States (California, New York, Pennsylvania and Washington) for samples of individuals who received at least one FSB payment between specified dates in 1977.

Data sources

UI and ES program records.

Methods of analysis

A short-run analysis of aggregate data was made to compare pre and post PL 95-19 periods and a time-series analysis was made based on data from 1975 to 1977.

Multivariate regression analysis and other techniques were used to measure the impact of the law on individual FSB recipients.

Results

Major findings

After implementation of PL 95-19, the number of beneficiaries and benefits paid declined, there was no change in initial claims and first payments, the percent of exhaustees increased and denials increased. The actual number of denials, however, remained small relative to the number of weeks claimed.

The decreases in entitlement that led to decreases in the amount of FSB received were greater in uniform duration states than in variable duration States. The numbers of people affected by different parts of PL 95-19 varied according to the current State law.

Conclusions and policy implications

The authors concluded that since such small numbers of individuals were affected by the denial and disqualification provisions of the law, alternative approaches or no change at all to the basic FSB program may be the recommended future course in the event of another major increase in unemployment.

Authors

Henry Felder and Richard West, SRI International  
Henry Felder and Randall Pozdena, SRI International

Availability

Copies of the reports are available from DOL/ETA, Office of Communications, Patrick Henry Building, Room 10225, 601 D Street N.W., Washington, D.C. 20213.

PROBLEM STUDIED

Collection of Wage Information: A feasibility study was conducted to determine if the Wyoming Employment Security Agency and the Worker's Compensation Division of the State could use the same form to collect wage information from employers.

STUDY TITLE

An Investigation into the Possibility of a Common Wage Report for Wyoming Employers.

METHODOLOGY

Data Source:

Reporting procedures and forms used by each organization for collecting wage information, were made available for examination. Sample employer accounts were also examined.

Method of Analysis:

The study consisted of a review of the reporting requirements and forms presently used by the Worker's Compensation Division and the Employment Security Agency. The review was conducted by representatives of both organizations in a common meeting, after some preparatory research had been completed. Comparisons were made and common functions, as well as major differences in reporting procedure, were noted.

RESULTS

The combined group's findings suggest that a common form could be used by both organizations to collect wage information from employers. However, such an arrangement would require alterations in various reporting procedures that are followed by one or both groups, some of which will require legislative action.

CONTACT PERSON

Ms. Ellen Schreiner, P. O. Box 2760, Casper, Wyoming 82602, Telephone (307) 237-3701.

AVAILABILITY

Summaries of the study are available upon request from the Employment Security Commission of Wyoming, Unemployment Compensation Division, P. O. Box 2760, Casper, Wyoming 82602.

Problem Studied

The purpose of this study was to analyze the various budget and staffing reports that were produced in the Agency, provide comparisons and explanations, outline the purposes of such reports, provide alternative reports and make recommendations concerning an ideal staffing report.

Study Title

UI Research Memo #1  
Utah Staffing Plan/Report Explanation  
Presented to the Executive Committee  
August 6, 1979

Methodology

Copies of the various staffing reports were obtained and analyzed in terms of the content, definitional relationships, basic source and usage. A questionnaire was completed by members of the executive committee to determine their understanding of the report and the types of data they were interested in having.

Results

Final recommendation was to produce a weekly staffing report which includes staffyears, dollars and performance measurements for each major project code. It was further recommended that the existing Time and Cost System be modified to produce such reports. This would require weekly time reporting as opposed to the current method of monthly time reporting. In addition, a format of this proposed staffing report was included in the study which incorporates all of the recommendation.

Project Director

William R. Horner  
Utah Department of Employment Security  
Research & Analysis  
P. O. Box 11249  
Salt Lake City, Utah 84147

Telephone: 801-533-2375

Problem Studied

The purpose of this study was to analyze the Employment Service second quarter productivity slump and to recommend a solution to the problem.

Study Title

UI Research Memo #2  
Flexible Staffing Plans or the Ping Pong Syndrome  
Management Conference  
October 3-5, 1979

Methodology

The Employment Service (ES) second quarter slump was analyzed in terms of productivity (individuals placed per staffyear worked and placement transactions per staffyear paid). Other Employment Service (ES) and Unemployment Insurance (UI) workloads were studied in terms of seasonal trend and productivity fluctuations. Flexible staffing in UI operations were reviewed to ascertain whether such a system could be implemented in ES operations.

Results

Based upon analysis of the data, a modified flexible staffing plan was recommended to be instituted in ES operations. The plan allows for shifting some staff between ES and UI operations, as workload levels fluctuate and the hiring of ES intermittents as justified by increased workloads. Based upon the assumptions made in this study, it was estimated that productivity in the second quarter would be improved, overall productivity would be increased and placement workload would increase.

Project Director

William R. Horner  
Utah Department of Employment Security  
Research and Analysis  
P. O. Box 11249  
Salt Lake City, Utah 84147

Telephone: 801-533-2375

Problem Studied

The purpose of this study was to provide a short-range actuarial update of the reserve fund balance, to predict employer tax rates for 1980, to estimate the year-end reserve fund balance for 1979 and 1980, and to determine the short-range solvency of the reserve fund.

Study Title

UI Research Memo No. 3  
Utah Actuarial Update  
Selected Unemployment Insurance Actuarial Statistics  
For Calendar Year 1976-1980  
Advisory Council Meeting  
October 31, 1979

Methodology

Using actuarial and statistical techniques, projections of income (contributions and interest earnings), benefit costs and reserve fund balance were made for 1979 and 1980. Solvency measures were computed, seasonal trends were reviewed and the effects of the last recession were studied.

Results

This study culminated in determining that tax rates for 1980 would decrease, that the reserve fund was continuing to improve in terms of size and relation to generally accepted actuarial techniques, and a brief history of the reserve fund in terms of total benefit costs and contribution income since 1938 were provided.

Project Director

William R. Horner  
Utah Department of Employment Security  
Research & Analysis  
P. O. Box 11249  
Salt Lake City, Utah 84147  
  
Telephone: 801-533-2375

Problem Studied

National legislation has recently been introduced concerning Unemployment Insurance Cost Equalization/Reinsurance. In addition, the Interstate Conference of Employment Security Agencies (ICESA) has made various recommendations relating to such a program and several states have made suggestions about Cost Equalization/Reinsurance. The purpose of this study was to determine the desirability of such a program and make an alternative recommendation if deemed necessary.

Study Title

UI Research Memo No. 4  
History of Cost Equalization/Reinsurance Proposals  
Analysis of H. R. 3937 Unemployment Compensation Reinsurance Act of 1979  
Utah Recommendations Concerning Reinsurance  
Advisory Council Meeting  
October 31, 1979

Methodology

Data from the Interstate Conference of Employment Security Agencies, legislative proposals and responses by several states concerning Cost Equalization/Reinsurance were studied. After studying these proposals, Utah designed a reinsurance program, created a data base of all the states and applied the reinsurance criteria to each state for the 1970-1977 and 1950-1977 period to determine the impact on the states, and to ascertain the costs of such a program.

Results

It was concluded that both the ICESA recommendations and H. R. 3937 Unemployment Compensation Reinsurance Act of 1979 are Cost Equalization programs and as such, are considered undesirable. A Reinsurance program should consist of only a State trigger (no National Trigger), the benefit cost rate should be the trigger indicator, states should be expected to bear benefit costs equivalent to one and one-half times their average benefit cost, the average benefit cost should consist of the immediate prior 10-year average, reimbursement to states for "excessive benefit costs" should not exceed 50 percent and financing of the program should consist of a combination of General Revenues and a payment made directly from each state's trust fund.

Project Director

William R. Horner  
Utah Department of Employment Security  
Research & Analysis  
P. O. Box 11249  
Salt Lake City, Utah 84147

Telephone: 801-533-2375

Problem Studied: UI Benefit Financing

Study Titles: UI Benefit Financing in S.C. ; S.C. UI Trust Fund Solvency Model; Development of an Adequate Taxing System for Financing UI; and Alternative Models for Financing UI in S.C.

Methods: This research represents a series of four studies (published respectively in June 1974, August 1975, August 1976, and September 1977) all related to an evaluation of the present financing of UI benefits and the development of an improved financial/taxation structure. Actual and projected data for S.C. were used in establishing the framework for this financing model.

Results and Findings: Several alternative benefit financing models were proposed which are more responsive in meeting the potential liabilities of UI compensation outlays while maintaining Trust Fund solvency. These studies also contain an in-depth history of the national/state system of financing UI benefits.

Authors: Dennis Degnan; Richard Stanley, Ph. D; William Thomas, Ph. D; and Kelly Shuptrine, Ph. D.

Availability: Gary Crossley, Room 617  
S.C. Employment Security Commission  
Post Office Box 995  
Columbia, S.C. 29202  
(803) 758-8983

Mississippi  
Benefit Financing Study

This study is near completion; the study report is being readied for publication, which should occur on or about March 31, 1980.

PROBLEM STUDIED

The purpose of this study was to ascertain the amount needed in Mississippi's Unemployment Insurance Trust Fund to insure its solvency and to determine the most equitable tax formula for maintaining the fund at the optimum level.

STUDY TITLE

The Financing of Unemployment Insurance Benefits - Mississippi,  
1980 - 1985

METHODOLOGY

Data Sources

Records and reports of the Mississippi Employment Security Commission and, for the economic analysis of the state, various publications dealing with the economy of Mississippi.

Methods of Analysis

Against a background of Mississippi's experience in the payment of UI benefits, collection of employer taxes, and changes over the years in the Mississippi Employment Security Law, tax rate formulas were tested under three projected possible levels of economic activity for the 1980 - 1985 period: a favorable, an intermediate, and a least favorable economic scenario.

Note

Invaluable assistance in making this study was given by James Manning and Ron Wilus, of the Division of Actuarial Services, Unemployment Insurance Service, ETA, Washington, D.C.

RESULTS

A tax rate formula was developed to peg the level of the Trust Fund to a size-of-fund index (reserve multiple) of 2.5; the maximum tax rate was raised from 2.7 percent to 4.0 percent. This formula was incorporated in the Mississippi Employment Security Law by the state legislature in its 1979 session and will go into effect for rate year 1980.

AUTHORS

Helen Morehead, Research and Statistics Department, Mississippi Employment Security Commission  
Fred Williams, Research and Statistics Department, Mississippi Employment Security Commission

AVAILABILITY

On publication, copies of the study report will be available from Joseph M. McDonald, Chief, Research and Statistics, Mississippi Employment Security Commission, P. O. Box 1699, Jackson, Mississippi 39205.

- PROBLEM STUDIED: New Jersey's Unemployment Insurance Tax System.
- STUDY TITLE: Financing New Jersey's Unemployment Insurance Program. New Jersey Department of Labor and Industry, November 1978. 80pp.
- METHOD: Empirical review of the financing problem. The report summarizes major tax policy issues, discusses the process of long range financial planning and outlines a wide range of taxation alternatives for financing unemployment benefits in the future.
- RESULTS: This report includes a series of 21 conclusions and recommendations. Major recommendations include the following:
- . The current fund solvency standard of 7% of taxable wages is adequate.
  - . Future costs may approximate 2.00% of total wages (historic costs were 1.75% of total wages).
  - . The extended benefits program has inflated New Jersey's Unemployment Insurance costs by 13%.
  - . If benefits continue at current levels, income must be increased in order to attain long term financial stability; program income should be increased by \$100 million annually (a 17% increase).
  - . Eight different tax tables, illustrating a wide range of policy options, are presented in the report.
- AUTHOR: Donald L. Diefenbach, New Jersey Department of Labor and Industry.
- AVAILABILITY: A copy of this report may be obtained from the Labor and Industry Library:
- Stuart Anderson, Librarian  
New Jersey Department of  
Labor and Industry  
John Fitch Plaza - Room 1003  
Trenton, New Jersey 08625

PROBLEM STUDIED

What are the costs of financing UI benefits by the reimbursement method as compared to the contribution method to reimbursable employers, or show what effects would have taken place had the reimbursable group (805, 806, and 86) elected to "experience rate."

STUDY TITLE

Unemployment Insurance Division Selected Reimbursable Employer Study

METHOD

Method of Analysis

Three special SIC groups No. 805 (Nursing Homes), SIC 806 (Hospitals) and SIC 86 (Nonprofit organizations i.e. Elks, YMCA, Boy Scouts) were studied.

The actual historical data of total wages and benefits were calendar year 1976 and 1977.

The following assumptions were:

1. Standard 2.7 tax rate for 1976.
2. Standard 2.7 tax rate plus a .8 solvency tax for a 3.5 overall percent rate for 1977.
3. No significant change in reserve ratio prior to calendar year 1978, thus the 2.7 percent tax rate remains in effect.
4. Assumed that the total wage increase for the first and second quarters of calendar year 1978 were the same as calendar year 1977 over 1976--same period.
5. Assumed the same taxable to total ratio as the same quarter (1st and 2nd) of 1977.
6. No interest earned from the Federal Reserve as to additional amounts in the trust fund was projected.

A simulated financial model was set up using past historical ratios, percentages and trends that resulted in reserve ratios, and financial positions at a set future period of time.

Sampling Design

A universe of selected SIC industry data.

RESULTS

The study indicates that had these employer groups selected the contribution method of financing, the savings (employer reserve ratio) in the UI Trust Fund for 1976 and 1977 would have been insufficient to reduce the contribution rate from 2.7 percent to the next lower step of 2.5 percent.

Projected total savings to the three selected reimbursable groups was \$2,793,545 (or 307.5 percent of actual reimbursement) from January 1, 1976 through June 30, 1978.

AUTHOR

Richard A. Dietrich, Jr.  
Job Service North Dakota  
Box 1537  
Bismarck, ND 58505

701-224-2868

Problem Studied: Implementation of the Continuous Wage and Benefit History (CWBH) Pilot Project Supplemental Questionnaire

Study Title: Pretest Analysis of CWBH Surveys Conducted in S.C.

Method: This study, completed in April 1978, centered on the use of a mail questionnaire for collecting supplemental data on the socioeconomic characteristics of the insured unemployed as part of the CWBH pilot project (which sets up a national UI data bank). A random sample of approximately 1,000 S.C. questionnaire respondents was used to draw these conclusions.

Results and Findings: As a result of this research, S.C. made modifications to the structure and format of the CWBH questionnaire system. Preliminary findings reveal increased understanding by survey recipients and slightly lower non-response rates. A hard copy flip chart and an audio-visual slide presentation describing the CWBH program were also produced.

Authors: Calvin McWhorter; Douglas Potter; and Dennis Degnan.

Availability: Gary Crossley, Room 617  
S.C. Employment Security Commission  
Post Office Box 995  
Columbia, S.C. 29202  
(803) 758-8983

STUDY TITLE

Unemployment Insurance and Proliferation of Other Income Protection Programs for Experienced Workers

ABSTRACT

This paper discusses the conceptual and operational issues involved in the proliferation of income protection programs for experienced workers, to the extent that they are related to the UI program. First, the rationale for income protection to be provided to workers who are adversely affected by governmental actions or by disasters is examined. From this emerges the concept of loss compensation to be distinguished from temporary income support of the UI type. Second, given the objective of loss compensation, what one would expect to be the characteristics of a loss compensation program are enumerated and compared with the characteristics of the UI program. Third, the legislative backgrounds of the existing income protection programs are traced after the programs are identified. Fourth, an attempt is made to compare the characteristics of the programs that are deduced from the objectives with the actual characteristics of the existing programs. Fifth, because TRA is by far the largest of the income protection programs other than UI, a close examination is made of how this program interacts with UI under the existing law and of the implications of this interaction.

The conclusions of the paper are the following:

- (1) In creating a program of income support, its objective must clearly be defined in terms of temporary income support or the compensation for career loss.
- (2) There should be a comprehensive program of loss compensation with a uniform benefit determination formula for all workers in similar circumstance.
- (3) Because the objectives of UI are fundamentally different from those of loss compensation, the benefit formula for loss compensation must be independent of that for UI.
- (4) For the same reason as in (3), the workers who are determined eligible for loss compensation should receive 100 percent of their benefits under the compensation program, which is to be financed by general revenue.
- (5) With its easy access to worker records and, in general, its overhead facility and network for payment of benefits to workers, the UI system seems uniquely equipped to deliver loss compensation benefits.
- (6) Finally, there is a need to sharpen the criteria and screening process for loss compensation benefits and to pay adequate benefits only to those workers who are clearly determined to be eligible.

AUTHOR

Mamoru Ishikawa, Unemployment Insurance Service

AVAILABILITY

Copies of the paper can be obtained from DOL/ETA, Office of Communications, Patrick Henry Building, Room 100225, 601 D Street, N.W., Washington, D.C. 20213.

PROBLEM STUDIED: Reform Legislation for New Jersey's Unemployment Insurance Program.

STUDY TITLE: Final Report of The New Jersey Unemployment Compensation Program. New Jersey Employment Security Council, March 1979. 66pp.

METHOD: A standing task force of Labor, Management and Public Representatives conducts periodic evaluations of the unemployment insurance program and advises the Commissioner of Labor and Industry and the Governor of policies and proposed legislation to improve New Jersey's unemployment insurance program. This report presents findings of a year of research, hearings and debates of the Employment Security Council.

RESULTS: The Employment Security Council's report includes a series of 24 recommendations for improving New Jersey's unemployment insurance program. Major recommendations include the following:

- . Reduce the wage replacement percentage from 66 2/3% to 60%.
- . Pay dependency benefits.
- . Increase penalties for voluntary quit, misconduct, refusal of suitable work and fraud.
- . Pay benefits to a worker who quits to move with spouse.
- . Increase the maximum tax rate from 6.2% to 7.5%.
- . Rate new employers after one year rather than after three years.

AUTHOR: New Jersey Employment Security Council.

AVAILABILITY: A copy of this report may be obtained from the Labor and Industry Library:

Stuart Anderson, Librarian  
New Jersey Department of  
Labor and Industry  
John Fitch Plaza - Room 1003  
Trenton, New Jersey 08625

