

BES No. U-212  
October 1962

# **Unemployment Insurance Legislative Policy**

**Recommendations for  
State Legislation  
1962**

**U.S. DEPARTMENT OF LABOR  
W. Willard Wirtz, Secretary  
BUREAU OF EMPLOYMENT SECURITY  
Robert C. Goodwin, Administrator  
Washington 25, D.C.**

## PREFACE

This statement of unemployment insurance legislative policy and recommendations for State legislation is a revision of the 1953 document, Unemployment Insurance Policy, Benefits - Eligibility. It has been prepared to meet the need for an up-to-date summary of legislative policy. It is intended primarily as a general policy guide and reference tool for the use of the staffs of the State employment security agencies and the Bureau's national and regional offices who are concerned with the preparation or review of legislative amendments to the benefit and eligibility provisions of the State employment security laws. It is hoped that the discussion will be useful also to labor and employer organizations and to other groups and individuals interested in unemployment insurance legislation.

A discussion of disqualifying income, which was included in the 1953 document, was not completed in time for release as part of this revised statement. It will be issued at a later date. Policy statements on other aspects of the employment security program, such as coverage, financing, appeals, and administration, also need to be updated. The Bureau plans to prepare and issue supplementary statements of policy on these subjects.

Although the Manual of State Employment Security Legislation, revised September 1950, is still the principal compendium of legislative language, the illustrative benefit schedules in the commentary of the Manual are now out of date and no longer suitable for reference purposes. Accordingly, new benefit schedules and other technical discussions and illustrations have been included in the Appendix of the revised statement.

Other legislative aids which should be consulted include Unemployment Insurance Purposes and Principles, issued in December 1950 as "a guide for evaluating the main principles of unemployment insurance laws"; Adequacy of Benefits Under Unemployment Insurance, BES No. U-70(R), issued in October 1958; and the Comparison of State Unemployment Insurance Laws as of January 1, 1962. The first two documents include criteria for appraising employment security laws; the third document will supply information on the provisions of the State laws. Copies of these documents are available from the Bureau of Employment Security.

October 1962

CONTENTS

	<u>Page</u>
Preface.....	i
I. Introduction.....	1
II. Base Period and Benefit Year.....	2
Types of Periods.....	2
Individual periods.....	2
Uniform periods.....	3
Length of the Base Period and Benefit Year.....	3
Lag Between Base Period and Benefit Year.....	4
Lag with individual periods.....	4
Lag with uniform periods.....	4
Definition of "Valid Claim" to Begin an Individual Benefit Year.....	5
Provisions for Starting a Second Benefit Year.....	5
Request Wage Reporting.....	6
Summary.....	7
III. Payments for Weeks of Total and Partial Unemployment.....	9
Definition of Week of Unemployment.....	9
Weekly Benefit Amount for Total Unemployment.....	10
What is an adequate benefit?.....	10
Wage base and wage loss to be compensated.....	10
Minimum weekly benefit.....	11
Maximum weekly benefit.....	11
Flexible maximum benefit.....	12
Rounding of weekly benefit amounts.....	12
Payments for Weeks of Less than Total Unemployment.....	12
Characteristics of existing formulas.....	12
A new type of partial benefit formula.....	14
Partial benefits and dependents' allowances.....	15
Summary.....	16

	<u>Page</u>
IV. High-Quarter-Wage Formula.....	17
Relation of High-Quarter Provisions to Other Elements in the Benefit Formula.....	17
Construction of High-Quarter Formulas.....	18
Some Recommended Schedules.....	19
Summary.....	20
V. Average-Weekly-Wage Formula.....	21
Relation of the Average-Weekly-Wage Provisions to Other Elements in the Benefit Formula.....	21
Construction of the Average-Weekly-Wage Formula.....	21
Average weekly wage in the base period.....	21
Average weekly wage with the last employer.....	22
Average weekly wage in weeks worked in high quarter.....	23
Average weekly wage with each employer: "per-employer" determination.....	23
Proportion of Wages Compensated.....	24
Suggested Average-Weekly-Wage Formula.....	24
Summary.....	25
VI. Annual-Wage Formula.....	26
Problems in the Relation of Weekly Benefits to Weekly Wages..	26
Relation of Annual-Wage Provisions to Other Elements in the Benefit Formula.....	27
Duration of Benefits under Annual-Wage Formulas.....	27
Summary.....	28
VII. Dependents' Allowances.....	29
Definition of Compensable Dependent.....	29
Form and Amount of Dependents' Allowances.....	29
A flat allowance.....	30
Amounts varying with the benefit level.....	30
Allowances for claimants with maximum basic weekly benefit.	31

	<u>Page</u>
Relation of Dependents' Allowances to Other Elements in the Benefit Formula.....	32
Dependents' allowances and duration of benefits.....	32
Dependents' allowances and partial benefits.....	32
Administrative Aspects of Dependents' Allowances.....	33
Summary.....	33
VIII. Maximum Potential Benefits in a Benefit Year.....	35
Uniform Potential Duration for All Eligible Claimants.....	36
Period of uniform duration.....	36
Qualifying employment or wages for uniform duration.....	37
Variable Duration.....	37
Maximum duration.....	37
Duration fraction.....	37
Minimum duration.....	38
Maximum duration attainable at all benefit levels.....	39
The use of schedules in connection with variable duration..	39
Variable duration with a weighted high-quarter schedule....	40
Variable duration and dependents' allowances.....	41
Rounding of duration.....	41
Additional limitations on duration.....	42
Summary.....	42
IX. Qualifying Employment or Wage Requirement.....	44
Form of the Qualifying Requirement.....	44
Weeks of employment.....	44
Multiple of high-quarter wages or of weekly benefit amount.	46
A flat qualifying amount.....	47
Amount of Employment or Wages Required.....	48
Modification of Qualifying Requirements.....	49
Step-down provisions.....	49
Additional qualifying requirements.....	50
Requalifying provisions for a second benefit year.....	51
Alternative qualifying requirements.....	51
Summary.....	53
X. Eligibility for Benefits and Disqualification from Benefits..	55
Purpose of Eligibility and Disqualification Provisions.....	55
Waiting Period.....	56

	<u>Page</u>
Ability to Work and Availability for Work.....	57
Available for suitable work.....	57
A broad availability provision.....	58
Eligibility of approved trainees.....	59
Special availability requirements for special groups of workers.....	60
Major Causes for Disqualification from Benefits.....	61
Voluntarily leaving suitable work.....	61
Discharge for misconduct.....	62
Refusal of suitable work.....	63
What is suitable work?.....	63
Effect of Disqualification on Claimants.....	65
Period of disqualification.....	65
Variable vs. flat periods.....	66
Disqualification for the duration of the unemployment....	67
Disqualification for separation from other than most recent employment.....	67
Provision for cancellation of benefit rights.....	68
Noncharging of Benefits to Employers' Accounts.....	69
Disqualification Because of a Labor Dispute.....	70
Disqualification for Fraudulent Misrepresentation.....	71
Summary.....	73

	<u>Page</u>
Appendix.....	A-1
Problems Arising from a 52-Week Benefit Year or from Other Variations from a full Year.....	A-1
Table 1 - Lag between End of Base Period and Beginning of Benefit Year and, in States with Uniform Periods, Date of New Claim Based on Wages in Such Base Period, October 1962.....	A-2
Analysis of Partial Benefit Formulas.....	A-3
Partial Earnings Limit: Less than Weekly Benefit Amount ....	A-3
Flat earnings allowance .....	A-3
Table 2 - Partial Benefits and Total Income--Illustrations of Various Types of State Formulas and Definitions of "Week of Employment".....	A-4
Earnings allowance set at fraction of weekly benefit amount	A-7
Sharp decrease in weekly benefit payment and total income..	A-7
Partial benefit in units of full or half weekly benefit amount.....	A-7
Partial Earnings Limit: Weekly Benefit Amount Plus the Earnings Allowance.....	A-8
Construction of New Type of Partial Benefit Formula.....	A-8
Table 2A - Partial Benefits and Total Income, Computed under Alternative Types of Formulas Designed to Provide Progressively Higher Income.....	A-10
Part I. Partial earnings limit set at a multiple of weekly benefit amount and partial earnings allowance defined as a fraction of earnings.....	A-10
Part II. Partial earnings limit set at a multiple of weekly benefit amount plus a flat dollar amount and partial earnings allowance defined as a flat dollar amount plus a fraction of earnings in excess of such flat dollar amount.....	A-11
Table 3 - Formula A: Weekly benefit amount figured as 1/20 of high-quarter wages and qualifying wages computed as 1-1/2 times high-quarter wages.....	A-14
Table 4 - Formula B: Weekly benefit amount figured from weighted schedule of high-quarter wages and qualifying wages computed as 1-1/2 times high-quarter wages.....	A-16

	<u>Page</u>
Table 5 - Formula C: Weekly benefit amount figured from weighted schedule of average weekly wage.....	A-18
Table 6 - Minimum and maximum weekly and annual benefits as percent of minimum qualifying wages at each level, 7 States with annual-wage formulas, October 1962.....	A-19
Table 7 - Minimum and maximum weekly benefit amount and minimum weeks of work required at specified levels to qualify for a weekly benefit equal to 50 percent of average weekly wages in base period; 7 States with annual-wage formulas, October 1962.	A-19
Table 8 - Formula D: Basic weekly benefit amount figured as 1/25 of high-quarter wages, with augmented benefits for claimant with one, two, and three or more dependents, and qualifying wages computed as 1-1/2 times high-quarter wages..	A-20
Table 9 - Analysis of hypothetical benefit schedule providing "variable" maximum benefit amounts for claimants with one, two, three, and four or more dependents.....	A-22
Table 10 - Variable duration of benefits--number of weeks resulting from specified duration fractions and amounts of base-period wages (expressed as multiples of high-quarter wages) under five high-quarter formulas.....	A-23
Table 11 - Benefit Formula E: Weighted high-quarter schedule with variable duration of benefits; qualifying wages computed as 1-1/2 times high-quarter wages; maximum potential benefits, computed as specified percent of base-period wages, or (statutory maximum)times the weekly benefit amount, whichever is the lesser.....	A-25
Table 12 - Benefit Formula E: Abbreviated tabulation illustrating weighted benefit and duration schedule for administrative use in determining weekly benefit amount and maximum potential benefits.....	A-27
Analysis of qualifying wage requirements stated as a multiple of high-quarter wages or of the weekly benefit amount.....	A-28
Analysis of provisions requiring wages within the last 2 calendar quarters of the base period.....	A-30



## I. INTRODUCTION

The most important aspects of benefits to a worker are how much does he get, for how long, and what is required of him to get them. The States have given diverse answers to these questions, but all State laws vary the weekly benefits with the claimants' prior wages. The benefit formulas used in the States differ principally in the wage base used to determine the weekly benefit--high-quarter wages, average weekly wages, or annual wages. In each type of formula there are arithmetical differences, i.e., differences in the proportion of wage loss to be compensated and in the minimum and maximum weekly benefits payable. With each type of formula, potential duration of benefits may be uniform for all eligible claimants or may vary with prior employment or wages; here also there are arithmetical differences in minimum and maximum weeks and amounts of potential benefits and in the relation of benefits to qualifying wages.

The policies discussed here concern the base period and benefit year which constitute the framework of the benefit formula, the formulas for determining weekly benefits for total and partial unemployment, dependents' allowances, duration of benefits, and qualifying wages. While the various elements of the benefit formula are presented separately, the interrelationship of all elements, especially of the weekly benefit amount, qualifying wages, and duration of benefits, must be kept in mind.

This discussion of the benefit formula is followed by a discussion of eligibility for benefits and disqualification from benefits.

## II. BASE PERIOD AND BENEFIT YEAR

The base period and benefit year constitute the framework of the benefit formula. Unemployment insurance can be thought of as term insurance. Rights are established during the base period by workers in the labor force, to be used in the event of their unemployment during their benefit year. The base period is the period of the claimant's previous employment experience in insured work used as the base for determining if he is "insured" under the program, his weekly benefit, and maximum annual benefits. In all States except Wisconsin, the base period is related to a later period, the benefit year, in which benefit rights based on the claimant's base-period employment may be used. A base period is fixed in relation to the beginning of a benefit year; once established, it remains unchanged for the duration of the benefit year. Under most laws, a determination of weekly benefit amount and maximum annual benefits, once made for an individual, remains unchanged throughout the benefit year.

### Types of Periods

Both the base period and the benefit year are of two main types, "individual" and "uniform."

Individual periods.--The individual benefit year, in most States, is a 1-year period beginning on the day with respect to which an individual first files a new claim, providing he has sufficient wages to be insured. In some States, however, there are additional requirements a claimant must meet (see page 5).

A variation which has been used is an individual benefit year beginning with the calendar quarter in which a valid claim is filed. Such a provision is not recommended, since it treats differently claimants whose unemployment begins early and those whose unemployment begins late in a calendar quarter. For example, a claimant filing in the last week of a quarter would have an effective benefit year of 40, rather than 52, weeks. This may be an advantage or a disadvantage to a claimant depending on the chance pattern of his unemployment and reemployment during the benefit year.

Since the base period is related to the benefit year, an individual base period is ordinarily related to the beginning of the claimant's unemployment. It is a characteristic of the individual base period that the earnings used to compute benefit rights are relatively recent. For this reason, the Bureau recommends the individual benefit year. The discussion of lag between base period and benefit year (page 4) indicates various types of individual base periods.

Uniform periods.--In a few States, the benefit year begins for all eligible claimants on the same day--i.e., the first day or the first Sunday of a specified month--and continues until the corresponding day in the next calendar year. A claimant who files a claim near the expiration of a uniform benefit year does not have any opportunity to draw all the weeks of benefits to which he may be entitled on the basis of his base-period employment and wages. However, such a claimant would ordinarily have benefit rights in the succeeding benefit year and could draw benefits based on a new determination of his rights.

In the States which use a uniform base period, it is defined as the calendar year preceding the beginning of the uniform benefit year.

#### Length of the Base Period and Benefit Year

The base period of 1 year (or 4 quarters or 52 weeks) used in all State laws at present is recommended. A 1-year base period usually reflects an individual's recent year-round employment pattern. However, under certain circumstances, it may not be representative of his normal attachment to the labor force. For example, an individual with a long history of almost full-time employment may experience considerable unemployment in a 1-year period because of illness or recession and may not qualify for benefits despite his work history and his current attachment. Without changing the base period, it is possible to admit such an individual to benefits under an alternative qualifying requirement that takes into account his employment not only in the 1-year base period but also over a longer period (see page 52).

Although a number of State laws provide for a 52-week individual benefit year, this type of period should not be used with a formula which provides for a 4-quarter base period. Since the 52-week period is 1 or 2 days short of a full year, it can result, when one benefit year immediately follows another, in the inclusion of the same calendar quarter of wages in each of the two base periods for such benefit years. (For a further discussion, see page A-1.)

Since the end of a benefit year and the end of a benefit week do not necessarily coincide, provision should be made for the allocation of split weeks to a specific benefit year. This may be done by allocating the weeks to a year by one of the following means: all weeks beginning in the benefit year, or all weeks ending in the benefit year, or all weeks of which four or more days fall within the year. Such allocation, which is made necessary by the fact that the unit of payment in the program is a week, should not change the ending or the beginning dates of benefit years as fixed by statute. It is preferable to provide statutory authority to handle this by regulation because administrative flexibility is desirable.

### Lag between Base Period and Benefit Year

Since unemployment insurance is designed to compensate wage loss, benefits should be based upon comparatively recent wages--i.e., the lag between the base period and benefit year should be as short as possible. As illustrated in Table 1 (page A-2), the lag varies widely with the type of period used and the manner in which wage information is obtained. (For discussion of a system of wage reporting that will permit reduction or elimination of the lag, see page 6.)

Lag with individual periods.--Under the most common definition of an individual base period (first 4 of the last 5 completed calendar quarters), the interval between the end of the base period and the beginning of the benefit year (3 months to 1 day less than 6 months) is intended to allow time for the recording of all base-period wages prior to the beginning of a benefit year. Such a provision allows a minimum lag of 1 quarter between the base period and the benefit year. Since wage reports are usually received 1 month after the close of a quarter, they must be processed in the remaining 2 months to be available by the beginning of the quarter in which they may be needed for the computation of benefit rights.

A few States allow 1 month more for wage processing by defining the base period as the first 4 of the last 5 completed calendar quarters preceding a benefit year which begins in the second or third month of any quarter and the first 4 of the last 6 calendar quarters preceding a benefit year which begins in the first month of any quarter. However, this permits a lag period of 7 months during 4 months in the year, and a lag period in excess of 6 months is undesirable. For this reason, the Bureau recommends against such a definition of the base period.

Lag with uniform periods.--The uniform calendar base year and a benefit year beginning April 1 or July 1 involve a lag of 3 or 6 months between the end of the base period and the beginning of a benefit year. This means a lag of up to 15 to 18 months between the end of a base period and the beginning of some claimants' unemployment. When uniform periods are used, a claimant's weekly benefit may be based on wages earned as long as 2 years ago and is, therefore, unlikely to be realistic in terms of his more recent wages.

In spite of the simplification involved in the use of the same year as the base period for all claimants who file claims in a corresponding benefit year, such a uniform period is not recommended for the following reasons: (1) Wages used in the computation of benefits are more remote and, therefore, less indicative of the claimants' degree of recent attachment to the labor force than when a more recent base period is used; (2) Claimants are affected unevenly, depending upon when their employment began in relation to the beginning of the base period and when their unemployment began in relation to the beginning of the benefit year; (3) New entrants to the labor force must wait longer than when individual periods are used before they are afforded the protection of

the program; (4) If new entrants earn less than the minimum qualifying amount in their first uniform base period, these wages are lost for benefit purposes. Under laws providing for individual periods, these wages can be used in combination with later earnings as a basis for benefits.

Administratively, a uniform base period and benefit year build up a peak load of claims at the beginning of the benefit year or just before it. The new claims load goes up because, in addition to claims from workers just becoming unemployed, the agency gets new claims from claimants receiving benefits at the end of the old benefit year, from those who exhausted their benefit rights in the old benefit year and have remained unemployed, and from those who were unemployed but not insured in the old benefit year and may be insured in the new benefit year.

#### Definition of "Valid Claim" to Begin an Individual Benefit Year

A valid claim is a claim which establishes the beginning of an individual benefit year. In most States it is merely a new claim filed by a claimant who meets the employment and wage qualifications for benefits. The Bureau recommends this definition of a valid claim under which a determination of insured status is made for any worker who files a new claim. This determination is administratively time consuming and should be started at once if it is to be available when needed for benefit payment. Provisions found in some State laws which require that the individual must meet other tests in addition to the monetary requirement before he can establish a benefit year are administratively undesirable. For example, such a provision would be one requiring that the worker complete a week of unemployment, that he be available for work, or that he be free from disqualification. Under any of these provisions, the agency must defer action on the monetary determination until the payment is nearly or already due or it must make many conditional monetary determinations that will never be used because, by the time claimants have met these various requirements, their base periods have changed.

#### Provisions for Starting a Second Benefit Year

With uniform periods, a potential new benefit year begins for all claimants receiving benefits at the turn of the benefit year. Eligible claimants can draw benefits in the second benefit year without interruption unless a waiting week is required (see page 56). With individual periods, a second benefit year does not begin until after the end of the claimant's last preceding benefit year--a year which ordinarily began with a period of unemployment. Claimants who exhaust their benefits must wait until the end of the benefit year before they can begin a new benefit year and draw benefits based on a new base period.

In States which cancel wage credits in certain disqualifying situations (see page 68), there may be instances in which a benefit year is established in which no benefits are payable because all wage credits have

been cancelled. The Bureau recommends that in such instances the benefit year and base period be cancelled also. Then a new benefit year can be started as soon as the claimant has sufficient qualifying wages or employment. Such a provision serves a useful purpose in that it helps to mitigate the extremely punitive effect of setting up a period of 1 year in which all benefits are barred.

#### Request Wage Reporting

A small but increasing number of States have instituted a system of requesting wage reports from employers for claimants only after they file a claim. This system is termed "request wage reporting." This administrative change, eliminating the receipt of quarterly wage reports from employers, has had far-reaching effects on the benefit formula. It permits the reduction or elimination of the lag period between the base period and the benefit year, and eliminates the necessity of having a formula based on calendar quarters or a calendar year.

The States having this system of reporting use a base period ending either immediately before the benefit year, or within a short period prior to it. Some States end the base period with the end of the last calendar quarter preceding the benefit year (see Table 1, page A-2). Any one of these definitions of base period has the advantage of using more recent wage and employment data than would be available under a system of quarterly wage reports.

The impact of request wage reporting is also felt in other aspects of the benefit provisions, that is, the qualifying requirement and computation of benefits. In some benefit formulas these provisions are in terms of the claimant's weeks of employment in the base period (see page 44). Benefit formulas requiring data on weeks of employment are not confined to the States that use a request reporting system. However, it is easier to obtain data on weeks of employment under such a reporting system. A number of the "request reporting" States, but not all, have benefit formulas that use weeks-of-employment data.

Certain concepts have been commonly associated with request reporting systems but are not inherent in them. One of these is the "per employer determination" system used in several of the States that first adopted request reporting. Another is the punitive character of the disqualification provisions that generally accompanied adoption of the system. Still another is the postponement of the start of the benefit year until the claimant is free of disqualification. The Bureau considers these concepts undesirable and recommends that they be omitted. Although not inherent, the association of these concepts with request reporting is not merely coincidental. Under this system, it is easy to obtain and use separation information concerning employment that is remote from the current unemployment and its preceding separation from work. The receipt of a separate report from each employer at the time the claim is filed, showing both employment and separation information,

tends to promote the idea of relating the worker to each of his prior employers in turn as to his work record and the reason for separation, rather than to his work record as a whole and to the reason for his current unemployment.

Experience with the system in several States has shown that it is feasible to obtain timely wage information under a request reporting system from the employers that are correctly listed by the claimant. Examination of employer records indicates that these reports are usually correct. While claimants can generally identify their base-period employers, it is more difficult for those who work for many employers in the course of a year--as, for instance, in the building trades. In these instances, failure to identify all base-period employers may frequently result in a loss of benefits, which would not occur under a system of quarterly wage reporting. With request reporting, such losses cannot be eliminated entirely, but the number may be reduced by competent claims interviewing.

In order to obtain accurate and timely reports and to reduce the delays in benefits caused by late reports, the law should provide: (1) That employers shall furnish each worker, upon separation, with a notice showing the employer's name, account number, and the address where employment and wage records are maintained, and advising the worker that he should keep such information because it will be needed when he files a claim for benefits; (2) That, if the employer fails to file timely reports, benefits shall be based upon the claimant's statement, supported by such information as may be reasonably required under the individual circumstances of the claimant, and that benefits paid on the basis of such statements, in the absence of fraud, shall not be subject to repayment on the basis of any redetermination based on later information; and (3) That employers who fail to file timely reports shall be subject to a money penalty for each report that is delinquent. In addition, the time limit for filing reports should be set so that there is sufficient time to receive the report and make the determination before benefits are due.

#### Summary

From time to time, changes are made in State provisions for base period and benefit year, for substantive or for administrative reasons. In making such changes, the Bureau recommends:

1. That the lag between the base period and benefit year be as short as possible, consistent with the benefit formula and with administrative feasibility.
2. That the definition of a valid claim to begin a benefit year not include requirements of unemployment, ability to work, availability for work, or freedom from disqualification.

3. That an individual, rather than a uniform, benefit year be used.
4. That the benefit year and base period be limited to a year.
5. That under a formula using quarters for the base period the benefit year be a year period, rather than 52 weeks.
6. That, when a benefit year is established in which no benefits are payable because all wage credits have been cancelled (see page 68), the benefit year and base period be cancelled also.
7. That, in States using a system of request reporting, the law provide (a) that employers be required to furnish separated workers with written notices which show the employer's firm name, registration number, and reporting address; (b) that the time limit for employer reports be set so as to permit timely benefit payments; (c) that the agency be authorized to compute and pay benefits on the basis of information furnished by the claimant in cases where an employer's report is delayed beyond a specified time and that, in the absence of fraud, repayment of such benefits not be required; and (d) that a money penalty be required of employers who do not furnish wage and employment information promptly.



### III. PAYMENTS FOR WEEKS OF TOTAL AND PARTIAL UNEMPLOYMENT

The unit of payment is the benefit for a week of total unemployment. However, since underemployment as well as total unemployment may result in serious wage loss, unemployment insurance laws should provide for payment of benefits for partial as well as for total unemployment.

#### Definition of Week of Unemployment

The week has been accepted as the period for measuring the existence of unemployment and for paying benefits for unemployment. Since the distinction between total and partial unemployment is one of degree, one definition of a week of unemployment can serve all purposes with no statutory differentiation between total and partial unemployment. 1/

Under most of the current State laws, an individual is unemployed in any week if he meets certain tests: (1) if he does not work or works less than full-time work for an employing unit; and (2) if any wages that are payable to him are less than his weekly benefit amount, or less than his weekly benefit amount plus a specified dollar allowance. This definition does not distinguish between the individual who is totally unemployed and without wages, the one who has no regular job, but picks up some work and earnings, and the individual who has not been separated from his regular employment but has had his hours cut and his wages substantially reduced. If the claimant's earnings in a week of less than full-time work are less than the earnings limit specified in the definition of week of unemployment, he is unemployed and, if he is otherwise eligible, he will receive a benefit. As soon as his weekly earnings equal or exceed this earnings limit, he is no longer considered unemployed and, accordingly, no longer entitled to any part of his weekly benefit.

The earnings limit should be set higher than the weekly benefit amount. The sharp drop in income that results under the existing partial benefit formulas, when the earnings limit is set at the claimant's weekly benefit amount, acts as a deterrent, rather than an incentive, to seek any substantial amount of part-time work. (See page 12 and illustrations in Part I, table 2, pages A-4 and A-5.)

In order to achieve the objectives of the partial benefit provisions, the earnings limit in the definition of week of unemployment should

---

1/ Different requirements as to filing claims and registration for work are necessary in cases of claimants partially unemployed, totally unemployed, or totally unemployed except for odd jobs. These, however, are matters of administrative detail, in which discretion and flexibility are desirable, and they can be handled more readily by regulation than by statute.

(a) be set high enough to give the claimant a real incentive to work as much as he can, but not so high that he will continue to draw benefits, however small, when his total income (earnings plus the partial benefit) approaches too closely his full-time wages; and (b) be related to the earnings allowance provided in the formula for computing the benefit for partial unemployment so that, at the cutoff point, the loss in benefit payment and total income would be small. (See pages 13 to 15 and the alternative formulas illustrated in table 2A, pages A-10 and A-11. See also pages 15 and 32 for a discussion of dependents' allowances and partial benefits.)

#### Weekly Benefit Amount for Total Unemployment

The weekly benefit amount for total unemployment under all State laws varies with the claimant's prior wages. It is generally accepted that weekly benefits should be less than weekly wages--in fact less than take-home pay--to give claimants an incentive to return to work. On the other hand, benefits should be adequate to enable claimants to maintain themselves between jobs.

What is an adequate benefit?--If the program is to accomplish its purpose --to provide real security against the hazard of unemployment--the weekly benefits should be sufficient to cover the basic necessities of most claimants and their families without requiring them to resort to relief or to reduce substantially their level of living while drawing benefits. Items which must be met, whether or not a worker is employed, are food and rent, heat and utilities, and medical care. Over short periods, purchase of clothing may be deferred, but claimants cannot be expected to reduce substantially the amount they spend for food, or to move to less expensive quarters, or to neglect an illness or injury requiring medical care, while they are temporarily out of work. The proportion of wages spent for these items is, of course, higher for workers with low earnings and for workers with dependents than for high-paid workers and for workers without dependents. Some benefit formulas reflect these facts by giving low-paid workers a higher proportion of their wages as weekly benefits and by giving claimants with dependents an allowance for the dependents in addition to the basic weekly benefit. (See pages 29-34 for a discussion of dependents' allowances.)

Wage base and wage loss to be compensated.--In the formulas currently used, the weekly benefit amount is based on the highest quarterly wages in the base period, or on average weekly wages, or on total base-period wages. The systems are so diverse that they must be discussed separately (see pages 17-28). However, all formulas provide a minimum and maximum weekly benefit for total unemployment. Between this minimum and maximum, the formulas yield a specified uniform proportion of wages, or proportions varying with wage levels. There is general agreement that weekly benefits, exclusive of dependents' allowances, should replace at least 50 percent of wages.

Minimum weekly benefit.--In all systems, the minimum weekly benefit that any claimant may draw for a week of total unemployment is specified in the law. The minimum weekly benefit ordinarily represents a larger proportion of the minimum amount of wages required than do the higher amounts.

The minimum puts a floor on benefits. It is important that this floor should be high enough so that any worker who can qualify for benefits will receive a benefit that will be of some real help, even though the effect of the minimum may be to exclude from benefits some workers who have a bona fide attachment to the labor force.

The minimum amount should be related to the wage levels in the State and to the minimum qualifying wages. Because of the wide variation in wage levels in the various sections of the country, the minimum weekly benefit amount should vary among the States. A minimum appropriate in a high-wage State would come too close to full-time weekly earnings of some beneficiaries in a low-wage State. Moreover, because of the relationship of the minimum weekly benefit amount and the qualifying requirement in a number of State laws, an unduly high minimum benefit amount might result in a minimum qualifying requirement which eliminates from benefits a significant segment of low-wage workers. The minimum should be related to the weekly wages of the lowest wage groups in the State for which the unemployment insurance program is considered appropriate. Even at the minimum, there should be some relationship between the benefit amount and the earnings of those claimants entitled to it.

Maximum weekly benefit.--The maximum weekly benefit amount payable to any individual puts a ceiling on benefits. Where the maximum is set is important because claimants with wages higher than those required for the maximum weekly benefit receive a progressively smaller proportion of their wage loss. For example, if the maximum benefit is \$40 for wages of \$80 or more, the claimant who barely qualifies for the maximum receives 50 percent of his wages while one with weekly wages of \$100 receives only 40 percent.

The maximum weekly benefit should be set at a level which will permit the great majority of workers to receive a weekly benefit amount representing that percentage of their wage loss which the formula intends to compensate. If any worker earning more than the average wage in covered employment in the State is to be compensated for 50 percent of his wage loss, the maximum must be set at a level higher than one-half of such average wage. A benefit amount of 50 percent for the great majority of covered workers would be attained if the maximum weekly benefit is set at an amount equal to two-thirds of the average weekly wage in employment covered by the State law. Such average weekly wage should be computed by dividing all wages paid for such covered employment (including amounts not subject to contributions under the State law) during the most recent 12-month period for which data are available by a figure representing 52 times the average of monthly employment reported by employers for the same period.

In States with dependents' allowances, the allowance should be in addition to the computed maximum weekly benefit amount.

Flexible maximum benefit.--During the period that unemployment insurance laws have been operating, wages have increased markedly and it has been necessary to increase the maximum weekly benefit from time to time merely to maintain the relationship between the maximum benefit and the wage levels in the State, as measured by the average weekly wages of covered workers. Because of this, the Bureau recommends that the State law express the maximum weekly benefit, not as a stated dollar amount, but as a fraction of the State average weekly wage in covered employment, to be recomputed on a specified date at least once each year. Under this type of provision, the maximum is automatically adjusted to reflect changes in wage levels and is, therefore, always current without the necessity of repeatedly seeking remedial legislation.

Rounding of weekly benefit amounts.--Instead of paying benefits in the amounts actually computed, such as \$17.53 or \$25.42, most formulas round fractional dollar amounts to whole dollar amounts, either to the next higher or to the nearest dollar. Such rounding reduces the number of different amounts for which checks must be written, and simplifies the mechanical processing of benefit checks and accounting controls. The amounts paid still represent an approximation of the percentage of wage loss compensated. A formula with rounded amounts can be expressed in tables of weekly benefit amounts by wage brackets, as is done in the benefit tables in the appendix. Such tables simplify administrative determinations on claims and make it easier for claimants to understand their rights and to check their benefit determinations.

Weekly benefit amounts are generally rounded to one-dollar intervals. Intervals of less than one dollar do not permit the maximum administrative advantages of rounding. Intervals of more than two dollars are not desirable since they accentuate wide differences in weekly benefits payable to workers with only slight differences in their earnings. Ordinarily, rounding the computed weekly benefit amount to the next higher dollar instead of the next lower or the nearest dollar is desirable because then no claimant has his computed benefit amount reduced by the rounding.

#### Payments for Weeks of Less than Total Unemployment

The partial benefit provisions are intended not only to provide a measure of income maintenance for claimants who are employed at less than full time through no fault of their own, but also to give them an incentive to take less than full-time work. The Bureau's previous recommendations and the various State provisions for partial benefits fail to provide an adequate incentive for seeking and retaining part-time work.

Characteristics of existing formulas.--The failure of the existing formulas is due primarily to the fact that each dollar of earnings in excess of the partial earnings allowance (the amount of earnings disregarded in computing the partial benefit) is deducted from the claimant's weekly benefit amount. This dollar-for-dollar reduction results in two situations that reduce the incentive to seek any substantial amount of part-time work. First, as soon as the claimant earns the amount of the earnings allowance, his total income (partial benefit plus earnings in part-time work) remains unchanged, despite additional part-time earnings, until he ceases to be unemployed and is no longer eligible for any benefit. Second, when he ceases to be unemployed because his part-time earnings have reached his weekly benefit amount, his total income drops sharply.

These two features of the present partial benefit formulas are illustrated in the following examples (taken from table 2, pages A-4 to A-6) in which the claimant's weekly benefit amount is \$40. In illustration I(a), the claimant's total income increases with each dollar of earnings until he earns \$10 (the amount of the earnings allowance); thereafter his income remains fixed at \$50, until he earns \$40 in part-time work, at which point he ceases to be unemployed. At this point, an additional dollar of earnings results in a loss of \$10 in income.

When the earnings allowance is set at one-half of the weekly benefit amount, as in illustration I(b), the claimant's total income rises to \$60 (\$40 plus \$20) and then remains fixed at \$60 until he ceases to be unemployed because his earnings equal his weekly benefit amount. At this point, one additional dollar of earnings results in the loss of \$20 in income. Thus, under this type of formula, the more liberal the earnings allowance, the greater the drop in income when the claimant ceases to be eligible for a partial benefit.

A third type of formula (shown in illustration I(c) in table 2, page A-5) provides benefits only in amounts of one-half of the weekly benefit (if part-time earnings exceed one-half weekly benefit amount) or the full weekly benefit (if part-time earnings are less than one-half weekly benefit amount). This formula results in a sharp decline in total income at two points: when the part-time earnings reach one-half the weekly benefit amount and again when they reach the full weekly benefit amount, at which point the claimant is no longer unemployed.

The sharp decline in income when the claimant ceases to be unemployed does not occur in all of the existing formulas. For example, in illustrations II(a) and II(b), table 2 (page A-6), the decline in income has been eliminated by providing, in the definition of unemployment, that an individual is unemployed as long as his earnings in part-time work are less than his weekly benefit amount plus the amount of the partial earnings allowance. However, as in most of the other formulas, because each additional dollar of earnings is deducted from the weekly benefit amount, his income remains unchanged from the time his earnings equal the amount of his earnings allowance until he ceases to be unemployed.

For a detailed analysis of the various types of formulas for computing partial benefits, see pages A-3 to A-13.

A new type of partial benefit formula.--A more effective incentive for claimants to accept part-time work is provided when the amount of earnings to be disregarded in computing the partial benefit is stated as a fraction of earnings or, preferably, a fraction of earnings in excess of a small initial earnings allowance. For instance, as shown in Example I, below, if one-third of earnings is disregarded, as the worker's earnings rise, the benefits decrease gradually, until the earnings are approximately 1-1/2 times the worker's weekly benefit amount (or, assuming that the weekly benefit amount represents half of the claimant's normal weekly wages, three-quarters of his weekly wages).

EXAMPLE I

Part-time earnings	0	\$9	\$18	\$27	\$36	\$45	\$54	\$60
Weekly benefit payment	\$40	34	28	22	16	10	4	0
Total income	\$40	\$43	\$46	\$49	\$52	\$55	\$58	\$60

A variation of the foregoing formula combines the advantages of the flat earnings allowance with those of a fraction of earnings. For example, as shown in the following illustration, if the partial benefit is computed by disregarding the first \$5 of part-time earnings plus one-fourth of earnings in excess of \$5, the partial benefit decreases gradually as total income rises, up to the point at which the claimant is no longer unemployed--in this instance, approximately 1-1/2 times his weekly benefit amount.

EXAMPLE II

Part-time earnings	0	\$9	\$18	\$27	\$36	\$45	\$54	\$60
Weekly benefit payment	\$40	37	31	24	17	10	4	0
Total income	\$40	\$46	\$49	\$51	\$53	\$55	\$58	\$60

This type of formula has an administrative advantage over the formula in Example I because it disregards negligible amounts of wages. By **disregarding** the first few dollars of wages, it also provides a greater initial incentive for the claimant to start looking for part-time work. For instance, in Example I, \$6 of the first \$9 of earnings is deducted from the weekly benefit amount, whereas in Example II only \$3 of the first \$9

is deducted. Correspondingly, of the first \$18 earned in part-time work, the formula in Example I would deduct \$12, and, in Example II, only \$9 would be deducted. The deductions in Example II increase gradually as part-time earnings increase, so that at the higher amounts, the partial benefit would be the same under both formulas. (See table 2A, Parts I and II, pages A-10 and A-11.)

To assure that total income will increase gradually and that at no point will additional earnings result in a substantial loss in income, the formula must relate the initial earnings allowance and the fraction of earnings to be disregarded to the point at which the worker ceases to be unemployed. A simple equation for achieving the necessary balance between these two factors is described in the appendix (pages A-9 and A-12). By means of this equation, States considering this new type of partial benefit formula can experiment with different initial earnings allowances, different fractions of earnings to be disregarded over and above the initial earnings allowance, and different levels of income at which the claimant would cease to be considered unemployed--the so-called "partial earnings limit."

The partial earnings limit in the definition of week of unemployment should be established at substantially more than the claimant's weekly benefit amount but, at the same time, sufficiently below his usual full-time earnings that it will provide an incentive to seek full-time work. In selecting the partial earnings limit, particular attention must be given to the extent to which the weekly benefit amount for total unemployment represents more than one-half of the claimant's full-time weekly wages--either because of the fraction of wages that has been used in computing the benefit amount or because of the addition of dependents' allowances (see discussion below and on page 32).

In constructing a formula for computing partial benefits, consideration should also be given to the wage and employment patterns in the industries and occupations in which workers who are normally employed in full-time work may, when unemployed, seek part-time employment, and the possible effect of the formulas under consideration on the incentive of such workers to seek part-time work. The State will wish also to weigh the administrative considerations of the various alternative formulas.

Partial benefits and dependents' allowances.--Whether or not dependents' allowances are included in the benefit formula, a week of unemployment should be defined as a week in which the claimant's earnings are less than a stated multiple of his basic weekly benefit amount. (See page 32.) Then all claimants with the same wage and employment history will have the same partial earnings limit, regardless of the number of their dependents. However, to the extent that the dependents' allowance results in a weekly benefit amount that approaches too closely the claimant's full-time weekly pay, a provision for dependents' allowances may impede the

adoption of an effective formula for determining partial benefits. It may be necessary in this situation to make a choice between (1) limiting the amount of the dependents' allowance when the part-time earnings get too close to the partial earnings limit or (2) setting a lower partial earnings limit for all claimants. From the standpoint of equity and an effective benefit formula, the former choice would seem more appropriate.

#### Summary

The Bureau recommends:

1. That the minimum weekly benefit be related to the weekly wages of the lowest wage group in the State for which the unemployment insurance program is considered appropriate.
2. That the maximum weekly benefit be set at a level at which the great majority of workers would be compensated for 50 percent of their wages; a maximum equal to  $2/3$  of the average weekly wage in covered employment in the State would achieve this objective.
3. That the maximum weekly benefit be defined by statute as  $2/3$  of the average weekly wage in covered employment in the State, so that it will change automatically with changes in the average weekly wage increases, i.e., a "flexible maximum."
4. That statutory provision be made for rounding to the next higher dollar weekly benefits for total and partial unemployment which are not whole dollar amounts.
5. That "week of unemployment" be defined in terms of less than full-time work with earnings less than a stated multiple of the claimant's weekly benefit amount.
6. That the earnings allowance in the partial benefit formula provide an effective incentive to work by allowing total income to increase gradually as the claimant's part-time earnings increase up to and including the point at which he ceases to be unemployed.



#### IV. HIGH-QUARTER-WAGE FORMULA

Early unemployment insurance laws in this country based the weekly benefit amount on full-time weekly wages. Because of administrative complications in obtaining and processing reports of wages and hours week by week, and of determining each claimant's full-time wage, the high-quarter formula was developed on the theory that a fraction of wages in the high quarter approximates a full-time weekly wage. Most of the States continue to use the high-quarter benefit formulas. Many features of these formulas have become "set" and in diverse patterns. In some States, there are proposals for supplanting high-quarter formulas with others. However, many of the criticisms made of the high-quarter formulas are not criticisms of the formula itself; they are more concerned with such items as inadequate qualifying requirements or long lag between base period and benefit year, which can be changed without changing the type of formula.

The calendar quarter was selected as the base for determining weekly benefits largely because it could take advantage of the quarterly pattern of wage reporting previously established for tax purposes for both the unemployment insurance and the Federal old-age and survivors insurance programs. The unemployment benefit is based on that quarter of the base period in which wages were highest, which is generally assumed to represent a quarter of full or nearly full employment for most insured workers.

The calendar quarter of highest earnings, however, does not always reflect a worker's full-time weekly wage. Many workers experience some unemployment in the quarter, either because of general economic condition or conditions in given industries and geographical areas; others lose wages because of personal interruptions of work by illness or family responsibilities. This fact of unemployment within the high quarter must be given consideration in determining what fraction of high-quarter wages should constitute the benefit payment. The weekly benefit amount should not be determined on the assumption that all claimants have had full employment during their high quarter; i.e., the average weekly wage should not necessarily be assumed to be 1/13 of high-quarter wages.

It should be clear that the high-quarter formula does not attempt to base benefits on the individual claimant's average weekly wage in weeks worked within the high quarter. It seeks to approximate a benefit based on full-time weekly wages by basing each claimant's benefits on the best quarter's experience in his base period.

#### Relation of High-Quarter Provisions to Other Elements in the Benefit Formula

With the high-quarter-wage benefit formula, either individual or uniform base periods and benefit years (see page 2) can be used. Virtually all high-quarter States now use the individual base period and benefit year.

Although the high-quarter formula was originally devised to utilize quarterly wage reports, it can also be used with a system in which wage information is requested from employers only as needed for benefit determinations (see page 6). A few high-quarter States now obtain wage reports on a request basis to reduce the lag between the base period and benefit year.

High-quarter formulas may use any type of qualifying wage requirement-- a specified number of weeks of employment in the base period, a flat dollar amount, a multiple of the weekly benefit, a multiple of high-quarter wages, or a combination of these requirements--as a prerequisite for benefits (see page 44). The formulas that require wages in more than one calendar quarter are preferable to flat amount qualifying wage requirements.

The duration of benefits may be uniform for all eligible claimants or maximum potential benefits in a benefit year may be limited to a proportion of the claimant's base-period wages (see page 36).

Construction of High-Quarter Formulas

Weekly benefits under these formulas ordinarily are computed directly from high-quarter wages, without computing the weekly wage in the high quarter. The first high-quarter formulas computed weekly benefits as 1/26 of high-quarter wages on the assumption that the high-quarter wages represent 13 weeks of employment and the weekly benefit amount should be half of weekly wages. Obviously many claimants do not have 13 weeks of employment in their high quarter. Hence many States have used fractions more liberal than 1/26 or have developed weighted schedules. A high-quarter formula does not purport to give all claimants the same proportion of their average weekly wage in weeks worked. It can be devised to provide at least a minimum percentage of weekly wages for all claimants having at least some specific number of weeks of employment. As shown in the following tabulation, a 1/20 formula will give 50 percent or more of weekly wages to all claimants who had 10 or more weeks of employment in their high quarter. A 1/26 fraction will give 50 percent of weekly wages only to claimants who had full 13 weeks of employment in their best quarter and only 38 percent of weekly wages to a claimant who had only 10 weeks of work.

Claimant's weeks of employment in high quarter	Weekly benefit amount expressed as a percent of claimant's weekly wage in high quarter, in formula with high-quarter fraction of:			
	1/20	1/23	1/24	1/26
10	50	43	42	38
12	60	52	50	46
13	65	57	54	50

The weighted high-quarter formula, which is used by a number of States, is based on the rationale that claimants with low earnings in their high quarter need a more generous benefit in relation to their earnings. The larger fraction for low income workers recognizes that a larger proportion of earnings is needed at these levels, whether the low level was due to underemployment or to low wage rates. When the low earnings are due to low wage rates, a larger proportion is needed for nondeferable expenses. When the low earnings are due to underemployment, a higher fraction of the high-quarter earnings is needed to arrive at the desired fraction of weekly wages.

The weighted schedules are so designed that the high-quarter fraction decreases gradually as the quarterly wages increase from a liberal fraction, usually  $1/20$  or more at the lowest wage bracket, dropped to  $1/24$  or  $1/26$  at the highest wage bracket.

In proposals extending a weighted benefit schedule to provide a higher maximum weekly benefit amount, there sometimes is a tendency toward progressively smaller fractions in the high wage brackets. The high-quarter fraction should be maintained at not less than  $1/26$  at all wage brackets. A smaller fraction, such as  $1/28$ , is undesirable because it can yield a weekly benefit equal to 50 percent of normal weekly wages only for those few workers whose reported high-quarter wages include pay checks for 14 weeks of work or unusually high earnings because of substantial amounts of overtime pay. It cannot be assumed that the high-quarter earnings of claimants at the higher benefit levels are inflated. Reducing the high-quarter fraction for all workers in the higher wage brackets is not justified by the fact that workers in some industries or occupations receive extra pay from time to time.

#### Some Recommended Schedules

High-quarter formulas illustrating the principles accepted by the Bureau are shown in Tables 3 and 4 of the Appendix.

Formula A gives all claimants with weekly benefit amounts between the minimum and maximum the same proportion of their high-quarter wages ( $1/20$ ). Formula B illustrates the weighted schedule, with the weekly benefit varying from approximately  $1/18$  of high-quarter wages for the lower benefit amounts to  $1/24$  for the maximum benefit.

For purposes of illustration, the maximum benefit in these schedules has been set at two-thirds of the U. S. average weekly wage in covered employment during 1961 (\$95.53). The same relationship should be maintained in adjusting the maximum benefit to the average weekly wage of the State for which the formula is being adapted. The minimum benefit of \$10, which has been used in each of the schedules, is the minimum amount currently provided in most of the States. It, too, should be adjusted upward or downward in relation to the weekly earnings and employment patterns of the lowest wage earners the program intends to protect.

## Summary

The Bureau recommends, as a guide in considering legislative proposals on the high-quarter-wage formula:

1. That evaluation of State experience under the formula be based on a study of the entire benefit formula, i.e., the interrelationship between the fraction of high-quarter wages used in computing the weekly benefit, qualifying requirements at all levels, duration of benefits, length of the lag between the base period and benefit year, and the effectiveness of the various elements in meeting the objectives of the State program.
2. That, instead of substituting another type of benefit formula because of the ineffectiveness of one or more of its elements, the necessary changes be made in such elements.
3. That, in recommending amendments, attention be given to assure that the changes will result in a formula that is internally consistent.
4. That, in extending weighted formulas to provide higher maximum weekly benefit amounts, the fraction used in computing the benefit amounts be maintained at not less than 1/26.
5. That changes in the benefit formula be governed by their effectiveness in advancing the objectives of the program.

## V. AVERAGE-WEEKLY-WAGE FORMULA

An average-weekly-wage formula, which is in use in a small but increasing number of States, bases weekly benefits on actual average weekly wages in the weeks worked during the base period or some part of it. This formula does not attempt to base benefits on full-time weekly wages. It does, as a general rule, eliminate weeks of inconsequential work and earnings so that the average weekly wage may more nearly approach the claimant's normal weekly wage. Whether these formulas yield an adequate benefit in relation to the regular weekly earnings of all groups of claimants depends on the basic elements of the formula--the definition of week of employment, the method of computing average weekly wage, and the percentage of the average weekly wage used to compute the weekly benefit. The various ways in which States using the average-weekly-wage formula have defined these elements and the effect of these definitions on the weekly benefit are discussed in the following sections.

### Relation of the Average-Weekly-Wage Provisions to Other Elements in the Benefit Formula

The average-weekly-wage formula uses an individual base period and benefit year (see page 2). The base period is generally the 52-week period ending not more than a week or two prior to the beginning of the benefit year. However, a 4-quarter base period can be used, and in this instance a full year, rather than 52 weeks, should be used as a benefit year (for a discussion of the effect of a 52-week benefit year, see page 3).

The duration of benefits may be uniform for all eligible claimants or may vary in proportion to the number of weeks of employment in the base period (see pages 36 and 37). In States using the "per-employer" system of benefit determination, the duration of benefits varies with the number of weeks of employment with each employer (see page 23).

All these formulas take into account employment and wages with all base-period employers in determining whether claimants meet the qualifying requirement. This requirement is usually expressed in terms of weeks of employment excluding those weeks in which wages fall below a specified level (see page 45).

### Construction of the Average-Weekly-Wage Formula

The method of deriving the average weekly wage varies. As illustrated in the following discussion of the several patterns for computing the average weekly wage which have been used by the States, the extent to which weeks of low earnings are included in the computation is an important factor.

Average weekly wage in the base period.--This method of computation produces an average weekly wage that is representative of the individual's earnings history over the entire 52-week base period, excluding

weeks in which he earned less than the specified minimum amount. In periods of declining business activity, averaging wages over the most recent 1-year period can lead to depressed benefit amounts, reflecting considerable underemployment. If the claimant had many weeks of low earnings, his average would be considerably less than his normal weekly wage. For example, a claimant who had 20 weeks of work at a full-time weekly wage of \$80, plus only 2 more weeks of work, but at half-time pay, would have an average weekly wage of \$76.36; but an individual with the same number of weeks at the same full-time wages, who was kept on at half pay during the remainder of his 52-week base period, would have an average weekly wage of only \$55.38.

One definition of average weekly wage eliminates as "credit weeks," that is, weeks to be used in the computation, those weeks in which earnings are below the specified minimum amount, but includes the dollar amount of earnings in such weeks in the computation. The average weekly wage is obtained by dividing total base-period wages by the number of credit weeks. This definition of average weekly wage can give a result that is unrealistic and it is not recommended. The wages in those weeks of low earnings that are excluded from the count of weeks should also be excluded from the dollar total of earnings. The following example illustrates the undesirable result that could come from this definition: Where "credit week" is defined as a week of employment with earnings of at least \$20, an individual qualifying on the basis of 20 credit weeks and earnings of \$50 a week may also have 32 weeks of \$15 a week; his average weekly wage would be computed by dividing his total annual earnings (\$1,480) by his credit weeks (20) and would have an average weekly wage of \$74 although he never earned more than \$50 in any week of employment.

Average weekly wage with the last employer.--Another method computes the claimant's average weekly wage with the last employer who employed him for at least the number of weeks required to qualify for benefits. In this type of formula, a claimant who has less than the specified amount of employment with his most recent employer has his weekly benefit determined on the basis of all his base-period employment and wages.

Computing the average weekly wage with the last employer is advantageous to the claimant during periods of rising wages and low unemployment. However, it tends to be disadvantageous when unemployment is high in the latter part of the base period and workers are forced to accept work at lower weekly wages. Another disadvantage is that a claimant who worked concurrently for two employers during his base period for at least the specified number of weeks and is then laid off by both employers is allowed a benefit based only on the wages with the employer who laid him off last. The benefit in such cases does not reflect his normal weekly earnings. This defect makes this method of computing the average wage distinctly disadvantageous during a period when many workers work concurrently for two or more employers.

Average weekly wage in weeks worked in high quarter.--This method of computing the average weekly wage uses only the weeks worked in that quarter of the base period in which the claimant received the most wages. Since high-quarter earnings generally represent the individual's highest weekly earnings and fullest employment, a weekly benefit computed as one-half or more of such an average weekly wage will usually yield a more liberal benefit than that provided in most of the other formulas. By using the quarter of highest earnings, the method eliminates the need to exclude weeks of inconsequential earnings because the number of such weeks in an individual's quarter of highest earnings is likely to be small. However, for purposes of the qualifying requirement--as well as for duration of benefits unless uniform duration is provided--some type of earnings limitation should be included in the definition of "week of employment."

Average weekly wage with each employer: "per-employer determination."--Under a system of per-employer determinations, an average weekly wage is computed for each base-period employer, and both a benefit amount and a duration are computed on the basis of earnings and weeks of employment with each employer. These determinations are made successively, beginning with the last employer. The claimant first draws all the benefits to which he is entitled on the basis of his record with the last base-period employer. For subsequent weeks of unemployment, the weekly benefit amount and the duration of payments at that amount are computed on the basis of his earnings and weeks of employment with the next preceding employer. Weekly benefits for some claimants will vary several times within a single spell of unemployment. The benefit formula and the experience-rating formula are interrelated so that the limit of what may be charged to an employer's experience-rating account also sets the limit of what may be paid to the worker. Thus, the benefit formula as well as the eligibility and disqualification provisions is made dependent on the experience-rating formula. (For discussion of the relationship to the eligibility and disqualification provisions, see page 67.)

The system of per-employer determination of weekly benefits and of duration of benefits does not seem appropriate in a pooled-fund system of unemployment insurance in which all money in the unemployment fund is "commingled and undivided" and benefits are paid to any eligible claimant as long as there is money in the State fund, regardless of the balance in the experience-rating account of the employer to be charged.

Obviously a system of per-employer determinations raises no special problems for the claimants who had only one employer and does not differ, for these claimants, from other average-weekly-wage formulas. However, many claimants have two or more employers and, for these, the following disadvantages are cited:

Benefit rights for each claimant who had employment with more than one base-period employer must be separately computed for each base-period employer until the claimant has drawn the maximum potential benefits. Some claimants will have two or more different weekly benefit amounts during a single spell of unemployment.

The weekly benefit is not based on the concept of compensating the claimant for a portion of current wage loss since the benefit can vary even within a single spell of unemployment for causes unrelated to wage loss. That a claimant should receive \$30 for one week of unemployment and \$40 for the immediately following week makes clear the fact that the concept underlying the formula is governed by considerations other than benefit payment. The benefit formula does, however, fit the experience-rating formula precisely. Since the fundamental purpose of the program is payment of benefits, the benefit formula should be based on benefit considerations and not on convenience for experience rating.

The close relationships maintained between a claimant and several different employers has led to the denial of benefits for causes unrelated to the current unemployment. For each employer in the base period the claimant is treated as if his current unemployment were attributable to that employer. This ignores the principle that unemployment due to lack of work is to be compensated and looks to other concepts, such as the justice or injustice of charging a particular employer, as the basis for allowing or denying benefits.

#### Proportion of Wages Compensated

Generally the average-weekly-wage States use weighted schedules which provide benefits ranging from approximately two-thirds of the average weekly wage at the minimum benefit amount to approximately one-half at the maximum amount. Where the weekly benefit is one-half of the average wage at all benefit levels, other factors in the formula have tended to increase the weekly payments--by providing an allowance for dependents or by computing the average weekly wage on earnings in weeks worked in the high quarter.

A weighted schedule, allowing a benefit equal to two-thirds of the average wage at the lowest bracket and decreasing gradually to somewhat more than one-half at the maximum amount, appears, in general, to be the most appropriate for the average-weekly-wage formula. It recognizes that, even though some weeks of inconsequential earnings are excluded, average weekly wages may reflect underemployment and the formula should compensate for this fact.

#### Suggested Average-Weekly-Wage Formula

Formula C, which provides a weighted schedule of benefits based on the claimant's average weekly wage in the base period (Table 5, page A-17) illustrates the principles accepted by the Bureau. The average weekly wage is computed by dividing the number of weeks in which the claimant earned at least \$15 (the amount required for the minimum weekly benefit) into the total amount earned in such weeks. The weekly benefit varies



from approximately two-thirds of the average weekly wages required for the lowest weekly benefit amounts to somewhat more than one-half at the upper end of the schedule.

#### Summary

The Bureau recommends as a guide in considering legislation for an average-weekly-wage formula:

1. That, as a basis for computing the average weekly wage, a claimant's experience over an entire year be used, either by using the entire year's employment experience or by selecting from the year the quarter in which wages were highest.
2. That the formula compensate claimants in an amount equal to two-thirds of the average weekly wage at the lowest wage bracket, decreasing gradually to somewhat more than one-half at the maximum weekly benefit amount.
3. That one determination be made for each claimant based on his relevant experience with wages or weeks of employment with all employers rather than separate determinations based on his experience with each employer.
4. That the benefit formula be designed for benefit payment purposes rather than be made dependent on the experience-rating formula.

## VI. ANNUAL-WAGE FORMULA

An annual-wage formula which bases weekly benefits on aggregate annual earnings is used in a few States. A system which determines weekly benefits solely from annual wages without information on the number of weeks worked in the year yields benefits which bear only a chance relation to actual wages in weeks worked.

Since an annual-wage formula is not recommended, the discussion here is in terms of the few existing annual-wage laws.

### Problems in the Relation of Weekly Benefits to Weekly Wages

The first annual-wage formula which was proposed allowed 1 percent of annual earnings as the weekly benefit amount. Such a formula would yield benefits equal to 50 percent of full-time wages only for workers who had 50 weeks of full-time work in the year. Obviously, many workers, especially those with low annual earnings, do not have 50 weeks of work in a year.

The present annual-wage formulas are based on the assumption that, in general, workers with low annual earnings have fewer weeks of work than those with higher annual wages; they, therefore, allow a more liberal percentage in computing benefits at the lower wage brackets. On the average, claimants who barely qualify for the minimum weekly amount receive a weekly benefit equal to a little more than 2 percent of their annual wages, as compared with slightly more than 1 percent for those who have just enough wages to qualify for the maximum weekly benefit. (See Table 6, page A-19.)

No amount of annual wages, however, can represent even approximately the same number of weeks of work for all workers. For example, a worker who earned \$500 in his base period qualifies for a \$10 weekly benefit at 2 percent of annual wages. He would be compensated at 50 percent of his weekly wages only if the \$500 represented 25 weeks of work. If he had worked more than 25 weeks to earn the \$500, his benefit would be more than half of his weekly wages, while if he had earned the money in fewer weeks, his benefit would be a smaller percent of his weekly wages. Similarly, a \$30 weekly benefit, computed as 1 percent of \$3,000, is 50 percent of normal weekly earnings only for the worker who earned such wages in 50 weeks. (For illustration of the number of weeks of work required to receive a weekly benefit equal to 50 percent of weekly wages, see table 7, page A-19.)

It is possible to make an annual-wage formula more or less generous, as is illustrated by the percentages in Table 6 (page A-19) but it is impossible to devise one that will provide a reasonable relation between weekly benefits and normal weekly wages. If the formula is generous

enough at any benefit level to provide weekly benefits bearing a reasonable relation to normal weekly wages for claimants who have suffered a significant number of weeks of unemployment during their base years, the benefits payable to claimants who had full-time employment may approach or even exceed their full-time earnings. If, on the other hand, the formula allows the desired percent of weekly wages only to claimants who had relatively full employment in their base periods, benefits will be inadequate in relation to normal wages for claimants who had a substantial period of unemployment during their base periods.

#### Relation of Annual-Wage Provisions to Other Elements in the Benefit Formula

Annual-wage formulas are now used with either individual or uniform base periods.

The flat qualifying requirement is characteristic of annual-wage formulas. Minimum qualifying wages qualify the worker only for the minimum weekly benefit. To get the maximum weekly benefit in annual-wage States requires annual wages of \$2,900 to \$4,000. No other formula requires such high annual wages for maximum weekly benefits.

The provisions for partial benefits in these States follow the usual pattern, with the existence of partial unemployment defined in terms of the weekly benefit amount. Since the annual-wage formula may yield weekly benefits which have no relation to the claimant's weekly wages, the weekly benefit amount is an unsatisfactory measure of partial unemployment. When the weekly benefit amount is unreasonably high in relation to full-time earnings, the definition of partial unemployment may be made more realistic by adding another factor--that the claimant is working less than a given percent of his customary full-time hours. This device will prevent the payment of partial benefits to claimants who are at or near full employment.

#### Duration of Benefits Under Annual-Wage Formulas

Some of the existing annual-wage formulas provide uniform potential duration. Only the weekly benefit amount varies with differences in annual earnings. In only a few States with other types of formulas, all with variable duration, are the annual earnings required for maximum annual benefits as high as in these annual wage States.

If both the weekly benefit amount and maximum weeks of benefits vary with the amount of annual earnings, claimants eligible for the minimum weekly benefit can never qualify for maximum duration.

It is possible to devise an annual-wage formula under which all claimants can receive as benefits the same proportion, for example  $1/3$ , of their base-period wages. However, use of a uniform fraction will tend to counteract the effect of using a weighted percent in computing the

weekly benefit amount. (For a fuller discussion of the relation between weighted benefit schedules and the duration fraction, see page 40.)

### Summary

If the State law includes an annual-wage formula, consideration should be given to changing to a formula which relates the weekly benefit to the claimant's weekly wages. If, however, the annual-wage formula is being retained, emphasis should be placed on safeguards and improvements that would make the formula more effective.

The Bureau recommends, as a guide in considering legislative proposals on the annual-wage formula:

1. That benefits be provided under a weighted schedule that will yield weekly benefits at the lower wage levels higher in proportion to annual wages than at the higher wage levels.
2. That the weekly benefit amount at the highest wage brackets equal at least 1 percent of annual wages.
3. That uniform potential duration be provided, so that claimants at all benefit levels can qualify for maximum duration.
4. That the definition of week of partial unemployment include a time concept, to offset weekly benefit amounts which may be unrealistically high.

## VII. DEPENDENTS' ALLOWANCES

Increasing the weekly payment by the addition of weekly allowances for claimants' dependents is one approach to the problem of unemployed workers with families whose nondeferrable expenditures presumably represent a relatively high proportion of their wages. Dependents' allowances should not be used as a substitute for an adequate basic benefit formula.

In drafting or considering a provision for dependents' allowances, attention should be given to the definition of compensable dependents, the form and amount of the allowance, the relation of such allowances to other elements in the benefit formula, and the administrative aspects.

### Definition of Compensable Dependent

The definition of dependent should include the claimant's immediate family, i.e., unmarried children under 18 and nonworking wives, who can be presumed to be dependent entirely on the basis of their legal relationship to the claimant. However, many other relations (parents, handicapped older children, etc.) might also depend upon a claimant for their support. Excluding this second group from the definition of compensable dependent discriminates against the claimants who carry the responsibility for their support. Because they are not immediately identifiable by their legal relationship as dependents, some kind of factual investigation is necessary to verify that the claimant does, in fact, support them.

The definition of dependent should, therefore, include:

- (1) A wife who is not regularly engaged in gainful work and unmarried children under the age of 18, including step-children and adopted children;
- (2) Other children under 18, whether or not related, who are living with the claimant and receiving regular support from him; and any individual for whom the claimant is entitled to an exemption under the Federal income tax law.

### Form and Amount of Dependents' Allowances

Dependents' allowances may be expressed as a flat amount or as a percentage of the weekly benefit for each of a specified number of dependents. The allowances may also be included as part of a benefit schedule which provides, for each wage bracket, a basic weekly benefit amount (the weekly benefit for claimants without dependents) and augmented weekly benefit amounts (the basic benefit plus the dependents' allowance) which vary with the number of dependents. Table 8 (page A-20) illustrates this type of benefit schedule.

It is necessary to put an over-all limit on the weekly allowance which may be paid to any claimant so that the total payment does not approach too closely his wages when employed. Such a limit is usually stated in terms of (1) the number of compensable dependents; or (2) a percent of the claimant's basic weekly benefit amount; or (3) a percent of his average weekly wages; or (4) a percent of his high-quarter wages.

A flat allowance.--While a flat amount for each dependent has the **advan-**tage of simplicity, it also has serious disadvantages. A flat allowance represents a greater proportion of the basic weekly benefit amount at the lower benefit levels than at the higher ones. If the low-wage claimant has the maximum number of compensable dependents, the addition of dependents' allowances may cause total weekly payments to be too high in relation to his weekly wages while employed; at the same time, the maximum allowance may represent no more than a token payment for claimants at higher wage levels. This disparity is even more pronounced when the basic benefit at the lower wage brackets is computed as a larger fraction of wages than at the higher wage brackets.

Amounts varying with the benefit level.--For the foregoing reasons, it is desirable to state both the allowance for each dependent and the limit on the maximum allowance for dependents as a percent of the basic weekly benefit. If a narrow definition of dependent is used, it may be desirable to make a larger allowance for the first dependent in a family than for additional dependents. If dependents are limited to children, a larger allowance for the first dependent is particularly desirable, since most claimants with one or more dependent children also have a dependent wife or must pay someone to take care of them.

In Benefit Formula D, illustrated in Table 8 (page A-20), the basic weekly benefit is computed as  $1/25$  of high-quarter wages and augmented benefits are provided varying with the number of dependents up to a maximum of three. Allowances for the dependents are computed as a percent of the basic benefit: 20 percent for the first dependent and 10 percent each for the second and third dependents. At the minimum wage bracket, an allowance of \$2 is added to the \$10 basic benefit for the claimant with one dependent; \$3 is added for two dependents, and \$4 for three dependents. At the maximum wage bracket, the allowance for the first dependent is \$13; an additional \$6 is allowed for the second dependent and \$7 for the third dependent, bringing the maximum augmented benefit amount for the claimant with maximum compensable dependents to \$90.

The basic weekly benefit amount at all wage levels up to the maximum is equal approximately to 50 percent of wages for claimants who had  $12\frac{1}{2}$  weeks of work in their high quarter, and it is augmented by 20, 30, or 40 percent, according to the number of dependents. In relation to weekly wages, the augmented weekly benefit amounts would thus represent 60, 65, and 70 percent for one, two, and three dependents, respectively.

Allowances for claimants with maximum basic weekly benefit.--The usual benefit formula that augments the basic benefit for claimants with dependents requires the same amount of wages for the maximum weekly benefit, regardless of the existence of or the number of dependents. In Formula D, for example, the dependents' allowance is available to claimants at all benefit levels; and, at any benefit level, the allowance is increased for additional dependents up to the maximum number compensated under the formula. A benefit formula which deviates from this pattern provides what might be called a "variable" maximum weekly benefit for individuals who have dependents and also have wages in excess of those required for the maximum basic weekly benefit. There are two variations of this type of benefit schedule: Under one, dependents' allowances are available only to claimants with such excess wages; under the other, claimants at lower wage levels also receive added payments for dependents. Under either variation, the maximum weekly benefit for claimants with no dependents is established at a low level, somewhere between 27 and 36 percent of the average weekly wage in covered employment in the State. The benefit schedule is extended up to provide a maximum weekly benefit that is between 35 and 44 percent of the State average weekly wage for claimants with one dependent child. The brackets applicable to claimants with two, three, and four dependent children are extended in a similar fashion to provide progressively higher benefits for progressively higher wages. The maximum weekly benefit payable to a claimant with four dependent children represents between 50 and 56 percent of the State average weekly wage.

These "variable" maximum amounts do not meet the program objective discussed on page 11. Moreover, they allow the claimants with dependents who qualify for the higher weekly payments a smaller proportion of their earnings than is allowed to claimants at the lower end of the benefit schedule. For example, a benefit schedule that allows basic weekly benefits equal to  $1/20$  (5.0 percent) of high-quarter wages will suddenly widen the high-quarter wage brackets at the upper end that are reserved for claimants with dependents. This has the effect of yielding weekly benefit amounts that are a progressively smaller proportion of the claimants' high-quarter earnings, as follows: approximately  $1/23$  (4.4 percent) for the claimant with one dependent; approximately  $1/24$  for two dependents (4.2 percent) and three dependents (4.1 percent); and  $1/25$  (4.0 percent) for four dependents. This is the reverse of the usual type of formula with dependents' allowances, which allows a larger percentage of earnings to claimants with compensable dependents and increases the percentage as the number of such dependents increases. (See page 30.)

For illustrative purposes only, an analysis of a hypothetical benefit schedule is presented in Table 9 (page A-22), as a guide for analyzing proposals incorporating the principle of "variable" maximum weekly benefit amounts.

Before considering proposals for extending the benefit schedule to provide "variable" maximum weekly benefits, consideration should be given to the composition of the work force, the wage levels in the State, and

the formula for basic benefits. If a "variable" maximum is considered, the maximum basic benefit should be set at two-thirds of the average weekly wage in the State (see pages 11 and 12).

Relation of Dependents' Allowances to  
Other Elements in the Benefit Formula

The formula for dependents' allowances is largely independent of the type of formula for basic benefits. Dependents' allowances are currently used to supplement weekly benefits computed under all three types of benefit formulas. Because the weekly benefit provided by an annual-wage formula is not related to the weekly wages of the claimant, the addition of dependents' allowances increases the problems inherent in that formula and, therefore, is not recommended for adoption by States with this type of formula.

The formula for basic weekly benefits should be such that the allowances for dependents can be more than token allowances without the augmented benefits approaching weekly wages. A \$1 or \$2 allowance does not seem adequate for a claimant entitled to the State's maximum weekly benefit. A provision that the maximum weekly benefit is the same for claimants with or without dependents' allowances defeats the purposes of the allowance. The claimants who are most likely to have the maximum number of dependents--the mature higher wage-earners--are denied any allowance.

Care must be taken that the qualifying requirements do not operate to the disadvantage of claimants with dependents. If the qualifying wage requirement is a multiple of the weekly benefit, it should be in terms of basic, not augmented, weekly benefit amounts.

Dependents' allowances and duration of benefits.--A provision for dependents' allowances should not reduce the number of weeks of benefits payable to claimants who have dependents. Instead, the duration for which all claimants are eligible should be determined entirely by their basic benefit eligibility. Dependents' allowances should be in addition to the unemployment benefits otherwise payable, and should be added to each week of the claimant's basic duration eligibility.

Dependents' allowances and partial benefits.--If the partial earnings limit for determining the existence of partial unemployment is related to the weekly benefit amount, it should be in terms of the basic weekly benefit, excluding the dependents' allowances. To use the augmented payment as the partial earnings limit would permit a claimant with dependents who had only a slight drop in hours of work to qualify for partial benefits; this does not appear to be equitable or reasonable.

Under the usual formula for partial benefits, when benefits are paid to a partially unemployed worker with dependents, the full allowance for dependents should be added to the partial benefit, but only up to the amount of his potential annual benefits including dependents' allowances. Without such a limit, partially unemployed claimants with dependents who



exhaust their benefits in a benefit year could draw more dependents' allowances than claimants who draw all their benefits in weeks of total unemployment.

If the partial earnings provision recommended on pages 14-15 is adopted, the dependents' allowances allowed to claimants with partial earnings should be reduced sufficiently to prevent the claimant's total income (partial benefits plus earnings in part-time work plus partial dependents' allowance) from approaching too closely his base-period average weekly wage (see page 15).

#### Administrative Aspects of Dependents' Allowances

A system of dependents' allowances does not in itself introduce a needs test in unemployment insurance. It presumes that the nondeferrable expenses of claimants with dependents are greater than those of claimants without dependents and pays dependents' allowances as a matter of right to all claimants with dependents as defined in the State law.

The number of a claimant's dependents may change during a benefit year. However, the statute should make it unnecessary to check on the number of dependents for each compensable week. The law should establish the period for which the initial finding on the number of dependents is considered valid. For administrative reasons, it is recommended that a determination of the number of dependents made at the beginning of a benefit year should remain in effect throughout the benefit year.

#### Summary

In adopting or amending dependents' allowance provisions, the Bureau recommends:

1. That the definition of "dependent" include, in addition to children, other family members who receive regular support from the working member of the family.
2. That the weekly benefit, plus dependents' allowances for the maximum number of dependents, not approach too closely weekly earnings at any benefit level.
3. That allowances be payable at all benefit levels.
4. That the qualifying wage required at any benefit level be the same for all claimants, regardless of the existence or number of compensable dependents.
5. That the maximum number of weeks be stated in terms of the augmented benefit.

6. That under the usual formula for partial benefits, when benefits are paid to a partially unemployed claimant with dependents, the full allowance for dependents should be added to the partial benefit, but only up to the amount of potential annual benefits including dependents' allowances.
7. That a schedule providing "variable" maximum benefit amounts not be considered unless the maximum basic benefit amount is set at two-thirds of the average weekly wage in the State.

## VIII. MAXIMUM POTENTIAL DURATION OF BENEFITS IN A BENEFIT YEAR

The number of weeks for which benefits are payable to any claimant in a benefit year is limited for actuarial reasons and for reasons of policy. At the outset of the program the duration of benefits was established at a low level because of financial considerations and the lack of information on the character and extent of unemployment for which benefits could reasonably be provided. Today, against a background of 25 years of experience and a general recognition of the program's contribution toward maintaining individual and community purchasing power, it is possible to establish duration provisions that will achieve the objectives of the program. The program is intended to provide benefits for a sufficiently long period that, under reasonably normal business conditions and during short periods of recession, a high proportion of claimants can continue to receive benefits until they are called back to work or find other work.

Since the program was designed to protect the worker against temporary unemployment, it cannot carry the burden of the full duration of each insured worker's unemployment in a major depression; other programs are needed at such a time. Moreover, unemployment benefits, by themselves, are not a satisfactory solution to the problems of the individual worker whose unemployment in normal times continues for long periods. Some program other than, or in addition to, unemployment insurance is needed to sustain the income and morale of such workers. A program of retraining, or one designed to increase the geographic mobility of the unemployed, as well as other measures to increase work opportunities, might contribute to a more satisfactory solution to the problem of these workers.

Unemployment insurance, then, is designed to protect the worker during periods of temporary unemployment between jobs. In the past, the main emphasis of policy concerning the duration of benefits needed to achieve this objective has been directed towards periods of generally favorable economic activity. The 1958 recession initiated a major reevaluation of this policy. Experience during prior recessions had shown that a large number of workers were not able to find reemployment for periods extending well beyond 26 weeks. When the recessions ended, however, most of these workers soon returned to their former jobs or found other work. While the duration of their unemployment extended beyond 26 weeks, it was still of a temporary nature, and, if the unemployment insurance program had achieved its objective, these workers would have had benefits available as long as they were unemployed. Recognition of the inadequacy of 26 weeks of benefits during the 1958 recession led to Federal legislation providing a temporary emergency program of extended benefits for those who had exhausted their benefit entitlement equal to 50 percent of their original duration. Several States passed legislation providing permanent programs that made extra weeks of benefits temporarily available for recession periods. Other States extended the

basic maximum duration available at all times to more than 26 weeks (from 28 to 39 weeks), although these longer durations were usually accompanied by qualifying requirements that made them available only to a limited number of claimants.

Maximum potential duration is set in all State laws either on the basis of uniform potential duration for all eligible claimants or of duration varying in relation to base-period employment or earnings. In States with variable duration, a minimum period of benefits is specified in the State law, or it is determined by applying the duration formula to the minimum qualifying employment or wages.

#### Uniform Potential Duration for All Eligible Claimants

The potential number of weeks of total unemployment which are compensable should preferably be uniform for all insured workers. The length of unemployment which claimants experience does not necessarily vary directly with the continuity of their past employment or with their past earnings. Indeed, claimants who have had less steady employment in their base period are likely to be unemployed as long as, or longer than, claimants who had little or no unemployment in their base period, and thus have no lesser need for protection. Uniform potential duration for all workers favors the eligible claimant who is currently in greatest need of the protection of the program, regardless of the extent of his past employment, and because it provides an equal maximum period of payment to workers at all wage levels, it is equitable to all workers.

Period of uniform duration.--The potential duration not only should be uniform; under reasonably normal conditions, it should also be long enough to permit the payment of benefits to a high proportion of claimants for the full duration of their unemployment. Experience has shown that, during ordinary times, a duration of 26 weeks is necessary to meet this objective. Further studies may show that a longer duration of regular benefits is desirable in some States. Ordinarily benefit costs do not increase proportionately as statutory duration is increased since most workers are unemployed for short--rather than for long--periods of time. As the statutory maximum duration is increased, each added week results in the addition of a smaller proportion of total benefit costs.

Since the total dollar amount payable to claimants during a benefit year varies with their weekly benefits, the amount of maximum annual benefits is usually expressed in terms of the number of weeks of total unemployment during which a claimant can continue to draw benefits if he remains unemployed and is otherwise eligible, i.e., a specified multiple of his weekly benefit amount. In practice, claimants who are partially unemployed for some weeks may draw benefits for a longer period.

Qualifying employment or wages for uniform duration.--To justify a substantial uniform duration, the qualifying employment or wage requirement should be sufficient to indicate material attachment to the labor force. A requirement of 20 weeks of employment or an equivalent amount of wages is considered sufficient to support a uniform duration of 26 weeks.

#### Variable Duration

Some States prefer to vary duration in relation to base-period employment or wages and to provide a minimum duration of benefits to workers who barely meet the minimum qualifying employment or wage requirement. This is done by providing maximum potential benefits equal to a specified proportion of weeks of employment in the base period or of base-period wages up to a specified maximum number of weeks of benefits for total unemployment. In providing variable duration of benefits, it is important that the minimum qualifying requirement and the duration fraction be so related that they provide adequate minimum duration, preferably 20 weeks.

Maximum duration.--When the duration of benefits is limited to a fraction of the individual's base-period employment or wages, the maximum should be set high enough so that claimants meeting the requirements for more than the minimum weeks of benefits may be better protected against the hazards of unemployment even during the prolonged unemployment experienced in a business recession, or in a depressed area, or as a result of marked industrial change. Experience has shown that, to provide such protection, the maximum duration should be at least 30 weeks. When the existing statutory maximum number of weeks provided under a variable duration schedule is increased, the potential duration of all claimants should also be increased, including those eligible for less than the maximum duration.

In devising a formula for variable duration, attention should be given not only to the desired limit on maximum duration of benefits but also to the interrelationship of the various elements of the benefit formula--the duration fraction, the qualifying requirement, and the formula for computing the weekly benefit amount.

Duration fraction.--When the weekly benefit is based on high-quarter wages, the effective limit on duration for many claimants is usually a fraction of base-period wages; with an average-weekly-wage formula, it is generally a fraction of the number of weeks of employment in the base period.

Three-fifths or two-thirds of base-period wages is the smallest fraction that should be used to determine maximum annual benefits. As shown in Table 10 (page A-24), a fraction of  $\frac{2}{3}$  would permit 39 weeks of benefits for claimants whose base-period earnings are as much as three times their high-quarter earnings.

Table 10 was developed solely as an aid in the analysis of variable duration provisions; duration fractions and high-quarter formulas that are not recommended have been included solely for purposes of illustration. The table shows, for example, the inadequacy of a  $1/3$  duration fraction--the one most used by States providing variable duration. With a  $1/3$  duration fraction and a  $1/20$  high-quarter formula, few claimants would be eligible even for 26 weeks of benefits, i.e., only those who had such steady employment that their base-period wages were 4 times their high-quarter wages (unless they had high-quarter wages in excess of the amount necessary to qualify for maximum weekly benefits).

With an average-weekly-wage formula, at least one week of benefits should be provided for each week of employment in the base period up to the desired maximum; for example, 20 weeks of benefits for claimants who meet a qualifying requirement of 20 weeks of employment and one additional week of benefits for each additional week of base-period employment, up to the maximum number of weeks of benefits provided.

Minimum duration.--In most States, the minimum number of weeks for which a claimant may draw benefits depends on the qualifying employment or wage requirement. If the qualifying requirement is related to the weekly benefit or high-quarter wages (see page 46), it will yield the same duration for claimants at all weekly benefit levels who earned no more than the wages required to qualify for their weekly benefit amount. For example, under a formula using a high-quarter fraction of  $1/24$ , a duration fraction of  $2/3$ , and a qualifying requirement of  $1-1/4$  times high-quarter wages, a claimant with high-quarter wages of \$240 and base-period wages of \$300 ( $1-1/4$  times \$240) would qualify for a weekly benefit of \$10 for 20 weeks (\$200 or  $2/3$  of \$300). Similarly, a claimant with high-quarter wages of \$720, base-period wages of \$900 ( $1-1/4$  times \$720) would qualify for a weekly benefit amount of \$30 for 20 weeks (\$600 or  $2/3$  of \$900).

If a flat amount of wages qualifies a claimant for benefits, it has the disadvantage that workers whose earnings are no greater than this amount will have a shorter or longer potential duration, depending on their weekly benefit amount. In turn, this will depend on the concentration of their wages within one or more calendar quarters. For example, with flat qualifying wages of \$600, a weekly benefit computed as  $1/20$  of high-quarter wages, and a duration fraction of  $2/3$ , the potential benefits of \$400 would, except for the maximum limit, represent 40 weeks of benefits for a claimant with the minimum \$10 benefit amount (who had received no more than \$200 of his wages in his high quarter) but less than 14 weeks of benefits for a claimant with \$600 in his high quarter and a weekly benefit of \$30.

The minimum duration for any eligible claimant should be substantial enough to justify bringing him into the system. Substantial minimum duration may be achieved by giving each claimant total benefits equal

to an adequate fraction of his base-period wages--at least  $3/5$ --if the minimum qualifying wages are set in appropriate relation to the wage levels in the State and to the minimum weekly benefit amount.

A statutory provision specifying the minimum number of weeks of benefits may be a useful device to provide longer duration for claimants who barely meet the qualifying requirement. However, it is not a satisfactory substitute for an adequate duration fraction and qualifying wage requirement. Claimants with ample wages in the base period will receive in benefits a smaller proportion of such wages, as compared with claimants who have just enough wages to meet the qualifying requirement. The equitable solution to this situation is to provide a duration fraction that will yield the desired minimum duration and use it in determining the potential annual benefits for all claimants.

Maximum duration attainable at all benefit levels.--It is important that the maximum potential number of weeks should be attainable by claimants at every weekly benefit level. Furthermore, the maximum should not be attainable only by claimants who had full employment throughout their base period. Under some duration formulas, the only claimants who can receive the statutory maximum weeks of benefits are those whose base-period earnings are more than four times the high-quarter wages required for the maximum benefit amount. Under other formulas, an individual below the maximum weekly benefit amount, whose benefit represents 50 percent of his weekly earnings, would need 47-52 weeks of base-period employment to receive maximum duration. Under these formulas, the statutory maximum is a nominal one; the effective maximum will be considerably below the statutory figure. Such formulas should be examined in their entirety and should be amended to make the statutory maximum attainable at all wage levels and with less than full employment.

When a State is increasing the maximum number of weeks payable, it should consider the whole benefit formula. The more liberal the high-quarter fraction, the smaller the number of weeks which the duration fraction will yield. For example, if the weekly benefit is  $1/23$  of high-quarter wages and the duration fraction is  $1/3$  of the base-period wages, 4 times high-quarter wages will yield less than 31 weeks of benefits (see Column E of Table 10). If the weekly benefit is  $1/25$  of high-quarter wages, a  $1/3$  duration fraction will give 33 weeks only to the claimants with such full employment in his base period that he has four equally high quarters of wages (or four times the high-quarter wages required for the weekly benefit).

The use of schedules in connection with variable duration.--A few high-quarter States and almost all of the annual-wage States specify the maximum amount of benefits payable in a benefit year in the form of a tabular schedule. In some of the laws, the duration schedule is separate from the weekly benefit schedule, so that the interrelationships of the benefit formula are not readily apparent. For example, in some schedules, it is not clear that claimants eligible for less than the

maximum weekly benefit can qualify for maximum weeks of benefits only if they had almost full employment throughout their base period.

In another type of duration schedule, a specified number of weeks of benefits is provided for base-period wages equal to a specified multiple of high-quarter wages. For example, the duration schedule might provide 20 weeks of benefits for claimants whose base-period wages equal 1.5, but less than 1.6, times their high-quarter wages; and 21 weeks of benefits for a multiple of 1.6, but less than 1.7; and increasingly longer duration, up to the maximum, for progressively larger multiples of high-quarter wages.

With this type of duration provision, maximum duration is attainable at all weekly benefit levels and the same proportion of wages outside the high quarter is required at each level, including the maximum.

Under an annual-wage formula, variable duration usually means that only those claimants who are eligible for the maximum or nearly the maximum weekly benefit amount can qualify for maximum weeks of benefits (see page 27).

Variable duration with a weighted high-quarter schedule.--When the weekly benefit is determined by a weighted schedule of high-quarter wages, as illustrated in Table 11 (page A-25), duration should also be determined by a weighted schedule. If total benefits in a benefit year for each weekly benefit level are maintained as a fixed fraction of base-period earnings, increasing the fraction of high-quarter earnings used to compute weekly benefits at the lower end of the schedule will reduce the duration allowed to these claimants. In other words, the claimants at the lower end of the schedule will be allowed a larger percent of their weekly earnings for the weekly benefit amount, but they will not be allowed a larger percent of their total earnings. Therefore, the more liberal weekly benefit amount allowed them tends to be offset by the shorter duration. For example, if a duration fraction of  $\frac{2}{3}$  were used with Benefit Formula E, illustrated in Table 11, the claimant with the \$60 weekly benefit amount and base-period wages equal to twice his high-quarter wages (\$2,875) could draw almost 29 weeks of benefits, but the claimant with the \$11 weekly benefit and base-period wages equal to twice his high-quarter wages (\$425) could draw only 23 weeks of benefits.

The schedule illustrated in Table 11 is weighted to allow claimants at all weekly benefit levels to draw a minimum of 20 weeks of benefits; this is done by computing the amount of benefits in a benefit year as a larger percent of the qualifying wages required for the lower weekly benefit amounts than of those required for the higher weekly benefit amounts. For example, at the \$11 weekly benefit amount, 20 weeks of benefits represent 69.2 percent of qualifying wages while, at the \$64



weekly benefit, 20 weeks of benefits represent 55.5 percent of qualifying wages (see Column D of Table 11). The percentage indicated at each weekly benefit level is used to compute the potential amount of benefits payable to the claimants who are eligible for longer duration, up to the statutory maximum specified in the law.

The use of these percentages is illustrated in Table 12 (page A-27). This table supplies, in abbreviated form, a tabular schedule for administrative use in determining claimants' weekly benefit amounts and duration of benefits. The percentages shown in Column D of Table 11 have been used to compute the amount of base-period wages required for the specified number of weeks of benefits. At the minimum weekly level, for example, \$477 in base-period wages will allow 30 weeks of benefits at \$11 (\$330), or 69.2 percent of base-period wages, the same percentage as at the minimum 20-week duration. At the maximum weekly benefit amount, \$3,459 in base-period wages will allow 30 weeks of benefits at \$64 (\$1,920), or 55.5 percent of base-period wages.

Variable duration of benefits computed under a weighted benefit formula is usually provided in a benefit schedule which shows--in addition to high-quarter wages, weekly benefit amount and minimum qualifying wages--the amount of base-period wages required for each number of weeks of benefits up to the maximum provided. These schedules can become unwieldy for inclusion in the statute, as the number of columns is increased to provide for longer duration of benefits. Table 11 shows an alternate method for presenting variable duration in a weighted benefit schedule.

Variable duration and dependents' allowances.--Dependents' allowances should be excluded from the computation of variable duration, so that their payment does not reduce the number of weeks for which benefits are payable (see page 32). The duration fraction should be used to determine the amount (and weeks) of basic benefits to which a claimant is entitled and dependents' allowances should then be added.

Rounding of duration.--With duration limited to a fraction or percent of base-period wages, maximum potential benefits in a benefit year may be in uneven amounts, with the result that payment for the last compensable week of unemployment of claimants exhausting benefits may be an amount equal to \$1 or less. To prevent payment of inconsequential or uneven amounts and to make the formula easier to explain to claimants, rounding of maximum potential benefits in a benefit year to the next higher multiple of the weekly benefit amount is recommended. Such rounding will simplify administration and will permit presentation of the duration provisions in tabular form.

Rounding maximum duration to units of 2 or more weeks of benefits is unnecessary and undesirable. Since benefits are payable in units of 1 week, that is, a weekly benefit amount for a week of unemployment,

it does not seem reasonable to express benefit entitlement in units of 2 or more times the weekly benefit amount. Moreover, rounding maximum potential benefits to units of 2 or more times the weekly benefit can result in too large a difference in benefit entitlement for a very small difference in base-period wages. For example, in one duration schedule, a dollar of base-period wages can make a difference of \$80 in benefit entitlement (2 weeks of benefits at \$40); in another schedule, a dollar of base-period wages can make a difference of as much as \$252 in benefit entitlement (6 weeks of benefits at \$42). The Bureau recommends that rounding of maximum potential benefits be limited to single units of the weekly benefit amount.

Additional limitations on duration.--A few States include an additional restriction on variable duration by limiting wage credits per quarter to an arbitrary dollar amount. Such provisions reduce the weeks of benefits otherwise payable to claimants in the higher wage brackets. Provisions of this kind result in inequitable treatment of claimants and are an unnecessary complication in computing benefits.

#### Summary

One of the primary objectives of the unemployment insurance program is to protect the worker who is temporarily unemployed for the entire duration of his unemployment. If this objective is to be achieved, potential duration of benefits should be long enough to protect those temporarily unemployed in recession periods and in areas or industries characterized by extended unemployment when labor-market conditions in the rest of the State are favorable. Toward the realization of this objective, the Bureau recommends:

1. That all eligible claimants be allowed a uniform potential duration of at least 26 weeks of benefits.
2. That, if a State considers that it must vary duration in relation to base-period employment or wages,
  - (a) the variable potential duration should range from a minimum of 20 weeks to a maximum of at least 30 weeks;
  - (b) the duration fraction used with a high-quarter-wage formula should make maximum potential duration attainable at all benefit levels and without requiring full employment throughout the base period;
  - (c) a weighted schedule should be used for duration of benefits if a weighted high-quarter-wage schedule is used for the weekly benefits;

- (d) there should be no artificial restriction in the variable duration provision, such as a limitation on the amount of quarterly wages that may be credited for duration purposes; and
- (e) maximum potential benefits for each claimant should be rounded to the next higher multiple of the weekly benefit amount, if the claimant's computed dollar amount is not a whole multiple of the weekly benefit; but maximum potential benefits should not be provided only in units of 2 or more times the weekly benefit amount.

## IX. QUALIFYING EMPLOYMENT OR WAGE REQUIREMENT

Prior experience in covered employment is used to test attachment to the covered labor force. Use of such experience is based on the assumption that those who have been in the labor market as evidenced by substantial past employment continue to be in the labor market when unemployed unless there is evidence to the contrary. The qualifying requirement and the requirement that claimants be able and available for work are the two halves of a single requirement that protection be limited to unemployed members of the labor force. The qualifying requirement is the mechanical portion of this test. It is needed because it is a simple, objective way of eliminating from the program most persons who are unable to work or are unavailable for work. It should have only the one purpose because any effort to use it to accomplish additional purposes will distort it as a test of labor market attachment. It should be designed with care because, like mechanical tests in general, it can only achieve rough justice and an error in constructing it can magnify its deficiencies.

### Form of the Qualifying Requirement

To demonstrate attachment to the labor force, State laws require a minimum amount of covered employment or wages in a specified prior period, usually the base period. The requirement may be expressed as a number of weeks of employment in the base period, a flat dollar amount of wages, an amount of wages varying with the individual's weekly benefit amount, a specified distribution of earnings over the quarters of the base period, or a combination of these requirements. Since the period during which the claimant has worked is the best measure of his prior attachment to the covered labor force, the qualifying formulas which are expressed in terms of wages should attempt to approximate the length of employment which it has been decided will indicate attachment to the labor force and will make eligible for benefits only workers who are suffering a real wage loss by reason of their unemployment. A qualifying provision in terms of weeks of employment, rather than wages, is the most direct approach to a measure of past employment and is, therefore, recommended over other methods.

The form of the qualifying requirement varies with the type of formula as indicated below. It is related to the base-period and benefit-year provisions and to the wage-reporting procedures. The recency of the qualifying wages depends upon the lag between the base period and the benefit year (see Table 1, page A-2).

Weeks of employment.--A weeks-of-employment qualifying requirement is used by a small but increasing number of States. A specified number of weeks of employment is the most appropriate type of qualifying requirement with the average-weekly-wage formula. It is also used in some States with a high-quarter formula to reinforce a requirement of a minimum amount of qualifying wages.

Request wage reporting is generally used to obtain weeks-of-employment information, because most of the States with this type of qualifying requirement also have a base period ending less than 3 months before the beginning of the benefit year (see page 6). However, a few States with a lag of 3 or more months before the benefit year have found it administratively feasible to obtain information on number of weeks worked, along with their regular quarterly wage reports. In defining weeks of employment, the agency must consider the ease with which employers can supply the necessary information, as well as the need to combine information in reports for claimants with two or more employers in the same week.

In principle, a weeks-of-employment qualifying requirement is equitable in that workers at all wage levels must have the same amount of employment to qualify for benefits. It is necessary, however, to set a minimum level of employment in a week--either in terms of hours or wages or an average wage in weeks worked, or a total amount of wages in the base period--so that claimants cannot qualify on weeks of inconsequential employment. A definition of week of employment in terms of weekly hours would be more equitable than one in terms of wages but it has rarely been used because employers' records, especially in some industries, do not always include information on hours worked. However, a survey of present-day practices in maintaining payroll records may prove that the large majority of employers can report the number of weeks of employment in which the employee worked at least the specified number of hours; and, for industries where workers are paid on a piece rate, it may be feasible to devise an alternate reporting requirement that would produce an adequate approximation of hours worked.

A qualifying requirement of a specified number of weeks with a minimum amount of wages in each week gives reasonable assurance that no week of inconsequential employment can be used to qualify for benefits. However, it is more difficult for low-wage claimants to meet this requirement than for those at higher rates of pay. For the low-wage claimant, underemployment in any week is more likely to result in the elimination of such week and in failure to meet the qualifying requirement. Conversely, while a claimant with normal weekly wages well above the wage limit can more easily earn the minimum amount required for a week of employment, his advantage is partly offset in States with an average-weekly-wage formula by the greater reduction in his average weekly wage because of the inclusion of weeks of low earnings. For example, in the following illustration of two claimants with 40 weeks of work, inclusion of 20 weeks of work with earnings of \$15 results in a reduction of 40 percent in the average weekly wage of Claimant A, who normally earns \$75 a week, as compared with a reduction of 25 percent in the average weekly wage of Claimant B, whose normal weekly earnings are \$30.

	<u>Claimant A</u>	<u>Claimant B</u>
Normal weekly wage	\$75	\$30
Weeks of work at normal weekly wage	20	20
Weeks of work at \$15	20	20
Average weekly wage	\$45.00	\$22.50
Percent reduction in wage	40	25

A qualifying requirement of a specified number of weeks of employment with a minimum amount of earnings in each week can exclude some claimants with a firm attachment to the covered work force who, for reasons beyond their control, are underemployed in enough weeks that they fail to meet the work test. For this reason, as well as for reasons of administrative feasibility, a State may find it preferable to state the qualifying requirement as a specified number of weeks of employment in which the claimant's earnings averaged a specified minimum amount.

Multiple of high-quarter wages or of weekly benefit amount.--A qualifying requirement related to the claimant's high quarter is used with a high-quarter benefit formula in many States. For claimants with more than 1 quarter's employment in the base period, the high quarter is ordinarily a quarter of substantial employment. For most claimants a qualifying requirement expressed as a multiple of high-quarter wages or a multiple of a benefit amount based on high-quarter wages serves as a fair test of length of employment.

In a formula that computes the weekly benefit as the same fraction of high-quarter wages at all benefit levels, a qualifying requirement in terms of either a multiple of high-quarter wages or a multiple of the weekly benefit amount is appropriate; either multiple requires a given proportion of wages outside the high quarter. For example, a qualifying provision of base-period wages equal to 1-1/2 times the individual's high-quarter wages requires all eligible claimants to have had employment outside their high quarter approximately equivalent to half their high-quarter employment. A multiple of 30 times the claimant's weekly benefit amount has the same result (at all benefit levels except the maximum), if combined with a high-quarter fraction of 1/20; e.g., a claimant with \$500 in high-quarter wages and a weekly benefit of \$25 would need \$750 in base-period wages, or 1-1/2 times high-quarter wages.

The maximum weekly benefit level is different from the lower benefit levels in that a claimant eligible for the maximum can have enough wages in 1 calendar quarter to meet a requirement of total base-period earnings stated as a multiple of the weekly benefit amount. This is also true of a multiple of high-quarter wages when a dollar amount is computed for each benefit level (either at the midpoint or the upper or lower limit of the

wage bracket) and included in the benefit schedule (see tables 3 and 4, pages A-14 to A-17). To remedy this situation, many high-quarter States have a requirement that all insured claimants must have earned wages in at least 2 quarters of the base period. Under such a provision, however, it is possible to qualify for the maximum weekly benefit with only a nominal amount of wages outside the high quarter. A more effective provision is suggested in Formulas A and B (tables 3 and 4). For example, Formula A, which includes in the benefit schedule a qualifying provision of 1-1/2 times high-quarter wages (computed at the upper limit of the wage bracket), requires that insured claimants at all weekly benefit levels, including the maximum, have wages outside the high quarter equal to 1/3 of the base-period wages required to qualify for the benefit amount. Thus, an individual who earned in his high quarter wages far in excess of the \$1,920 required to qualify for the \$64 maximum weekly benefit amount must have additional earnings of at least \$640 outside his high quarter.

A multiple of the weekly benefit amount should not be used with a formula that computes the weekly benefits of low-wage claimants as a larger fraction of high-quarter wages than at the higher weekly benefit levels, because it would require a larger proportion of high-quarter wages outside that quarter for claimants at low benefit levels than for those at the higher benefit levels. If, for example, a 30-times-the-weekly-benefit requirement were applied to Formula B (table 4), \$330 would be required for the \$11 weekly benefit (instead of \$318) and \$1,770 for the \$59 weekly benefit (instead of \$2,118). The \$11 claimant at the top of the bracket would have to have earnings of \$117.50 outside the high quarter, or 55 percent of his high-quarter wages, while the \$59 claimant at the top of the bracket would have to have additional wages (\$357.50) equal to only 25 percent of his high-quarter wages. Thus, the \$11 claimant would need 1.6 times his high-quarter wages to qualify for benefits, while the \$59 claimant would qualify with only 1.3 times. The multiple of high-quarter wages, such as that used in Formula B, automatically extends the weighting of the high-quarter fraction to the qualifying requirement, and applies equitably at all benefit levels by requiring all eligible claimants to have earnings outside the high quarter equal to approximately one-half of their high-quarter wages.

A flat qualifying amount.--A flat qualifying amount is typical of the annual-wage formula, but is used also with some high-quarter formulas. Except in the States with annual-wage formulas, such a qualifying requirement is used only with variable duration. A flat qualifying requirement is simple to understand. It seems equitable in that all claimants with the specified minimum amount of base-period wages qualify for some benefits. However, a requirement of, say, \$400, is inequitable as between low-wage and high-wage claimants since it may require only a few weeks of employment for high-paid workers to qualify and many weeks for low-paid workers.

Because a flat amount of wages may be earned in only a few weeks, most of the high-quarter formulas that have retained the flat qualifying requirement have added provisions requiring a specified amount of wages in a quarter other than the high quarter. Usually the additional requirement is also stated as a flat dollar amount. This results in the same inequity, as between low-wage and high-wage claimants, as the flat qualifying requirement itself; low-wage workers must have more weeks of employment outside their high quarter to meet the additional requirement than those at the higher wage levels.

#### Amount of Employment or Wages Required

It is generally accepted that a qualifying requirement of 14 to 20 weeks of employment in the base period--or the equivalent of such weeks stated in terms of a multiple of high-quarter wages or of the weekly benefit amount--represents sufficient attachment to the covered work force to admit a worker to benefits under the unemployment insurance program. Where a significant number of workers are paid benefits on the basis of earnings in one calendar quarter (at the maximum weekly benefit level) or of less than 14 weeks of work, there is a danger that the State is admitting to benefits individuals who are habitually employed only in seasonal or casual work. Where a State requires more than 20 weeks of work or the equivalent in wages, it should examine the employment and earnings patterns of its covered work force to determine the extent to which its requirement is excluding from benefits groups of workers who are ordinarily attached to the covered work force and who depend upon wages for their livelihood. Precisely how many weeks of work within the range of 14 to 20 weeks (or the equivalent in wages) is an adequate test of labor-force attachment depends on the employment and earnings patterns of the covered workers in the State.

In considering a qualifying wage provision expressed in terms of a multiple of high-quarter wages or of the weekly benefit amount, it is necessary to take account of the interrelation of the qualifying requirement with the other parts of the benefit formula and the effect on the number of weeks of work required to meet the provision. For example, a qualifying requirement of 1-1/2 times high-quarter wages means that an individual who had 10 weeks of work in his high quarter must have had base-period employment equivalent to 15 weeks at the same weekly rate of pay as in his high quarter; for a claimant with 13 weeks of work in the high quarter, it will require 19-1/2 weeks of employment at the high-quarter rate of pay. (See pages A-28 and A-29 for an explanation of the construction of qualifying-wage requirements expressed as a multiple of high-quarter wages or of the weekly benefit amount.)

A qualifying requirement of 35 times the weekly benefit amount computed as 1/25 of high-quarter wages means that an individual who had 10 weeks of work in his high quarter must have had total base-period employment



equivalent to 14 weeks of employment at the same weekly rate of pay as in his high quarter; for a claimant with 13 weeks of work in the high quarter, it will require 18.2 weeks of employment at his high-quarter rate of pay.

In considering the various multiples of high-quarter wages or of the weekly benefit amount, it should be remembered that many claimants do not earn the same weekly wages throughout the base period, particularly if it was a period of high unemployment. Wages in weeks worked outside the high quarter are frequently lower than the weekly wages during the high quarter. Thus, to the extent that an individual's weekly earnings outside the high quarter were lower than during such quarter, the number of weeks of work required in the preceding examples would be larger.

#### Modification of Qualifying Requirements

Step-down provisions.--With a high-quarter formula, the rigidities arising from the division of earnings into calendar quarters may result in making some workers eligible and others ineligible although they had the same amount of base-period wages and the same number of weeks of employment. If the quarter of highest wages includes unusual wage payments such as annual bonuses or extensive overtime, a qualifying requirement based on high-quarter wages directly (e.g., 1-1/2 times such wages) or indirectly (through a multiple of the weekly benefit amount) may be high in relation to normal earnings and may exclude from benefits individuals with considerable employment outside the high quarter.

Accordingly, the Bureau recommends a corrective device that has been adopted by some States to permit claimants to qualify for a lower weekly benefit than that to which their high-quarter wages would ordinarily entitle them, when their high-quarter wages are disproportionately high or when rounding of their weekly benefit to the next higher dollar raises the qualifying wages so that they are not eligible. Under such a "step-down" provision, an individual who is found ineligible under the normal qualifying requirement for his weekly benefit may be found eligible for a lower weekly benefit if his base-period earnings equal or exceed those required for the lower benefit. A claimant who has not earned, for example, 30 times his rounded benefit amount may be found to have earned 30 times the next lower benefit amount.

The Bureau recommends that the step-down provision permit dropping back no more than one or two benefit levels. Further step-down is undesirable if it allows claimants to qualify for benefits with only a negligible amount of employment outside the high quarter. An unlimited step-down provision is not recommended; it makes the minimum qualifying requirement a flat requirement that can be met by 1 quarter's employment. Unlike a flat qualifying requirement, however, it reduces the weekly benefit for claimants who do not meet the normal requirement of the specified multiple of the weekly benefit which the high-quarter wages would yield.

When the qualifying requirement for the maximum weekly benefit amount includes a provision that a given proportion of total base-period wages must have been paid outside the high quarter (see page 47 and footnote 2 of tables 3 and 4), the step-down provision should also include a similar provision. Otherwise, the step-down provision might allow a claimant with high earnings in 1 quarter to qualify for a lower weekly benefit although he had no earnings outside the high quarter. For example, under Formula A (table 3), a claimant with total base-period wages of \$1,750, earned in only 1 quarter, could meet the qualifying requirement for the \$58 weekly benefit amount (\$1,740) unless the step-down provision clearly requires that at least 1/3 of the amount of base-period wages required for such lower amount must have been earned outside the high quarter.

Additional qualifying requirements.--Secondary qualifying requirements included in a State law or in a proposed amendment should be examined from both substantive and administrative points of view. Every additional requirement creates more borderline cases of claimants who meet part of the requirement and feel that they should be entitled to benefits. Every additional requirement involves its own reporting problem. Some provision that results in requiring a fraction of base-period wages outside the high quarter is desirable, but rigidities in the distribution of such wages should be avoided. For instance, a provision requiring wages outside the high quarter equal to a specified dollar amount or to 1/3 of total base-period wages (which is the same as requiring 1-1/2 times high-quarter wages) should not be accompanied by a requirement that such wages be earned in the last 2 quarters of the base period. The effect of such a provision may be to postpone the beginning of the benefit year and the loss of wage credits earned in an earlier calendar quarter. (For an explanation of the effect of this provision, see page A-30.)

Another type of special qualifying provision used by some high-quarter States is applicable only to the minimum weekly benefit amount. In addition to requiring a minimum amount of wages in the base period to qualify for the minimum weekly benefit, these States require a minimum amount of wages in the high quarter, usually equal to 1/2 to 2/3 of the minimum qualifying wage. The Bureau recommends that the lower limit of the lowest wage bracket be set at 1/4 of the minimum qualifying amount, so that no worker who meets the minimum wage requirement will be denied benefits solely because his base-period earnings were distributed evenly among the 4 quarters of the base period.

Although few claimants receive the minimum weekly benefit and still fewer qualify on the basis of the minimum base-period wages required for such amount, it is important from the standpoint of social policy that the qualifying requirements be equitable to claimants and, at the same time, consistent with the objectives of the benefit formula. When as much as 1/2 or 2/3 of the minimum qualifying wages must have been earned in the high quarter, a worker may be ineligible for benefits because of insufficient high-quarter wages, even though he had well in excess of the

minimum base-period wages required. For example, in a State with a minimum qualifying requirement of \$300 and a minimum high-quarter-wage requirement of \$200, a claimant with base-period wages of \$750 would be ineligible for any benefit if his wages were so distributed among the 4 quarters that he did not have \$200 in any one quarter.

If a State is unwilling to lower its minimum high-quarter wage to 1/4 of the minimum qualifying wage, it should consider lowering it at least to 1/3 of base-period wages or to 10 times the minimum weekly benefit amount, preferably the latter. A minimum high-quarter wage equal to 10 times the minimum weekly benefit would compensate for one-half of the assumed weekly wage of a claimant who had 5 weeks of work in the high quarter (and not more than 20 weeks of work in the base period).

Requalifying provisions for a second benefit year.--These provisions have been adopted by some of the States where, because of the lag between the base period and benefit year, it would otherwise be possible for a claimant to draw benefits in 2 successive benefit years following a single separation from work. This situation is most likely to occur in States with a uniform base period and benefit year and a flat qualifying wage requirement. In these States the 3 to 6 months between the first base period and the first benefit year--which are included in the base period of the next benefit year--allow the claimant sufficient time to earn enough wages to qualify for benefits in the next benefit year, with no further employment since the beginning of the first benefit year. This situation may also occur, even in a State with an individual base period and benefit year and an adequate qualifying requirement, if the lag period is more than 3 months--particularly if the claimant happens to become unemployed and start his benefit year toward the end of a calendar quarter. Data supplied by several States with such base periods (either uniform or individual, with a lag of 3 or more months) indicate that, in general, about 5 percent or less of all claimants apply for benefits solely on the basis of wages earned before the beginning of a preceding benefit year.

Although the Bureau's basic recommendation in this respect is elimination of the lag period or reduction to less than 3 months, some States may find, for administrative or other reasons, this to be not feasible. In such States, additional emphasis should be placed upon the need to establish qualifying requirements, such as have been recommended by the Bureau, that require substantial employment in more than 1 calendar quarter. Since the purpose of requalifying requirements is to test the claimant's continued attachment to the labor force, the Bureau recommends that States which require requalifying employment for a second benefit year do not limit such employment to covered work.

Alternative qualifying requirements.--Alternative qualifying provisions have been used in only a few States and have usually been limited to

variations of a flat amount of wages in the base period. For the reasons discussed in pages 47 and 48, these provisions are not recommended, either as a regular qualifying requirement or an alternative provision.

Another type of alternative qualifying provision takes account of the claimant's work history during not only the regular base period but also a longer period that includes the regular base period. For example, under one such provision, a claimant who has less than the required 20 weeks of employment in the regular base period (52 weeks immediately preceding the benefit year) is allowed benefits if he had at least 15 weeks of employment in the regular base period and a total of at least 40 weeks of employment in the 104-week period preceding the benefit year. In other words, if a claimant had 15 weeks of employment in the regular base period, but was found to have had at least 25 weeks of employment in the preceding 52-week period, he would be eligible for benefits; or, if he had 19 weeks in the regular base period, he must have at least 21 weeks in the preceding 52 weeks. However, his benefit rights would be based solely on his wages in the regular base period.

An alternative qualifying requirement of this type may be a useful device for providing benefits for workers who have evidenced a strong attachment to the covered work force in past years but whose employment during the base period was disrupted by a recession or other conditions beyond their control. Its use would be limited, however, to workers whose base-period employment failed to meet the regular qualifying provision by only a small margin. Moreover, the alternative provision can be effective for only 1 benefit year because the prior period in which the claimant had substantial employment will have expired and can no longer be included in the period under consideration in establishing a subsequent benefit year. Thus, this type of alternative qualifying provision offers no solution to a State that is faced with the problem of an unduly large number of claimants who are unable to qualify for benefits because of a considerable amount of unemployment in the preceding 1 or 2 years. In such a situation, the alternative qualifying provision would have little effect unless it took into account the claimant's work history over a longer period, say, 3 to 5 years.

This type of alternative qualifying provision can be adapted for use with a regular qualifying provision expressed in terms of wages. However, it may have some undesirable effects because a specified amount of wages, even when related to earnings in the high quarter, does not represent the same number of weeks of work for all claimants (see page 48). Thus, reducing the regular qualifying requirement to a point that it will be effective for individuals with a substantial past attachment to the covered work force may admit many others whose past and current attachment is far less certain. For example, with a regular qualifying requirement of 1.5 times high-quarter wages, an alternative provision requiring earnings of 1.1 times high-quarter wages in the regular 4-quarter base period and total earnings of 3.0 times high-quarter wages in an 8-

quarter period would require a claimant with 13 weeks of work in his high quarter to have 14.3 weeks of work in the regular 4-quarter base period and 24.7 weeks in the preceding 4 quarters. However, for a claimant who had 10 weeks of work in his high quarter, it would require only 11 weeks of work in the regular 4-quarter period and only 19 weeks in the preceding 4 quarters, which means that he did not have earnings equivalent to as much as 20 weeks of work in either 4-quarter period. Moreover, an alternative qualifying requirement, coupled with a base period ending at least 3 months before the beginning of the benefit year, would increase the number of claimants who are able to meet the qualifying requirement solely on the basis of wages earned before the beginning of a preceding benefit year (see page 51).

Duration of benefits for claimants who become eligible under the alternative qualifying provision is another factor that must be considered. If uniform duration of benefits is provided, all claimants would, of course, be entitled to the same number of weeks of benefits, regardless of whether they qualified under the regular qualifying provision or the alternative provision. However, if duration of benefits varies with the claimant's weeks of employment or amount of wages, the State must consider what modifications of the duration formula should be made to provide adequate benefits for individuals who qualify under the alternative provision. If it wishes to utilize the claimant's wage credits that have not already been used for payment of benefits in a preceding benefit year, it must consider the complications of such a provision, particularly if its experience-rating formula is based on a system of benefit charges. On the other hand, if benefits in the current benefit year are to be based solely on weeks of employment or wages in the regular base period, the regular duration fraction will yield a lower minimum duration than that provided by the regular qualifying requirement unless some special provision is made.

If an alternative qualifying provision encompassing a period longer than the usual base period is under consideration, it should be weighed carefully against other modifications of the benefit formula that may be a more appropriate solution to the problems facing the State. For example, a longer duration of regular benefits or a program of extended benefits may be more effective than an alternative qualifying requirement in providing benefits for workers with long attachment to the covered work force who have experienced an unusual amount of unemployment during the past year.

#### Summary

As a basis for providing adequate benefits for workers who have a substantial attachment to the covered work force, the Bureau recommends:

1. That the qualifying provision require the same amount of employment at all benefit levels--preferably a specified number of weeks of employment, within a range of 14 to 20 weeks.

2. That weeks of inconsequential employment be excluded when the qualifying requirement is in terms of weeks of employment.
3. That, if the qualifying requirement is in terms of wages, it be stated as a multiple of high-quarter wages or of the weekly benefit amount that would be equivalent to 14 to 20 weeks of employment.
4. That the amount of wages required outside the high quarter at all benefit levels, including the maximum, be the same proportion of the required high-quarter wages (see, for example, Benefit Formulas A and B).
5. That the qualifying wage requirement be appropriate to the rest of the benefit formula, e.g., a multiple of high-quarter wages be used with a weighted high-quarter benefit schedule.
6. That a "step-down" provision, limited to not more than two steps, be included with a qualifying requirement stated in terms of a multiple of high-quarter wages or of the weekly benefit amount.
7. That the qualifying wage requirement not be stated as a flat dollar amount; however, if a flat amount is used, it require wages outside the high quarter equal to a specified proportion of the required high-quarter wages, rather than a flat amount.
8. That no limitation be placed on the calendar quarters (other than the high quarter) in which the required base-period wages must be earned.
9. That the minimum amount of high-quarter wages required for the minimum weekly benefit be set at a reasonable fraction of the minimum qualifying wages--preferably  $1/4$  but, at the most, not more than  $1/3$  of such wages--or 10 times the minimum weekly benefit amount.
10. That to prevent eligibility for benefits in a second benefit year based solely on employment before the beginning of a previous benefit year, provisions be adopted either (a) by means of request wage reporting, to reduce the lag period to less than 3 months; or (b) to require substantial employment in two calendar quarters, as a qualifying requirement applicable to all benefit levels.

## X. ELIGIBILITY FOR BENEFITS AND DISQUALIFICATION FROM BENEFITS

No area of unemployment insurance is more controversial than the provisions which govern eligibility and disqualification. While it is important to limit the payment of benefits to that unemployment which is within the program's intended scope, the unemployment insurance system should give insured workers confidence that they will receive benefits during periods of involuntary unemployment. This confidence may be undermined if the system's guarantee is unduly qualified by conditions and restrictions.

The eligibility and disqualification provisions delineate the risk which is intended to be insured. Because they usually involve judgmental consideration of subjective factors, they cannot be as precise as the provisions for weekly benefits, duration of benefits, qualifying wages, and other monetary determinations discussed in prior chapters. Provisions, for example, on ability to work, availability for work, voluntary leaving without good cause, and refusal of suitable work require day-to-day interpretation. The effective law on eligibility for benefits and disqualification from benefits is thus the statute as it is applied to individual claims through the State's administrative and appellate machinery. In some cases, although identical statutory language is found in the laws of different States, it is interpreted differently. Only the statutory provisions are considered here, but any State should consider the interpretations of its present law in assessing the desirability of amending it to carry out the objectives of the program.

### Purpose of Eligibility and Disqualification Provisions

The eligibility and disqualification provisions aid in defining what unemployment is to be compensated under the system. Unemployment which the system intends to compensate is limited, in general, to the unemployment of workers who are bona fide members of the labor force and who are unemployed because there is no suitable work available to them. As positive conditions for the receipt of benefits for each week of unemployment, a claimant must be able to work and available for work. As a negative condition, he must not be disqualified for reasons arising out of the circumstances of his leaving work or of his continued unemployment. A determination of ability to work and availability for work must be made for each week of unemployment for which benefits are claimed. A determination of disqualification applies for a longer period of time, as will be shown below.

The various eligibility and disqualification provisions are interrelated. A claimant may demonstrate unavailability for work by refusals of suitable work; a claimant who has left a job with good personal cause may not be immediately available for work.

### Waiting Period

In most States a claimant is not eligible for benefits until he has served a waiting period of uncompensated unemployment in which he was otherwise eligible for benefits.

A waiting period was included in the early unemployment insurance laws for two reasons: (1) to allow time for making determinations and for contesting them prior to the end of a compensable week; and (2) to preserve the fund for long-duration unemployment by not paying for very short periods of unemployment. The experience of a few States which have repealed the waiting-week provisions indicates that there is not necessarily an administrative need for a waiting week. In most States, fund protection alone does not justify the retention of the waiting week. However, the elimination of the waiting week should not be substituted for improvements in the weekly benefit amount or the duration of benefits.

Where a waiting period is retained, 1 week of either total or partial unemployment in a benefit year is adequate.

The waiting week usually is the first week of unemployment occurring in a benefit year. There are, however, two types of situations in which exceptions should be made. The first occurs when a claimant is unemployed and receiving benefits for a period of unemployment at the end of a benefit year. If his period of unemployment extends into the new benefit year, he should not be required to serve a waiting period for the second benefit year, either at this time or later in the new benefit year. It is inequitable to the claimant to interrupt the payment of benefits for consecutive weeks of unemployment merely to make him serve a waiting period. The administrative problems of assuring that such claimant is required to serve a waiting period should he have a subsequent period of unemployment in the second benefit year are out of proportion to any saving in the funds.

Also, special provisions should be made to allow claimants to serve a waiting period in the last week (or weeks) prior to the beginning of a benefit year. Such a provision would be advantageous to claimants who had exhausted benefit rights and remained unemployed or again became unemployed before the beginning of a new benefit year, as well as to new entrants to the labor force who will not be entitled to benefits until a specified date. These provisions are especially needed with a uniform benefit year under which claimants are more likely to be unemployed at the turn of a benefit year than with an individual benefit year related to the claimant's unemployment. Without the provision that claimants may carry into the new benefit year credit for a waiting period served at the end of the prior benefit year, claimants becoming unemployed in the last week of a uniform benefit year have no credit for such a week of unemployment.



## Ability to Work and Availability for Work

The qualifying wage or employment requirement limits unemployment benefits to claimants who have been working in covered employment. The able-to-work and available-for-work requirements are designed to demonstrate whether the claimant is currently attached to the labor force. When a claimant is physically or mentally incapacitated for work, benefits are not payable because he is unable to work. In several States eligible claimants do not become ineligible because of illness or disability occurring after they have filed a claim and registered for work as long as they have not refused an offer of work which would have been suitable except for the disability. In such cases the cause of the unemployment is considered the original lack of work rather than the intervening inability to work.

A claimant's registration for work at the employment office affirms that he is in the labor force and wishes to remain there and that he is available for work. His refusal of work may demonstrate that he is not available for work. Unavailability for work may also be shown in other ways. If a claimant's personal circumstances prevent him from accepting work, benefits are not payable because he is not available for work. Similarly, he would be held unavailable for work if he shows that he is unwilling to work, or if he fails to make such efforts to find suitable work as are reasonable in his circumstances, or if he so restricts the work, working conditions or locality of work which he will accept that no substantial market exists for his services.

Available for suitable work.--The law should provide explicitly that a claimant need be available for suitable work only. In the absence of such a provision, the work refusal provision may be circumvented and a claimant held unavailable because he has refused offers of unsuitable work or has stated that he would not accept types of work which were, under the law, unsuitable for him.

The availability requirement means that the claimant must be available for suitable work which is ordinarily performed in his chosen locality in sufficient amount to constitute a substantial labor market for his services. A claimant does not satisfy the requirement by being available for an insignificant amount of work. Ordinarily, for example, a concert pianist in a rural area who limits his availability to concert work in that area is not available for enough suitable work to meet the requirement.

By the same token, the availability requirement does not mean that a claimant who is available for a substantial amount of work must be available for all work that is suitable for him. Thus, in most urban localities a person who was qualified both as a radio and television repair man and as an automobile mechanic could limit himself to one of these occupations and yet be available for a substantial amount of work, sufficient to meet the availability requirement. However, the

fact that an individual may meet the availability requirement, although limiting his availability to less than all the work that is suitable for him, is not in itself good cause for refusing an actual offer of a suitable job.

A broad availability provision.--The availability provision should be written in broad terms because it must be applied under changing labor market conditions and to individual claimants seeking work under varied circumstances. Therefore, there should be no specific requirement that claimants be actively seeking work or unable to find work, or be available for a particular kind of job or in a particular kind of locality. A general availability provision permits an agency to use any reasonable tests of availability which it finds necessary under the particular circumstances of each case, including a requirement that a claimant make such efforts to obtain work on his own behalf as are appropriate under the labor market conditions applicable to his occupation in the locality and in view of his particular circumstances. Thus, it permits the agency to require certain claimants to expend reasonable efforts on their own initiative to obtain suitable work, for example, in isolated areas, while recognizing the futility of such efforts under other conditions, for example, in a one-industry town. Proof that a claimant has actively sought work may be an empty gesture, demoralizing to the claimant and a nuisance to employers when no work is available in an area. Such proof should not be required of all claimants by statute. While claimants should be active candidates for jobs as a condition for receiving benefits, the test of availability should be realistic, taking into consideration such factors as business conditions, the penetration of the employment service, the hiring methods in the industry in which the claimant is seeking work, and the claimant's individual circumstances. Where there is a substantial lapse of time between the last day the claimant has worked and the day he files his claim, his availability should be closely examined and a determination made whether he is in the labor market, ready, willing, and able to work.

Availability for work may be more difficult to prove when a claimant has moved from a locality in which he has worked in covered employment. However, it is undesirable to write into the law any requirement that a claimant must be available for work "in a locality where his base-period wages were earned or in a locality where similar work is available." Such a restrictive provision would require the disqualification, for example, of an auto worker who had moved to a new locality for his health or the health of his wife, when he was genuinely available for many types of work which were performed there in other manufacturing industries. It would also require the disqualification of a claimant from a declining industry, such as the coal mines, who moved to another area to look for some other type of work. The detailed provision is not necessary since the broad availability provision could eliminate a claimant who has moved into a community in which work which he is both qualified to do and willing to accept is not performed.

Eligibility of approved trainees.--The Bureau recommends that the unemployment insurance law permit the payment of benefits to otherwise eligible claimants who are taking needed vocational retraining courses, provided certain conditions have been met. The Bureau also recommends that the number of compensable weeks ordinarily payable to an otherwise eligible claimant-trainee be extended for a limited period in order to facilitate the completion of the claimant's training.

As our economy grows, changes take place in its industrial make-up making old skills obsolete. Technological advances cause us to use proportionately fewer workers to produce the goods we need while more workers are needed to produce the increasing services required as our standard of living goes up. In addition, illness, injury or advanced age often prevent a worker from utilizing his skills and compel him to seek work in some other occupation. Thus, an increasing number of insured workers are finding that future as well as present needs for their particular skills are rapidly diminishing and that employment opportunities for them in their own labor market areas are becoming minimal or nonexistent and are likely to remain so. If these workers are to realize any substantial improvement in their prospects for securing more stable employment in their own or in any other labor market, it would seem that they first would have to acquire new and more marketable skills. For many claimants in this situation the most practical method of acquiring such skills is to complete a suitable vocational retraining course.

The payment of unemployment insurance benefits to these claimant-trainees is consistent with the unemployment insurance program. Unemployment insurance is designed to provide protection to workers who ordinarily are employed but who are currently unemployed due to lack of suitable work, and who are ready, willing and able to work. Paying benefits to these otherwise eligible claimants, while they are taking suitable vocational retraining, does more to meet the program's purposes and objectives than any increase in the usual efforts to find a suitable job. Under most unemployment insurance laws containing conventional provisions as to availability, work search, and refusals, the very conditions that ordinarily would lead to approvable vocational retraining would also support the conclusion that the claimant's benefit eligibility continue without disqualification. For example, given obsolescence in the worker's occupation coupled with retraining in an active occupation, it is reasonable to conclude that the worker is demonstrating his availability and active search for work. Furthermore, such a claimant-trainee should not be discouraged from completing an approved training course; his training should be good cause for his refusal of work that would prevent its completion. States with laws or interpretations that preclude such results should change their laws. Several States already have enacted such changes.

Not all claimants, however, may care to participate in a training program. In the event a claimant refuses, without good cause, the direction of the employment service to take a particular training course, such refusal would be a factor to be considered in determining his availability.

In many instances the claimants may be directed by the employment service to take free vocational retraining shortly before or even after they have exhausted their benefit rights. Some provision should be made to continue unemployment insurance benefit payments to these claimant-trainees in order to facilitate the taking or the completion of the training program that is so essential to their reemployment. In the States which use an experience-rating system based upon benefit charges, these added training benefits may be "noncharged" to the employer's account.

The following safeguards would have to be maintained if the objectives of this vocational retraining are to coincide with the objectives of the unemployment program:

1. The claimant's skills **must be either obsolete** or, for some other reason, such that employment opportunities for him in that labor market are minimal and are not likely to improve.
2. The claimant must possess aptitudes or skills which can be usefully supplemented within a short time by retraining.
3. The training must be for an occupation for which there is a substantial and recurring demand.
4. The training must be approved by the State employment security agency.
5. The claimant must be enrolled in a training institution approved by the State employment security agency.
6. The claimant must produce evidence of continued attendance and satisfactory progress.

Special availability requirements for special groups of workers.--Legislative enactments holding students unavailable for work, or pregnant women unable to work, or women who leave work to marry ineligible for benefits, are generally unnecessary as well as undesirable. These circumstances can all be dealt with equitably by administrative determinations under the general availability provisions, taking into account the facts in each case. Such special provisions lump together all individuals similarly circumstanced in one respect and fail to recognize that not all of them are, in fact, unavailable or outside the intended scope of the program. Moreover, these provisions limit the agency in its

administration of the law. If a claimant technically falls within the scope of such a provision, the sanctions must be applied regardless of other facts that affirm the individual's actual and continued ability to work and availability for work. Yet the provisions do not eliminate the individual consideration of the circumstances of these claimants by the local office personnel to determine whether the special provisions are applicable. A State is generally in a better position to handle equitably the questions of availability if it relies upon the general test of eligibility, implemented by guiding principles issued to the personnel who make the availability determinations.

If a State feels compelled to include a provision governing the eligibility of pregnant women, such a provision should be drafted in terms of a rebuttable presumption of unavailability during a stated period. It could specify that a **woman** would be considered unable to work for a specified period, such as from 4 weeks before the anticipated date of childbirth to 4 weeks after childbirth, unless it is shown that she is able to work during such period by a doctor's certificate, or by her record of work during previous pregnancies.

Before and after this period, the agency would continue to determine ability to work under the normal provision, judging each claimant upon the particular facts presented. The period during which a pregnant women who claims benefits is responsible for submitting special proof of her ability to work should be set in relation to the State labor laws or regulations dealing with the employment of pregnant women.

#### Major Causes for Disqualification from Benefits

The three principal causes of disqualification are voluntary leaving without good cause, discharge for misconduct connected with the work, and refusal of suitable work. Disqualifications for these causes are intended to eliminate from the insurance program weeks of unemployment which are caused by certain acts of the claimant. In addition to the special problems that are involved with respect to each of these disqualifications, there are some considerations that would apply more generally, i.e., length of disqualification, the imposition of penalties such as cancellation of benefit rights, and disqualification for other than the most recent separation from work.

Disqualifications when unemployment is due to a labor dispute, for fraudulent misrepresentation, and for the receipt of disqualifying income follow different patterns.

Voluntarily leaving suitable work.--The unemployment that immediately follows voluntary separation from suitable work is subject to disqualification unless "good cause" exists for the separation. After a period the continued unemployment of a claimant who quit his job and who is

able to work and available for work is attributable to economic factors rather than to his voluntarily leaving work; such subsequent unemployment should be compensable. (For discussion of the period of disqualification, see page 65.) The disqualification should be limited to voluntary separations from suitable work. It is not reasonable to disqualify a claimant for leaving work which would not be considered suitable for him if he refused to accept it while unemployed.

Good cause for voluntary leaving should not be limited to causes connected with the work or attributable to the employer. It should include good personal cause, such as a better job, illness of the claimant, or in the claimant's family. Such an unrestricted "good cause" provision reflects the concept that the only unemployment whose cost industry should not be called upon to bear is unemployment which is the worker's fault, i.e., unemployment caused by the worker's own unreasonable act, rather than the concept that industry should pay merely for the unemployment which is due to the action of the employer. To restrict good cause to cases which come within the concept of "the employer's fault" bars consideration of many valid personal and economic reasons which prompt the ordinary reasonable worker to change his job or to leave his job temporarily. Restricted "good cause" provisions conflict with accepted concepts of personal and social rights and obligations. They tend to restrict the mobility of labor and to destroy workers' initiative in improving their economic status.

Obviously many claimants who leave work for good personal cause cannot receive benefits immediately because they are not available for work; for example, a woman who left work because arrangements for the care of her children had broken down and she had been unable to work out substitute arrangements while employed. Until she can again make adequate provision for her children, she cannot be considered available for work and eligible for benefits. In such cases, the difference in effect between a voluntary leaving provision with unrestricted good cause and one requiring that good cause be connected with the work is that, under the unrestricted good cause provision, no disqualification results and benefits are denied only for the weeks for which the unavailability continues; the restricted good cause disqualification for voluntary leaving would result in the postponement of benefits for the number of weeks of disqualification specified in the statute, regardless of whether the individual becomes available for work before the end of that statutory period.

Discharge for misconduct.--Unemployment immediately following a discharge or suspension for misconduct connected with the work is also subject to disqualification. Unlike the voluntary leaving disqualification, the misconduct disqualification should be limited to misconduct connected with the work, for the program is not and should not be concerned with the conduct of workers unrelated to the job. The agency is in no position to admeasure varying lengths of unemployment which might be deemed

to be directly proportionate to the degrees of seriousness in the misconduct. Therefore, the period of disqualification should be fixed by statute. If the facts presented by the claimant and his employer are considered by the agency as proving a deliberate act or omission by the worker which constitutes a material breach of his obligations under his contract of employment in disregard of his employer's interest, he should receive no benefits for the period specified in the law (for discussion of the length of the period, see page 65); however, if the agency makes no such finding, the claimant, if otherwise eligible, should receive benefits.

As an adjunct to the misconduct disqualification provision, some State laws impose a penalty upon a claimant who is discharged from his last job for misconduct connected with his work whenever the misconduct is "aggravated." These have had very limited application. Since the penalty or punishment imposed in these circumstances represents a direct financial loss to the claimant that is comparable to fines that are imposed upon individuals who are tried and convicted for a criminal act, this aggravated misconduct provision should limit its application to criminal acts by the claimant for which he was tried and convicted by a court of law or upon his written admission of the crime.

Refusal of suitable work.--The provision for the imposition of a disqualification for a specified period after a claimant has refused suitable work reinforces the requirement that a claimant be available for work. To justify the agency's finding of disqualification, the work refused must be suitable as defined in the law and the refusal must be without good cause. Moreover, the disqualification should be limited in application, as it is in most States, to refusals of work by individuals in claimant status.

What is suitable work?--Suitable work, as used in the available-for-suitable work requirement and in the disqualifications for voluntary leaving of suitable work and for refusal of suitable work, should be defined in the law and interpreted from day to day in benefit decisions.

The statute must include the standards required by section 3304(a)(5) of the Internal Revenue Code of 1954, if employers covered by the State law are to credit their State contributions against the Federal tax. These standards are designed to protect a claimant from a denial of benefits for refusing to accept new work "if (A) the position offered is vacant due directly to a strike, lockout, or other labor dispute; (B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the claimant than those prevailing for similar work in the locality; and (C) if, as a condition of being employed, the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization."

In addition, State laws should include, as most of them do, additional criteria to be considered in any determination of what work is suitable for any individual. These criteria are designed to help stabilize employment, to promote maximum utilization of existing skills in the labor force and otherwise to promote the public interest as well as to contain those factors that the ordinary reasonable worker would consider when deciding whether to accept or retain a particular job. They include such factors as a claimant's physical fitness for the work; his prior training and experience; his prior earnings; the length of his unemployment; his prospects for obtaining work at his highest skill; his prospects for obtaining local work; the distance of available work from his residence; the risk to his health, safety and morals; and the effect the acceptance of the job would have upon his occupational status, upon his union standing, and upon his opportunity to get work at his highest skill. These criteria emphasize that "suitable work" has meaning only in relation to a particular individual and a particular job and to some extent, to the nature of the local labor market. Work which may be suitable for claimant A may be utterly unsuited to B's skill or circumstances.

In the definition of suitable work, the concept to be kept in mind is the suitability of the work for the individual, not of the individual for the job. To determine suitability solely on the basis of whether the worker is reasonably able to do the job, or of whether the job pays more than his weekly benefit amount, would be to down-grade skills.

Under the recommended criteria, "suitable work" for an individual may change as his period of unemployment lengthens.

Provisions on suitable work in a few State laws tend to tie claimants to the locality where they have worked by providing that no work is unsuitable because of distance if it is in substantially the same locality as the claimant's last regular employment and if he left that employment without good cause connected with it. Such provisions are undesirable. They would work to the disadvantage, for example, of a claimant who had left one locality because his health required him to live elsewhere, and who could not immediately find work for himself. If his former employer offered him his old job, he would be disqualified for not accepting it, though he was genuinely available for a type of work normally performed in the new locality. To place a penalty on labor mobility not only is a limitation on the workers' traditional freedom of movement but may hamper the efforts of new or expanding industries, including those necessary for the national defense program, to obtain necessary additional labor supply. It also discourages the movement of insured workers from areas of labor surplus, where they may become a drain on community resources, to areas where they have better prospects for employment.



## Effect of Disqualification on Claimants

The Bureau has long urged that disqualifications should not be considered penalties, although even a postponement of benefits for a few weeks seems a penalty to the unemployed worker who is disqualified. The purpose of disqualification is not to punish anyone, but to limit payment of benefits to weeks of unemployment during which the beneficiaries are currently in the labor force and are unemployed because they are unable to find suitable work. For this reason, the Bureau has urged that disqualification for the major causes be limited to postponement of benefits for a fixed period, not for the duration of the unemployment; that disqualification be limited so as to relate only to separation from the most recent employment; and that benefit rights not be cancelled or reduced. These recommendations are discussed below.

Period of disqualification.--The length of any period of disqualification should be reasonably limited to the period during which the unemployment originating from the claimant's own action continues to be due to that action. It should be fixed by statute in accordance with the average length of time ordinarily required for an employable worker to find suitable work in a normal labor market. Existing national data on duration of insured unemployment reveal that 6 weeks is the average number of weeks claimed per spell of unemployment.

The disqualified claimant, like any other claimant, reasonably should expect to spend about 6 weeks looking for work before finding a suitable job. This initial period of unemployment would seem to be the direct result of his disqualifying act and, therefore, not a risk that is intended to be compensated by unemployment insurance. The continued unemployment of the disqualified claimant beyond this period is no longer due to his disqualifying act, but to the condition of the labor market and the lack of suitable work. Thus, it should become compensable as the risk the unemployment insurance program is intended to insure.

The Bureau recommends that the period of disqualification for unemployment due to voluntary leaving, discharge for misconduct, and refusal of suitable work be limited to a period of 6 weeks immediately following the week of the disqualifying act or to the period of the claimant's unemployment immediately following the disqualifying act, whichever is the shorter. Some States may wish to fix the length of the disqualification on the basis of State data. In this case, the period should be based on State data over a number of years showing the average number of weeks claimed per spell of unemployment.

Since the period of disqualification represents the period of unemployment that is caused by the claimant's disqualifying act, any bona fide intervening employment that the claimant might obtain during this period of disqualification terminates the causal relationship between

any unemployment subsequent to his new job and his prior disqualifying act and thus terminates the disqualification. Should the claimant lose his new job, his ensuing unemployment would be due to the failure of the new job to provide him with continued employment rather than to his prior disqualifying act. In other words, notwithstanding the claimant's prior disqualifying act, he still would have been employed but for the loss of his new job. His right to benefits, thus, should now depend upon the circumstances surrounding the separation from his new job.

The length of the disqualification period should be the same for all of the three major causes. If the disqualification period differs for each of the major causes, there can be no assurance that the insurance protection given workers will be equitable. For example, it is frequently difficult to determine whether a given separation is a quit or a discharge. If a more prolonged period of disqualification is imposed for a discharge for misconduct, the worker may try to prove that he left his job of his own volition while the employer may maintain that the separation was due to a discharge. The task of the agency is simplified and equity is achieved in such cases if such conflicting pressures on the agency are removed by provision for equal periods of disqualification for the two causes. Similarly, the situations which lead to a voluntary separation and a refusal of suitable work are frequently identical; accordingly, the period of disqualification for these two causes should be the same.

Variable vs. flat periods.--Variable periods of disqualification for any one of these three causes are not recommended because they are difficult to apply uniformly throughout the State, because they tend to assume the character of penalties, and because the determination of the length of the disqualification in a particular case is often based on irrelevant factors. Flat periods of disqualification are more consistent than variable periods with the function of the disqualification to delineate the risk insured. They represent a practical decision as to the point at which continued unemployment is no longer considered the result of the original disqualifying act. Some States with variable provisions have failed to use the flexibility which such provisions permit and have tended to set the period of disqualification at the maximum which is frequently a period in excess of the period during which his unemployment is due to the disqualifying act. Fixed periods of disqualification ensure the uniform treatment of all disqualified claimants throughout the jurisdiction and eliminate one issue which must be decided by the agency or the appeal body. Once it is established that the reason for the separation or refusal of work is a disqualifying one, the length of the period of disqualification is automatically determined.

When variable periods are used, the maximum period should be a reasonable one. The maximum period should not be the maximum period of benefit duration, increased whenever the duration of benefits is increased by statute.

Disqualification for the duration of the unemployment.--Provisions for disqualification for the duration of the unemployment following or due to a disqualifying act are not recommended. A disqualification providing that "a claimant shall be ineligible for benefits for any week in which his unemployment is due to voluntarily leaving work without good cause" means a disqualification for the duration of the unemployment. Some State legislatures have added a requirement that the disqualification is not terminated until a claimant has been reemployed and earned wages equal to 8, 10, or 20 times his weekly benefit amount or has had wages for a specified number of days or weeks. Such provisions mean that a claimant is eligible for benefits in a benefit year only if he has a second spell of unemployment and then only if his intervening employment was long enough to meet the additional earnings requirement. The effect of such a provision is most serious in a period when jobs are scarce and unemployment may be prolonged.

Disqualification for separation from other than the most recent employment.--Disqualifications should be assessed, as they are in most States, in accordance with circumstances of the separation from the most recent employment. The weeks of disqualification should start with the week in which the claimant quit work voluntarily, for example, and continue for the period of unemployment which immediately follows the disqualifying act. Tying the period of disqualification to the date of the claimant's act simplifies claim determinations; the agency is required to look only to the cause of the current separation or suspension or refusal of work offers. Since the disqualification is limited to the unemployment immediately following the disqualifying act, any bona fide employment terminates the disqualification. Any subsequent unemployment would be due to a new set of circumstances and no longer to the prior disqualifying act. If a worker's new employment terminates for lack of work before the end of the original period of disqualification, he may receive benefits during the new spell of unemployment.

With provisions which disqualify for a specified number of calendar weeks, employment does not terminate the disqualification. If the period of disqualification is not long and if disqualification is limited to separation from the most recent work by language such as "has left his most recent work without good cause," the effect on claimants will not be too harsh.

The States which compute weekly benefits and duration separately for each employer to be charged take a different approach. (For discussion of per-employer determinations, see page 23.) They consider the reason for separation from each employer in inverse chronological order when his account becomes chargeable and cancel all wage credits with any employer if the separation was a disqualifying one. A small but increasing number of States without per-employer determinations have enacted provisions with a similar result. Their laws provide that all

potentially disqualifying acts which happened within a specified period must be taken into consideration when the initial determination of benefit entitlement is made. Several States must examine all separations since the beginning of the base period and cancel wage credits from any employer whom a claimant left under disqualifying circumstances. Under such provisions a claimant who left a job for a better job may have his wage credits cancelled months later when he loses that job for lack of work. The severity of the effect of cancellation of wage credits depends on the base period, the length of the claimant's employment in the base period with the employer concerned, and the amount of wage credits with other employers. However, it seems inequitable that disqualification may apply to unemployment occurring long after the act which brought about the claimant's disqualification--unemployment that is obviously not due to the act which occurred before he was employed by his most recent employer. Such provisions cannot be justified under the purposes of disqualification. They are a penalty on disqualified workers enacted to protect their employer's account against charges for unemployment for which the employer does not accept responsibility.

Provision for cancellation of benefit rights.--Provisions for (1) reducing rights as if they had been paid during a period of disqualification or (2) cancelling benefit credits earned with the separating employer or with all employers prior to a voluntary quit or a discharge for misconduct may result in a denial of benefits to the end of a benefit year or even longer. Such harsh results seem contrary to the purposes of the program as expressed in the Declaration of State Public Policy in the preamble to most State acts. The effects of such provisions will vary according to the circumstances.

Reducing benefits by the amount that a claimant would have drawn in the weeks for which he was disqualified may leave him some benefits when those weeks have expired, depending on the potential duration of his benefits and the length of his disqualification. If he was disqualified for his potential duration of benefits and the reduction was equal to the benefits for these weeks (as is possible under some laws), he obviously has no benefits for the remainder of the benefit year.

If benefit rights based on any work left under disqualifying circumstances are cancelled, the effect of the cancellation depends on the proportion of his base-period wages earned from that job. If it was the claimant's only base-period job, he has no benefit rights for the benefit year. Thus, a disqualified claimant whose prior work history as a steady worker would indicate that he is a good risk for unemployment insurance, is likely to suffer the heaviest penalty by such cancellation. Not only does he lose more wage credits than a disqualified casual or intermittent worker whose wage credits with his last employer have been cancelled, but he is also apt to have lost all of his wage credits whereas the casual or intermittent worker usually still has some left that he had earned with his other base-period employers. In some cases, the effects of such cancellation extend into the next benefit year.

If the State law provides for cancellation of wage credits, provision should also be made for cancellation of the benefit year and base period (see page 6). Under such a provision, the disqualified claimant can start a new benefit year as soon as he has sufficient qualifying wages or employment.

#### Noncharging of Benefits to Employers' Accounts

The pressures for limiting good cause for voluntary leaving to causes attributable to the employer, for extending disqualification to other than the last separation, for imposing disqualifications for the duration of the unemployment, and for cancelling wage credits arise from the employers' desire to avoid charges to their experience-rating accounts for unemployment of workers they did not lay off. Some States have sought to mitigate the effect on individual employers' tax rates of payment of benefits under these circumstances by holding that the benefits paid may reasonably be considered not to reflect the employer's experience with the risk of unemployment and providing that benefits paid under certain circumstances shall not be charged to any employer's account. For example, charges may be omitted for benefits paid following a period of disqualification for voluntary leaving of suitable work, provided the leaving was without good cause attributable to the employer. In other States, the reasons for separation from base-period employers are determinant of whether benefits will be charged, but are not relevant to a determination of whether benefits will be paid.<sup>1/</sup>

Since omission of charges for benefits in certain circumstances has been found consistent with the provisions of section 3303(a)(1) of the Internal Revenue Code of 1954,<sup>2/</sup> restrictive disqualification provisions are not necessary to prevent the charging of benefits to employers' accounts.

Noncharging of benefits in a given situation should be considered in the light of the particular provisions of the law the effects of which it is desired to ameliorate and the decisions which the State appeals tribunals are issuing under the law. In some States amendments which have made possible payment of benefits under certain circumstances without charges to employers have increased benefit payments but have not decreased the contests on disqualification issues. In fact, they have added a large administrative load of noncharging determinations.

---

<sup>1/</sup> In some States, when benefits are paid without disqualification, benefits may be noncharged to some base-period employers because of the reason for separation from their employment.

<sup>2/</sup> See Employment Security Manual, Part V, section 3780, for discussion of some situations in which benefit charges may be omitted within the requirements of Federal law provided the benefits which are charged assure a reasonable measure of employers' comparative experience with unemployment risk.

## Disqualification Because of a Labor Dispute

The labor-dispute disqualification differs from disqualification for the three major causes because the former affects groups of workers rather than individuals, and because the employment relationship is not severed as it is with voluntary quitting and discharge. The period of the disqualification for labor disputes involves problems different from those involved in the period of disqualification for voluntary leaving or discharge for misconduct. Some States have had, and two still have, a limited disqualification period for unemployment due to a labor dispute. Since most disputes do not last as long as the 6 or 7 weeks plus waiting period specified in these State laws, such provisions have little effect on the length of the disqualification. However, the payment of benefits to strikers represents a departure from the program's traditional policy of neutrality in labor disputes. The Bureau recommends that the labor-dispute disqualification continue, in general, as long as the labor dispute causes a substantial stoppage of the employer's work.

The Bureau recommends that the disqualification end whenever a stoppage of the employer's work due to a labor dispute comes to an end or the stoppage of the employer's work ceases to be due to the labor dispute. An alternative provision of ineligibility for benefits for unemployment due to a "labor dispute in active progress" is not recommended because "a dispute in active progress" is very difficult of precise determination. Whether a stoppage of the employer's work exists can be determined by relatively objective standards.

The labor-dispute disqualification provision should be so drafted as to confine its operation to the workers who are actually concerned in the dispute, and to protect other workers from loss of benefits due to a strike that affects their work only indirectly. It should not apply for any week unless all of the following conditions obtain during the week: (1) a stoppage of the employer's work exists at the premises at which the individual is or was last employed; (2) the stoppage is due to a labor dispute at such premises; (3) the individual's unemployment is due to the stoppage; and (4) the individual is not relieved of disqualification under the "escape clauses."

The so-called "escape clauses" protect workers who are employed in the establishment in which the dispute occurs but are not taking part in the dispute, are not directly interested in it, and do not belong to a grade or class of workers which is participating in or interested in the dispute. A provision which would result in disqualifying individuals who are financing a labor dispute is not recommended since it may operate to deny benefits to individuals whose only connection with the dispute is their payment of dues to the union that is conducting the strike.

## Disqualification for Fraudulent Misrepresentation

From the beginning, the laws have contained provisions for criminal penalties for fraudulent misrepresentation to obtain benefits, as well as for recovery or recoupment of benefits improperly paid. However, these provisions were not always adequate because of the difficulty of obtaining prosecutions. Therefore, the Bureau recommends an administrative disqualification for fraud when criminal action is deemed inadvisable.

Such a provision should be drafted and applied with great care. No person should be disqualified from receiving benefits under such a provision unless there is clear-cut evidence that he knowingly made a false statement or representation of a material fact or knowingly failed to disclose a material fact with the intent to defraud. There must be evidence of intention to defraud, the act must be wilful and knowing, and the misrepresentation must involve material facts before a determination of fraudulent misrepresentation or nondisclosure can be made. In order to provide adequate protection of claimants' rights to benefits, claimants should have the right to appeal an adverse administrative determination by the local office or by the fraud investigation section to the initial appeals authority and have the right to appeal an adverse decision by such appeals authority to a higher appeals authority, with a subsequent right to appeal further to the court. Moreover, no disqualification should be imposed if proceedings have been undertaken against the claimant under the criminal penalty provision and no fine or imprisonment should be imposed in any case in which disqualification has been assessed for fraudulent misrepresentation.

It should be noted also that it is not necessary for a claimant to have received any benefits under fraudulent conditions to be disqualified for fraud. If it is found that a claimant intended to obtain benefits through fraudulent means, the disqualification is applicable whether or not any payments were made as a result of the fraud.

There is a substantial difference in philosophy between a disqualification for fraudulent misrepresentation and a disqualification for any other cause. This difference results in differences in the nature of the disqualifications, in the starting date of the disqualification period, and in the length of the period. The disqualification for fraudulent misrepresentation is punitive. It is intended to deny benefits to the claimant as punishment for his fraudulent act and does not require any causal relationship between the claimant's unemployment and his fraudulent act. The disqualifications for voluntary leaving, discharge for misconduct, and refusal of suitable work, on the other hand, are not punitive since they merely delineate uninsured unemployment from unemployment that is intended to be insured. They are designed to limit the payment of benefits to the involuntary unemployment of claimants who are able to work, available for work, and willing to work.

Consequently, these disqualifications, which take the form of a postponement of benefits for a stated number of weeks, begin with the date of the disqualifying act. Since the fraudulent act is not the cause of the claimant's unemployment, and since the existence of the fraud frequently is not discovered until some time after the act was committed, the period of disqualification for fraud should not begin either with the date when the claimant became unemployed or with the date when the fraud was committed. A disqualification beginning with either of these dates can be wiped out by the passage of time before the fraud is discovered.

Back-dating the disqualification, moreover, converts a series of payments that were properly made into overpayments which must be recovered whenever the claimant has filed for benefits between the date the fraudulent act was committed and the date it was discovered. This adds unnecessarily to the administrative burden in computing and collecting overpayments and tends to inflate the total of overpayments being reported. It is more appropriate that the disqualification begin with the date of the final determination that fraud has been committed. Such a provision is also more analogous to the method of applying criminal penalties. Since the disqualification is penal in nature, its severity should be proportionate to the claimant's fraudulent behavior. Accordingly, the Bureau recommends a disqualification of 4 to 52 otherwise compensable weeks. The local office or fraud investigation section can then weigh the gravity of the fraudulent act or acts and the consequences and set the length of the disqualification, within the range provided by law, at the number of weeks that seem appropriate to the circumstances of the individual case. In view of the remedial nature of the unemployment insurance law, however, the Bureau recommends that the disqualification be terminated by the end of the 24-month period beginning with the date of the determination.

The cancellation of all prior wage credits or benefit rights should not be included in the administrative penalty for fraud since it is not an equitable penalty because it is not uniformly effective. It permits a claimant who files one or more fraudulent claims to suffer no subsequent penalty if he has exhausted his claim, or if the benefit year has expired prior to detection. In addition, the penalty varies for individuals depending upon when the fraud is detected and upon the amount of benefits remaining. The severity of the penalty thus is apt to bear no relationship to the weeks of benefits the claimant has fraudulently claimed or received. A reduction of the claimant's wage credits or of his total benefit amount for fraudulent misrepresentation could be made fairly equitable, however, if it were limited to the specific amount that otherwise would have been paid to him as benefits for the period of the disqualification.



The time within which the determination of fraud may be made for the administrative penalty, or prosecution instituted for criminal penalties, should be limited to 2 years (24 months) after the week in which the fraudulent act was committed. Such limitation is necessary because a longer period would put a claimant at a greater disadvantage in obtaining evidence and witnesses, and because, for administrative reasons, it is not practicable for a State agency to go back to past records for more than 2 years.

#### Summary

The Bureau recommends:

1. That, if a waiting period is required, it be not longer than 1 week of total or partial unemployment in a benefit year.
2. That claimants receiving benefits at the turn of a benefit year be relieved of the requirement of a waiting period in the new benefit year; that other claimants unemployed at the turn of a benefit year be permitted to serve the waiting period in the last week (or weeks) before a benefit year.
3. That the period of disqualification apply immediately after the week of the disqualifying act.
4. That the period of disqualification be limited to the length of time ordinarily required for an employable worker to find suitable work in a reasonably normal labor market; on the basis of national experience, this period would be 6 weeks.
5. That disqualification based upon the circumstances surrounding the claimant's separation from his employment be limited to the separation from his most recent employment.
6. That, to help determine what is suitable work, specific criteria be provided to relate the suitability of the job in question to the individual circumstances of the claimant involved, and that these criteria contain the factors the ordinary reasonable worker would consider when deciding whether a particular job was suitable work for him.
7. That the eligibility and disqualification provisions permit the payment of benefits to otherwise eligible claimants who are taking approved vocational retraining courses, provided certain conditions have been met.
8. That claimants be required to be available only for suitable work.

9. That claimants be disqualified only if some unreasonable act on their part was the immediate cause of their unemployment.
10. That no provision should be made for cancellation of wage credits.
11. That disqualifications should not be for the duration of the unemployment.
12. That good cause for voluntary leaving work should not be limited to good cause attributable to the employer or connected with the work.
13. That an actively-seeking-work requirement should not be put into the statute.
14. That special availability requirements or disqualification provisions for special groups of workers should not be put into the law.
15. That an administrative penalty for fraudulent misrepresentation be provided, under which the claimant would be disqualified for 4 to 52 otherwise compensable weeks, according to the gravity of his offense, within the 24-month period beginning with the date of determination.

A P P E N D I X

PROBLEMS ARISING FROM A 52-WEEK BENEFIT YEAR OR FROM OTHER  
VARIATIONS FROM A FULL YEAR

For States having an individual benefit year and a 4-quarter base period, if the benefit year is defined as any period short of a full year, if even by a day or so, it is possible for the base periods of a claimant to overlap when one benefit year is immediately followed by a second. States that define the benefit year as a 52-week period or that terminate the benefit year for claimants in active claim status with the end of the last full claim week within the year period, suffer from the same problem of overlapping base periods. For example, the quarter, July-September, 1960, appears in both base periods of a claimant who establishes the benefit year, January 1, 1961-December 30, 1961, with a base period October 1, 1959-September 30, 1960 and follows it immediately with another benefit year December 31, 1961-December 29, 1962, with a base period July 1, 1960-June 30, 1961.

An alternative definition of "base period" that will prevent such overlapping provides that, under such special circumstances, the base period shall be the last 4 quarter period immediately preceding the benefit year. This creates administrative problems, however, in wage reporting and claims processing, and, if the same situation exists for a third and fourth benefit year, the claimant would continue to have the 4 calendar quarters immediately preceding each benefit year as his base period.

If the ending date of the benefit year is extended beyond a full 1-year period, as will occur under some circumstances if the allocation of a week to a benefit year is allowed to affect the benefit year ending date, the claimant may lose a quarter of wage credits. For example, the wage credits earned in the calendar quarter October-December 1959 will be unavailable to a claimant who established a benefit year March 27, 1960-March 26, 1961, if the benefit year is extended to April 1, 1961, because the claim week ending April 1, 1961, is included in that year. This extension will delay his next benefit year to April 2, 1960, and make his next succeeding base period the calendar year 1960.

Table 1.--Lag between end of base period and beginning of benefit year and, in States with uniform periods, date of new claim based on wages in such base period, October 1962

Type of base period, in relation to benefit year, and number of States	Lag from end of base period to:	
	Beginning of benefit year	Date of new claim based on wages in such base period
INDIVIDUAL PERIODS		
52 weeks immediately preceding benefit year (6 States <u>1/</u> ) <u>2/</u> . . . . .	0 - 2 weeks <u>2/</u>	Same
Last 4 completed calendar quarters (5 States <u>1/</u> ). . . . .	0 - 3 mos.	Same
First 4 of last 5 completed calendar quarters (33 States) . . . . .	3 - 6 mos.	Same
First 4 of last 6 completed calendar quarters, if benefit year starts in first month of calendar quarter; otherwise, first 4 of last 5 (3 States) . . . . .	4 - 7 mos.	Same
First 4 of last 6 completed calendar quarters (1 State) . . . . .	6 - 9 mos.	Same
UNIFORM PERIODS		
Calendar year preceding benefit year starting next April 1 (2 States) . . . . .	3 mos.	3 - 15 mos.
Calendar year preceding benefit year starting next July 1 (2 States) . . . . .	6 mos.	6 - 18 mos.

1/ States that obtain wage reports on request basis.  
2/ Variations of this definition in New York, New Jersey, and Rhode Island provide a base period of 52 calendar weeks ending with the first or second week immediately preceding the week in which the benefit year begins; thus, in these States, the lag is 1 or 2 weeks, respectively. The lag in Massachusetts, Michigan, and Wisconsin is zero.

## ANALYSIS OF PARTIAL BENEFIT FORMULAS

Under the usual formula for computing partial benefits, part-time earnings up to a flat dollar amount or a fraction of the claimant's weekly benefit amount are disregarded; if the earnings do not exceed this amount or fraction, the claimant receives his full weekly benefit amount. If his earnings exceed the amount of the "earnings allowance," each dollar in excess of the allowance is deducted from the weekly benefit amount. As the claimant's earnings increase up to the point at which he is no longer unemployed within the meaning of the definition of week of unemployment, his weekly benefit payment decreases until he is no longer eligible for any benefit. At this point, the claimant's total income (earnings in part-time work plus the weekly benefit payment) depends on another element in the benefit formula--the definition of week of unemployment.

Because the monetary incentive to seek and continue in part-time work is influenced to a considerable degree by the definition of "week of unemployment," the several formulas for computing partial benefits are analyzed in the following discussion and illustrated in Table 2 in relation to the limits placed on the amount of wages that a claimant may earn in a week of less than full-time work before he ceases to be eligible for benefits.

### Partial Earnings Limit: Less than Weekly Benefit Amount

The definition of week of unemployment recommended by the Bureau in past years and in use in most of the States limits the amount of wages that an eligible claimant may earn in a week of less than full-time work to less than his weekly benefit amount. This definition, in combination with a flat earnings allowance, is used by the States more frequently than any other formula to determine when a claimant is entitled to partial benefits and the amount of his weekly benefit payment. Increases in the flat earnings allowance in recent years--in a few States to as much as \$10 or \$12--reflect the rising wage levels, higher transportation costs and other expenses incidental to employment, and the necessity to provide more adequate incentives for seeking and retaining part-time work.

Flat earnings allowance.--As shown in illustration I(a), a flat earnings allowance provides an incentive to earn up to the amount of the allowance, but not beyond that amount. Each dollar of earnings up to \$10 serves to increase the claimant's total income; however, as soon as his earnings reach \$10, his total income remains fixed at \$50 because, for each additional dollar of earnings, his weekly benefit payment is reduced by one dollar. He will receive no more income for working 19 hours (assuming an hourly rate of pay of \$2, or total earnings of \$38) than he does for 5 hours and, besides, he would have to spend more money for lunch and carfare if he works the additional days. Unless it is likely that the part-time work would develop into 4 or, possibly, 5 days' employment, this claimant would have no immediate monetary incentive to earn more than the earnings allowance.

Table 2.--Partial Benefits and Total Income--Illustrations of Various Types of State Formulas and Definitions of "Week of Unemployment"

Part I. Partial Earnings Limit: Less than Weekly Benefit Amount 1/

Earnings in Part-time Work	Deductible Amount	Partial Benefit	Total Income <u>2/</u>
----------------------------	-------------------	-----------------	------------------------

ILLUSTRATION I(a) - Flat Earnings Allowance 3/

\$1	0	\$40	\$41	
.	.	.	.	
9	0	40	49	
10	0	40	50	
11	\$1	39	50	
.	.	.	.	
19	9	31	50	No increase in income
20	10	30	50	
21	11	29	50	
.	.	.	.	
39	29	11	50	
40		Not un- employed	40	Sharp drop in income

ILLUSTRATION I(b) - Earnings Allowance Set at a Fraction of WBA 3/

\$1	0	\$40	\$41	
.	.	.	.	
9	0	40	49	
10	0	40	50	
11	0	40	51	
.	.	.	.	
19	0	40	59	No increase in income
20	0	40	60	
21	\$1	39	60	
.	.	.	.	
39	19	21	60	
40		Not un- employed	40	Sharp drop in income

Table 2.--continued

Part I. Partial Earnings Limit: Less than Weekly Benefit Amount 1/ -  
continued

Earnings in Part-time Work	Deductible Amount	Partial Benefit	Total Income <u>2/</u>
ILLUSTRATION I(c) - Partial benefits payable only in units of full or half weekly benefit amount <u>4/</u>			
\$1	0	\$40	\$41
.	.	.	.
.	.	.	.
9	0	40	49
10	0	40	50
11	0	40	51
.	.	.	.
.	.	.	.
19	0	40	59
20	20	20	40-----Sharp drop in income
21	20	20	41
.	.	.	.
.	.	.	.
39	20	20	59
40		Not un- employed	40-----Sharp drop in income

- 1/ In illustrations I(a), I(b), and I(c), the claimant's weekly benefit is \$40 and, assuming that his benefit represents one-half of his full-time earnings (40 hours week), his hourly rate of pay is \$2.
- 2/ Earnings in part-time work plus the weekly benefit payment.
- 3/ Earnings allowance in illustration I(a) is \$10; in illustration I(b), one-half of the claimant's weekly benefit amount, or \$20. The partial benefit is obtained by subtracting the deductible amount (earnings in excess of the earnings allowance) from the weekly benefit amount.
4. In illustration I(c) no deduction is made from the weekly benefit amount until earnings in part-time work equal one-half of the weekly benefit amount; thereafter, the deductible amount is one-half of the weekly benefit amount. Total income increases as earnings increase, up to one-half of the weekly benefit amount when it drops sharply; total income again increases until earnings reach the weekly benefit amount, when it again drops sharply.



Table 2.--continued

Part II. Partial Earnings Limit: Weekly Benefit Amount Plus the Amount of the Earnings Allowance 1/

Earnings in Part-time Work	(a) WBA plus Flat Dollar Amount <u>2/</u>			(b) WBA plus Flat Dollar Amount or Fraction of WBA, Whichever is Greater <u>2/</u>		
	Deductible Amount	Partial Benefit	Total Income <u>3/</u>	Deductible Amount	Partial Benefit	Total Income <u>3/</u>
\$1	0	\$40	\$41	0	\$40	\$41
.	.	.	.	.	.	.
9	0	40	49	0	40	49
10	0	40	50	0	40	50
11	\$1	39	50	0	40	51
12	2	38	50	0	40	52
13	3	37	50	\$1	39	52
.	.	.	.	.	.	.
19	9	31	50	7	33	52
20	10	30	50	8	32	52
21	11	29	50	9	31	52
.	.	.	.	.	.	.
39	29	11	50	27	13	52
40	30	10	50	28	12	52
41	31	9	50	29	11	52
.	.	.	.	.	.	.
49	39	1	50	37	3	52
50	Not unemployed		50	38	2	52
51			51	39	1	52
52				Not unemployed		52

No increase in income

No increase in income

1/ In illustrations II(a) and II(b), the claimant's weekly benefit is \$40 and, assuming that his benefit represents one-half of his full-time earnings (40-hour week), his hourly rate of pay is \$2.

2/ In illustration II(a), the earnings allowance is \$10 and the partial earnings limit is \$50. In illustration II(b), the earnings allowance is \$6 or 3/10 of the claimant's weekly benefit amount, whichever is greater--in this case, \$12; the partial earnings limit is \$52.

Furthermore, the flat earnings allowance does not provide the same incentive to a worker who can earn \$10 in 4 or 5 hours' work as it does a worker for whom \$10 represents 8 or 10 hours of work.

Earnings allowance set at fraction of weekly benefit amount.--To equalize the incentive as between high-wage and low-wage claimants, some formulas set the earnings allowance at a fraction of the claimant's weekly benefit amount, as in illustration I(b), Table 2 (page A-4). If, for example, the earnings allowance is one-half of the claimant's weekly benefit amount, the claimant with a \$20 weekly benefit amount can earn \$10 or less and still receive his full weekly benefit--a total income of as much as \$30. The claimant with a \$40 weekly benefit amount would have a monetary incentive to earn up to \$20, or a total income of \$60. Assuming that the weekly benefit amounts of these claimants represent 50 percent of their full-time wages (40-hour week), both would have to work the same length of time--20 hours-- to earn the amount of their earnings allowance. However, as in the case of the flat allowance, once their wages reach the earnings allowance, their total income would remain fixed at \$30 and \$60, respectively, and the incentive to seek further part-time work would be weakened.

Sharp decrease in weekly benefit payment and total income.--Both of the formulas illustrated in I(a) and I(b) result in a sharp decrease in the benefit payment and in total income as soon as the claimant's part-time earnings equal his weekly benefit amount. The amount of this decrease is the same as the earnings allowance--\$10 and \$20, respectively. This decrease is due to the fact that, although earnings up to the amount of the earnings allowance are disregarded in computing the weekly benefit payment, they are not disregarded in determining when the individual ceases to be unemployed.

Partial benefit in units of full or half weekly benefit amount.--The sharp decline in the weekly benefit payment occurs twice in a third type of formula which is illustrated in I(c), Table 2 (page A-5). This formula makes no deduction if the worker earns less than one-half of the weekly benefit amount; if he earns as much as one-half, but less than his full, weekly benefit amount, he receives a partial benefit equal to one-half of his weekly benefit amount. This type of formula has an administrative advantage in that benefit payments are made only at the full benefit rate or at one-half of such rate. However, as shown in illustration I(c), earnings above the allowance cause a sharp drop in income. For example, the claimant receives his full \$40 weekly benefit rate if he earns \$19 or less; as soon as he earns \$20, the benefit payment drops to \$20 and his total income declines from \$59 to \$40. If he continues in part-time work until he earns \$39, his total income again reaches \$59. Once more, however, an additional dollar of earnings causes his total income to decline by \$19. Such a formula, then, provides no immediate monetary incentive for a claimant to continue in part-time work beyond the point at which wages equal one dollar less than one-half of the weekly benefit amount or one dollar less than his full weekly benefit amount.

Partial Earnings Limit: Weekly Benefit  
Amount Plus the Earnings Allowance

To overcome the sharp decline in earnings and to encourage workers to seek more part-time work, the week of unemployment can be defined as a week of less than full-time work in which the individual earns less than his weekly benefit amount plus the amount of the earnings allowance. An increasing number of States have adopted this definition in recent years.

In illustration II(a), Table 2 (page A-6), the partial earnings limit is the weekly benefit amount plus \$10. However, such an earnings limit allows the low-wage claimant to approach more nearly his full-time earnings than a worker with a high rate of pay. For example, a \$20 partial earnings limit (\$10 weekly benefit amount plus \$10) may represent the claimant's full-time wage, whereas a \$50 limit (\$40 weekly benefit amount plus \$10) would represent  $\frac{5}{8}$  of full-time wages for the worker in illustration II(a).

To make the definition of week of unemployment more equitable as between low-wage and high-wage claimants, some formulas set the partial earnings limit at the weekly benefit amount plus a flat dollar amount or a fraction of the weekly benefit amount, whichever is greater. Thus, in illustration II(b), where the earnings limit is the weekly benefit amount plus \$6 or  $\frac{3}{10}$  of the weekly benefit amount, whichever is greater, a claimant with a \$40 weekly benefit would be considered partially unemployed until he earns \$52 (\$40 + \$12) or approximately 65 percent of his full-time wages. Under this formula, claimants with a weekly benefit of \$20 or less would have a flat earnings allowance of \$6.

In illustrations II(a) and II(b), whether the partial earnings limit is set at the weekly benefit amount plus a flat amount or plus a fraction of the weekly benefit amount, the total income remains fixed at the amount of the weekly benefit plus the earnings allowance (\$50 and \$52, respectively) as soon as the claimant earns the amount of his partial earnings allowance. (See discussion on page 13.)

This type of formula is an improvement over the formulas illustrated in I(a) and I(b) because it eliminates the sharp decline in income when earnings equal the partial earnings limit. However, it too falls short of providing an incentive to earn more than the partial earnings allowance because total income remains unchanged.

Construction of New Type of Partial Benefit Formula

In constructing a partial benefit formula of the type illustrated in Parts I and II of Table 2A, a State may wish to experiment with various fractions of earnings to be disregarded and various levels of income at which to cut off the partial benefit entitlement. In order to assure that income will increase gradually and that no substantial loss of income will result when the claimant's part-time earnings reach the desired partial earnings limit, it is necessary to find the fraction of earnings to be deducted so that the partial benefit will be progressively reduced

until it equals zero at exactly the same time that the claimant is no longer unemployed under the terms of the definition of week of unemployment. The method for achieving this result is demonstrated in the following description of the development of the formulas illustrated in Parts I and II of table 2A:

Alternative Illustrated in Part I, table 2A.--In this formula it was decided to cut off benefits at the point at which total income equals approximately three-quarters of the claimant's regular full-time wages. Assuming that the weekly benefit amount for total unemployment represents 50 percent of the claimant's regular weekly wages, three-quarters of such wages would be equivalent to 1-1/2 times the weekly benefit amount. Starting with the basic equation:

$$\text{Partial benefit} = \text{weekly benefit amount less deductible amount}$$

in which the deductible amount is expressed in terms of remuneration for part-time work (R), the equation for the formula in Part I, table 2A, was developed as follows:

$$\text{Partial benefit} = \text{WBA} - \text{R}$$

When R increases to the point at which the partial benefit is zero--which we wish to coincide with the partial earnings limit in the definition of week of unemployment, in this case, 1-1/2 WBA or 3/2 WBA--the equation would become:

$$\begin{aligned} 0 &= 3/2 \text{ WBA} - \text{R} \\ &\text{or} \\ 3/2 \text{ WBA} &= \text{R} \end{aligned}$$

When the deductible amount equals the weekly benefit amount (resulting in a partial benefit of zero) the equation would be:

$$\text{WBA} = 2/3 \text{ R}$$

Thus, the fraction of part-time earnings to be deducted would be 2/3, as illustrated in Part I of table 2A.

The following language, patterned after the language used in the Manual of State Employment Security Legislation, Revised September 1950, provides the definitions for the formula presented in Part I of table 2A:

2(t) - "'Week of unemployment' with respect to an individual means any week during which he performs less than full-time work for any employing unit if the wages payable to him with respect to such week are less than one-half times his weekly benefit amount."

Table 2A.--Partial Benefits and Total Income, Computed under Alternative Types of Formulas Designed to Provide Progressively Higher Income (earnings in part-time work plus partial benefits)

Part I. Partial earnings limit set at a multiple of weekly benefit amount and partial earnings allowance defined as a fraction of earnings 1/

Earnings in Part-time Work (Col. 1)	Deductible Amount (Col. 2)	Claimant with \$10 WBA		Claimant with \$40 WBA	
		Partial Benefit (Col. 3)	Total Income (Col. 4)	Partial Benefit (Col. 5)	Total Income (Col. 6)
\$ 1	0	\$10	\$11	\$40	\$41
2	1	9	11	39	41
3	2	8	11	38	41
4	2		12	38	42
5	3	7	12	37	42
6	4	6	12	36	42
7	4	6	13	36	43
8	5	5	13	35	43
9	6	4	13	34	43
10	6	4	14	34	44
11	7	3	14	33	44
12	8	2	14	32	44
13	8	2	15	32	45
14	9	1	15	31	45
15	10	Not unem- ployed	15	30	45
.	.			.	.
.	.			.	.
.	.			.	.
57	38			2	59
58	38			2	60
59	39			1	60
60	40			Not unem- ployed	60

1/ The partial earnings limit is 1-1/2 times the claimant's weekly benefit amount and the partial earnings allowance is 1/3 of earnings, rounded to higher whole dollar. The deductible amount is the difference between the earnings and the earnings allowance.

Table 2A.--continued

Part II. Partial earnings limit set at a multiple of weekly benefit amount plus a flat dollar amount and partial earnings allowance defined as a flat dollar amount plus a fraction of earnings in excess of such flat dollar amount 1/

Earnings in part-time work (Col. 1)	Deductible amount (Col. 2)	Claimant with \$10 WBA		Claimant with \$40 WBA	
		Partial benefit (Col. 3)	Total income (Col. 4)	Partial benefit (Col. 5)	Total income (Col. 6)
\$1	0	\$10	\$11	\$40	\$41
.	.	.	.	.	.
.	.	.	.	.	.
5	0	10	15	40	45
6	0	10	16	40	46
7	1	9	16	39	46
8	2	8	16	38	46
9	3	7	16	37	46
10	3	7	17	37	47
11	4	6	17	36	47
12	5	5	17	35	47
13	6	4	17	34	47
.	.	.	.	.	.
17	9	1	18	31	48
18	9	Not unem- ployed	18	31	49
19	10		.	30	49
20	11			29	49
21	12			28	49
.	.			.	.
.	.			.	.
.	.			.	.
55	37			3	58
56	38			2	58
57	39			1	58
58	39			1	59
59				Not unem- ployed	59

1/ The partial earnings limit is 1-1/3 times the claimant's weekly benefit amount plus \$5; the partial earnings allowance is \$5 plus 25 percent of earnings in excess of \$5, rounded to the higher dollar. The deductible amount is the difference between the earnings and the earnings allowance.

3(d) - "Any insured worker who is unemployed in any week as defined in section 2(t) and who meets the conditions of eligibility for benefits . . . shall be paid with respect to such week an amount equal to his weekly benefit amount less two-thirds of the wages (if any) payable to him with respect to such week. Such benefits, if not a multiple of \$1, shall be computed to the next higher multiple of \$1."

Alternative illustrated in Part II, table 2A.--In this formula, it was decided to disregard the first \$5 of part-time earnings and to maintain the partial earnings limit at not more than 1-1/2 times the \$40 weekly benefit. Because of the flat \$5 allowance the multiple of the weekly benefit amount was set at 1-1/3, in order to maintain total income within three-quarters of the claimant's regular weekly wages (using the same assumptions as in the formula in Part I). The formula was then developed as follows:

$$\begin{aligned} \text{Partial benefit} &= 1-1/3 \text{ WBA} - (R - \$5) \\ &\text{or} \\ \text{Partial benefit} &= 4/3 \text{ WBA} - (R - \$5) \end{aligned}$$

When R increases to the point at which the partial benefit is zero, the equation would become:

$$\begin{aligned} 0 &= 4/3 \text{ WBA} - (R - \$5) \\ &\text{or} \\ 4/3 \text{ WBA} &= R - \$5 \end{aligned}$$

When the deductible amount equals the weekly benefit amount (resulting in a partial benefit of zero) the equation would be:

$$\text{WBA} = 3/4 (R - \$5)$$

Thus, the fraction of part-time earnings in excess of \$5 would be 3/4, as illustrated in Part II of table 2A.

The following language, patterned after the language used in the Manual of State Employment Security Legislation, Revised September 1950, provides the definitions for the formula presented in Part II of table 2A:

2(t) - "'Week of unemployment' with respect to an individual means any week during which he performs less than full-time work for any employing unit if the wages payable to him with respect to such week are less than \$5 plus one and one-third times his weekly benefit amount."

3(d) - "Any insured worker who is unemployed in any week as defined in section 2(t) and who meets the conditions of eligibility for benefits . . . shall be paid with respect to such week

an amount equal to his weekly benefit amount less 75 percent of that part of wages (if any) payable to him with respect to such week which is in excess of \$5. Such benefits, if not a multiple of \$1, shall be computed to the next higher multiple of \$1."



Table 3. Formula A: - Weekly benefit amount figured as one-twentieth 1/ of high-quarter wages and qualifying wages computed as one and one-half times high-quarter wages 2/

High-quarter wages (Column A)	Weekly benefit amount <u>1/</u> (Column B)	Minimum qualifying wages <u>2/</u> (Column C)
\$ 75.00 - 200.00	\$ 10	\$ 300
200.01 - 220.00	11	330
220.01 - 240.00	12	360
240.01 - 260.00	13	390
260.01 - 280.00	14	420
280.01 - 300.00	15	450
300.01 - 320.00	16	480
320.01 - 340.00	17	510
340.01 - 360.00	18	540
360.01 - 380.00	19	570
380.01 - 400.00	20	600
400.01 - 420.00	21	630
420.01 - 440.00	22	660
440.01 - 460.00	23	690
460.01 - 480.00	24	720
480.01 - 500.00	25	750
500.01 - 520.00	26	780
520.01 - 540.00	27	810
540.01 - 560.00	28	840
560.01 - 580.00	29	870
580.01 - 600.00	30	900
600.01 - 620.00	31	930
620.01 - 640.00	32	960
640.01 - 660.00	33	990
660.01 - 680.00	34	1,020
680.01 - 700.00	35	1,050
700.01 - 720.00	36	1,080
720.01 - 740.00	37	1,110
740.01 - 760.00	38	1,140
760.01 - 780.00	39	1,170

Table 3. Formula A: - (continued)

High-quarter wages (Column A)	Weekly benefit amount <u>1/</u> (Column B)	Minimum qualifying wages <u>2/</u> (Column C)
\$ 780.01 - 800.00	\$ 40	\$ 1,200
800.01 - 820.00	41	1,230
820.01 - 840.00	42	1,260
840.01 - 860.00	43	1,290
860.01 - 880.00	44	1,320
880.01 - 900.00	45	1,350
900.01 - 920.00	46	1,380
920.01 - 940.00	47	1,410
940.01 - 960.00	48	1,440
960.01 - 980.00	49	1,470
980.01 - 1,000.00	50	1,500
1,000.01 - 1,020.00	51	1,530
1,020.01 - 1,040.00	52	1,560
1,040.01 - 1,060.00	53	1,590
1,060.01 - 1,080.00	54	1,620
1,080.01 - 1,100.00	55	1,650
1,100.01 - 1,120.00	56	1,680
1,120.01 - 1,140.00	57	1,710
1,140.01 - 1,160.00	58	1,740
1,160.01 - 1,180.00	59	1,770
1,180.01 - 1,200.00	60	1,800
1,200.01 - 1,220.00	61	1,830
1,220.01 - 1,240.00	62	1,860
1,240.01 - 1,260.00	63	1,890
1,260.01 and over	64	<u>2/</u> 1,920

1/ Rounded to higher \$1.

2/ Computed at upper limit of high-quarter wage bracket; at the highest wage bracket, \$1,920, or \$640 in addition to the individual's high-quarter earnings, whichever is higher. In adapting this formula for State use, step-down provision, limited to 2 steps, should be included.

Table 4. Formula B: - Weekly benefit amount figured from weighted schedule of high-quarter wages 1/ and qualifying wages computed as one and one-half times high-quarter wages 2/

High-quarter wages (Column A)	Weekly benefit amount <u>1/</u> (Column B)	Minimum qualifying wages <u>2/</u> (Column C)
\$ 75.00 - 212.50	\$ 11	\$ 318
212.51 - 237.50	12	356
237.51 - 262.50	13	393
262.51 - 287.50	14	431
287.51 - 312.50	15	468
312.51 - 337.50	16	506
337.51 - 362.50	17	543
362.51 - 387.50	18	581
387.51 - 412.50	19	618
412.51 - 437.50	20	656
437.51 - 462.50	21	693
462.51 - 487.50	22	731
487.51 - 512.50	23	768
512.51 - 537.50	24	806
537.51 - 562.50	25	843
562.51 - 587.50	26	881
587.51 - 612.50	27	918
612.51 - 637.50	28	956
637.51 - 662.50	29	993
662.51 - 687.50	30	1,031
687.51 - 712.50	31	1,068
712.51 - 737.50	32	1,106
737.51 - 762.50	33	1,143
762.51 - 787.50	34	1,181
787.51 - 812.50	35	1,218
812.51 - 837.50	36	1,256
837.51 - 862.50	37	1,293
862.51 - 887.50	38	1,331
887.51 - 912.50	39	1,368

Table 4. Formula B: - (continued)

	High-quarter wages (Column A)	Weekly benefit amount <u>1/</u> (Column B)	Minimum qualifying wages <u>2/</u> (Column C)
\$	912.51 - 937.50	\$ 40	\$ 1,406
	937.51 - 962.50	41	1,443
	962.51 - 987.50	42	1,481
	987.51 - 1,012.50	43	1,518
	1,012.51 - 1,037.50	44	1,556
	1,037.51 - 1,062.50	45	1,593
	1,062.51 - 1,087.50	46	1,631
	1,087.51 - 1,112.50	47	1,668
	1,112.51 - 1,137.50	48	1,706
	1,137.51 - 1,162.50	49	1,743
	1,162.51 - 1,187.50	50	1,781
	1,187.51 - 1,212.50	51	1,818
	1,212.51 - 1,237.50	52	1,856
	1,237.51 - 1,262.50	53	1,893
	1,262.51 - 1,287.50	54	1,931
	1,287.51 - 1,312.50	55	1,968
	1,312.51 - 1,337.50	56	2,006
	1,337.51 - 1,362.50	57	2,043
	1,362.51 - 1,387.50	58	2,081
	1,387.51 - 1,412.50	59	2,118
	1,412.51 - 1,437.50	60	2,156
	1,437.51 - 1,462.50	61	2,193
	1,462.51 - 1,487.50	62	2,231
	1,487.51 - 1,512.50	63	2,268
	1,512.51 and over	64	<u>2/</u> 2,306

1/ Computed as  $1/18 - 1/24$  of high-quarter wages; for purposes of machine operation,  $1/25$  plus \$2.50, rounded to higher \$1.

2/ One and one-half times upper limit of high-quarter wage bracket, rounded to lower \$1; at highest wage bracket, \$2,306, or \$769 in addition to the individual's high-quarter earnings, whichever is higher. In adapting this formula for State use, step-down provision, limited to 2 steps should be included.

Table 5. Formula C: - Weekly benefit amount figured from weighted schedule of average weekly wage

Average weekly wage	Weekly benefit amount <u>1/</u>	Average weekly wage	Weekly benefit amount <u>1/</u>
\$ 15.00	\$ 10	\$ 73.01 - 75.00	\$ 40
15.01 - 17.00	11	75.01 - 77.00	41
17.01 - 19.00	12	77.01 - 79.00	42
19.01 - 21.00	13	79.01 - 81.00	43
21.01 - 23.00	14	81.01 - 83.00	44
23.01 - 25.00	15	83.01 - 85.00	45
25.01 - 27.00	16	85.01 - 87.00	46
27.01 - 29.00	17	87.01 - 89.00	47
29.01 - 31.00	18	89.01 - 91.00	48
31.01 - 33.00	19	91.01 - 93.00	49
33.01 - 35.00	20	93.01 - 95.00	50
35.01 - 37.00	21	95.01 - 97.00	51
37.01 - 39.00	22	97.01 - 99.00	52
39.01 - 41.00	23	99.01 -101.00	53
41.01 - 43.00	24	101.01 -103.00	54
43.01 - 45.00	25	103.01 -105.00	55
45.01 - 47.00	26	105.01 -107.00	56
47.01 - 49.00	27	107.01 -109.00	57
49.01 - 51.00	28	109.01 -111.00	58
51.01 - 53.00	29	111.01 -113.00	59
53.01 - 55.00	30	113.01-115.00	60
55.01 - 57.00	31	115.01-117.00	61
57.01 - 59.00	32	117.01-119.00	62
59.01 - 61.00	33	119.01-121.00	63
61.01 - 63.00	34	121.01 and over	64
63.01 - 65.00	35		
65.01 - 67.00	36		
67.01 - 69.00	37		
69.01 - 71.00	38		
71.01 - 73.00	39		

1/ Weekly benefit amounts, computed at the mid-point of lowest and highest wage brackets, represent approximately 69 to 53 percent, respectively, of average weekly wages; for purpose of machine operations, 50 percent of average weekly wages, plus \$2.50, rounded to the next higher dollar.

Table 6. Minimum and maximum weekly and annual benefits as percent of minimum qualifying wages at each level, 7 States with annual wage formulas, October 1962

State	Weekly benefit amount <sup>1/</sup>		Annual benefits <sup>2/</sup>	
	Minimum	Maximum	Minimum	Maximum
	Percent of annual earnings			
Alaska.....	2.00	1.13	30	29
Maine.....	2.25	1.17	59	30
Minnesota.....	2.31	1.27	42	33
New Hampshire...	2.00	1.33	52	35
North Carolina..	2.18	0.97	57	25
Washington.....	2.13	1.07	33	32
West Virginia...	2.00	1.00	52	26

<sup>1/</sup> Additional amounts, provided for dependents in Alaska, are not included in the computation.

<sup>2/</sup> Uniform duration of benefits provided in Maine, New Hampshire, North Carolina, and West Virginia.

Table 7 compares the seven annual-wage formulas in terms of the number of weeks that an individual must work to receive a weekly benefit equal to one-half of his regular weekly earnings. For example, in Washington a worker earning \$40 a week must have worked between 29.3 and 32.4 weeks to earn the \$3,675.00 to \$3,799.99 required for a weekly benefit of \$20. The number of weeks of work at wages of twice the benefit amount needed to obtain a \$30 weekly benefit amount varies from 36 to 50 weeks among the seven States; for the maximum weekly benefit amount, 39 to 51 weeks are needed.

Table 7. Minimum and maximum weekly benefit amounts and minimum weeks of work required at specified levels to qualify for a weekly benefit equal to 50 percent of average weekly wages in base period; 7 States with annual-wage formulas, October 1962

State	Weekly benefit		Weeks of work (at earnings equal to twice the specified weekly benefit) needed to obtain:				
	Mini- mum	Maxi- mum	Mini- mum	\$20	\$30	\$40	Maxi- mum
Alaska.....	\$10*	\$45*	25.0	37.5	41.6	43.7	44.4
Maine.....	9	34	22.2	<sup>1/</sup>	38.3	---	42.6
Minnesota.....	12	38	21.6	28.7	35.8	---	39.4
New Hampshire...	12	40	25.0	35.0	38.3	37.5	37.5
North Carolina..	12	35	22.9	34.8	44.7	---	51.4
Washington.....	17	42	23.5	29.3	40.3	45.9	46.7
West Virginia...	10	32	25.0	43.8	50.0	---	50.0

\* Excluding dependents' allowances.

<sup>1/</sup> No provision made for a \$20 weekly benefit amount.

Table 8. Formula D - Basic weekly benefit amount figured as one twenty-fifth of high-quarter wages, with augmented benefits 1/ for claimant with one, two, and three or more dependents, and qualifying wages computed as one and one-half times high-quarter wages 2/

High-quarter wages	Basic weekly benefit <u>3/</u>	Augmented weekly benefit amount <u>3/</u>			Minimum qualifying wages <u>2/</u>
		1 depen- dent	2 depen- dents	3 or more dependents	
\$ 93.75-262.50	\$10	\$12	\$13	\$14	\$ 375
262.51-287.50	11	13	14	15	413
287.51-312.50	12	14	16	17	450
312.51-337.50	13	16	17	18	488
337.51-362.50	14	17	18	20	525
362.51-387.50	15	18	20	21	563
387.51-412.50	16	19	21	22	600
412.51-437.50	17	20	22	24	638
437.51-462.50	18	22	23	25	675
462.51-487.50	19	23	25	27	713
487.51-512.50	20	24	26	28	750
512.51-537.50	21	25	27	29	788
537.51-562.50	22	26	29	31	825
562.51-587.50	23	28	30	32	863
587.51-612.50	24	29	31	34	900
612.51-637.50	25	30	33	35	938
637.51-662.50	26	31	34	36	975
662.51-687.50	27	32	35	38	1,013
687.51-712.50	28	34	36	39	1,050
712.51-737.50	29	35	38	41	1,088
737.51-762.50	30	36	39	42	1,125
762.51-787.50	31	37	40	43	1,163
787.51-812.50	32	38	42	45	1,200
812.51-837.50	33	40	43	46	1,238
837.51-862.50	34	41	44	48	1,275
862.51-887.50	35	42	46	49	1,313
887.51-912.50	36	43	47	50	1,350
912.51-937.50	37	44	48	52	1,388
937.51-962.50	38	46	49	53	1,425
962.51-987.50	39	47	51	55	1,463

Table 8. Formula D (continued)

High-quarter wages	Basic weekly benefit <sup>3/</sup>	Augmented weekly benefit amount <sup>3/</sup>			Minimum qualifying wages <sup>2/</sup>
		1 dependent	2 dependents	3 or more dependents	
\$ 987.51-1,012.50	\$ 40	\$ 48	\$ 52	\$ 56	\$ 1,500
1,012.51-1,037.50	41	49	53	57	1,538
1,037.51-1,062.50	42	50	55	59	1,575
1,062.51-1,087.50	43	52	56	60	1,613
1,087.51-1,112.50	44	53	57	62	1,650
1,112.51-1,137.50	45	54	59	63	1,688
1,137.51-1,162.50	46	55	60	64	1,725
1,162.51-1,187.50	47	56	61	66	1,763
1,187.51-1,212.50	48	58	62	67	1,800
1,212.51-1,237.50	49	59	64	69	1,838
1,237.51-1,262.50	50	60	65	70	1,875
1,262.51-1,287.50	51	61	66	71	1,913
1,287.51-1,312.50	52	62	67	72	1,950
1,312.51-1,337.50	53	64	69	74	1,988
1,337.51-1,362.50	54	65	70	75	2,025
1,362.51-1,387.50	55	66	72	78	2,063
1,387.51-1,412.50	56	67	73	79	2,100
1,412.51-1,437.50	57	68	74	80	2,138
1,437.51-1,462.50	58	70	76	82	2,175
1,462.51-1,487.50	59	71	77	83	2,213
1,487.51-1,512.50	60	72	78	84	2,250
1,512.51-1,537.50	61	73	79	85	2,288
1,537.51-1,562.50	62	74	81	87	2,325
1,562.51-1,587.50	63	76	82	88	2,363
1,587.51 and over	64	77	83	90	2,400

<sup>1/</sup> Basic weekly benefit amount, plus dependents' allowances computed as 20 percent of basic benefit for one dependent, 30 percent for two dependents, and 40 percent for three or more dependents.

<sup>2/</sup> Computed at midpoint of high-quarter wage bracket; at the highest wage bracket \$2,400, or \$800 in addition to the individual's high-quarter earnings, whichever is higher. In adapting this formula for State use, step-down provision, limited to 2 steps, should be included.

<sup>3/</sup> Rounded to nearer dollar.



Table 9. Analysis of hypothetical benefit schedule providing "variable" maximum benefit amounts for claimants with one, two, and three or more dependents. 1/

High-quarter wages (Col. A)	Weekly benefit amount <u>2/</u> (Col. B)	Weekly benefit amount stated as		Weekly benefit applicable to: (Col. E)	
		Percent of high-quarter wages <u>3/</u> (Col. C)	Percent of State average weekly wage <u>4/</u> (Col. D)		
---	---	---	---	All claimants, regardless of dependents	
\$ 648.00-	672.00	\$ 28	4.2	31.1	
672.01-	696.00	29	4.2	32.2	
696.01-	724.00	30	4.2	33.3	
724.01-	756.00	31	4.2	34.4	
756.01-	788.00	32	4.1	35.6	Claimant with at least one dependent
788.01-	820.00	33	4.1	36.7	
820.01-	852.00	34	4.1	37.8	
852.01-	884.00	35	4.0	38.9	
884.01-	916.00	36	4.0	40.0	Claimant with at least 2 dependents
916.01-	948.00	37	4.0	41.1	
948.01-	980.00	38	3.9	42.2	
980.01-	1,012.00	39	3.9	43.3	
1,012.01-	1,046.00	40	3.9	44.4	Claimant with at least 3 dependents
1,046.01-	1,078.00	41	3.9	45.6	
1,078.01-	1,110.00	42	3.8	46.7	
1,110.01-	1,142.00	43	3.8	47.8	Claimant with at least 4 dependents
1,142.01-	1,174.00	44	3.8	48.9	
1,174.01 or more	45	---	50.0		

1/ Table shows only as much of the benefit schedule as needed to illustrate the effect of the "variable" maximum benefit amounts.

2/ Computed as 1/24 of the high-quarter wages at upper limit of wage bracket. Because this fraction is lower than that used in the States that have adopted "variable" maximum benefit amounts, the percentages shown in Column (C) are correspondingly lower than those indicated in the discussion on page 31.

3/ Computed at midpoint of high-quarter-wage bracket.

4/ Assumed to be \$90.

Table 10. Variable duration of benefits--number of weeks resulting from specified duration fractions and amounts of base-period wages (expressed as multiples of high-quarter wages) under five high-quarter formulas  $\frac{1}{4}$

Duration fraction and high-quarter fractions	Potential weeks of benefits for claimants with base-period wages equal to specified multiples of high-quarter wages:				
	1-1/4	1-1/2	2	3	4
	Col. A	Col. B	Col. C	Col. D	Col. E
Duration fraction of 1/4 and high-quarter fraction of:					
1/20.....	6.3	7.5	10.0	15.0	20.0
1/23.....	7.2	8.6	11.5	17.3	23.0
1/24.....	7.5	9.0	12.0	18.0	24.0
1/25.....	7.8	9.4	12.5	18.8	25.0
1/26.....	8.1	9.8	13.0	19.5	26.0
Duration fraction of 1/3 and high-quarter fraction of:					
1/20.....	8.3	10.0	13.3	20.0	26.7
1/23.....	9.6	11.5	15.3	23.0	30.7
1/24.....	10.0	12.0	16.0	24.0	32.0
1/25.....	10.4	12.5	16.7	25.0	33.3
1/26.....	10.8	13.0	17.3	26.0	34.7
Duration fraction of 2/5 and high-quarter fraction of:					
1/20.....	10.0	12.0	16.0	24.0	32.0
1/23.....	11.5	13.8	18.4	27.6	36.8
1/24.....	12.0	14.4	19.2	28.8	38.4
1/25.....	12.5	15.0	20.0	30.0	*
1/26.....	13.0	15.6	20.8	31.2	*
Duration fraction of 1/2 and high-quarter fraction of:					
1/20.....	12.5	15.0	20.0	30.0	*
1/23.....	14.4	17.3	23.0	34.5	*
1/24.....	15.0	18.0	24.0	36.0	*
1/25.....	15.6	18.8	25.0	37.5	*
1/26.....	16.3	19.5	26.0	39.0	*
Duration fraction of 3/5 and high-quarter fraction of:					
1/20.....	15.0	18.0	24.0	36.0	*
1/23.....	17.2	20.7	27.6	*	*
1/24.....	18.0	21.6	28.8	*	*
1/25.....	18.8	22.5	30.0	*	*
1/26.....	19.5	23.4	31.2	*	*

Continued on next page.

Table 10. Variable duration of benefits--number of weeks resulting from specified duration fraction and amounts of base-period wages (expressed as multiples of high-quarter wages) under five high-quarter formulas 1/ (continued)

Duration fraction and high-quarter fractions	Potential weeks of benefits for claimants with base-period wages equal to specified multiples of high-quarter wages:				
	1-1/4	1-1/2	2	3	4
	Col. A	Col. B	Col. C	Col. D	Col. E
Duration fraction of 2/3 and high-quarter fraction of:					
1/20.....	16.7	20.0	26.7	*	*
1/23.....	19.2	23.0	30.7	*	*
1/24.....	20.0	24.0	32.0	*	*
1/25.....	20.8	25.0	33.3	*	*
1/26.....	21.7	26.0	34.6	*	*
Duration fraction of 3/4 and high-quarter fraction of:					
1/20.....	18.8	22.5	30.0	*	*
1/23.....	21.6	25.9	34.5	*	*
1/24.....	22.5	27.0	36.0	*	*
1/25.....	23.4	28.1	37.5	*	*
1/26.....	24.4	29.3	39.0	*	*
Duration fraction of 4/5 and high-quarter fraction of:					
1/20.....	20.0	24.0	32.0	*	*
1/23.....	23.0	27.6	36.8	*	*
1/24.....	24.0	28.8	38.4	*	*
1/25.....	25.0	30.0	*	*	*
1/26.....	26.0	31.2	*	*	*

1/ Where the number of weeks shown exceeds the desired maximum limit, entitlement is reduced to such limit.

\* More than 39 weeks.

Table 11. Benefit Formula E: Weighted high-quarter schedule with variable duration of benefits; qualifying wages computed as one and one-half times high-quarter wages; maximum potential benefits computed as specified percent of base-period wages, or (the statutory maximum) times the weekly benefit amount, whichever is the lesser.

High-quarter wages (Column A)	Weekly benefit amount $\frac{1}{}$ (Column B)	Minimum qualifying wage $\frac{2}{}$ (Column C)	Maximum potential benefits equal to specified percent of wages in insured work in base period, or $\frac{1}{}$ statutory maximum times weekly benefit amount, whichever is the lesser. (Column D)
\$ 75.00-212.50	\$ 11	\$ 318	69.2
212.51-237.50	12	356	67.4
237.51-262.50	13	393	66.2
262.51-287.50	14	431	65.0
287.51-312.50	15	468	64.1
312.51-337.50	16	506	63.2
337.51-362.50	17	543	62.6
362.51-387.50	18	581	62.0
387.51-412.50	19	618	61.5
412.51-437.50	20	656	61.0
437.51-462.50	21	693	60.6
462.51-487.50	22	731	60.2
487.51-512.50	23	768	59.9
512.51-537.50	24	806	59.6
537.51-562.50	25	843	59.3
562.51-587.50	26	881	59.0
587.51-612.50	27	918	58.8
612.51-637.50	28	956	58.6
637.51-662.50	29	993	58.4
662.51-687.50	30	1,031	58.2
687.51-712.50	31	1,068	58.1
712.51-737.50	32	1,106	57.9
737.51-762.50	33	1,143	57.7
762.51-787.50	34	1,181	57.6
787.51-812.50	35	1,218	57.5
812.51-837.50	36	1,256	57.3
837.51-862.50	37	1,293	57.2
862.51-887.50	38	1,331	57.1
887.51-912.50	39	1,368	57.0

Continued on page A-26.

Table 11. Benefit Formula E: Weighted high-quarter schedule with variable duration of benefits; qualifying wages computed as one and one-half times high-quarter wages; maximum potential benefits computed as specified percent of base-period wages, or (the statutory maximum) times the weekly benefit amount, whichever is the lesser. (continued)

High-quarter wages (Column A)	Weekly benefit amount <u>1/</u> (Column B)	Minimum qualifying wage <u>2/</u> (Column C)	Maximum potential benefits equal to specified percent of wages in insured work in base period, or [statutory maximum] times weekly benefit amount, whichever is the lesser (Column D)
\$ 912.51- 937.50	\$40	\$1,406	56.9
937.51- 962.50	41	1,443	56.8
962.51- 987.50	42	1,481	56.7
987.51-1,012.50	43	1,518	56.7
1,012.51-1,037.50	44	1,556	56.6
1,037.51-1,062.50	45	1,593	56.5
1,062.51-1,087.50	46	1,631	56.4
1,087.51-1,112.50	47	1,668	56.4
1,112.51-1,137.50	48	1,706	56.3
1,137.51-1,162.50	49	1,743	56.2
1,162.51-1,187.50	50	1,781	56.1
1,187.51-1,212.50	51	1,818	56.1
1,212.51-1,237.50	52	1,856	56.0
1,237.51-1,262.50	53	1,893	56.0
1,262.51-1,287.50	54	1,931	55.9
1,287.51-1,312.50	55	1,968	55.9
1,312.51-1,337.50	56	2,006	55.8
1,337.51-1,362.50	57	2,043	55.8
1,362.51-1,387.50	58	2,081	55.7
1,387.51-1,412.50	59	2,118	55.7
1,412.51-1,437.50	60	2,156	55.7
1,437.51-1,462.50	61	2,193	55.6
1,462.51-1,487.50	62	2,231	55.6
1,487.51-1,512.50	63	2,268	55.6
1,512.51 and over	64	2,306	55.5

1/ Computed as  $1/18-1/24$  of high-quarter wages; for purposes of machine operation,  $1/25$  plus \$2.50, rounded to higher \$1.

2/ One and one-half times upper limit of high-quarter wage bracket, rounded to lower \$1; at highest wage bracket, \$2,306 or \$769 in addition to the individual's high-quarter wages, whichever is higher. In adapting this formula for State use, step-down provision, limited to 2 steps, should be included.

In addition to the tabular schedule, the statute should provide the procedure for computing the maximum potential benefits in a benefit year.

The following language, patterned after the language used in the Manual of State Employment Security Legislation, Revised September 1950, explains the method of computing the maximum potential benefits and provides for rounding:

"The maximum potential benefits of any insured worker in a benefit year shall be the amount equal to whichever is the lesser of (1) the statutory maximum times his weekly benefit amount and (2) the product obtained by multiplying his wages in insured work paid during his base period by the percentage in Column D of the table on the line on which, in Column B, there appears his weekly benefit amount; Provided, that if such total amount of benefits is not a multiple of his weekly benefit amount, it shall be computed to the next higher multiple of such amount."

Table 12. Benefit Formula E: Abbreviated tabulation illustrating weighted benefit and duration schedule for administrative use in determining weekly benefit amount and maximum potential benefits

(Part A)		(Part B)	(Part C)						
High-quarter wages		Weekly benefit amount	Base-period wages required for weeks of benefits below and weekly benefit amount specified in Part B 1/						
			Weeks of benefits for total unemployment						
			20	21	22	....	28	29	30
\$ 75.00-	212.50	\$ 11	\$ 318	\$ 334	\$ 350	....	\$ 445	\$ 461	\$ 477
212.51-	237.50	12	356	374	392	....	499	516	534
237.51-	262.50	13	393	412	432	....	550	569	589
.....	.....	...	...	...	...	....	...	...	...
.....	.....	...	...	...	...	....	...	...	...
.....	.....	...	...	...	...	....	...	...	...
.....	.....	...	...	...	...	....	...	...	...
1,462.51-	1,487.50	62	2,231	2,342	2,453	....	3,122	3,234	3,345
1,487.51-	1,512.50	63	2,268	2,379	2,493	....	3,172	3,286	3,399
1,512.51	and over	64	2,306	2,422	2,537	....	3,229	3,344	3,459

1/ Only lower limit of each base-period wage bracket is shown; upper limit of bracket is one cent less than lower limit of next higher bracket.

ANALYSIS OF QUALIFYING WAGE REQUIREMENTS STATED AS A MULTIPLE  
OF HIGH-QUARTER WAGES OR OF THE WEEKLY BENEFIT AMOUNT

An understanding of the methods for converting a qualifying wage requirement expressed in terms of a multiple of high-quarter wages or a multiple of the weekly benefit amount is useful in analyzing benefit formulas and proposed amendments.

Multiple of High-Quarter Wages

To get the number of weeks of work equivalent to any given multiple of high-quarter wages, simply multiply the number of weeks of work in the high quarter by the multiple. For example, if the high-quarter formula assumes that, on the average, workers had 12 weeks of work in their quarter of highest earnings ( $1/24$  high-quarter fraction), a qualifying requirement  $1-1/4$  times high-quarter wages would mean that, on the average, claimants would be required to have 15 weeks of employment. If the multiple is  $1-1/2$  times high-quarter wages, it would require 18 weeks of employment. This assumes, of course, that the wages outside the high quarter are at the same weekly rate as in the high quarter. If, as is often the case, weekly wages outside the high quarter are lower, it would require more weeks of employment than those indicated in the above examples.

Also, although the high-quarter fraction assumes 12 weeks of work in the high quarter, many claimants will have more or less than this number of weeks of employment. For example, a claimant with a \$20 weekly benefit ( $1/24$  of \$480) based on 10 weeks of work at \$48 a week would need only  $12-1/2$  or 15 weeks of work under the multiples used in the above illustrations. Another claimant with a \$20 weekly benefit based on 13 weeks of work in his high quarter would need  $16-1/4$  and  $19-1/2$  weeks, respectively, under a requirement of  $1-1/4$  and  $1-1/2$  times high-quarter wages.

Multiple of the Weekly Benefit Amount

To get the number of weeks of employment equivalent to any given multiple of the weekly benefit is equally simple for individuals who are compensated for one-half of their weekly wage in the high quarter. Since, for these individuals, the weekly benefit represents one-half week of work, the number of weeks of work required by a multiple of the weekly benefit amount would be one-half of such multiple. For example, a qualifying requirement of 30 times the weekly benefit amount represents 15 weeks of work for claimants who are compensated for one-half of their weekly wages; a multiple of 36 times the weekly benefit amount represents 18 weeks of work.

While, in the short-cut method used above, it is not necessary to know the high-quarter fraction used in computing the weekly benefit amount or the number of weeks of work in the high quarter, these factors must be considered in computing the weeks of work required in cases where the claimant is not compensated for exactly one-half of his weekly wage. The computation in such cases is as shown in the following equation. The symbols in the equation represent the following factors: "W", weeks of base-period employment required by the qualifying provision; "M", the multiple of the weekly benefit amount; "F", the high-quarter fraction used in computing the weekly benefit amount; and "w", the number of weeks of work in the high quarter.

$$W = M \text{ times } F \text{ times } w, \text{ or}$$

$$W = M \cdot F \cdot w$$

The following examples illustrate the computation of the number of weeks of work required under a benefit formula with  $\frac{1}{24}$  high-quarter fraction and two different qualifying wage requirements (30 and 36 times the weekly benefit amount), for Claimants A and B whose weeks of work in the high quarter were 10 and 13 weeks, respectively.

Example 1 (30 times weekly benefit amount)

$$\text{Claimant A: } W = 30 \times \frac{1}{24} \times 10 = \frac{300}{24} = 12\text{-}1/2 \text{ weeks}$$

$$\text{Claimant B: } W = 30 \times \frac{1}{24} \times 13 = \frac{390}{24} = 16\text{-}1/4 \text{ weeks}$$

Example 2 (36 times weekly benefit amount)

$$\text{Claimant A: } W = 36 \times \frac{1}{24} \times 10 = \frac{360}{24} = 15 \text{ weeks}$$

$$\text{Claimant B: } W = 36 \times \frac{1}{24} \times 13 = \frac{468}{24} = 19\text{-}1/2 \text{ weeks}$$



ANALYSIS OF PROVISIONS REQUIRING WAGES WITHIN THE LAST  
TWO CALENDAR QUARTERS OF THE BASE PERIOD

A few States require a specified dollar amount of wages or a specified fraction of total base-period wages in the last 2 quarters of the base period. This requirement is usually stated as a part of the regular qualifying requirement but is sometimes applicable only to claims to establish a new benefit year following expiration of a preceding benefit year.

These provisions are more restrictive and inequitable than the usual type of provision designed to limit the use of lag-period wages (see page ). Requiring a specified amount of wages in the last 2 calendar quarters of the base period can result in an anomalous situation where an individual has recent, substantial earnings to prove his attachment to the labor force but, because they are not yet included in the base period, he can not establish a benefit year and must wait until the next calendar quarter when such earnings will become available to him.

1960, July - September .....	Wages reported
October - December .....	Wages reported; individual laid off November 30, 1960
1961, January - March .....	No wages reported
April - June .....	No wages reported
July - September .....	Wages reported
October - December .....	Wages reported; individual laid off November 30, 1961

A claim filed in December 1961 to establish the second benefit year, based on earnings in the July 1, 1960 - June 30, 1961 base period is denied because of no earnings in the last 2 quarters. If still unemployed, claimant can file a claim to establish a benefit year beginning in the January - March 1962 quarter, based on earnings in the base period, October 1, 1960 - September 30, 1961; however, his wage credits in the July-September 1960 quarter will have expired and no longer be available for benefit purposes.