

Handling Unemployment When Projecting Earnings

(DRAFT DATE—10/19/2012)

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Prepared for presentation at a session of the
National Association of Forensic Economics
at the 82th Annual Conference of the
Southern Economic Association International
Sheraton New Orleans Hotel
November 16–18, 2012, New Orleans, LA

Draft: Please do not quote without permission.
An earlier version of this paper was presented at the WEAI
Meetings in San Francisco, CA, June 29-July 3, 2012

Introduction

The recent “great recession” beginning in 2008 has brought involuntary unemployment to the forefront of the news. After fluctuating between 4% and 6% from 1994 to 2007, unemployment in the U.S. economy climbed to about 8% by the end of 2008 and stayed at around 10% for two years before falling back to around 7.8% currently.¹ Special federal “emergency” extensions of unemployment compensation benefit programs were enacted in 2008 and have been re-enacted several times. These special benefit extensions are due to expire in early 2013.² The recent higher rates of unemployment and greater duration of spells of unemployment are likely to increase the frequency with which forensic economists encounter unemployment in the recent work histories of persons for whom earnings loss appraisals are required.

The topic of unemployment is discussed in numerous places in the literature of forensic economics, but there appears to be no paper that has the topic of adjustments for unemployment as its exclusive focus. The purpose of this paper is to consider the way the negative contingency of unemployment should be handled in the appraisal of earnings losses. While the ideas discussed are not new, hopefully the collection of the ideas into one place will serve a useful purpose. I tackle this subject by describing how I have handled unemployment in specific cases involving (1) adults with a work history that contains unemployment, and (2) injured children. Before doing that, I discuss the rationale for making an unemployment adjustment and provide some information about unemployment rates, unemployment duration, and unemployment compensation benefits.

Why in an Unemployment Adjustment Necessary?

Many assessments of lost earnings require an adjustment for the negative contingency of unemployment. Such an adjustment has been recognized by forensic economists for many years and was formally embodied in the “LPE” system for dealing with the negative contingencies of mortality, being out of the labor force (for either

¹See <http://data.bls.gov/pdq/SurveyOutputServlet> and Appendix.

²<http://ows.doleta.gov/unemploy/pdf/euc08.pdf>

voluntary or involuntary reasons), and unemployment.³ An appraisal of lost earnings may involve an assessment of expected earnings--what the person **would** have earned but for the litigation-causing event, or it may involve an assessment of earning capacity--what the person **could** have earned.⁴ The “would/could” distinction implies that appraising the loss of expected earnings would need to adjust for all unemployment, both voluntary and involuntary, whereas an assessment of the loss of earning capacity would adjust only for involuntary unemployment--more or less the same type of unemployment for which workers are paid unemployment compensation benefits. An example of voluntary unemployment would be (1) quitting a job to devote full-time to searching for another one. Other types of voluntary “unemployment,” such as (2) quitting work to hike the Appalachian Trail, (3) taking off work after the birth of a baby until the child is old enough to start first grade, and (4) quitting work to take care of a sick parent or child, would not strictly be periods of “unemployment” as defined by the U.S. Labor Department, because unemployment requires being in the labor force, either as a job holder or as an active job seeker. Rather, activities (2), (3) and (4) would actually cause the person to be defined as “out of the labor force.” On the other hand, involuntary unemployment is a threat or negative contingency that largely originates on the demand side of the labor market rather than on the supply side. A worker may be subject to the occasional risk of unemployment arising directly or indirectly from cyclical reductions in overall aggregate demand, seasonal reductions in demand, or technological changes in the economy that cause a permanent reduction in demand for a worker’s particular skills.

The demand deficiencies that cause Involuntary unemployment wherein a person is off work for a period of time between full-time jobs may have other effects. A worker may be involuntarily “underemployed,” holding a part-time job when a full-time job is desired. A worker may also be “discouraged” and drop out of the labor force after

³While the seeds of the LPE system are present in Louis I. Dublin and Alfred J. Lotka, *The Money Value of a Man*, New York: The Ronald Press Co., 1930, to my knowledge the first formal development is in Michael L. Brookshire and William E. Cobb, “The Life-Participation-Employment Approach to Worklife Expectancy in Personal Injury and Wrongful Death Cases,” *For the Defense*, July 1983, pp. 20-25.

⁴The terms “expected earnings” and “earning capacity” are carefully described in the classic paper by Stephen Horner and Frank Slesnick, “The Valuation of Earning Capacity: Definition, Measurement and Evidence,” *Journal of Forensic Economics*, Vol. 12, No. 1 (January 1999), pp. 13-32. An effort is made to distinguish “would” versus “could” for female labor force participation in Frank P. Corcione and Robert J. Thornton, “Female Work Experience: Voluntary Versus Involuntary Labor Force Activity,” *Journal of Forensic Economics*, Vol. 4, No. 2 (Spring/Summer 1991), pp. 163-174.

an unsuccessful period of job search. Traditionally-defined unemployment, underemployment and the discouraged worker effect all have a negative impact on both expected earnings and earning capacity.

Some Data About Unemployment

In *Assessment of Personal Injury Damages*,⁵ the authors call attention to certain patterns in the unemployment statistics for Canada, and these patterns also prevail in the statistics for the United States:

- Unemployment rates for those under age 25 are double to triple the unemployment rates for those 25 and over with the same level of education.
- Unemployment rates for males and females, similarly-situated, are not very different.
- Unemployment rates are inversely related to the level of education, with the unemployment rate for the highest educational category being less than a third of the rate for the lowest.

These patterns are revealed in Table 1, which shows U.S. unemployment rates for males and females of various levels of education over the 2001-2011 period. Table 2 shows the duration of unemployment during the same time period. The recession that began in 2008 has been accompanied by a large increase in the duration of unemployment that still persists after four years. Hence, in recent years there has been both an increase in the probability of that the average worker will become unemployed and an increase in the duration of unemployment once a spell of unemployment has begun. The recent unprecedented increase in the duration of unemployment has prompted the Labor Department to modify the CPS questions about duration of unemployment to include additional options so that longer durations can be reported. This change is described in the Appendix. The additional options for longer durations has had the effect of increasing the mean duration of unemployment by about three weeks, but with no effect on the median duration.

The data shown in Tables 1 and 2 are derived from the Current Population Survey, which is a survey of a cross-section of the U.S. population. By contrast, Table 3 provides information about unemployment from a longitudinal survey, the National

⁵Christopher Bruce, Kelly Rathje, and Laura Weir, *Assessment of Personal Injury Damages*, 5th Edition. Markham, Ontario: LexisNexis Canada, Inc., 2011, pp. 199-207.

Longitudinal Survey of Youth 1979, that follows the same persons over time. The survey expresses unemployment as a percentage of the total number of weeks in the period 1978-2008, when survey respondents were between the ages of 18 and 44. Over this period of 27 years (Jan 1, 1978 to Dec. 31, 2008), there are 1,404 weeks (= 27 years x 52 weeks). The average unemployment rate of 4.4% implies the average person spent 61.8 weeks unemployed during the period. The negative relationship revealed in the cross section data between the rate of unemployment and the level of education is also present in the longitudinal data, with the unemployment rate among high school dropouts being more than triple the unemployment rate among those with a bachelor's degree or higher. Women have a lower unemployment rate compared to men at all education levels in the longitudinal data, unlike the mixed pattern in the cross section data in Table 1. The unemployment percentages in Table 3 show the combined effects of the probability of becoming unemployed and the duration of spells of unemployment.⁶

Past Unemployment Leads to Future Unemployment

A theoretical prediction of the labor economics literature on unemployment is that a person's future unemployment experience is predicted by that person's past unemployment experience. "Recent research demonstrates that, the greater the number of previous spells of unemployment and the longer their duration, the more likely is the event that an individual will be unemployed at a point in time....past unemployment (including previous time spent in a current unemployment spell) alters preferences, prices or constraints that determine, in part, future unemployment."⁷ Unemployment causes a loss of work experience and may lead to a deterioration of human capital, which alters prospects of future employability. Unemployment history may also be used as a signal by firms about a worker's unobserved characteristics and used by firms to determine which potential workers to hire and which workers to train.

Bruce, et al. (*op. cit.*) cites a paper finding that unemployment in 1979 is most

⁶Theoretical reasons explaining the negative relationship between the rate of unemployment and the level of educational attainment are provided by Stephen Nickell, "Education and Lifetime Patterns of Unemployment," *Journal of Political Economy*, Vol. 87, No. 5, Part 2, Education and Income Distribution (October 1979), pp. S117-S131.

⁷James J. Heckman and George J. Borjas, "Does Unemployment Cause Future Unemployment? Definitions, Questions and Answers from a Continuous Time Model of Heterogeneity and State Dependence," *Economica*, New Series, Vol. 47, No. 187, Special Issue on Unemployment (August 1980), pp. 247-283; the quoted passages are from p. 247.

significantly predicted by (1) the value and availability of unemployment insurance benefits, (2) the level of unemployment in the individual's location of residence and (3) the cumulative number of weeks unemployed in the July 1975-September 1975 period. Once allowance for these three factors had been made, the age, sex and occupation of the individual had only a weak effect, if any, on the number of weeks of unemployment in 1979.⁸

Indirect evidence about a link between past unemployment and future unemployment (or future non-participation in the labor force) is contained in the results of a paper providing estimates of work life expectancy for the initially unemployed.⁹ In this paper's three-state, one-period Markov model, a person can initially be either (1) employed, (2) unemployed and looking for work, or (3) not in the labor force. The usual two-state Markov model combines (1) and (2) so that the two alternative beginning states are (1) active in the labor force or (2) not in the labor force.¹⁰ The Millimet, et al., paper notes that when employed and unemployed persons are pooled together to form the "active in the labor force" group, the work life expectancies estimated are not equivalent to the number of remaining working years because some portion of the work life expectancy is time spent looking for work rather than actually working. A key question investigated by this paper is whether initially unemployed persons have work life expectancies more nearly like those who are initially employed or more like those who are initially not in the labor force.¹¹ The results of the paper say that the answer to this

⁸A. Roy and M. Robertson, "The Distribution of Unemployment by Spell Frequency and the Relationship Between Past and Present Unemployment Experience in the Canadian Labour Market" (Unpublished: presented at the Canadian Economics Association Meeting, University of Guelph, May 29, 1984).

⁹Daniel L. Millimet, Michael Nieswiadomy, Hang Ryu and Daniel Slottje, "Estimating Worklife Expectancy: An Econometric Approach," *Journal of Econometrics*, Vol. 113 (2003), pp. 83-113.

¹⁰For example, statuses (1) and (2) are combined in the "gold standard" paper for work life expectancies by Gary R. Skoog, James E. Cieccka and Kurt V. Krueger, "The Markov Process Model of Labor Force Activity: Extended Tables of Central Tendency, Shape, Percentile Points and Bootstrap Standard Errors," *Journal of Forensic Economics*, Vol. 22, No. 2 (August 2011), pp. 165-229.

¹¹The paper also reviews a literature that provides conflicting answers to the question of whether the unemployed are more like employed workers or persons not active in the labor force. One of the ideas from this literature is that the group labeled "persons not active in the labor force" should itself be divided into (a) those out of the

question depends on the education level of the group being studied.

Table 4 provides a sample of the work life expectancy results from the paper, which to my knowledge are the only work life expectancy estimates based on a 3-state Markov model with unemployment as one of the initial states. The paper also presents work life expectancy estimates for the standard 2-state Markov model. Table 4 presents these results side by side with the 3-state results so that the differences can be more easily compared. Note that the 2-state results show work life as time active in the labor force rather than only time actually working. Hence, the differences between the 2-state and 3-state expectancies for initially inactive persons show the implicit effect of adjusting for unemployment. The differences between the 2-state active expectancies and the active expectancies for the 3-state model represent both an adjustment for unemployment and the change in the group being studied, so the comparison is not “apples to apples.” For women, the impact of being initially unemployed on work life expectancy is greater for high school dropouts and becomes smaller for women with higher levels of education. Unemployed women are more like employed women the higher the level of education. For men this same pattern is also observed but the differences among the different education levels is less pronounced. The overall conclusion is that the working lives of the initially unemployed are shorter than the working lives of the initially employed, and this finding is consistent with one of the key messages of the Heckman/Borhas paper.

Unemployment Insurance

The unemployment insurance program is a Federal-State program that provides unemployment benefits to eligible workers who are unemployed through “no fault of their own,” and who meet other eligibility requirements of state law. Unemployment benefits are intended to provide temporary financial assistance to unemployed workers who meet the requirements of state law, and each state administers its own separate program within Federal guidelines. Eligibility for benefits, benefit amounts and the length of time benefits are paid are determined by state law. Funding of the program is through a tax on employers.¹² A worker must have a specified minimum amount of

labor force and not desiring a job and (b) those who wish to work but who are not currently seeking employment, e.g., “discouraged workers” and others who seek employment passively.

¹²An insightful economic analysis of unemployment insurance is provided by Robert Topel and Finis Welch, “Unemployment Insurance: Survey and Extensions,” *Economica*, New Series, Vol. 47, No. 187, Special Issue on Unemployment (August 1980), pp. 351.-379.

wages earned and time worked over a “base period,” usually the earliest four of the previous five quarters prior to the time a claim for benefits is filed. Weekly benefit amounts are approximately 50% of average weekly pay. Programs have a maximum weekly benefit, which means that high income workers receive a benefit of less than half of their weekly wage. Benefits are taxable under the Internal Revenue Code. Only unemployment that is due to lack of work qualifies a worker for unemployment benefits; unemployment due to being fired or quitting a job disqualifies a worker for such benefits. While drawing unemployment benefits, there are requirements for weekly or biweekly reporting of wages earned, job offers received and jobs offers rejected. Benefits can be terminated for lack of effort to find employment. Most states pay benefits for a maximum of 26 weeks. Due to the high levels of unemployment experienced since 2008, programs providing extended benefits have been offered to workers and financed by the Federal government with some additional benefits being provided by states. (See the sources cited in Footnote 4.) A map is provided in the Appendix that shows how many weeks of benefits are available to workers who applied for benefits effective June 3, 2012. The number of weeks ranges from as low as 60 weeks in states like Oklahoma and Virginia to 99 weeks in states like Nevada and New York. Also provided in the Appendix is a map that shows for 2010 the percentage of unemployed workers in each state who actually collect unemployment benefits. This percentage varied from less than 60% in states like Florida and Texas to over 80% in states like New Jersey and Pennsylvania.¹³

Unemployment Insurance in Pennsylvania

Each state has its own specific provisions for its unemployment insurance program. In Pennsylvania, weekly unemployment benefits are determined by use of a table which shows the benefit per week based on the worker’s highest quarterly wage income in the base period, which is the earliest four of the previous five quarters prior to the date a claim for benefits is filed. (A portion of this table is shown in the Appendix.) For example, a worker whose highest quarterly wages in the base period is \$5,000 (average pay of \$384.62 per week) would receive a weekly benefit of \$202, which replaces about 52.5% of the average weekly pay. To qualify for this weekly benefit, the same table shows that the worker’s total base year wages must be at least \$8,000. The number of weeks that the worker can collect benefits is determined by the number of “credit weeks” the worker has during the base year. A credit week is a week during which the worker earned wages of \$50.00 or more. If the worker has 18 or more credit

¹³A study that focuses on explaining why the reciprocity rates for unemployment benefits vary so much among the various states is Wayne Vroman, “Low Benefit Reciprocity in State Unemployment Insurance Programs,” The Urban Institute, June 2001.

weeks, the weekly benefit can be paid up to 26 weeks for a maximum weekly benefit of \$5,252.00 (= 26 weeks x \$202.00 per week). If the worker has 16 or 17 credit weeks, the maximum number of weeks of benefits is reduced to 16 weeks and the maximum benefit is \$3,232.00. If the worker has fewer than 16 credit weeks, the worker is disqualified from receiving benefits. Under the extended Federal/state benefit programs enacted during the past few years, Pennsylvania has extended the benefit period to 73 weeks.

The schedule of benefits in 2012 caps the maximum weekly benefit at \$573.00 per week. The amount is computed afresh each fiscal year (July 1 to June 30) by determining the total number of covered employees in the fiscal year, dividing that number by 12 to get the average monthly number of covered workers. The total amount of covered wages in the fiscal year is divided by the average monthly number of covered workers to get the average annual wage. This average annual wage is divided by 52 to get the annual weekly wage. The maximum weekly benefit rate is computed as 2/3rds of the average weekly wage. The benefit table is extended, as necessary, based on increases in the maximum weekly benefit, or contracted if the maximum weekly benefit decreases.

There is a long list of conditions and circumstances that disqualify an unemployed worker from receiving benefits: Voluntarily leaving work for no compelling reason; being discharged for willful misconduct or failure to submit to and/or pass a drug or alcohol test; participating in a strike; failing to register for employment search services; failing to actively search for suitable employment; failing to accept a job offer without good cause, or failing to pursue a job referral; withholding facts or giving false information to receive or increase benefits; limiting the number of hours one is willing to work when there is more work available; being self-employed or taking steps to become self-employed, increasing involvement in a side-line business while employed at one's regular job; and incarceration following conviction of a crime.

Handling Unemployment for Adults with a Work History Containing Unemployment

If a person has a work history, the use of that history to develop an estimate of base annual earnings will automatically incorporate all the vicissitudes of the person's work life, including periods of unemployment, part-time work, full-time work and overtime work. How to use the past work and earnings history of a person to construct a reasonable and defensible amount for base annual earnings for an earnings loss projection is not capable of being defined by a formula; rather such a construction is

part of the “art” of forensic economics. In projecting from the past, care must be taken to adjust for circumstances that have recently changed or that would have changed in the future and which renders unreasonable an earnings base that blindly relies exclusively on past data. On the other hand, departures from what happened in the past as a guide to the future must be based on solid evidence for why the past is not a good guide. One must also be on the lookout for double counting. If the earnings base incorporates unemployment, a further unemployment adjustment using average statistics like those shown in Table 1, or the use of the Millimet, et al., work life expectancy that incorporates an adjustment for unemployment, would result in double-counting unemployment. Similarly, if a “years of activity” work life expectancy statistic, like the Skoog, et al. tables, is used to establish the length of the earnings loss period, there will be double counting of time out of the labor force if the annual earnings base has already been diminished as a result of including periods when the person was not in the labor force. If there is a past history of receipt of unemployment compensation benefits, an appropriate average of those past benefits may provide the basis for claiming such payments in the future as a separate element of economic damages, provided there is a reasonable basis for assuming the past pattern of unemployment benefits would have continued in the future.

Tables 5 and 6 provide an example of the computation of the earnings base from a person’s past earnings history. The earnings history in Table 5 is for a person who worked as a painter and who died in 1997 of mesothelioma. His earnings fluctuated and, if anything, had a downward rather than an upward trend over time. He also collected unemployment compensation benefits each year, though with considerable fluctuation, over the 1991-96 period. When the earnings and net profits of Mr. Jones over the 1991-96 period are expressed in 1996 dollars and averaged, the annual earnings base is \$25,866. The average amount of unemployment compensation benefits, in 1996 dollars, is \$5,213. These amounts are used to project Mr. Jones’ loss of money earnings and unemployment compensation benefits over his statistical work life expectancy in Table 6. Because past earnings showed no uptrend over time, earnings are not projected to have increased between 1996 and the date of the economic damage report in 2001. Because this was a Pennsylvania case, future losses of earnings and unemployment compensation are projected flat following *Kaczkowski v. Bolubasz* (Pa. Supreme, 421 A.2d 1027(1980)).¹⁴

¹⁴It could be argued that if future nominal earnings would have remained flat, they should have been discounted at the projected rate of inflation.

Handling Unemployment for Children

Earnings projections for injured children must rely on statistical earnings data because there is no work history. Typically, assumptions are made about the educational attainment the child would have obtained and projections of earnings are made using earnings data from the U.S. Bureau of the Census for persons with the assumed level of education. For purposes of discussing the adjustment for unemployment in such projections, the assumption is made that a white female child is permanently disabled before completing high school. The further assumption is made the child would have been a high school graduate.

Table 7 shows the age-earnings profile data used to project the lost earnings. Median earnings for white females working full-time, year-round are used to make the projection of earnings, but for the injury. The unemployment rate from Table 1 for female high school graduates 16-24 (15.3%) is used to adjust earnings when age 18-24, and the unemployment rate for female high school graduates age 25 and over (5.8%) is used to adjust earnings for the other age groups. To allow for the payment of unemployment compensation, the unemployment rates themselves are adjusted by multiplying each by the factor $(1 - 0.5)$, where 50% is the approximate replacement rate for unemployment benefits paid in Pennsylvania (and in other states).

The assumptions that are being made in making this adjustment for unemployment include the following:

- 1) The unemployment spells that would have been experienced are entirely due to lack of work and not to events that disqualify the worker from receiving such benefits.
- 2) the spells of unemployment that would have been experienced are all shorter than the allowed maximum number of weeks for benefit payments.

There are other ways to arrive at an unemployment rate in addition to taking an average like what is shown in Table 1. In an email message posted on one of the list services, Jerry Miner has suggested comparing such an average as is found in Table 1, say for female high school graduates, with the overall average rate of unemployment in the economy over the same historical period. Compute the relationship based on history and then use a forecast of unemployment for the overall economy to derive a forecast for the subgroup in question, e.g., female high school graduates. This procedure relies on the assumption that the future relationship between the national rate and the subgroup rate existing in the past will continue into the future forecast

period. The advantage of the procedure is that it allows one to use the existence of forecasts of the overall unemployment rate to develop an unemployment rate forecast for the subgroup of interest.¹⁵

Using the “All Workers with Earnings” Data

Rather than use full-time year round earnings reduced by an unemployment percentage, an alternative other way to adjust for unemployment would be to use the Census data for the average earnings of “all workers with earnings.” Because such an average by definition includes part-time and workers worker less than full-time, year-round, such averages already incorporate time out of the labor force and spells of unemployment.¹⁶ The problem with using the “all workers with earnings” data is that such data combine the impact of being unemployed, working part-time and being out of the labor force. Hence, separate effect of unemployment alone is not distinguishable from the other reasons that earnings for “all workers with earnings” are lower, namely, working part-time and not being in the labor force. If the objective is to provide an estimate of earning capacity, there is a need to reduce earnings only for the impact of involuntary factors (i.e., the probability of death, disability and unemployment) that reduce earning capacity. The use of the earnings of “all workers with earnings” risks including the impact of voluntary factors, to the extent that working part-time and/or for only part of the year are the result of voluntary choices. Of course, working part-time or for only part of a year might be the result of involuntary factors in some situations, just as being unemployed is “involuntary.” Working part-time could be due to “underemployment,” and working only part of the year could be due to the “discourage worker” effect. However, it is questionable whether one would want to couple the use of the average earnings of “all workers with earnings” with any further adjustment for unemployment over and above what is already “baked in.” That is, one would not want to substitute the data for “all workers with earnings” for the full-time earnings in Table 7 and then make the same unemployment adjustment shown in Column (5). While this question needs more research, I would also hazard to say that there would also likely be some double counting if the use of such “all workers with earnings” data was

¹⁵See: http://www.ssa.gov/oact/TR/2012/V_B_econ.html#223125 for a projection of the overall U.S. unemployment rate in the most recent OASDI Trustees report from the Office of the Chief Actuary of the Social Security Administration.

¹⁶For example, 2010 data from the Annual Social and Economic Supplement to the Current Population Survey shows that for all males age 15 and over, 11.8% worked 26 weeks or less. This 11.8% spent half their time out of the labor force or unemployed. Source: http://www.census.gov/hhes/www/cpstables/032011/perinc/new05_055.htm.

coupled with the use of the Ciecka/Skoog/Krueger (2011) work life expectancy tables because some part of the earnings of “all workers with earnings” in each working year would already include the effect of some time not in the labor force.

The advantages and disadvantages of using the earnings data for “all workers with earnings” deserves further research and analysis in situations where the goal is to compute expected earnings rather than earning capacity, but also, possibly, in situations where the goal is to compute earning capacity. If one starts with the assumption that workers earn as much as they reasonably can, then the “all workers with earnings” data may represent earning capacity more accurately than the data for full-time, year-round workers—at least for male workers. One advantage of the “all workers with earnings” statistics is that the measure is more comprehensive and inclusive of the experience of the average worker than the statistics that are limited exclusively to “full-time, year-round workers.” One wonders how many persons really spend their entire work lives working full-time the year round and whether such an assumption is an appropriate one to make in the projection of lifetime earnings for an injured child. A 2006 paper by Krueger, Skoog and Ciecka addresses the question of how much of an entire lifetime a male and female will spend out of the labor force, working part-time and working full time, based on 1998 - 2004 labor force participation rates.¹⁷ The paper develops a three-state Markov model where the initial states are “out of the labor force,” “working part-time” and “working full-time.” Among the many numerical results of the paper, one is that the average 17-year-old male will spend 19.44 years out of the labor force, 4.57 years working part-time, and 34.40 years working full-time. The average 17-year-old female will spend 29.69 years out of the labor force, 9.15 years working part-time and 24.75 years working full-time. Involuntary factors, i.e., traditionally-defined unemployment, underemployment and the discouraged worker effect, may impact the share of time in each of the three states by reducing the proportion of years during the lifetime when the worker works full-time and increasing the proportion of years of part-time work and/or time not working.

Conclusion

I view this paper as early draft that needs considerable further development. Additional consideration needs to be given to the (1) possible use of unemployment rates provided by longitudinal data, and (2) the implications for using the earnings data for all workers with earnings.

¹⁷Kurt V. Krueger, Gary R. Skoog and James Ciecka, “Worklife in a Markov Model with Full-time and Part-time Activity,” *Journal of Forensic Economics*, Vol. 19, No. 1 (Winter, 2006), pp. 61-82.

Table 1

Unemployment Rate by Level of Education, Sex and Age Group, 2001 -- 2011

Unemployment Rate for Males, Age 16-24, Not Enrolled in School (a)												
Education Level	Year											Average
	2001	2002	2003 (c)	2004 (c)	2005 (c)	2006 (c)	2007 (c)	2008 (c)	2009 (c)	2010 (c)	2011 (c)	
Less than a High School Diploma	17.8%	19.3%	21.2%	20.0%	14.8%	17.8%	18.6%	24.7%	30.3%	32.8%	30.5%	22.5%
High School Graduates	9.8%	13.3%	14.0%	13.2%	12.3%	12.8%	11.5%	14.5%	21.5%	23.0%	21.8%	15.2%
Less than a Bachelor's Degree	6.4%	9.2%	8.6%	8.2%	7.6%	6.8%	6.1%	8.0%	11.5%	13.7%	13.1%	9.0%
Bachelor's Degree and Higher	6.8%	6.4%	6.8%	5.1%	6.0%	5.1%	6.7%	6.2%	8.7%	9.3%	10.0%	7.0%

Unemployment Rate for Males, Age 25 and Over (b)												
Education Level	Year											Average
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Less than a High School Diploma	6.5%	7.8%	8.2%	7.6%	6.4%	6.1%	6.6%	8.8%	14.9%	15.0%	13.6%	9.2%
High School Graduates	4.3%	5.4%	5.7%	5.1%	4.6%	4.3%	4.4%	5.9%	11.0%	11.3%	10.0%	6.5%
Some College, No Degree	3.4%	4.7%	5.4%	4.4%	3.9%	3.5%	3.6%	5.0%	9.3%	9.7%	8.7%	5.6%
Associate Degree	3.1%	4.3%	4.4%	4.0%	3.3%	3.0%	3.0%	3.8%	7.9%	7.8%	6.8%	4.7%
Bachelor's Degree and Higher	2.2%	3.0%	3.2%	2.7%	2.3%	1.9%	1.9%	2.5%	4.7%	4.8%	4.3%	3.0%

Unemployment Rate for Females, Age 16-24, Not Enrolled in School (a)												
Education Level	Year											Average
	2001	2002	2003 (c)	2004 (c)	2005 (c)	2006 (c)	2007 (c)	2008 (c)	2009 (c)	2010 (c)	2011 (c)	
Less than a High School Diploma	21.8%	23.2%	21.2%	20.0%	14.8%	17.8%	18.6%	24.7%	30.3%	32.8%	30.5%	23.2%
High School Graduates	10.8%	13.4%	14.0%	13.2%	12.3%	12.8%	11.5%	14.5%	21.5%	23.0%	21.8%	15.3%
Less than a Bachelor's Degree	6.1%	7.7%	8.6%	8.2%	7.6%	6.8%	6.1%	8.0%	12.4%	13.7%	13.1%	8.9%
Bachelor's Degree and Higher	4.2%	5.1%	6.8%	5.1%	6.0%	5.1%	6.7%	6.2%	5.5%	9.3%	10.0%	6.4%

Female
to Male
Unemp.
Rate
Ratio

Unemployment Rate for Females, Age 25 and Over (b)												
Education Level	Year											Average
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Less than a High School Diploma	8.5%	9.5%	9.8%	10.0%	9.7%	7.9%	8.2%	9.4%	14.2%	14.6%	14.8%	10.6%
High School Graduates	4.0%	5.1%	5.2%	4.9%	4.8%	4.3%	4.3%	5.3%	8.0%	9.0%	8.7%	5.8%
Some College, No Degree	3.6%	4.9%	4.9%	4.7%	4.5%	4.3%	4.1%	5.1%	8.0%	8.7%	8.7%	5.6%
Associate Degree	2.7%	3.7%	3.7%	3.4%	3.3%	3.1%	3.1%	3.7%	5.9%	6.3%	6.8%	4.2%
Bachelor's Degree and Higher	2.3%	2.8%	2.9%	2.7%	2.4%	2.1%	2.1%	2.7%	4.5%	4.7%	4.3%	3.0%

1.1488
0.8833
0.9984
0.8891
1.0000

(a) U.S. Dept. of Labor, Bureau of Labor Statistics, "Employment and Earnings," Table A16. Each year's rate is the average of unemployment rates, not seasonally adjusted, for the months of January, April, July and October. Online Source, April 2007 and thereafter: <http://www.bls.gov/opub/ee/home.htm>

(b) U.S. Dept. of Labor, Bureau of Labor Statistics, "Employment and Earnings," Table 7. Online Source, April 2007 and thereafter: <http://www.bls.gov/opub/ee/home.htm>.

(c) Beginning in 2003, data for those aged 16-24 are for both sexes.

Table 2

Median Duration of Unemployment by Sex and Age Group, 2001 to 2011

Total, 16 years and over, median duration of unemployment in weeks												
Age Group	Year											Average
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Total, 16 years and over	6.8	9.1	10.1	9.8	8.9	8.3	8.5	9.4	15.1	21.4	21.4	11.7
16 to 19 years	4.4	5.3	5.9	6.2	5.4		5.5	6.7	9.6	10.3	10.1	6.9
20 to 24 years	5.4	7.3	8.5	8.0	7.7		7.6	8.4	13.1	15.4	15.2	9.7
25 to 34 years	6.7	9.4	9.9	9.8	9.1		8.5	9.3	14.5	21.0	21.0	11.9
35 to 44 years	8.0	10.6	11.9	11.6	9.9		9.4	10.2	16.4	24.1	24.9	13.7
45 to 54 years	9.0	12.2	13.9	13.4	11.7		11.0	12.2	18.9	29.0	29.5	16.1
55 to 64 years	9.8	12.7	14.5	14.0	12.0		11.0	11.8	19.6	31.2	34.9	17.2
65 years and over	7.6	10.0	10.7	11.8	9.7		7.8	9.9	19.1	29.2	34.2	15.0
Total, 16 years and over, MEAN duration of unemployment in weeks	13.2	16.6	19.2	19.6	18.4	16.8	16.8	17.9	24.4	33.0	39.3	21.4
Men, 16 years and over, median duration of unemployment in weeks												
Age Group												
Total, 16 years and over	7.1	9.3	10.3	9.9	9.3		8.7	9.5	15.5	22.2	21.7	12.4
16 to 19 years	4.5	5.7	6.0	6.3	6.2		5.5	6.8	10.3	11.3	10.4	7.3
20 to 24 years	5.5	7.8	8.8	8.1	8.4		8.0	8.6	13.6	17.0	16.6	10.2
25 to 34 years	7.1	9.6	9.8	9.9	9.6		8.7	9.5	14.6	21.5	20.8	12.1
35 to 44 years	8.1	10.3	12.5	11.7	9.9		9.2	10.2	16.1	24.5	25.5	13.8
45 to 54 years	9.3	12.6	14.7	13.9	12.2		11.1	11.9	19.1	30.3	29.3	16.4
55 to 64 years	10.3	13.3	15.9	15.1	11.7		11.9	12.0	20.0	31.6	34.9	17.7
65 years and over	7.7	10.1	10.5	12.6	10.4		9.2	10.4	20.5	31.7	43.9	16.7
Men, 16 years and over, MEAN duration of unemployment in weeks	13.5	16.9	19.8	20.3	19.1		17.3	18.0	24.6	33.7	40.0	22.3
Women, 16 years and over, median duration of unemployment in weeks												
Age Group												
Total, 16 years and over	6.5	8.8	9.8	9.6	8.6		8.4	9.3	14.5	20.3	21.1	11.7
16 to 19 years	4.2	4.9	5.8	6.1	4.4		5.5	6.5	8.7	9.5	9.7	6.5
20 to 24 years	5.2	6.7	8.0	7.9	6.8		6.9	8.2	12.4	13.5	13.6	8.9
25 to 34 years	6.4	9.2	10.0	9.6	8.8		8.3	9.0	14.4	24.0	21.3	12.1
35 to 44 years	7.9	11.0	11.3	11.5	9.8		9.7	10.2	17.0	23.7	24.2	13.6
45 to 54 years	8.6	11.6	13.0	12.9	11.2		10.9	12.6	18.7	27.3	29.8	15.7
55 to 64 years	9.0	11.9	13.4	13.0	12.3		9.9	11.5	19.1	30.6	34.8	16.6
65 years and over	7.5	10.0	10.9	10.5	8.8		6.2	9.2	17.2	26.2	26.7	13.3
Women, 16 years and over, MEAN duration of unemployment in weeks	12.7	16.2	18.4	18.8	17.6		16.2	17.7	24.1	32.0	38.5	21.2

(a) U.S. Dept. of Labor, Bureau of Labor Statistics, "Employment and Earnings," Table 31. Online Source, April 2007 and thereafter: <http://www.bls.gov/opub/ee/home.htm>. Note that the median number of weeks for unemployment duration have typically been roughly one-half the size of the mean number of weeks of unemployment duration. In 2011, the mean number of weeks of unemployment duration will be increasing because respondents are being given longer time period choices for the length of time they have been unemployed, rather than having the longest category being two or more years. An email message from Tom Roney called my attention to this change. The Appendix has details.

Table 3. Percent of weeks individuals were employed, unemployed, or not in the labor force from age 18 to age 44 in 1978-2008 by educational attainment, sex, race, and Hispanic or Latino ethnicity

Characteristic	Percent of total weeks while ages 18 to 44 in 1978-2008		
	Employed	Unemployed	Not in labor force
Total, ages 18 to 44 in 1978-2008.....	77.2	4.4	17.6
Less than a high school diploma	59.9	8.1	30.9
High school graduates, no college ¹	77.8	4.9	16.6
Some college or associate degree	79.8	4.0	15.4
Bachelor's degree and higher ²	82.3	2.5	14.7
Men	83.8	4.9	10.5
Less than a high school diploma	69.4	9.3	20.1
High school graduates, no college ¹	86.1	5.2	8.0
Some college or associate degree	86.7	4.2	8.3
Bachelor's degree and higher ²	86.4	2.6	10.5
Women	70.3	4.0	25.0
Less than a high school diploma	45.9	6.5	46.8
High school graduates, no college ¹	68.9	4.6	25.8
Some college or associate degree	73.9	3.8	21.4
Bachelor's degree and higher ²	78.2	2.3	18.9
White non-Hispanic	79.3	3.7	16.3
Less than a high school diploma	63.9	7.4	27.6
High school graduates, no college ¹	80.2	4.1	15.1
Some college or associate degree	81.1	3.2	14.8
Bachelor's degree and higher ²	82.4	2.3	14.8
Black non-Hispanic	68.7	8.2	22.2
Less than a high school diploma	47.2	11.5	40.6
High school graduates, no college ¹	68.3	9.0	21.7
Some college or associate degree	74.7	7.3	17.2
Bachelor's degree and higher ²	82.0	4.0	13.1
Hispanic or Latino	71.9	5.4	21.8
Less than a high school diploma	59.4	7.9	31.5
High school graduates, no college ¹	74.4	5.2	19.6
Some college or associate degree	78.3	4.1	16.4
Bachelor's degree and higher ²	79.8	2.9	16.6

¹ Includes persons with a high school diploma or equivalent.

² Includes persons with bachelor's, master's, professional, or doctoral degrees.

NOTE: This table excludes individuals who turned age 18 before January 1, 1978, or who had not yet turned age 45 when interviewed in 2008-09. Totals do not add to 100 percent due to a small number of respondents whose employment status cannot be determined for all weeks. The National Longitudinal Survey of Youth 1979 consists of men and women who were born in the years 1957-64 and were ages 14 to 22 when first interviewed in 1979. These individuals were ages 43 to 52 in 2008-09. Educational attainment is defined as of the 2008-09 survey. Race and Hispanic or Latino ethnicity groups are mutually exclusive but not exhaustive. Other race groups, which are included in the overall totals, are not shown separately because their representation in the survey sample is not sufficiently large to provide statistically reliable estimates.

Table 4

Selected Work Life Expectancies from Millimet, et al., 2003 (a)

	Women					Men				
Age	Less than High School Degree					Less than High School Degree				
	2-State Markov Model		3-State Markov Model			2-State Markov Model		3-State Markov Model		
	Active	Inactive	Employed	Unemployed	Inactive	Active	Inactive	Employed	Unemployed	Inactive
18	23.451	22.095	22.123	21.041	20.660	32.687	31.152	29.756	28.672	28.032
23	21.048	19.448	19.950	18.749	18.135	29.501	27.492	27.061	25.881	24.831
30	17.787	15.651	17.263	15.354	14.631	23.908	21.620	22.152	20.645	19.504
40	12.795	9.617	12.793	10.224	9.208	16.589	11.941	15.337	13.368	10.707
50	8.417	4.049	8.478	5.269	3.612	9.977	4.818	9.455	7.007	4.553
60	4.630	1.103	4.563	2.113	0.830	4.688	1.119	4.760	2.275	0.923
Age	High School Degree to Some College					High School Degree to Some College				
	2-State Markov Model		3-State Markov Model			2-State Markov Model		3-State Markov Model		
	Active	Inactive	Employed	Unemployed	Inactive	Active	Inactive	Employed	Unemployed	Inactive
18	33.255	31.884	32.300	31.145	30.645	38.847	37.204	37.301	36.110	35.334
23	30.271	28.418	29.361	27.929	27.237	35.218	33.594	33.768	32.639	31.826
30	25.428	23.077	24.680	23.360	22.189	29.260	27.085	28.091	26.905	25.654
40	17.997	14.753	17.572	15.831	14.143	20.445	17.247	19.907	18.337	16.297
50	10.684	6.424	10.529	8.394	6.166	12.292	7.865	11.891	10.036	7.264
60	5.123	1.736	5.143	3.057	1.362	5.584	2.462	5.483	3.279	1.815
Age	College Degree or More					College Degree or More				
	2-State Markov Model		3-State Markov Model			2-State Markov Model		3-State Markov Model		
	Active	Inactive	Employed	Unemployed	Inactive	Active	Inactive	Employed	Unemployed	Inactive
18	–	–	–	–	–	–	–	–	–	–
23	33.632	31.546	33.474	32.626	31.332	38.641	37.283	37.506	36.442	36.159
30	27.980	24.863	27.765	26.723	24.663	32.413	31.107	31.188	30.288	29.624
40	20.238	17.010	20.021	18.862	16.615	23.146	20.489	22.114	21.047	19.419
50	12.019	7.628	12.023	10.750	7.718	14.241	10.760	13.542	12.187	9.659
60	5.657	2.109	5.849	4.030	1.660	6.968	3.205	6.422	4.792	2.457

(a) Source: Daniel L. Millimet, Michael Nieswiadomy, Hang Ryu and Daniel Slottje, "Estimating Worklife Expectancies: An Econometric Approach, Journal of Econometrics, Vol. 113 (2003), pp. 83-113.

TABLE 5

EARNINGS RECORD OF JOHN L. JONES, JR. (a)

Employer	1991	1992	1993	1994	1995	1996	
Alexander Contractors, Inc.	\$0	\$0	\$0	\$0	\$1,516	\$0	
All Interiors	\$0	\$7,284	\$0	\$0	\$0	\$0	
Avalotis Painting Co, Inc.	\$0	\$0	\$0	\$0	\$3,678	\$18	
Christopher W. Kunes	\$0	\$0	\$0	\$0	\$0	\$800	
Cousar Painting Co.	\$0	\$1,626	\$0	\$0	\$0	\$0	
Duggan & Macron, Inc.	\$0	\$0	\$2,082	\$3,141	\$0	\$0	
Expert Sales & Service Corp.	\$0	\$0	\$0	\$0	\$728	\$0	
Fine Painting & Decoration Co.	\$0	\$0	\$0	\$0	\$3,625	\$0	
Finishes, Inc.	\$8,425	\$4,656	\$0	\$0	\$0	\$0	
Haranin Construction, Inc.	\$0	\$0	\$0	\$0	\$0	\$6,320	
Harrisburg Decorating Co., Inc.	\$6,154	\$0	\$0	\$0	\$0	\$0	
Interior Construction Specialists	\$3,465	\$480	\$0	\$0	\$0	\$5,235	
Novinger's, Inc.	\$3,695	\$1,990	\$28,770	\$4,805	\$0	\$0	
Patrinos Painting & Contracting	\$2,968	\$0	\$0	\$0	\$0	\$0	
Penn Installations, Inc.	\$0	\$4,045	\$0	\$1,450	\$0	\$0	
Ralph E. Jones, Inc.	\$0	\$0	\$0	\$15,478	\$2,187	\$0	
V-J Corporation	\$0	\$0	\$0	\$0	\$8,425	\$0	
Total Wages	\$24,708	\$20,081	\$30,852	\$24,873	\$20,159	\$12,373	
Net Schedule C Profit (Loss)	\$1,077	\$3,727	\$0	\$1,330	\$2,168	\$3,031	
Total Wages and Net Profit	\$25,785	\$23,808	\$30,852	\$26,203	\$22,327	\$15,404	
Unemployment Compensation	\$1,529	\$4,182	\$927	\$4,737	\$9,408	\$9,266	
Carol Jones' Earnings	\$22,004	\$22,736	\$23,347	\$23,616	\$24,141	\$24,508	
Consumer Price Index for Year (b)	140.3	144.5	148.2	152.4	156.9	160.5	
Value of Dollar Relative to 1996	1.144	1.111	1.083	1.053	1.023	1.000	<u>Averages</u>
Total Wages and Net Profit in \$1996	\$29,497	\$26,444	\$33,413	\$27,596	\$22,840	\$15,404	\$25,866
Unemployment Compensation in \$1996	\$1,749	\$4,645	\$1,004	\$4,989	\$9,624	\$9,266	\$5,213
Carol Jones' Earnings in \$1996	\$25,172	\$25,253	\$25,285	\$24,871	\$24,695	\$24,508	\$24,964

(a) Source: Employer W-2 forms, tax returns, and statement from Social Security Administration

(b) U.S. Dept. of Labor, Bureau of Labor Statistics, "Monthly Labor Review," Jan. 2001, Current Labor Statistics, Table 30.

TABLE 6

YEAR-BY-YEAR COMPUTATION OF ECONOMIC DAMAGES
EXCLUDING HOUSEHOLD SERVICES

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
YEAR	AGE AT START OF YEAR	LENGTH OF PERIOD	ANNUAL MONEY EARNINGS AND NET PROFITS	TOTAL IN PERIOD (3) X (4)	UNEMPLOY- MENT COMPEN- SATION	TOTAL COMPEN- SATION (5) + (6)	PERSONAL MAINTENANCE EXPENSES	NET ECONOMIC LOSS EXCLUDING HOUSEHOLD SERVICES (7) - (8)	CUMU- LATIVE TOTAL
1997	40.578	0.333	\$25,866	\$8,601	\$1,733	\$10,334	\$4,050	\$6,284	\$6,284
1998	41.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$12,179	\$18,900	\$25,184
1999	42.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$12,179	\$18,900	\$44,084
2000	43.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$12,179	\$18,900	\$62,983
2001	44.578	0.191	\$25,866	\$4,940	\$996	\$5,936	\$2,326	\$3,610	\$66,593
PAST TOTALS TO 03/12/01		3.524		\$91,138	\$18,367	\$109,505	\$42,912	\$66,593	
2001	44.578	0.809	\$25,866	\$20,925	\$4,217	\$25,142	\$9,853	\$15,290	\$81,883
2002	45.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$12,179	\$18,900	\$100,783
2003	46.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$12,179	\$18,900	\$119,682
2004	47.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$12,179	\$18,900	\$138,582
2005	48.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$12,179	\$18,900	\$157,482
2006	49.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$13,153	\$17,925	\$175,407
2007	50.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$192,358
2008	51.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$209,309
2009	52.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$226,261
2010	53.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$243,212
2011	54.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$260,163
2012	55.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$277,114
2013	56.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$294,065
2014	57.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$311,016
2015	58.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$327,967
2016	59.578	1.000	\$25,866	\$25,866	\$5,213	\$31,078	\$14,127	\$16,951	\$344,918
2017	60.578	0.205	\$25,866	\$5,302	\$1,069	\$6,371	\$2,896	\$3,475	\$348,393
FUTURE TOTALS TO AGE 60.783		16.014		\$414,211	\$83,478	\$497,689	\$215,889	\$281,800	
Past & Future Totals		<u>19.538</u>		<u>\$505,349</u>	<u>\$101,845</u>	<u>\$607,194</u>	<u>\$258,801</u>	<u>\$348,393</u>	

Earnings are about \$50K less than if I had increased earnings from 1996 to 2001 by the increase in the CPI during that period.

TABLE 7

AGE EARNINGS PROFILE FOR WHITE FEMALES WITH A HIGH SCHOOL DIPLOMA
IN THE UNITED STATES, 2007-2009, EMPLOYED FULL TIME, YEAR ROUND,
AND ESTIMATED FOR 2011 WITH AN ADJUSTMENT FOR UNEMPLOYMENT

(1)	(2)	(3)	(4)	(5)
Age Group	Number Working Full-Time Year-Round (a)	2007-2009 U.S. Median Earnings (a) 2009 Dollars	2011 Estimated U.S. Median Earnings (3) X 1.03069 (b)	2011 Earnings Adjusted For Unemployment (c)
ALL AGES	6,388,069	\$28,407	\$29,056	\$28,216
18 - 24	570,063	\$18,990	\$19,424	\$17,168
25 - 29	534,702	\$24,987	\$25,558	\$24,819
30 - 34	475,646	\$26,378	\$26,981	\$26,201
35 - 39	604,929	\$27,985	\$28,625	\$27,797
40 - 44	813,784	\$29,984	\$30,669	\$29,783
45 - 49	1,012,885	\$30,436	\$31,132	\$30,232
50 - 54	1,010,320	\$30,436	\$31,132	\$30,232
55 - 59	794,563	\$30,436	\$31,132	\$30,232
60 - 64	497,592	\$31,084	\$31,794	\$30,875
65 AND OVER	73,589	\$30,684	\$31,385	\$29,571

(a) Source: Expectancy Data, "Full-time Earnings in the United States: 2009 Edition. Shawnee Mission, Kansas, 2011, p. 30.

(b) Source: Table 3, Column (7), using the increase in the ECI of 3.069% from Dec. 2009 to Sept. 2011.

(c) Source Table 1. Averages for young women 16-24 are used for 18-24 age group; averages for women 25 and over are used for all others. The assumption is made that unemployment benefits cover 50% of wages lost.

APPENDIX



Databases, Tables & Calculators by Subject

FONT SIZE: **+**

Change Output Options:

From: To: **GO**

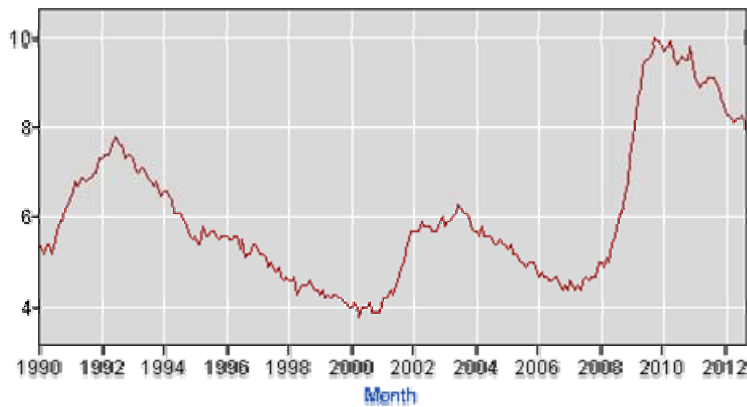
include graphs

[More Formatting Options](#)

Data extracted on: October 16, 2012 (2:22:53 PM)

Labor Force Statistics from the Current Population Survey

Series Id: LNS14000000
Seasonally Adjusted
Series title: (Seas) Unemployment Rate
Labor force status: Unemployment rate
Type of data: Percent or rate
Age: 16 years and over



Download: [.xls](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
1990	5.4	5.3	5.2	5.4	5.4	5.2	5.5	5.7	5.9	5.9	6.2	6.3	
1991	6.4	6.6	6.8	6.7	6.9	6.9	6.8	6.9	6.9	7.0	7.0	7.3	
1992	7.3	7.4	7.4	7.4	7.6	7.8	7.7	7.6	7.6	7.3	7.4	7.4	
1993	7.3	7.1	7.0	7.1	7.1	7.0	6.9	6.8	6.7	6.8	6.6	6.5	
1994	6.6	6.6	6.5	6.4	6.1	6.1	6.1	6.0	5.9	5.8	5.6	5.5	
1995	5.6	5.4	5.4	5.8	5.6	5.6	5.7	5.7	5.6	5.5	5.6	5.6	
1996	5.6	5.5	5.5	5.6	5.6	5.3	5.5	5.1	5.2	5.2	5.4	5.4	
1997	5.3	5.2	5.2	5.1	4.9	5.0	4.9	4.8	4.9	4.7	4.6	4.7	
1998	4.6	4.6	4.7	4.3	4.4	4.5	4.5	4.5	4.6	4.5	4.4	4.4	
1999	4.3	4.4	4.2	4.3	4.2	4.3	4.3	4.2	4.2	4.1	4.1	4.0	
2000	4.0	4.1	4.0	3.8	4.0	4.0	4.0	4.1	3.9	3.9	3.9	3.9	
2001	4.2	4.2	4.3	4.4	4.3	4.5	4.6	4.9	5.0	5.3	5.5	5.7	
2002	5.7	5.7	5.7	5.9	5.8	5.8	5.8	5.7	5.7	5.7	5.9	6.0	
2003	5.8	5.9	5.9	6.0	6.1	6.3	6.2	6.1	6.1	6.0	5.8	5.7	
2004	5.7	5.6	5.8	5.6	5.6	5.6	5.5	5.4	5.4	5.5	5.4	5.4	
2005	5.3	5.4	5.2	5.2	5.1	5.0	5.0	4.9	5.0	5.0	5.0	4.9	
2006	4.7	4.8	4.7	4.7	4.6	4.6	4.7	4.7	4.5	4.4	4.5	4.4	
2007	4.6	4.5	4.4	4.5	4.4	4.6	4.7	4.6	4.7	4.7	4.7	5.0	

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2008	5.0	4.9	5.1	5.0	5.4	5.6	5.8	6.1	6.1	6.5	6.8	7.3	
2009	7.8	8.3	8.7	8.9	9.4	9.5	9.5	9.6	9.8	10.0	9.9	9.9	
2010	9.7	9.8	9.8	9.9	9.6	9.4	9.5	9.6	9.5	9.5	9.8	9.4	
2011	9.1	9.0	8.9	9.0	9.0	9.1	9.1	9.1	9.0	8.9	8.7	8.5	
2012	8.3	8.3	8.2	8.1	8.2	8.2	8.3	8.1	7.8				

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Changes to data collected on unemployment duration

Effective with data for January 2011, the Current Population Survey (CPS) was modified to allow respondents to report longer durations of unemployment. Prior to that time, the CPS accepted unemployment durations of up to 2 years; any response of unemployment duration greater than this was entered as 2 years. Starting with data for January 2011, respondents were able to report unemployment durations of up to 5 years. This change affected estimates of average (mean) duration of unemployment. The change did not affect the estimate of the number of unemployed persons and did not affect other data series on the duration of unemployment.

There was an unprecedented rise in the number of persons with very long durations of unemployment during the recent labor market downturn. Nearly 11 percent of unemployed persons had been looking for work for about 2 years or more in the fourth quarter of 2010. Because of this increase, BLS and the Census Bureau updated the CPS instrument to accept reported unemployment durations of up to 5 years. This upper bound was selected to allow reporting of considerably longer durations while limiting the effect of erroneous extreme values (outliers).

The new upper bound of 5 years for reported unemployment duration was phased in over the first 4 months of 2011, as the duration question is only asked of a portion of those unemployed in any given month. (The question is asked of unemployed persons who were not interviewed in the prior month and the newly unemployed. Duration is updated automatically for unemployed respondents who remain

unemployed the following month.) By April 2011, all households were able to report the new duration upper limit.

Impacts on published estimates

Because of the previous upper limit on recorded values, BLS cannot determine the duration of unemployment for persons who had been unemployed for longer than 2 years for data prior to January 2011. Monthly estimates of average (mean) duration of unemployment for 2011 produced using the 5-year upper limit are higher than those using the 2-year upper limit. (See tables below.) Only the average (mean) duration of unemployment was affected by this change in data collection. The median duration of unemployment was not affected by this change, nor were distributions of unemployment by weeks unemployed.

Publication

BLS incorporated the new data into the existing official, published data on unemployment duration beginning with data for January 2011. Consequently, there is a break in series for average (mean) duration of unemployment effective in January 2011, though the full effects of the break in series were not evident until April 2011, when the entire CPS sample was able to report the new upper limit of 5 years.

BLS also tabulated, for research purposes, average (mean) duration of unemployment data that replicate the previous 2-year upper limits. These tables allow BLS and data users to gauge the effects of the new upper limit on the average (mean) duration of unemployment. The tables below compare average duration using the previous (2-year) and new (5-year) upper bounds. These tabulations were produced through June 2011.

A comparison of average (mean) unemployment duration using previous and new upper bounds, January–June 2011

Not seasonally adjusted

[January 2011 \(PDF\)](#)
[February 2011 \(PDF\)](#)
[March 2011 \(PDF\)](#)
[April 2011 \(PDF\)](#)
[May 2011 \(PDF\)](#)
[June 2011 \(PDF\)](#)

Seasonally adjusted

[January 2011 \(PDF\)](#)
[February 2011 \(PDF\)](#)
[March 2011 \(PDF\)](#)
[April 2011 \(PDF\)](#)
[May 2011 \(PDF\)](#)
[June 2011 \(PDF\)](#)

Public use microdata

Through March 2011, the CPS public use microdata files (produced by the Census Bureau) contained variables on duration that were restricted by the upper bound of 2 years. With the completion of data collection for April 2011—at which point the 5-year upper bound was fully phased in—the variables for the public use files reflect the 5-year upper bound. (Public use files prior to April 2011 will not be revised to reflect the 5-year upper bound.) Duration values are subject to top-coding in the CPS public use microdata files.

Last Modified Date: July 8, 2011

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Average (mean) duration of unemployment in weeks, seasonally adjusted, June 2011
A comparison of new (5-year) and previous (2-year) topcodes

	New topcode (5 years)	Previous topcode (2 years)	Difference (New - previous)
Total, 16 years and over	39.9	37.0	2.9

NOTE: The difference is calculated using unrounded estimates and may differ slightly from calculations using the rounded average durations displayed in this table. With the release of data for January 2011, the Current Population Survey (CPS) was modified to allow respondents to report durations of unemployment of up to 5 years. Previously, the

CPS accepted unemployment durations of up to 2 years; any response of unemployment duration greater than this was entered as 2 years. With the release of data for January 2011, the official estimates of unemployment duration use the new 5-year topcode. This table presents research estimates using the previous 2-year topcode.

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Unemployment Duration

Unemployment duration — the length of time spent unemployed — tells us something about how difficult it is for out of work persons to reenter the world of employment. **As of May 2012, the average length of unemployment was 39.7 weeks.**

Average and Median Unemployment Duration

This is simply the average and median duration of unemployment for workers. The definition of unemployment for each is the same as the [standard headline unemployment \(i.e. U-3\)](#).

Unemployment Duration	May 2012	Month/Year	Month/Year
		(Weeks)	(Weeks)
Average	39.7 wks	+0.6	+0.1
Median	20.1 wks	+0.7	-1.8

Unemployment Duration: Average, Median



Note: Recessions shown in gray

Percent of Unemployed by Duration of Unemployment

These two metrics help us divide the unemployed into groups that have been unemployed for short and long periods. An increasing fraction unemployed persons who have been looking for work for more than 15 weeks (roughly 3.5 months) is generally regarded as a sign of a more difficult labor market.

Unemployment Duration	May 2012	Month/Month Year/Year	
	Fraction of Unemployed	(Points)	(Points)
Under 15 Weeks	44.1%	+0.7	+3.5
15+ Weeks	55.9%	-0.7	-3.5

Fraction of Unemployed by Duration of Unemployment: Under 15 Weeks, 15+ Weeks

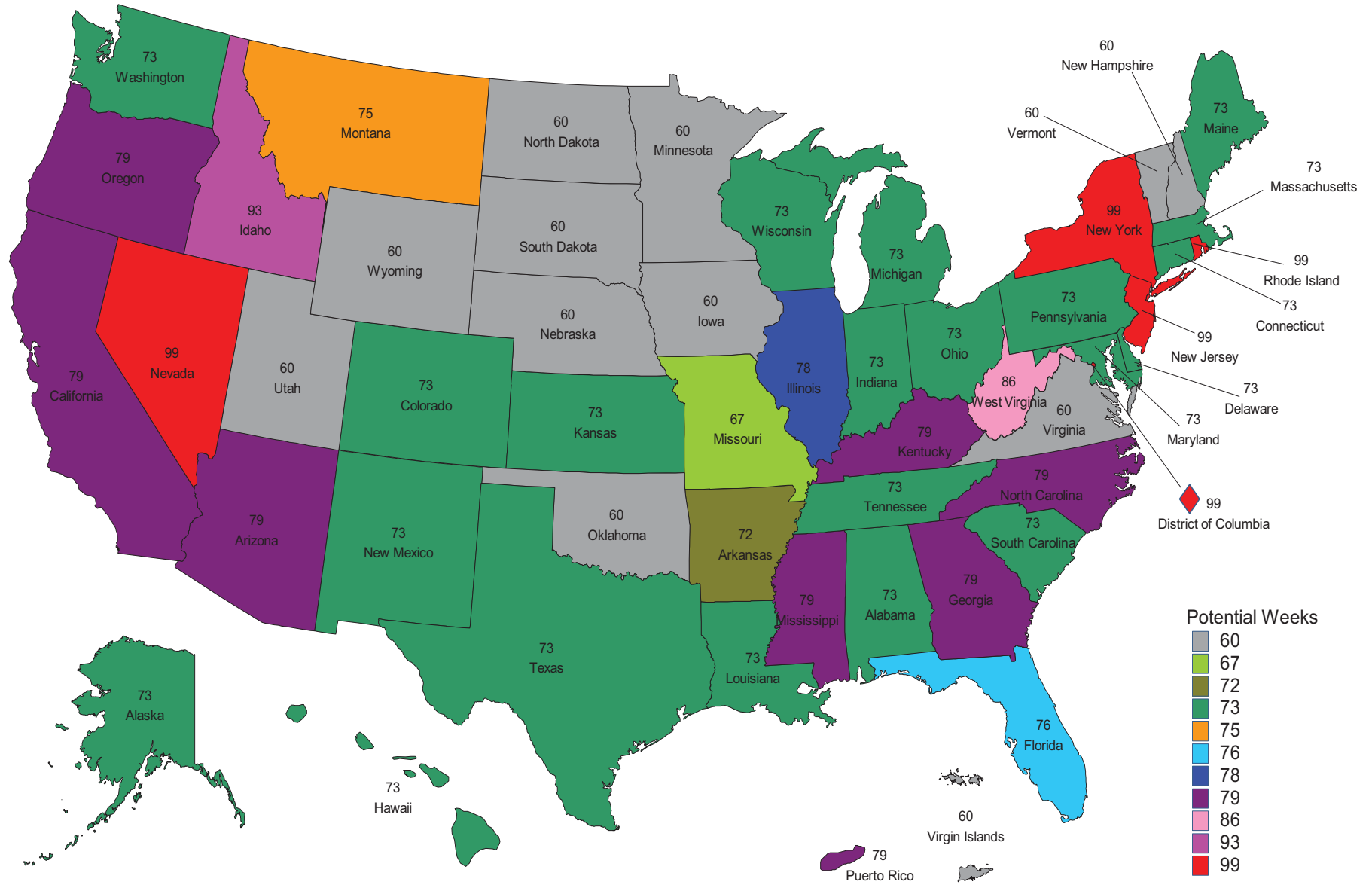


Percent of Unemployed by Duration of Unemployment (More Granular)

This is the same metric as above just divided into more granular segments.

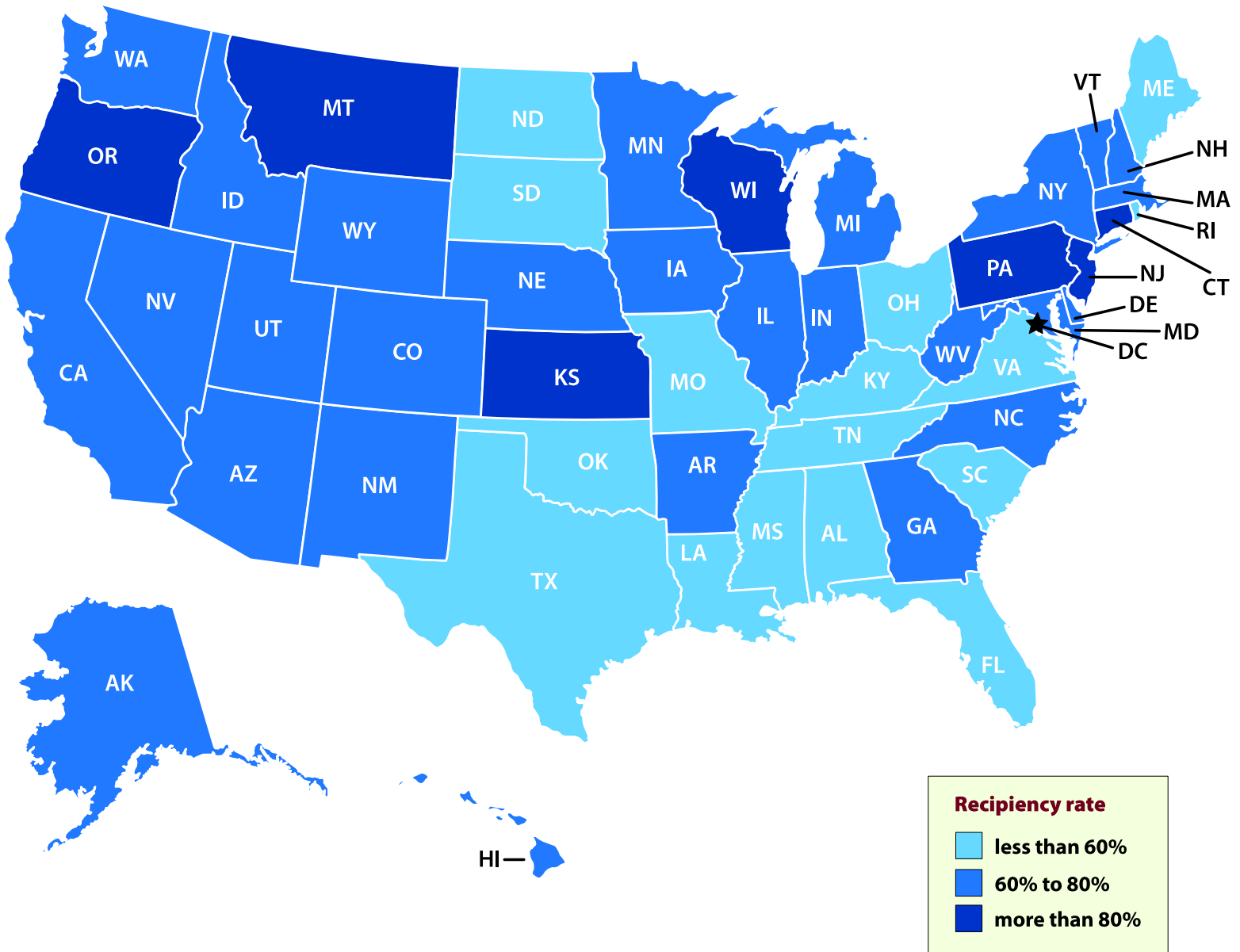
Unemployment Duration	May 2012	Month/Month Year/Year	
	Fraction of Unemployed	(Points)	(Points)
Under 5 Weeks	20.4%	-0.2	+0.9
5-14 Weeks	23.7%	+0.9	+2.6
15-26 Weeks	13.1%	-2.2	-1.4
27+ Weeks	42.8%	+1.5	-2.2

Maximum Potential Weeks of UI Benefits for New Claimants



Effective as of June 3, 2012

Reciprocity Rate by State



Roll over the map above to see reciprocity rate by state.

Source: Department of Labor, Employment and Training Administration.

- **Economy Track**
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Economic snapshot | Jobs Wages and Living Standards

Many jobless can not collect unemployment benefits

By **Andrea Orr** | May 20, 2010

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By Andrea Orr

(Updated to reflect most recent data)

Millions of the nation's unemployed are not collecting unemployment benefits and are not eligible to do so under the laws in their state. Despite historically high unemployment, and record levels of long-term unemployment, only 67% of the unemployed workers in the U.S. were collecting unemployment insurance in the fourth quarter of 2009, the most recent quarter for which data are available from the Department of Labor. That "reciency rate" includes workers receiving benefits under all of the extensions of emergency unemployment insurance that have been passed during the recession. When the reciency rate is calculated based solely on the standard 26 weeks of unemployment, it drops to 35%: In other words, without the emergency extensions that have been passed, fewer than half of the country's unemployed would be collecting unemployment. This unemployment insurance "reciency rate" varies significantly by state. The **Map** shows the portion of unemployed workers in each state who were receiving benefits in the most recent quarter.

There are multiple reasons an unemployed worker may not receive unemployment insurance. People entering the labor market for the first time or after a long absence from the workforce do not qualify because no employer has paid sufficient premiums to qualify them for insurance. Many state laws also make it difficult for part-time workers to collect benefits, a restriction that impacts women and low-income workers disproportionately. In addition, because of laws that date back to a time of paper records that took time to assemble, many states exclude a worker's most recent wages when calculating benefits. Workers who were forced to leave their jobs because of medical reasons or lack of childcare, also do not typically qualify to collect unemployment. Some states disqualify seasonal workers, and all states disqualify workers who quit or are fired for misconduct. Finally, some workers mistakenly assume that they do not qualify for benefits, and never apply.

See more work by **Andrea Orr**

Pennsylvania Unemployment Compensation Handbook



pennsylvania

DEPARTMENT OF LABOR & INDUSTRY

OFFICE OF UNEMPLOYMENT COMPENSATION BENEFITS

Internet Services in Pennsylvania

Many of our telephone and mail UC services
are available on the Internet.

Los servicios de Internet también están disponibles en español.

Log onto www.uc.pa.gov.

Information For Claimants With Disabilities

UC benefit information and services are available to individuals with hearing or speech difficulties through a text telephone service (TTY). This service can be accessed only if a TTY number is called from a TTY device. TTY numbers are listed on pages 14-15. TTY telephone numbers are for TTY device users only. Videophone service information is on page 15.

*Auxiliary aids and services are available
upon request to individuals with disabilities.
Equal Opportunity Employer/Program*

INTRODUCTION

When you file an application for unemployment compensation (UC) benefits in PA, you will receive this booklet, a Claim Confirmation Letter and a Notice of Financial Determination. This booklet will answer many of your questions about the benefits available to you under the PA UC program and provide information about your responsibilities as a participant in the program. Please retain this booklet for reference for one year.¹

CLAIM CONFIRMATION LETTER

Your Claim Confirmation Letter (Form UC-360) confirms that your application for benefits has been processed. It contains your personal identification number (PIN) to access the department's internet claims filing system or to use PA Teleclaims (PAT), which is the department's telephone claims filing system. This letter also instructs you when to file your claims for weeks of unemployment. On the reverse side, there is helpful information about PA CareerLink® reemployment services.

NOTICE OF FINANCIAL DETERMINATION

The amount of UC you may receive is known as "financial eligibility." Financial eligibility is determined by the amount of wages paid to you and the number of weeks you worked in the "base year." Generally, more wages and employment in the base year will result in greater financial eligibility. A claimant who does not meet the minimum wage and employment requirements is financially ineligible.

Definitions

The following definitions will help you understand your Notice of Financial Determination and how financial eligibility for UC is determined:

AB Date: The AB (application for benefits) date is always a Sunday. It is usually the Sunday that begins the week when you filed your application for benefits.

Base Year: Your base year is the first four of the last five completed calendar quarters immediately preceding your AB date. This chart illustrates how the base year is determined:

Year Before Last	Last Year				This Year				
4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Oct Nov Dec	Jan Feb Mar	Apr May Jun	Jul Aug Sep	Oct Nov Dec	Jan Feb Mar	Apr May Jun	Jul Aug Sep	Oct Nov Dec	
		Base Year							AB Date
		Base Year						AB Date	
	Base Year					AB Date			
Base Year					AB Date				

EXAMPLE: If you file your application for benefits (AB) in the fourth quarter of this year, your base year is the third quarter of last year through the second quarter of this year.

Alternative Base Year: If you are financially ineligible for benefits because you have insufficient base year wages or credit weeks due to a work-related injury under the

¹ This booklet is not an official statement of the law. In the event of a conflict between information in this booklet and the law, the law is controlling.

PA Workers' Compensation Act, you may elect to change your base year to the four completed calendar quarters immediately preceding the injury. If you believe that you qualify for this alternative base year, contact the UC Service Center immediately.

Benefit Year: The 52-week period beginning on your AB date.

Credit Week: A calendar week in your base year when you earned wages of \$50 or more.

Highest Quarterly Wage: Your Notice of Financial Determination indicates the amount of wages paid to you in each quarter of your base year. The quarterly wage amount that is the greatest is your highest quarterly wage.

Total Base Year Wages: This is the total amount of wages paid to you in all of the quarters of your base year.

Your Financial Eligibility

If you are financially eligible for benefits, your Notice of Financial Determination establishes the following amounts that will apply to your receipt of UC:

Weekly Benefit Rate: This is the amount you will receive if you are eligible for benefits for a week when you are totally unemployed. A claimant's weekly benefit rate is determined using a chart in the UC law known as the "Table Specified for Determination of Rate and Amount of Benefits." Here is part of the chart to illustrate how the process works:

PART A HIGHEST QUARTERLY WAGE	PART B RATE OF COMPENSATION	PART C QUALIFYING WAGES	PART D PART E AMOUNT OF COMPENSATION	
			26 WKS	16 WKS
4888-4912	198	7840	5148	3168
4913-4937	199	7880	5174	3184
4938-4962	200	7920	5200	3200
4963-4987	201	7960	5226	3216
4988-5012	202	8000	5252	3232
5013-5037	203	8040	5278	3248

Step 1: Column B on the chart lists the weekly benefit rates. Each weekly benefit rate in column B corresponds to a range of highest quarterly wage amounts in column A. The first step is to identify the weekly benefit rate in column B that corresponds to your highest quarterly wage in column A.

Step 2: The next step is to determine if you qualify for the weekly benefit rate identified in step 1. For each weekly benefit rate in column B on the chart, column C specifies the total base year wages that are necessary in order to qualify for that rate. If a claimant does not have total base year wages that are sufficient to qualify for the weekly benefit rate corresponding to your highest quarterly wage, but you have total base year wages that are adequate to qualify for one of the next three lower rates, that lower rate is assigned to you.

EXAMPLE: If a claimant has a highest quarterly wage of \$5000 (column A), the corresponding weekly benefit rate is \$202 (column B). If the claimant has total base year wages of \$8000 or more (column C), the claimant qualifies for that weekly benefit rate. If the claimant's total base year wages are less than \$8000 but at least \$7960, the claimant qualifies for a weekly benefit rate of \$201. If the claimant's total base year wages are \$7920-\$7959, the claimant qualifies for a weekly benefit rate of \$200. If the claimant's total base year wages are \$7880-\$7919, the claimant qualifies for a weekly benefit rate of \$199. If the claimant's total base year wages are less than \$7880, the claimant is not financially eligible for UC.

Special rule for maximum weekly benefit rate: A claimant must meet an additional requirement in order to qualify for the maximum weekly benefit rate. Twenty percent (20%) of the amount in column C must be paid in a calendar UC quarter other than the quarter or quarters that provides the highest quarterly wage.

The complete "Table Specified for the Determination of Rate and Amount of Benefits" is available on the department's website at www.uc.pa.gov.

Alternative weekly benefit rate: If your Notice of Financial Determination indicates that you are financially eligible for a weekly benefit rate that is less than the maximum rate and less than 50% of your full-time weekly wage, you may be eligible for a higher weekly benefit rate. If you have total base year wages (column C) that are sufficient to qualify you for the weekly benefit rate in column B that equals 50% of your full-time weekly wage, you may be eligible for that higher rate. If you believe that you qualify for a weekly benefit rate equal to 50% of your full-time weekly wage, contact the UC Service Center immediately.

Maximum Benefit Amount: This is the maximum amount of benefits you may receive for your benefit year. Your maximum benefit amount is determined by the number of credit weeks in your base year. If you have 18 or more credit weeks, your maximum benefit amount is 26 times your weekly benefit rate. This is the amount in column D on the chart. If you have 16 or 17 credit weeks, your maximum benefit amount is 16 times your weekly benefit rate. This is the amount in column E. If you have less than 16 credit weeks, you are not financially eligible for benefits.

Partial Benefit Credit: Your partial benefit credit is equal to 40% of your weekly benefit rate. See "Part-Time Employment" on page 4 for more information.

Dependents Allowance: If you have a dependent spouse or dependent children, you will receive an additional amount for a week in your benefit year when you are eligible for UC. The allowance for one dependent is \$5. The allowance for two or more dependents is \$8. The Notice of Financial Determination also indicates the maximum amount of dependents allowances you may receive for your benefit year. If you have 16 or 17 credit weeks in your base year, you may receive a dependents allowance for 16 weeks. If you have 18 or more credit weeks, you may receive a dependents allowance for 26 weeks.

Financial Ineligibility

You are not financially eligible for benefits if any of the following circumstances apply to you:

- Your highest quarterly wage is less than \$800;
- Your total base year wages are insufficient to qualify you for the weekly benefit rate that matches your highest quarterly wage or one of the next three lower rates;
- Your highest quarterly wage corresponds to the maximum weekly benefit rate, but you were not paid 20% of the amount in column C outside of the quarter that provides your highest quarterly wage; or
- You have fewer than 16 credit weeks in your base year.

If you are financially ineligible, you may file a new application for benefits on or after the first Sunday of the next calendar quarter. At that time, your base year will have changed and you may be financially eligible.

OTHER ELIGIBILITY REQUIREMENTS

You may be eligible for benefits if:

- You are totally or partially unemployed through no fault of your own or due to a work stoppage that is the result of a lockout;
- You were unemployed for a waiting period of one week after filing your application for benefits;
- You file timely claims for weeks that you are unemployed; and
- You are able to work and available for suitable work.

You may be ineligible for benefits if:

- You voluntarily leave work without cause of a necessitous and compelling nature or you are unemployed due to your own fault;
- You are discharged for willful misconduct or because you failed to submit to and/or pass a drug or alcohol test;
- You participate in a work stoppage that is determined by the department to be a strike;

- You are not able to work because of an illness or disability or you are not available to work;
- You fail to register for employment search services in the Pennsylvania CareerLink® system within thirty (30) days after you file your application for benefits;
- You failed to actively search for suitable employment;
- You fail, without good cause, to accept an offer of suitable work or refuse a referral to a job opportunity;
- You withhold facts or give false information to receive or increase benefits;
- You limit the number of hours that you will work when there is additional work available;
- You are self-employed (regardless of profit or loss); take steps toward becoming self-employed; or increase involvement in a sideline business that existed while you were employed at your regular job;
- You are incarcerated following conviction of a crime;
- You fail to participate in required reemployment services; or
- You are prosecuted or assigned penalty weeks for knowingly misrepresenting facts or knowingly withholding facts to obtain UC.

Requalifying for benefits: If you are ineligible for benefits because you quit your job without a necessitous and compelling reason, you were discharged for willful misconduct or because you failed to submit to and/or pass an employer's drug or alcohol test, or you were self-employed, you may be able to qualify for benefits at a later date. To requalify, you must work and earn an amount equal to or more than six times your weekly benefit rate.

If you are ineligible for benefits because you failed, without good cause, either to apply for or to accept an offer of suitable work, you will remain ineligible for benefits until you obtain subsequent employment of a permanent nature. A disqualification because of a failure to apply for or to accept temporary or casual employment remains in effect only for the period of time that the offered work would have been available.

PART-TIME EMPLOYMENT

You are not eligible to receive benefits for any week in which you are working full time. However, you may be eligible for benefits if (1) your regular hours of work are reduced because of lack of work; (2) you are separated from your job and have obtained other employment with fewer hours of work; or (3) you are separated from one job but continue to have part-time employment with another employer(s).

If you are working part time during a week and earn no more than your partial benefit credit (see page 3), your earnings will not reduce your benefits for that week. If you earn more than your partial benefit credit, the amount of your earnings that exceed your partial benefit credit will reduce your benefits for that week on a dollar-for-dollar basis. If you earn more than the sum of your weekly benefit rate and your partial benefit credit, you are not eligible for benefits.

FILING CLAIMS FOR BENEFITS

After you have filed your application for UC benefits and if you are financially eligible, you must file a claim for each week in which you are totally or partially unemployed. A week for UC purposes is a calendar week that begins Sunday and ends Saturday. The date of the Saturday is called the compensable week ending (CWE) date. In most cases you will file claims for two weeks at one time. This is called a biweekly claim. Although you will file for two weeks at one time, you will certify your eligibility for each week separately.

IMPORTANT NOTE: If you are awaiting a determination regarding your eligibility for benefits, you must file claims for weeks that you are unemployed during this period. Also, if you appeal a determination denying benefits, you must file claims while your appeal is pending. If you stop filing claims for any reason, you must contact your UC Service Center to reopen or reactivate your UC application before you may resume filing claims.