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Review of the Book *Nonmonetary Eligibility in State Unemployment Insurance Programs: Law and Practice*

Abstract

[Excerpt] This monograph focuses on a relatively under-researched topic, namely, the effects of nonmonetary eligibility rules for both initial receipt of benefits and continued receipt once benefits are granted on the rates at which UI benefits are denied to applicants. The authors very competently employ both econometric and case study research methods to address these issues. Their econometric work utilizes quarterly state-level data between 1964 and 1981 and a fixed-effects framework to isolate those parameters of state unemployment insurance laws that influence denial rates. To supplement these analyses, they conduct interviews with key state and local program officials in six states; these interviews yield them a better understanding of the administrative policies agencies follow (given the statutory rules) that lead to high denial rates.

Keywords

unemployment insurance, nonmonetary eligibility, state laws, denial rates

Disciplines

Labor Economics | Labor Relations

Comments

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Nonmonetary Eligibility in State Unemployment Insurance Programs: Law and Practice. By Walter Corson, Alan Hershey, and Stuart Kerachsky. Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 1986. xvii, 138 pp.

Economists have conducted a substantial amount of research on the effects of various parameters of the unemployment insurance system on labor market outcomes. Among the now well-researched topics are the effects of benefit levels, maximum duration of benefits, and experience rating.

This monograph focuses on a relatively under-researched topic, namely, the effects of nonmonetary eligibility rules for both initial receipt of benefits and continued receipt once benefits are granted on the rates at which UI benefits are denied to applicants. The authors very competently employ both econometric and case study research methods to address these issues. Their econometric work utilizes quarterly state-level data between 1964 and 1981 and a fixed-effects framework to isolate those parameters of state unemployment insurance laws that influence denial rates. To supplement these analyses, they conduct interviews with key state and local program officials

in six states; these interviews yield them a better understanding of the administrative policies agencies follow (given the statutory rules) that lead to high denial rates.

The book contains a wealth of solid research and is well worth reading by both researchers and practitioners in the field. It is written at a nontechnical level to make it accessible to a wide audience. Unfortunately, however, two omissions limit its usefulness.

First, labor leaders (at least in New York State) have long stressed that the greater the extent of experience-rating in a state unemployment insurance system, the greater the incentive that exists for employers to challenge both valid *and* invalid unemployment insurance claims. It is thus reasonable to expect that the extent of experience rating is an important determinant of the denial rate. Sadly, analyses of the effects of experience rating do not appear in either the econometric or interview research in this book.

Second, the authors do not satisfactorily address the issue of whether high denial rates under the unemployment insurance system really are desirable. Certainly increased denial of benefits to individuals who fail to meet eligibility criteria may save states money (if the costs of detecting and denying ineligible doesn't exceed the benefits they would have inappropriately received), and the improved enforcement of existing rules at first glance seems desirable. A complete analysis, however, would have to address issues such as the impact of denial of benefits on the subsequent labor market experience of the people denied benefits (in terms of both unemployment durations and post-unemployment wages) and the impact of denial rates on employed workers' propensity to quit their jobs. It is disappointing that these issues, which have received attention in a few (though not many) econometric studies, go unexamined in this book.

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