Unemployment Insurance -

Alternative Base Period

★ The Unemployment Insurance (UI) program needs to be reformed to provide a better safety net for the unemployed.

★ 2004 POLICY SUMMARY ★

Unemployment Insurance - Alternative Base Period

Summary

- **Only 40 percent of all unemployed workers collected benefits in 2002, and the percentage is even smaller for low-wage workers.**
- **The single most important reform that would bring more low-wage workers into the Unemployment Insurance (UI) system is the alternative base period (ABP).**
- **The ABP enables workers who fail to qualify for UI using the typical base period to receive benefits based on more recent wages.**
- **Adopting ABPs does not significantly deplete UI trust funds.**
- **Eighteen states and the District of Columbia have adopted ABPs to promote UI eligibility expansion.**

Only 40 percent of all unemployed workers collected benefits in 2002, and the percentage is even smaller for low-wage workers.[1]

The unemployment insurance (UI) program was created in 1935, based on a Depression-era model of factory employment. Over the past six decades, changes in the labor market—such as increased use of part-time and temporary employment, and rapid job turnover—have eroded the UI safety net so that less than half of the unemployed receive UI benefits.

All states use a base period, or a base year, to determine whether unemployed workers have earned enough wages to qualify for UI benefits.

A base period is typically four calendar quarters—January through March, April through June, July through September, and October through December. Most states define their base periods as the first four of the last five completed calendar quarters. In other words, workers filing UI claims cannot use wages earned in the current quarter (the "filing quarter") or the most recently completed quarter (the "lag quarter") to calculate eligibility or benefit amounts.

The single most important reform that would bring more low-wage workers into the UI system is the alternative base period (ABP).

Some workers fail to qualify for UI because they do not have enough qualifying weeks of wages using the traditional base period. Calculating eligibility with the ABP allows the inclusion of more recent wages from the lag and / or filing quarters in order to meet the state's eligibility requirements.

Among the workers who fail eligibility requirements for UI benefits, one in five would qualify through ABPs.

Calculating eligibility requirements with the ABP expands UI coverage to low-wage and part-time workers—especially women, new entrants to the labor market (including former welfare recipients), and re-entrants to the workforce, who are concentrated in these jobs. Seasonal workers, including those in the building and construction trades, benefit the most from ABPs, because these workers often earn wages concentrated in fewer quarters of their base periods. In addition, because more recent wages are used, ABPs sometimes result in higher weekly UI benefits.

Adopting ABPs does not significantly deplete UI trust funds.

On average, the benefits paid out of UI trust funds have increased by four to six percent in states with ABPs. Given the comparably large numbers of workers who benefit from ABPs, this cost is justified. Furthermore, the cost estimates do not take into account that a fair proportion of newly-included recipients would have remained unemployed and filed valid UI claims at a later date, when their wages fell into the traditionally defined base period.

How Most States Define Their Base Periods[2]

Traditional Base Period

First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Completed Lag Quarter	Filing Quarter

The Alternative Base Period Allowed in Connecticut, District of Columbia, Georgia, Hawaii, Maine, Michigan, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Virginia, Washington and Wisconsin

Alternative Base Period

First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Completed Lag Quarter	Filing Quarter

The Alternative Base Period in Massachusetts, New Jersey and Vermont

Alternative Base Period

First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Completed Lag Quarter	Filing Quarter

Eighteen states and the District of Columbia have adopted ABPs to promote UI eligibility expansion.

In 2003, New Mexico and Virginia adopted the ABP. A total of 18 states (CT, GA, HI, ME, MA, MI, NH, NJ, NM, NY, NC, OH, OK, RI, VT, VA, WA, WI) and DC, responsible for one-third of the nation's UI claims, have adopted ABPs.

This policy summary relies in large part on information from the National Employment Law Project.

Endnotes

[1] National Employment Law Project, "What Is An Alternative Base Period and Why Does My State Need One?" 2003.

[2] Illustrations courtesy of the National Employment Law Project.

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For more information...

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Unemployment Insurance - Alternative Base Period

Alternative Base Period Act

SECTION 1. SHORT TITLE

This Act shall be called the "Alternative Base Period Act."

SECTION 2. ALTERNATIVE BASE PERIOD

After section XXX, the following new section XXX shall be inserted:

1. If an individual does not have sufficient qualifying weeks or wages in the base period to qualify for unemployment insurance benefits, the individual shall have the option of designating that the base period shall be the "alternative base period," which means:

a. The last four completed calendar quarters immediately preceding the individual's benefit period, or

b. The last three completed calendar quarters immediately preceding the benefit period and, of the calendar quarter in which the benefit period commences, the portion of the quarter which occurs before the commencing of the benefit period.

2. The [unemployment insurance agency] shall inform the individual of the option under this section.

3. If information regarding weeks and wages for the calendar quarter or quarters immediately preceding the benefit period is not available from the regular quarterly reports of wage information, and the [unemployment insurance agency] is not able to obtain the information using other means pursuant to state or federal law, the [unemployment insurance agency] may base the determination of eligibility for unemployment insurance benefits on the affidavit of an individual with respect to weeks and wages for that calendar quarter. The individual shall furnish payroll documentation, if available, in support of the affidavit. A determination of unemployment insurance benefits based on an alternative base period shall be adjusted when the quarterly report of wage information from the employer is received, if that information causes a change in the determination.

SECTION 3. EFFECTIVE DATE

This act shall take effect on July 1, 2004.