
**DEMOGRAPHIC PROFILE OF UNEMPLOYMENT
INSURANCE RECIPIENTS UNDER THE
ALTERNATIVE BASE PERIOD
(Volume V)**

by

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October, 1997

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1. INTRODUCTION

The main objective of unemployment insurance is to provide temporary relief to workers who are separated from their jobs through no fault of their own by offering them partial replacement for lost wages. Monetary eligibility for Unemployment Insurance (UI) benefits is determined by insured wages earned by claimants while they were employed during a specified period of time -- referred to as the base period (BP). In most states the base period consists of the first four of the last five completed calendar quarters. This period is known as the regular base period. Eight states currently offer claimants the option of having eligibility determined under an alternative base period when they are not eligible under the regular base period. This is referred to as the "alternative base period" or ABP and uses wages earned in more recent quarters as the basis for determining monetary eligibility.

1.1 OBJECTIVE OF THE STUDY

One of the main reasons for offering the ABP provisions is that workers with low wage rates and intermittent labor force attachment are thought to be disproportionately excluded from eligibility under the regular base periods. The objective of this study was to examine whether workers eligible under the ABP have a different demographic profile than regular BP eligibles, and to determine if the ABP option benefits those categories of workers who find it more difficult to meet the eligibility requirements under the regular BP.

This objective was accomplished by examining: (1) the relationship between low total wages, low hours of work in the base period, and low wage rates of workers, and their ABP use; (2) the relationship between types of industries, reasons for job separation, and ABP use; (3) the differences in ABP use by age, gender, ethnicity, and education; and (4) repeat filings in successive benefit years and the use of the ABP option.

The analysis was based on data provided by the Washington Department of Employment Security and the New Jersey Department of Labor. The Washington data were drawn from a 10% random sample of UI claims for the period 1987 to 1996. The analysis was performed on the eligible claims from August 1987 (when the ABP law was passed in Washington) to December 1997. New Jersey implemented the ABP option in late 1995 and therefore data on claimant characteristics are available only for 1996.

1.2 ELIGIBILITY CRITERIA

The following is a summary of the eligibility criteria for UI benefits in the states of Washington and New Jersey. As mentioned earlier, claimants become eligible for UI benefits based on their earnings during the base period. The regular base period is identical for Washington and New Jersey, but the alternative base period varies.

Washington

The regular base period consists of the first four of the last five completed calendar quarters immediately preceding filing a claim for benefits. If the claimant does not have sufficient hours of work in the regular BP, then he or she can have his or her earnings assessed under the alternative base period. The ABP consists of the last four completed calendar quarters immediately preceding filing a claim for benefits. For the claimant to be eligible for UI benefits, the monetary eligibility requirement is 680 hours of work in the regular base period.

New Jersey

The regular base period consists of the first four of the last five completed calendar quarters immediately preceding filing a claim for benefits. If the claimant does not qualify in the regular base period, then he or she can have his or her earnings assessed under the first alternative base period. The first alternative base period (termed the lag quarter ABP in this report) consists of the last four completed calendar quarters immediately preceding filing a claim for benefits. If the claimant is still ineligible, then he or she can have his or her earnings examined under a second

ABP (termed the current quarter ABP in this report) which consists of the last three completed calendar quarters and any weeks in the filing quarter.

The qualifying requirements consist of successively testing the claimant's eligibility in a base period by using the following criteria in the order given:

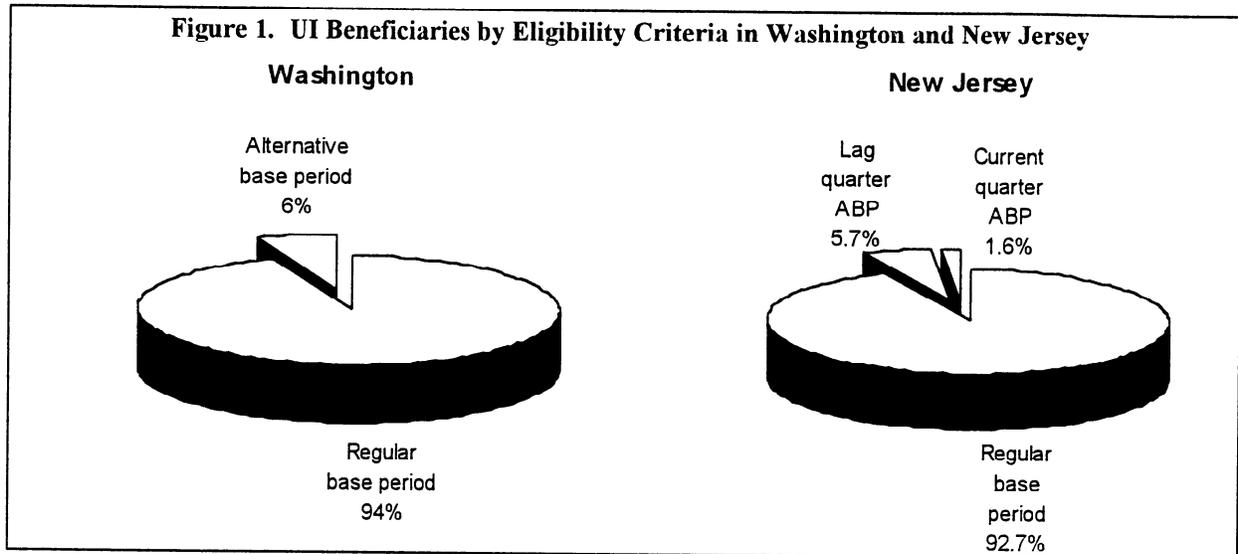
- At least 20 weeks of work with weekly wages of 20% of state average weekly wage (SAWW)
- At least 20 weeks of work with wages of 20 times the State minimum hourly wage (SMHW)
- Total earnings of at least 12 times SAWW
- Total earnings of at least 1000 x SMHW
- At least 700 hours of farm labor

2. OVERALL ABP USE

In Washington, during the period 1988-1996, persons eligible under the ABP represented 6% of all eligible UI claims (see Appendix A for the percentage of ABP claims in Washington by year). The highest percentage of ABP use was reached in 1994 when 6.8% of valid UI claims qualified as ABP claims; 1992 exhibited the lowest percentage of ABP claims, representing only 5.2% of all valid UI claims. In New Jersey, claimants eligible for UI benefits under two alternative base periods accounted for 7.3% of the total valid UI claims during the first year of implementation of the ABP in 1996. As shown in Figure 1, 5.7% of the claimants were deemed eligible under the lag quarter ABP and the other 1.6% were found eligible under the current quarter ABP. The 1993 ABP percentages for Maine was 8%. The percentage for Vermont (that has two ABPs) in the first half of 1994 was 10%¹. The main reason that ABP claims account only for a small percentage of valid UI claims is that claimants use the ABP option only if they are monetarily ineligible in the regular base period. The current quarter ABP accounts for only 1.6%

¹ W. Vroman, U.S. Department of Labor, "The Alternative Base Period in Unemployment Insurance: Final Report", Unemployment Insurance occasional paper 95-3, page 8

of valid claims in New Jersey because claimants have to be monetarily ineligible in both the regular base period and the lag quarter ABP before they can use the current quarter ABP.

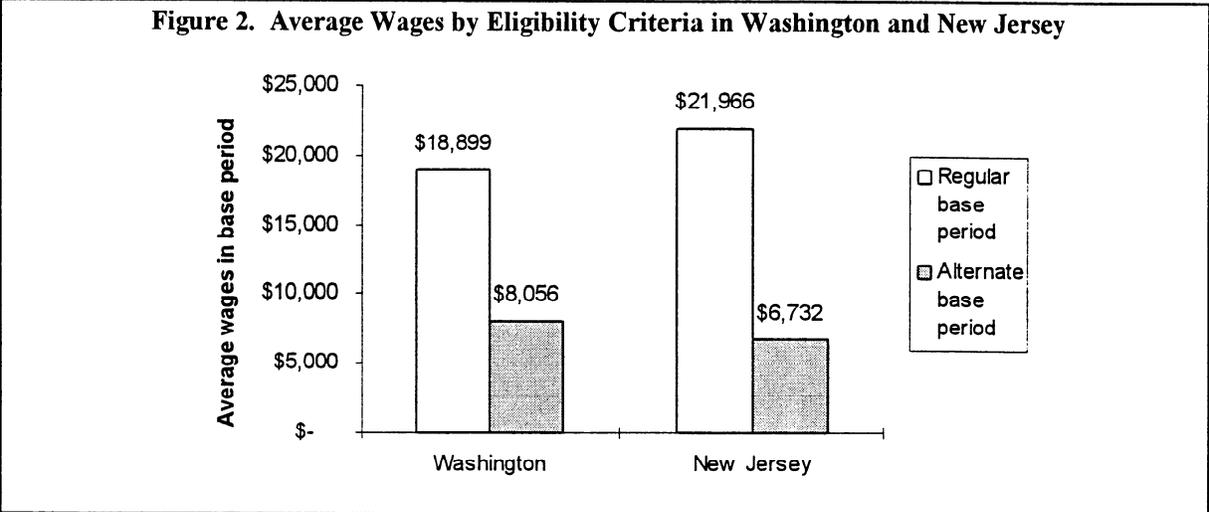


The fact that between 6 and 11% of UI beneficiaries in the four states used the ABP option does not necessarily imply that the number of monetarily eligible claimants increased by that percentage. These claimants would have become eligible for UI benefits using the regular BP if they had waited to apply for benefits until the beginning of the next quarter. A study conducted by the Washington Department of Employment Security using 1985 UI claimant data concluded that 39% of the claimants who would be eligible using ABP would have filed eligible claims using the regular base period in the next quarter.

3. TOTAL WAGES IN BASE PERIOD

The data from Washington and New Jersey demonstrated that low-wage workers use the ABP option more than high-wage workers. As shown in Figure 2, in Washington, the average base period wage of regular BP eligibles was \$18,889 while for ABP eligibles it was 57% lower; only \$8,056. The comparable numbers in New Jersey were \$21,966 for regular BP eligibles and \$6,732 for ABP eligibles, which is 69% lower than the average wage for regular BP eligibles. The higher difference between wages of regular and ABP eligibles in New Jersey may be

attributed to the existence of five eligibility options within the regular as well as the ABP base period in New Jersey when compared with Washington’s single option, thus increasing the probability of claimants becoming eligible under the regular base period.



The Mann-Whitney U test was used to statistically test the hypothesis that ABP eligibles have lower wages than regular base period eligibles. This test was chosen because it is nonparametric and does not require assumptions about the statistical distribution of the wages. The test supported the finding that there is a statistically significant difference between the base period wages of ABP eligibles and regular base period eligibles. The results are included in the Appendix B.

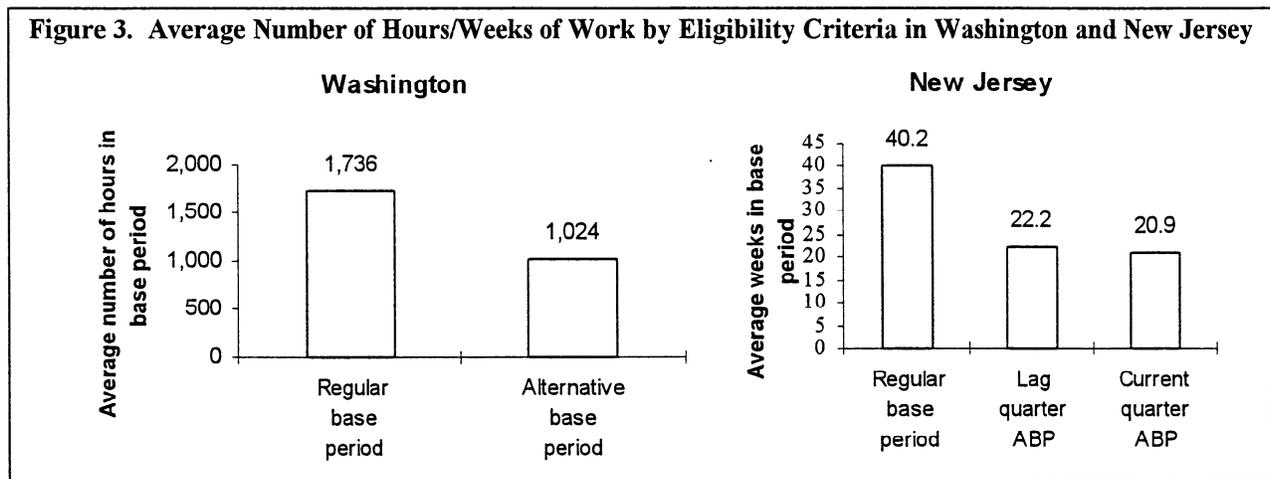
The average wages of ABP claimants are substantially lower than those of the regular base period eligibles because claimants may pursue the ABP option only if they have insufficient earnings in the regular BP. This in turn implies low wages in these quarters. Since the regular BP and the ABP have two or three overlapping quarters, this results in low total wages in the four ABP quarters.

The difference in total wages of regular and ABP eligibles is attributed to two factors: the difference in hours or weeks worked in the base period and/or the difference in wage rates.

3.1 HOURS/WEEKS OF WORK IN THE BASE PERIOD

As shown in Figure 3, ABP eligibles have significantly fewer hours of work in the base period compared with regular BP eligibles. In Washington, the average number of hours worked by regular BP eligibles was 1,736, while the average for ABP eligibles was 1,024 hours -- 41% lower. The Mann-Whitney U test was performed on the Washington data to test the hypothesis that ABP eligibles usually have fewer hours of work than regular BP eligibles. The test showed a statistically significant difference between the two groups. The test results are included in Appendix B.

Figure 3 also shows data for New Jersey. In New Jersey, the average time that regular BP eligibles worked in the base period was 40.2 weeks, while the average for lag quarter ABP eligibles was 22.2 weeks, which is 45% lower. Current-quarter ABP eligibles worked an average of 20.9 weeks, which is 48% lower than regular base period eligibles.



Workers who did not have earnings in all four quarters of the regular BP benefited greatly from the ABP option. In Washington, 81.5% of the regular base period eligibles had earnings in all four quarters of their BP whereas only 32.8% of ABP claimants had earnings in all four quarters of their BP. Claimants who did not have earnings in one or more quarters of the base period usually belonged to one of the following categories:

- Seasonal workers -- Some workers (such as construction labor in cold regions) who did not have work during certain periods of the year were not eligible under the regular base

period because they could not use their recent earnings, and some of their regular period quarters coincided with their off-season quarters.

- New entrants into the labor force -- Many workers who were laid off within a year of joining the labor force could not use the regular base period because they did not have any earnings in the first part of their regular base period.
- Workers with intermittent labor force attachment -- ABP provided some workers (such as contract labor) who did not work continuously an opportunity to use their recent earnings for eligibility calculations.
- Part-time workers -- Workers with low hours of work and low wages and, those who worked varying amount of times were able to use their high-quarter earnings for eligibility calculations because of the ABP criteria.

3.2 WAGE RATE IN THE BASE PERIOD

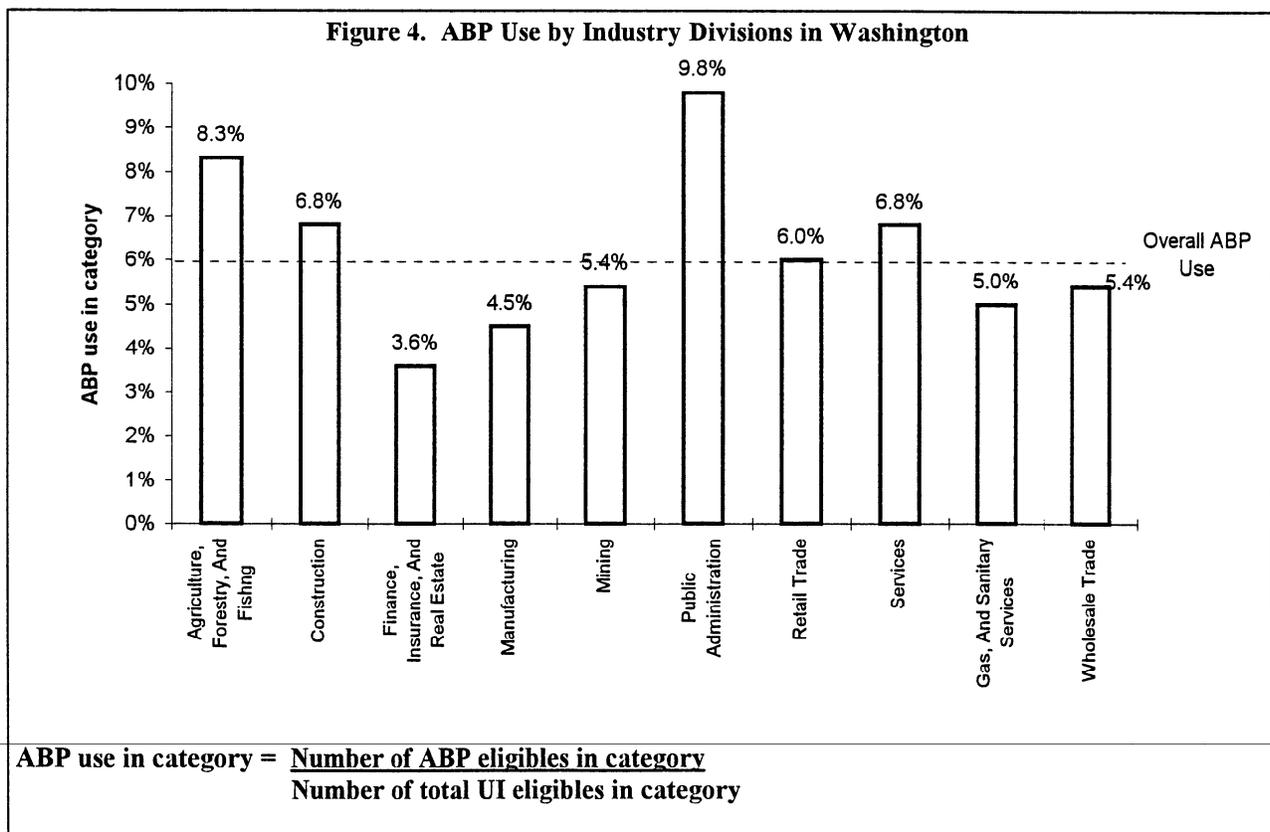
The lower total wages of ABP claimants can be partially attributed to lower wage rates. In Washington, the average wage rate during the base period of regular BP claimants was \$10.83 per hour compared with \$9.06 for ABP claimants. Although this is a 16% difference, it is not as significant as the 41% difference in total hours worked for the two groups. Thus, although ABP criteria help low-wage earners to become eligible for UI benefits, its effect is more significant for persons with fewer hours of work. The Mann-Whitney U test showed that there was a statistically significant difference between the wage rates of ABP and regular claimants.

4. INDUSTRY

This section presents the findings on differential ABP utilization by industry in Washington and New Jersey. Based on the Standard Industrial Classification (SIC), industries are divided into ten divisions. Industries with low wage rates and those that use contract labor, part-time, or seasonal workers have a higher than average percentage of ABP claimants. Industries that traditionally pay low wages -- agriculture, forestry, fishing, retail trade, and personal services -- display a higher ABP eligibility than industries, such as manufacturing, finance, insurance, and real

estate, that are characterized as high wage sectors with stable workforce attachment. Industries using part-time and seasonal workers such as construction, and public administration also exhibit high ABP eligibility.

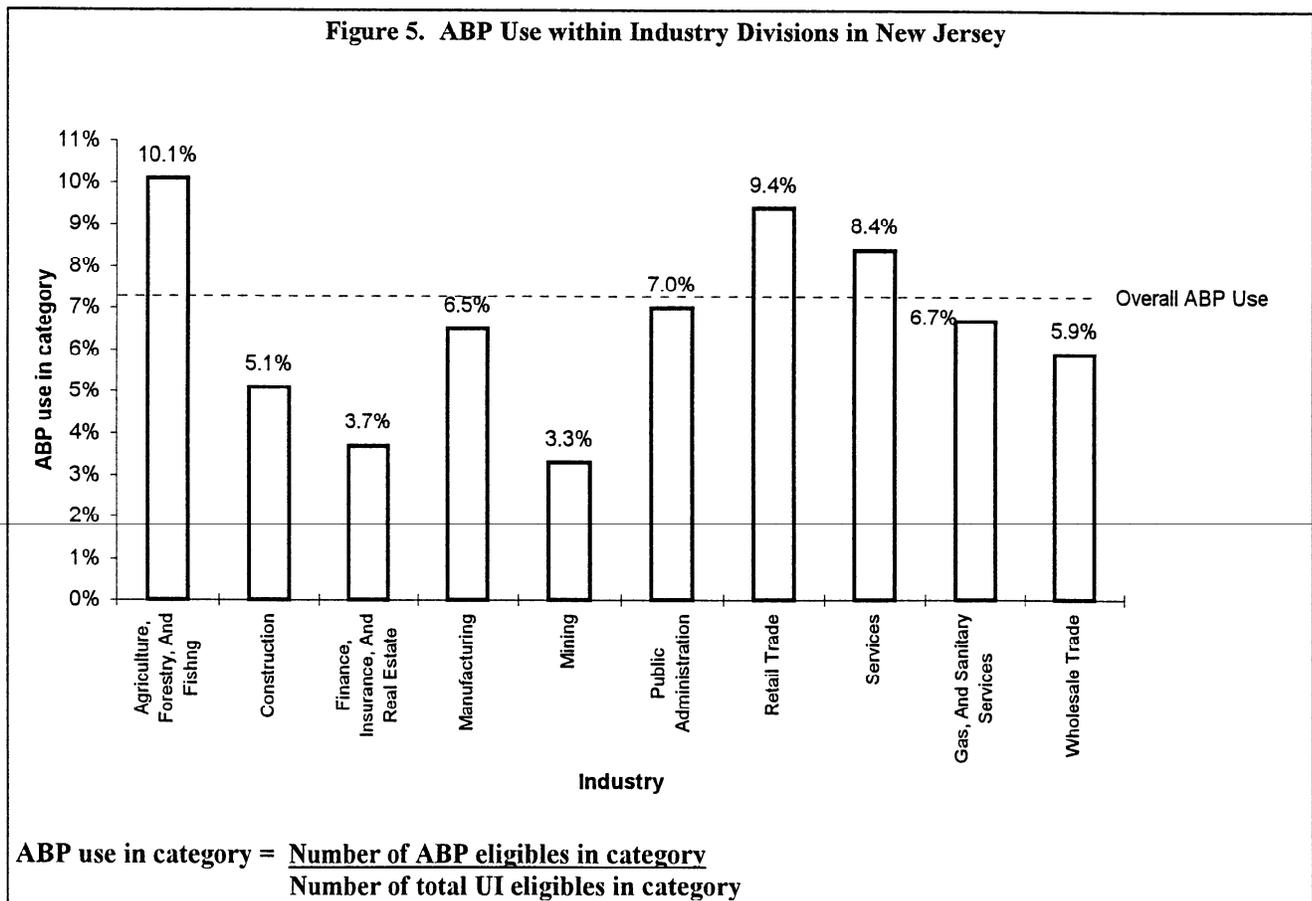
As shown in Figure 4, in Washington the highest percentage of ABP eligibles -- 9.8% belongs to public administration services. Although their wage was not low (\$11/hour compared to an average across divisions of \$11.27/hour), public administration had the lowest average hours worked among all divisions. UI eligibles belonging to public administration worked for an average of 1,480 hours in the base period compared with the average across divisions of 1,628 hours.



Agriculture, forestry, and fishing had the second highest ABP use in Washington at 8.3%. The primary reason for high ABP use in this category was the low average wage rate. At \$7.90, the average wage rate of agriculture, forestry, and fishing was the lowest among all industry divisions. In the personal services industry, which traditionally pays low wages, and construction,

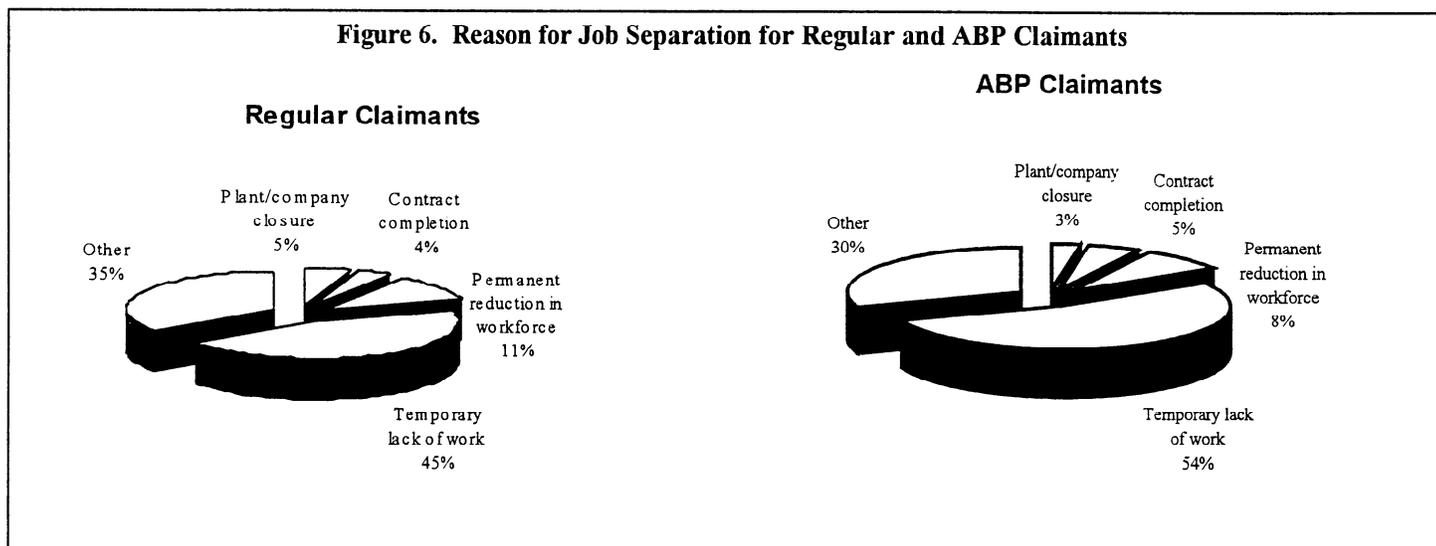
which traditionally pays high wages, 6.8% of eligibles used the ABP option. The average hourly wage of UI eligibles in personal services was \$10.03 and in construction it was \$15. The average hourly wage for construction workers was much higher than the average across divisions. Construction work tends to be highly seasonal and intermittent, resulting in discontinuous employment patterns. UI eligibles from the construction industry had an average of 1,524 hours of work in the base period, the second lowest of all industries.

New Jersey's ABP use by industry is displayed in Figure 5. The pattern is similar to that for Washington. Agriculture, forestry, fishing, retail trade; and personal services display high ABP eligibility. The above-mentioned industries also have low average wage levels and are seasonal industries. Finance, insurance, real estate; construction, and mining show below-average eligibility and higher wage levels. Workers in these industries accumulated high earnings, but fewer number of hours. (See Appendix B for ABP use by industry divisions in New Jersey for current and lag quarter users.)



4.1 REASONS FOR JOB SEPARATION

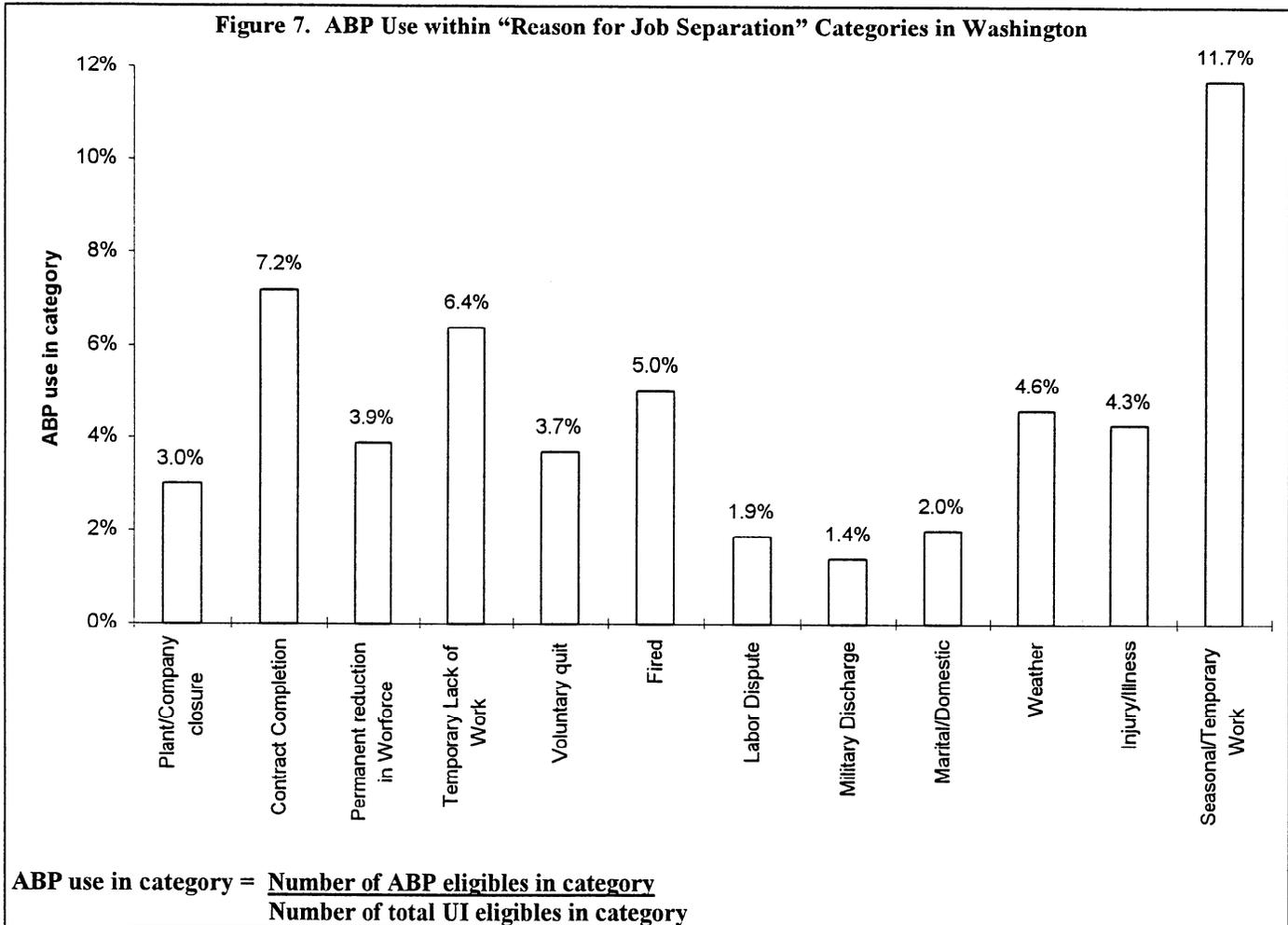
The information in this section is based on Washington data. Corresponding data were not available in New Jersey. There were only minor differences in the reasons for job separation of regular BP and ABP eligibles. As shown in Figure 6, 45% of regular BP and 54% of ABP eligibles reported “temporary lack of work” as the reason for job separation.



A more detailed analysis of UI beneficiaries in the data from Washington displayed in Figure 7 shows three categories of workers that benefited most by using the ABP option.

- Of all the UI eligibles who were seasonal/temporary workers, 11.7% used the ABP option. The reason may be that seasonal workers do not have earnings in one or more quarters of the base period and temporary workers have low wage rates.
 - Among the total UI eligibles who were laid off due to completion of their contracts, 7.2% of those were ABP eligibles. Contract labor has frequent periods of no employment, thus increasing the probability of these workers being ineligible under the regular base period.
 - Of all UI eligibles laid off due to temporary lack of work, 6.4% used the ABP option. These workers have intermittent attachment to the labor force and low wages. They are usually hired by businesses to handle a temporary increase in demand for resources.

Figure 7. ABP Use within “Reason for Job Separation” Categories in Washington



Out of the total UI beneficiaries who were separated from their jobs due to reasons other than the above three, only 4.1% used the ABP option. Workers who typically have continuous attachment to the labor force displayed very low ABP use. For example, only 1.4% of military discharges used the ABP option.

5. AGE, GENDER, EDUCATION, AND ETHNICITY

This section analyses the demographic profile of workers eligible for benefits under the ABP. Among the ABP eligibles in Washington and New Jersey, data were available on four categories of worker characteristics: age, gender, education, and ethnicity. ABP eligibles who

benefited most due to ABP provisions were teenagers and workers over the age of 60. Traditionally these labor force categories are part-time and/or low-wage workers. Women earned less than men among ABP eligibles, but there was no significant difference in ABP eligibility by gender. The pattern of ABP eligibility by years of schooling was mixed.

5.1 AGE

Although some age groups display high ABP use, the average ages of regular BP and ABP eligibles are not significantly different. The average ages of regular BP eligibles and ABP eligibles were compared and the differences were modest, 36.5 years versus 34.4 years in Washington and 40.2 years versus 36.8 in New Jersey. The comparable numbers for Maine in 1993 were 36.5 versus 33.1.²

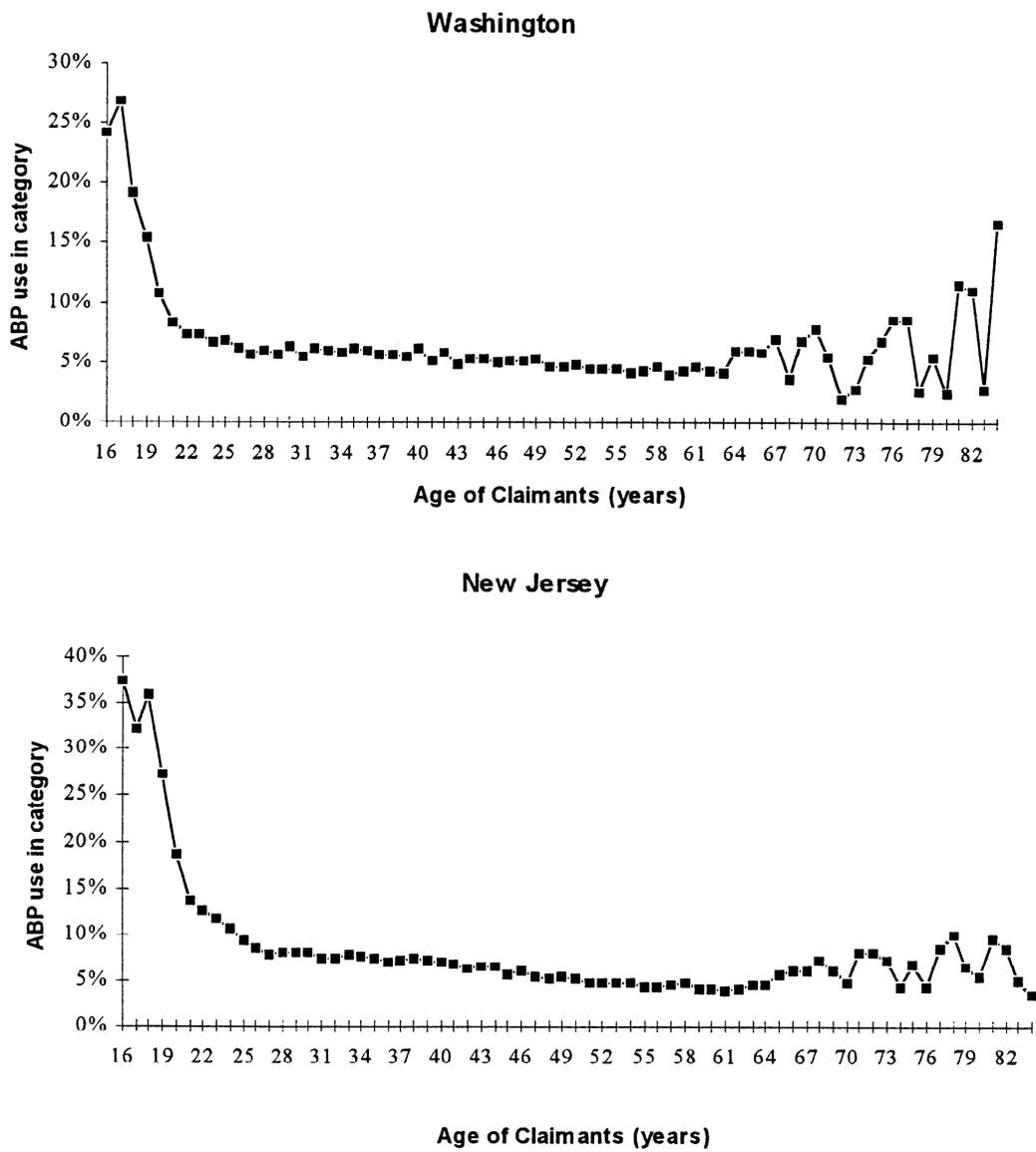
Figure 8 shows the percentage of ABP eligibles among total UI eligibles by age category for Washington and New Jersey. The difference in the ABP use was significant among young claimants that belonged to the 16 to 18 age group. Twenty four percent of 16-year-old claimants in Washington and 35% in New Jersey used the ABP option.

The comparable statistics for Maine and Vermont were 33.3% and 40.7% respectively.³ Many of the teenagers were new entrants into the labor force and did not have any wages in the first part of their regular BP. They were also low wage earners and part-time workers, categories that have a high ABP use. The ABP use then declines among the older age groups, and increases slightly for the oldest age groups (over 64 years). These are workers who may have come out of retirement and were working part-time or part of the year to supplement their income. The advantage of the ABP for the youngest and oldest claimants was evident in both states.

² W. Vroman, U.S. Department of Labor, "The Alternative Base Period in Unemployment Insurance: Final Report", Unemployment Insurance occasional paper 95-3, page 8

³ Vroman, "Alternative Base Period", page 8

Figure 8. ABP Use by Age in Washington and New Jersey

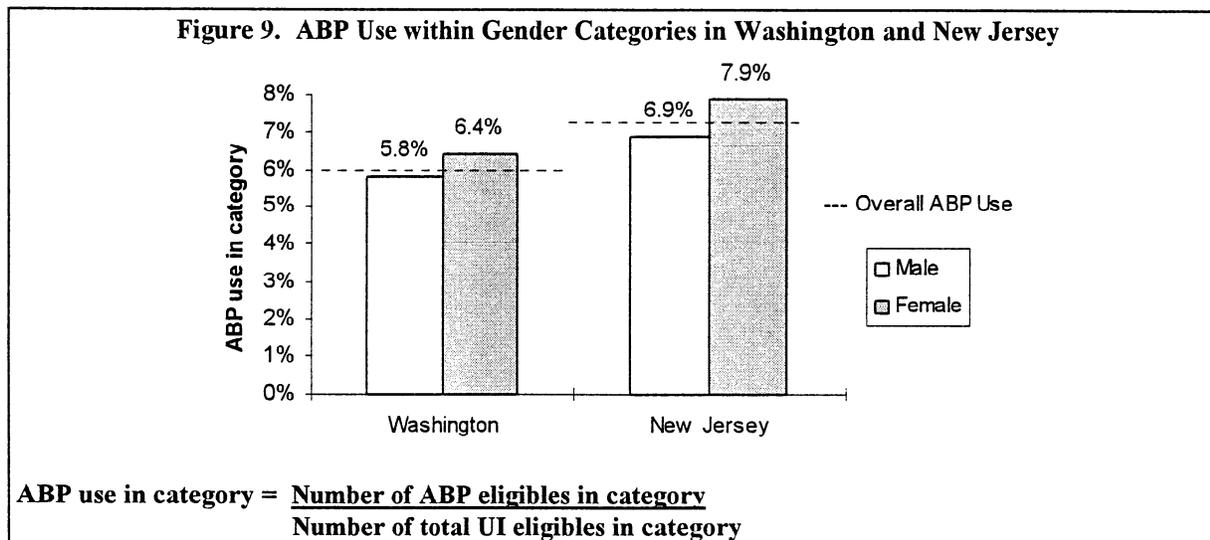


ABP use in category = $\frac{\text{Number of ABP eligibles in category}}{\text{Number of total UI eligibles in category}}$

5.2 GENDER

Contrasting gender patterns are also discernible, but the difference in the average number of male and female ABP claimants is not statistically significant. As shown in Figure 9 the differences were modest: 5.8% ABP males versus 6.4% ABP females in Washington and 6.9%

ABP males versus 7.9% ABP females in New Jersey. In Maine and Vermont the situation was reversed with eligible women less likely than men to achieve monetary eligibility through the ABP.⁴ The difference in the average base period wages of male and female ABP claimants is more significant than the percent eligible. In Washington, the average base period wages of females was 29% lower than that of males (\$14,415 for females and \$20,358 for males), while in New Jersey, was 18% lower than that of males (\$17,763 for females and \$25,111 for males). Further analysis revealed that average hours worked in the base period for females was only marginally lower than that for males. Since hours of work have a more significant impact on ABP eligibility than the average wage, the difference observed in ABP use by female and male eligibles was not very large. (See Appendix C for ABP use within gender categories in New Jersey for lag and current quarter ABP.)



Nonparametric statistical tests using contingency tables⁵ were performed on the annual data for Washington to examine the hypothesis that females used the ABP option more often than males. The tests failed to support the hypothesis, indicating that the difference in ABP use by gender may not be statistically significant.

⁴ Ibid., page 7

⁵ Mendenhall, W., Reinmuth, J. E., Statistics for Management and Economics, Fourth Edition, 1982, page 749.

5.3 EDUCATION

A comparison of regular BP and ABP eligibles by years of schooling showed that ABP eligibles had slightly fewer years of schooling than regular BP eligibles. As shown in Figure 10, the average years of schooling were 14.3 years for regular BP versus 14.1 years for ABP in Washington and 12.5 years for regular BP versus 12.25 years for ABP in New Jersey.

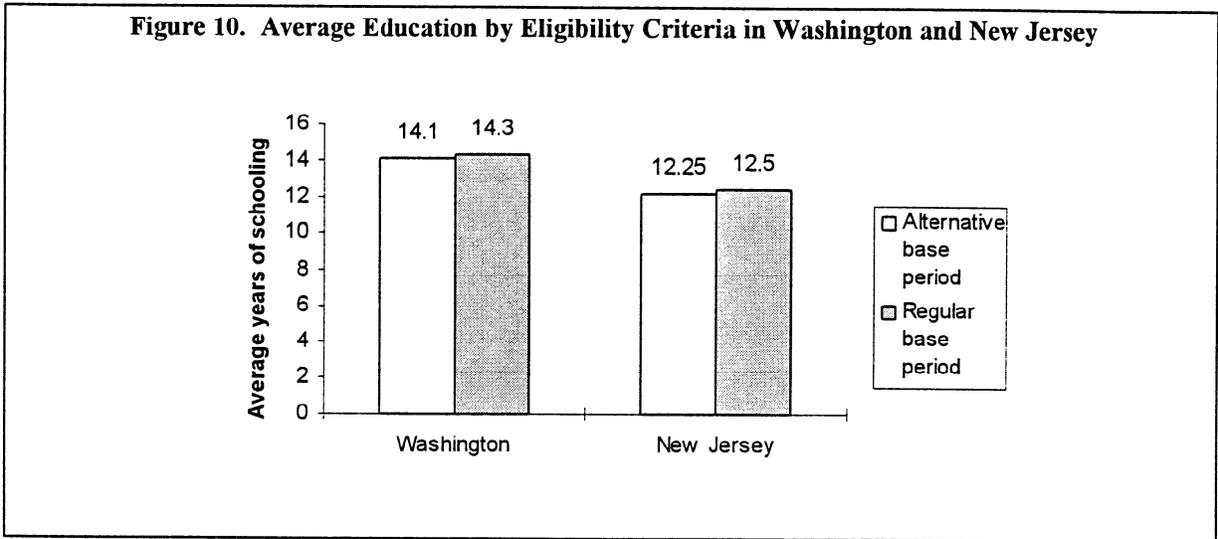
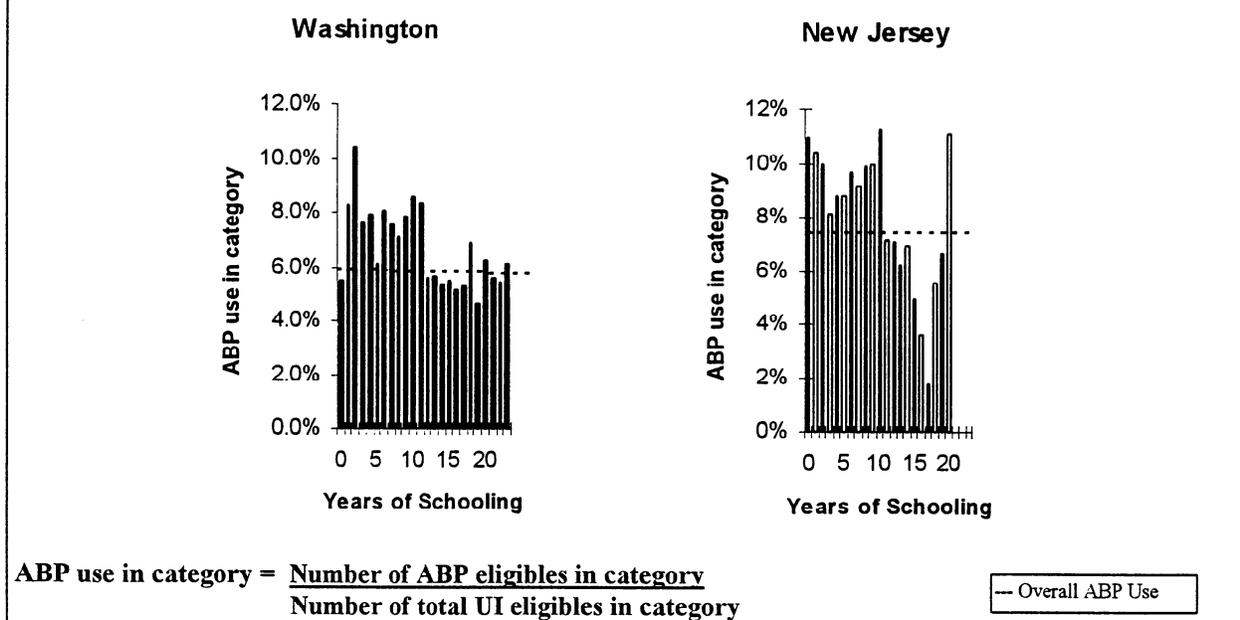


Figure 11 shows the percentage of ABP eligibles among total UI eligibles by years of schooling for Washington and New Jersey. The graphs show an inverse but inconsistent relationship between years of schooling and ABP use. In Washington those with less than 12 years of schooling appear to have benefited slightly more than those with 12 or more years in terms of enhanced eligibility. New Jersey data exhibited a similar pattern. Contingency tables were used to statistically test the hypothesis that ABP works to the advantage of those with less schooling. However, the tests failed to support the hypothesis for Washington and New Jersey, indicating that the difference in ABP use by eligibles having below- and above-average schooling is not statistically significant.

Figure 11. ABP Use by Workers with Different Years of Schooling in Washington and New Jersey



5.4 ETHNIC BACKGROUND

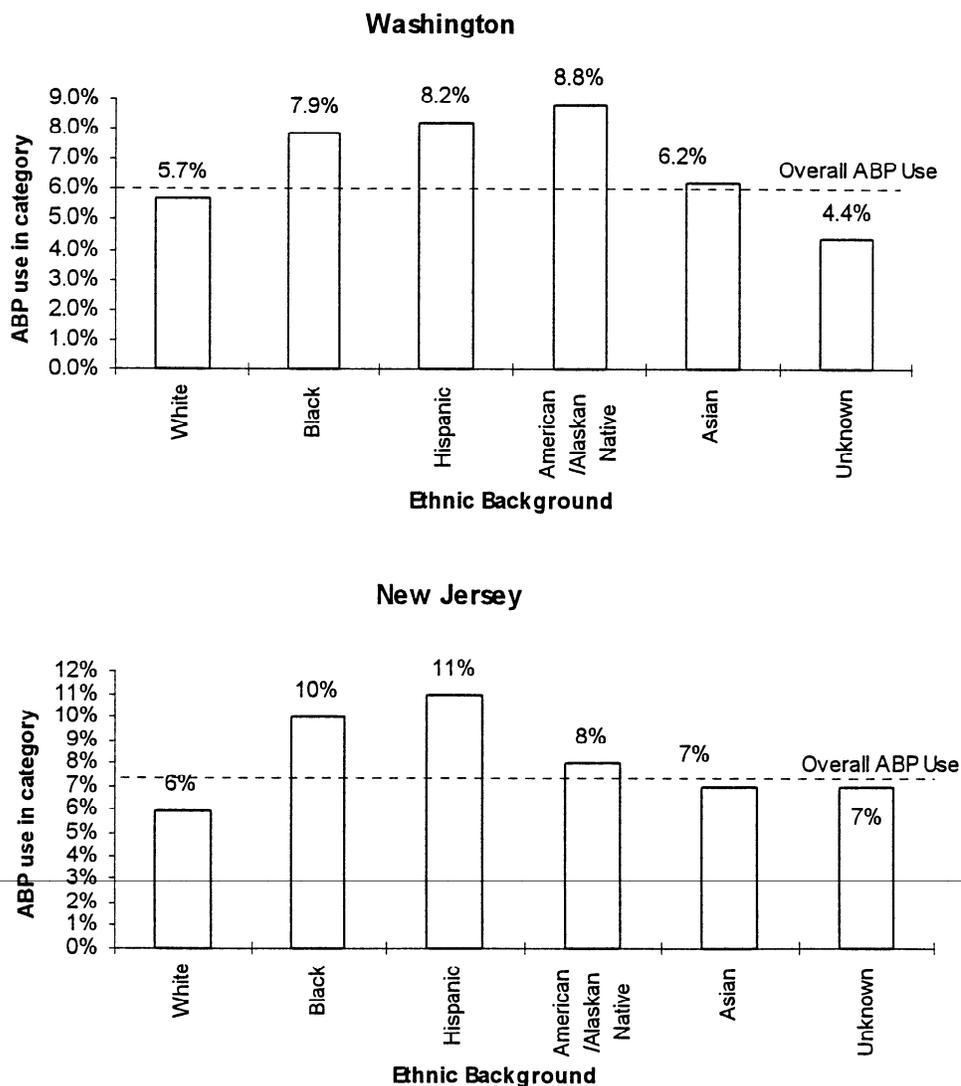
Analysis of the ethnic makeup of the UI eligibles showed that whites constituted the largest ethnic group out of regular and ABP eligibles in both states. The ethnic breakdown of the two base period categories is shown in Appendix D. In Washington, whites were 81.2% of regular BP eligibles and 76% of ABP eligibles. The second largest minority group of ABP eligibles was Hispanics (13%) followed by blacks (5%). In New Jersey--a state with a more diverse population--whites consisted of 62.4% of regular BP eligibles and 47% of ABP eligibles. Blacks and Hispanics were more evenly distributed at approximately 25% each of ABP eligibles. In states with less diverse populations, such as Maine and Vermont in 1993, whites constituted more than 97% of regular and ABP eligibles.⁶

Further analysis of data in both states showed that all four ethnic groups (blacks, Hispanics, American/Alaskan natives, and Asians) had higher than average eligibility under ABP. ABP eligibles represented 6% of all UI claims in Washington and all four minority ethnic groups

⁶W. Vroman, U.S. Department of Labor, "The Alternative Base Period in Unemployment Insurance: Final Report", Unemployment Insurance occasional paper 95-3, page 8

showed above-average use. As shown in Figure 12, American Alaskans had the highest percentage (8.8%), followed by Hispanics (8.2%), and blacks (7.9%). In New Jersey, ABP eligibles represented 7.3% of all UI eligibles. Hispanics benefited the most (11%), followed by blacks (10%) and American Alaskans (8%). Asian Americans and whites had the lowest ABP use among the ethnic groups at seven and six percent respectively.

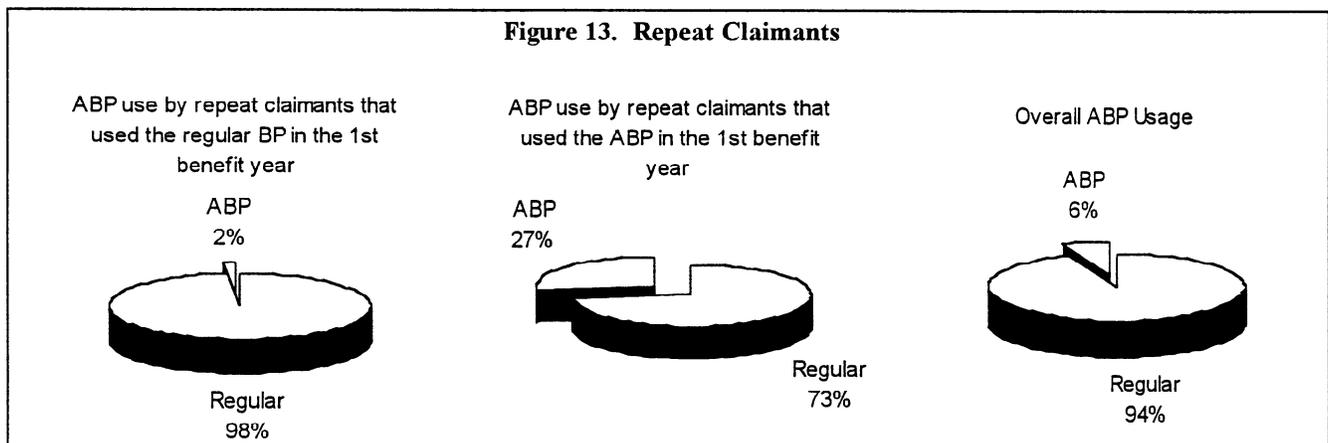
Figure 12. ABP Use within Ethnic Categories in Washington and New Jersey



ABP use in category = $\frac{\text{Number of ABP eligibles in category}}{\text{Number of total UI eligibles in category}}$

6. REPEAT CLAIMANTS

Analysis was performed to examine ABP use by UI eligibles who claimed benefits in consecutive benefit years (repeat claimants). It was found that repeat claimants are more likely to use the same type of base period, regular and alternative, in consecutive benefit years. As shown in Figure 13, 98% of repeat claimants who had used the regular BP in the first benefit year used the regular BP again. Twenty seven percent of repeat claimants who had used the ABP in the first benefit year used the ABP option again. This was significantly higher than the overall ABP use of 6%.



The reason for high successive ABP use by repeat claimants is that a claimant cannot use the same earnings to qualify for unemployment insurance in two successive benefit years. If a claimant uses the ABP in benefit year one and the regular BP in benefit year two, his/her last quarter of the ABP from benefit year one overlaps with the first quarter of the regular BP from benefit year two. Thus, if the claimant uses the regular BP in benefit year two, he or she cannot use the earnings from the first quarter of the BP.

7. CONCLUSIONS

The preceding analyses investigated the demographic makeup and other labor force characteristics of ABP claimants within the UI claimant population in the States of Washington and New Jersey. The main finding was that a wider range of the unemployed, especially low wage, part-time, seasonal, and temporary workers that did not qualify for unemployment insurance under the regular base period benefited due to the ABP provisions.

Unemployment insurance eligibles with low wages in the base period (BP) are more likely to use the ABP option. There is a statistically significant difference in the average base period wages of ABP claimants and regular BP claimants. Wages of ABP claimants were significantly lower than the average base period wages of regular BP eligibles in both Washington and New Jersey. Wages of ABP claimants are lower because they are paid less per hour (16% less in Washington) and on average work far fewer hours (41% less in Washington) than BP claimants. The lower number of hours worked in the BP appears to have a more significant impact on ABP use than a lower wage.

As might be expected, the ABP eligibles are temporary or contract workers in industries that traditionally have low wage rates, such as agriculture, forestry, fishing, retail trade, and personal services. These industries display higher ABP eligibility. Industries using seasonal and part-time workers such as construction and public administration also had above average ABP use. Workers in high wage sectors with steady jobs including those in the military, manufacturing, finance, insurance, and real estate used ABP less frequently.

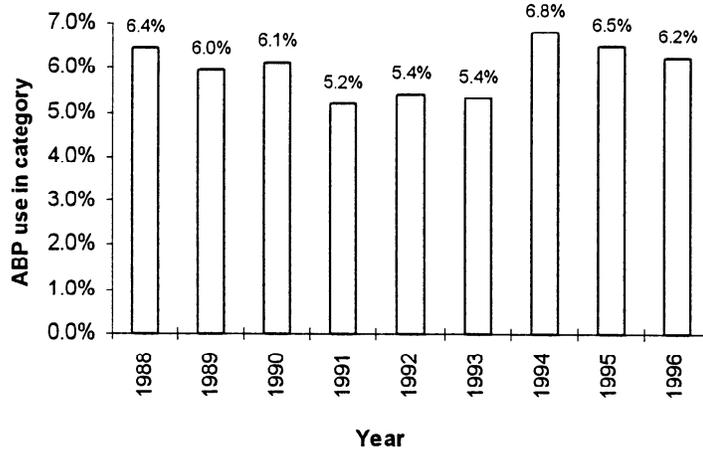
Persons that have benefited the most from ABP by age group are teenagers. They are recent entrants into the labor force and tend to have low wages and part-time jobs. Workers older than 60 also benefited. Middle-age workers with steady jobs and high salaries used the ABP option less than low-wage, seasonal, or part-time workers.

Although the average base period wages of males were significantly higher than those of females, the difference in ABP use by gender was insignificant. Those with less than 12 years of schooling appeared to have benefited slightly more than those with 12 or more years. However, statistical tests failed to show this difference to be significant.

Whites were the largest ethnic group among the regular BP and ABP eligibles in all the states. However, minority ethnic groups were more likely than whites to become beneficiaries of the ABP provisions. Hispanics, American/Alaskan natives, and African Americans had a high ABP use; Asians had an average ABP use; and whites had a lower than average ABP use.

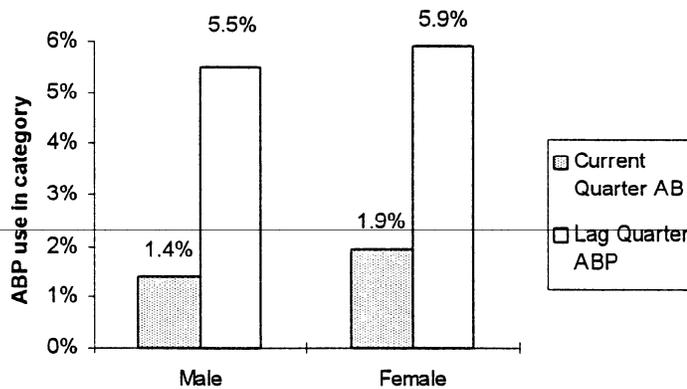
APPENDIX A

Percentage of ABP Claims in Washington by Year



ABP use in category = $\frac{\text{Number of ABP eligibles in category}}{\text{Number of total UI eligibles in category}}$

ABP Use within Gender Categories in New Jersey



ABP use in category = $\frac{\text{Number of ABP eligibles in category}}{\text{Number of total UI eligibles in category}}$

APPENDIX B

Mann-Whitney U Test for Large Samples: Total Wages

Null hypothesis: The population relative frequencies of wages for regular and ABP eligibles are equal

Alternative hypothesis: The population relative frequency of total wages for regular eligibles is shifted to the right

	Regular (1)	ABP (2)
n	218011	13989
T	26258724419	653391581
U	555,538,526	2,494,217,353
z	-126.2376867	126.2376867
z(0.05)=	-1.644853	
	Null hypothesis rejected	

Mann-Whitney U Test for Large Samples: Hours Worked in the Base Period

Null hypothesis: The population relative frequencies of hours worked for Regular and ABP eligibles are equal

Alternative hypothesis: The population relative frequency of hours worked for regular eligibles is shifted to the right

	Regular (1)	ABP (2)
n	180151	9739
T	17734052703	295148292
U	247,719,362	1,506,771,227
z	-119.4748615	119.4748615
z(0.05)=	-1.644853	
	Null hypothesis rejected	

Mann-Whitney U Test for Large Samples: Wage Rates

Null hypothesis: The population relative frequencies of wage rates for Regular and ABP eligibles are equal

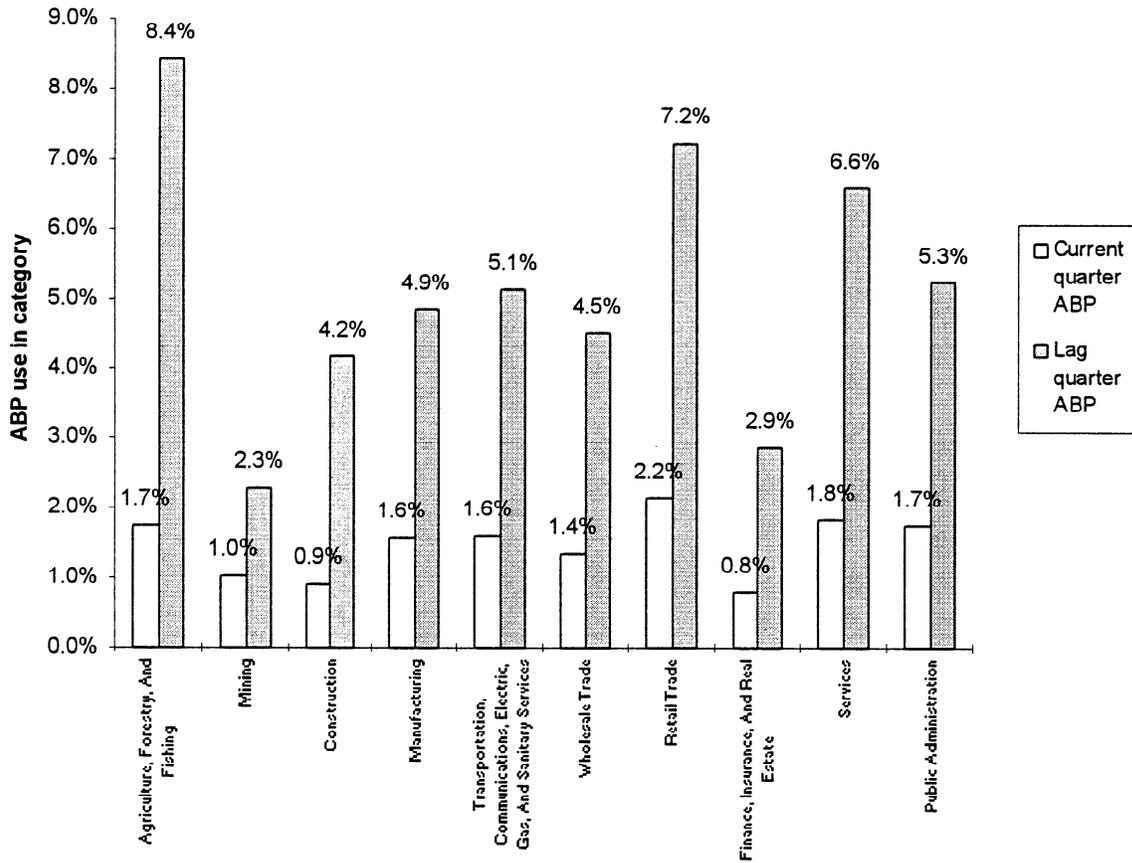
Alternative hypothesis: The population relative frequency of wage rates for regular eligibles is shifted to the right

	Regular (1)	ABP (2)
n	180151	9739
T	17273464263	755736732
U	708,307,802	1,046,182,787
z	-32.0618778	32.0618778
z(0.05)=	-1.644853	
	Null hypothesis rejected	

n = size [(n₁) number of regular and (n₂)ABP claimants]; T = sum of the ranks (T₁ for regular and T₂ for ABP);
 $U_1 = n_1 n_2 + n_1(n_1+1)/2 - T_1$; $U_2 = n_1 n_2 + n_2(n_2+1)/2 - T_2$; z = refer to Statistics for Management and Economics by
 Mendenhall/Reinmuth, Fourth edition, 1982, page 785-791.

APPENDIX C

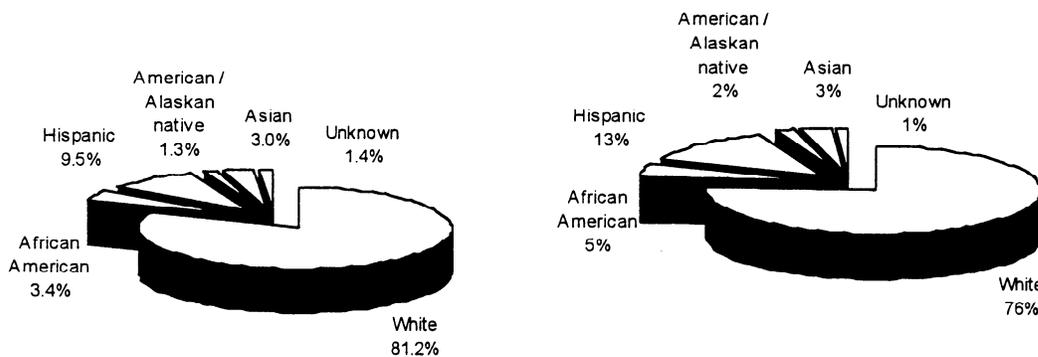
ABP Use by Industry Divisions in New Jersey for Current and Lag Quarter Users



ABP use in category = $\frac{\text{Number of ABP eligibles in category}}{\text{Number of total UI eligibles in category}}$

APPENDIX D

Ethnic Makeup of UI regular and ABP eligibles in Washington



Ethnic Makeup of UI regular and ABP eligibles in New Jersey

