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UNEMPLOYMENT DATA FROM THE EMPLOYMENT SECURITY PROGRAM

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FOR approximately the past decade and a half, there have been two major sources of current data on unemployment in the United States: the current population surveys conducted by the Bureau of the Census, and the administration of the federal-state employment security program. This paper analyzes the data which are made available by the operation of the employment security program and evaluates their usefulness as measures of unemployment.¹

1. The Federal-State Employment Security Program

The administration of the employment security program in the United States is a federal-state partnership involving the Bureau of Employment Security in the Department of Labor and an employment security agency in each of the fifty-one states and territories (including the District of Columbia, Alaska, and Hawaii) which administers the state unemployment insurance law and operates a network of public employment offices.² A state unemployment insurance law must meet certain substantive and administrative standards imposed by the federal Social Security Act if employers in that state are to be eligible for the tax-offset allowed by the act and if the state is to receive federal grants for the administration of the program.

Among the requirements for the receipt of federal funds for administration is the making of such reports as may be required by the

Note: I am indebted to William Papier, Director, Division of Research and Statistics, Ohio Bureau of Unemployment Compensation, and to Louis Levine, Chief, Division of Reports and Analysis, Bureau of Employment Security, who read a preliminary draft of this paper and made numerous valuable suggestions. They do not, however, necessarily agree with all of my conclusions.

¹ It is noteworthy that data from public employment exchanges and/or unemployment insurance systems are a far more common source of unemployment statistics in other countries than labor force surveys. Of thirty countries that reported unemployment statistics to the International Labour Organization on a monthly or quarterly basis in 1952, only three derived the data from labor force surveys, as compared with twenty-one from employment exchanges and four from unemployment insurance systems (see *International Labour Review*, Statistical Supplement, November-December 1952, pp. 112-115).

² In addition to the state and territorial unemployment insurance laws there is a Veterans' Readjustment Assistance Act which provides unemployment compensation to veterans and a Railroad Unemployment Insurance Act which covers railroad employees. The former program is administered through the state employment security agencies with federal funds; the latter is administered by the Railroad Retirement Board.

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BES. At the present time each state agency is required to make over twenty periodic reports to the Bureau. Thus, from the more than 1,600 full-time and approximately 2,000 part-time public employment offices throughout the country there is channeled through the state employment security agencies to the BES a wealth of statistical and descriptive data relating to the operation of the unemployment insurance programs and the public employment services and to labor market conditions in local areas. Some of these data, such as the number of applicants for jobs, and the number of persons claiming unemployment benefits, have been used as indicators of trends in unemployment.

Since much of the analysis in this paper involves a comparison of employment security with census data, it is desirable at this point to stress certain basic differences between the Bureau of the Census and the BES which significantly affect the nature of the data which each of these agencies collects. Perhaps the major difference in this context is that the Bureau of the Census is a statistical agency while the BES is not. The only limitations upon the types of unemployment data collected by the Census Bureau, therefore, are those imposed by considerations of feasibility and cost. The Census Bureau is free to use whatever concept of unemployment it regards as most useful, and to develop whatever measurement techniques appear to be most valid. On the other hand, since employment security data are almost exclusively by-products of the administration of unemployment insurance laws, definitions and procedures are in large measure imposed by the substantive and administrative characteristics of these laws. This means that an appraisal of BES data cannot realistically challenge the concepts and the techniques used, but must for the most part accept these as given and evaluate the usefulness of the results.

A second important difference between the Census Bureau and the BES is that although both are federal agencies, the former operates independently while the latter cooperates with fifty-one autonomous state or territorial administrative agencies. As a result, concepts and techniques for measuring and differentiating the labor force can be applied uniformly throughout the country by the Census Bureau, while the data received by the BES are affected by the wide diversity in both the substantive provisions and the administration of state unemployment insurance laws.

Third, in collecting employment and unemployment statistics the Census Bureau in effect goes to the people, and there are no legal restrictions on the segments of the population which can be surveyed. On the other hand, except for local area estimates of total unemployment, an individual is included in the data submitted to the BES only if he uses the services of the public employment offices and/or

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files a claim for unemployment benefits. This is significant in view of the rather substantial proportion of the labor force (which varies widely from state to state and among local areas within a state) which is for one reason or another ineligible for unemployment insurance.⁸

Finally, although a larger sample would enable Census Bureau techniques to yield estimates of employment and unemployment on a state-wide or local area basis, the present sample permits only national estimates. On the other hand, the national statistics on claimants and job applicants compiled by the BES are summaries of data collected from local areas. Thus, the very nature of the employment security program yields statistics for local areas and states as well as for the nation as a whole.

There are four types of data resulting from the operation of the employment security program which either have been or are being used as indicators of unemployment: (1) the number of job applicants in the active files of local employment offices, (2) the number of initial claims filed under unemployment insurance laws, (3) the number of continued claims for unemployment insurance benefits, and (4) estimates of total unemployment in local areas made by labor market analysts on the basis of the foregoing and other data.

2. Active File Data As Indicators of Unemployment

When a person applies for work through a public employment office his application is put into an "active file" until he is placed in a job or until the application is canceled on the assumption that he has either found a job or is no longer in the labor force. The job applicant is supposed to report periodically to the employment service to indicate his continued availability for work. The "validity period" for the active file is a specified period of time, generally thirty or sixty days, during which a registration card is kept in the file without renewal by the applicant.

If unemployment is defined as a situation in which a person is not working but is looking for work, a count of the active file would be a valid measure of total unemployment at a given point of time to the extent that the following conditions existed: (1) all persons seeking work immediately registered with a public employment office, (2) no persons at work registered for other jobs with the public employment service, and (3) all registrants notified the employment office immediately after they had found work, and the employment office immediately removed the registration cards from the file.

⁸ At the beginning of 1950, about 40 per cent of the national civilian labor force was not covered by state unemployment insurance laws.

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It is known, of course, that none of these conditions actually obtains. In the first place, public employment offices are relatively little used by workers to find jobs as compared with the less formal methods of finding work through relatives and friends or through direct gate application.⁴ To the extent that unemployed workers file claims for unemployment benefits they must, to be sure, register for work. But a significant proportion of the total labor force is not covered by unemployment insurance, and even some of those who are covered may not file claims, at least immediately. The downward bias in the active file figures which results from these factors is compensated only to a small degree by the fact that some persons who currently are working may register for other jobs. An inventory of the active files in ninety labor market areas in 1950 showed that the number of workers who had jobs and applied for others through the employment service was very small.⁵

Administrative factors are perhaps even more significant in preventing the active file from constituting a valid measure of unemployment. The validity period of the active file varies from state to state and also among local offices within a state. Moreover, since the primary function of the local employment office is to place workers in jobs rather than to develop unemployment statistics, it is reasonable to suppose that even within a single local employment office the diligence and regularity with which applications in the active file are canceled are inversely related to the pressure of other activities. For example, during the defense build-up of the latter part of 1941, the national count of the active file was well above the total unemployment estimate of the Monthly Report on Unemployment (the predecessor of the Monthly Report on the Labor Force and the Current Population Survey).⁶ Similarly, from April 1951 to the end of 1953, the active file count was higher than the census estimate of total unemployment in almost every month (see Chart 1).

Prior to the development of the monthly labor force survey in 1940 there was some optimism about the usefulness of active file figures as an indicator of *trends* in unemployment and of the demographic *composition* of the unemployed.⁷ Between 1934 and 1941 monthly series of

⁴ For a review of the evidence on this point, see Herbert S. Parnes, *Research on Labor Mobility: An Appraisal of Research Findings in the United States*, Social Science Research Council, Bull. 65, 1954, pp. 162-165.

⁵ "Job Seekers at Public Employment Offices, April 1950," BES, mimeographed, November 1950, p. 7.

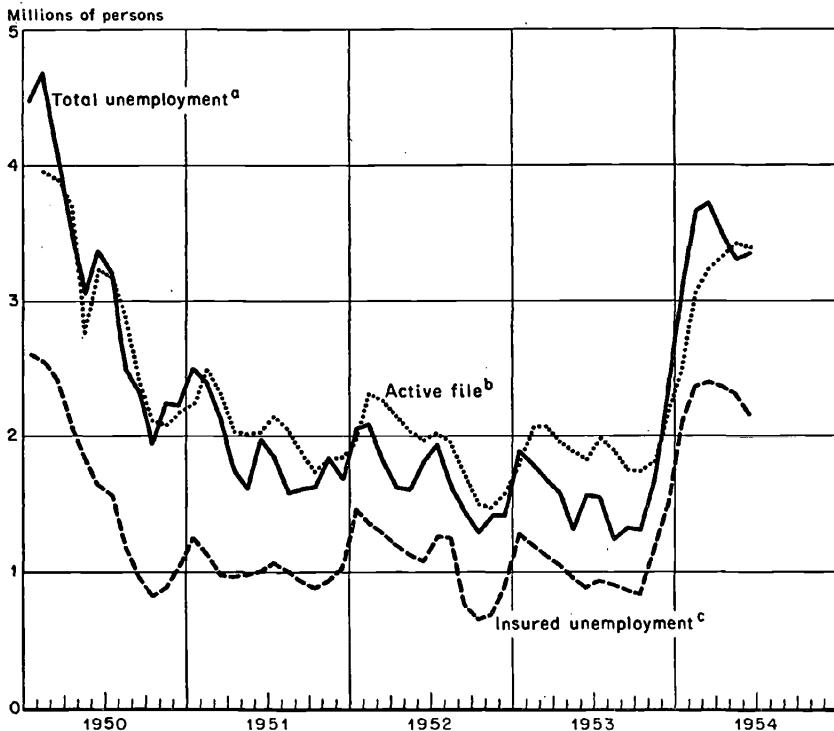
⁶ Loring Wood, "Statistical Data on Employment and Unemployment from Sources Other Than Labor Force Surveys," Appendix B in Louis J. Ducoff and Margaret J. Hagood, *Labor Force Definition and Measurement*, Social Science Research Council, 1947, p. 100.

⁷ E. D. Hollander and J. F. Wellemeier, Jr., "Can Employment Service Re-

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CHART 1

Total Unemployment, Insured Unemployment, and Active File Count, 1950-1954



^a Census estimates of total unemployment for the week including the eighth of the month. Estimates for September-December 1953 revised in light of the estimate yielded by the new 230-area sample in January 1954.

^b Total active file at end of month plotted as of the week including the eighth of the following month.

^c Total insured unemployment under veterans', railroad, and state unemployment insurance laws, including partial and part-total unemployment. Data far week including eighth of the month.

Source: Bureau of Employment Security.

state and national totals of the active file counts were compiled. From the very beginning, however, the data were affected by administrative factors. Mass registrations of workers occurred in 1933 and again in 1935 as the United States Employment Service became the placement agency first for the Civilian Works Administration and then for the

ports Be Used to Measure Unemployment?" Part I, *Monthly Labor Review*, June 1938, pp. 1456-1464; E. D. Hollander and E. D. Vinogradoff, "Can Employment Service Reports Be Used to Measure Unemployment?" Part II, *Monthly Labor Review*, July 1938, pp. 156-163.

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Works Projects Administration programs. Registrations were also affected by the fact that in order to obtain relief in many areas families were required to show that all employable members were registered for work. Finally, sharp rises in the active file occurred when the payment of unemployment benefits (for which registration for work was a prerequisite) commenced in twenty-two states in 1938 and in the remaining states by the middle of 1939.⁸

Early in World War II the active file counts were abandoned, and by 1943 even the practice of maintaining an active file was largely in abeyance, as workers were channeled into abundant jobs without being required to file written applications. Since the fall of 1945, however, the practice of maintaining an active file has been resumed, and a count by sex and veteran status is included in a monthly report which each state agency is required to submit to the BES.

Several studies have been made to determine whether the active file gives a good representation of the characteristics of the unemployed. An early study comparing the active file with the Unemployment Census of 1937 found that the sex and race composition of the two sets of data were quite comparable, but that there were differences in the age and the occupational distributions. As compared with the Unemployment Census, the active file significantly understated the proportion of unemployed workers under 20; and it overrepresented manual workers and underrepresented white collar and farm workers.⁹

That the bias in the active file data with respect to age is persistent is suggested by the results of an inventory of the active file taken in April, 1950 in ninety major labor market areas. Comparison of the active file data with census data for that month shows that while less than 4 per cent of the active file registrants were under twenty years old, this age group accounted for almost 13 per cent of the unemployed workers reported by the census.¹⁰ This underrepresentation of the very young workers in the active file might, of course, be expected. Young workers entering the labor force are not eligible for unemployment benefits and therefore do not have the same incentive to register for work as older workers who are more likely to have wage credits entitling them to benefits.

Unlike the situation in 1937, women were proportionately more numerous in the active file survey of 1950 than in the total unemploy-

⁸ Wood, *op.cit.*, pp. 98-100.

⁹ Hollander and Wellemeyer, *loc.cit.* The authors nevertheless concluded that if the active file distribution by sex, race, occupation, and industry had been applied to one of the standard estimates of total unemployment at the time, the results would have yielded substantially the same information as the Unemployment Census.

¹⁰ "Job Seekers at Public Employment Offices, April 1950," pp. 5-6.

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ment figure reported by the census. They comprised over a third of all the job applicants in the ninety areas, as compared with about a fourth of total unemployment reported by the census for the nation.¹¹ This difference may be in part attributable to the fact that labor force participation rates for women are higher in the metropolitan areas covered by the job applicant survey than in the nation as a whole. It may also be that some women who leave the labor force apply for unemployment benefits (and therefore register for work) despite the fact that they report to Census Bureau enumerators that they are not seeking work.

3. Claims Data as Indicators of Unemployment

Claims filed by workers for unemployment benefits are a second source of unemployment data yielded by the employment security program. There are two types of claims filed under unemployment insurance laws in the United States: initial claims and continued claims. An initial claim simply attests to the beginning of a period of unemployment, and theoretically should be filed by the worker immediately upon losing his job. It is used by the administrative agency to determine the potential eligibility of the claimant for benefits. A continued claim, on the other hand, is filed by the worker for completed weeks of unemployment subsequent to the filing of an initial claim. Continued claims may be either for waiting period credit or for compensable weeks. The waiting period is a non-compensable period of unemployment in which the worker is otherwise eligible for benefits.¹² Compensable claims are those continued claims which are filed after the completion of the waiting period, and represent requests for benefits. However, a continued claim, whether for waiting period credit or for benefit payment, certifies to the *completion* of a week or more of total or partial¹³ unemployment, as contrasted with an initial claim,

¹¹ *Ibid.*

¹² The waiting period is required for only the first spell of unemployment during any benefit year. In 1952 the waiting period for total unemployment was one week in all but five states. Three of these required no waiting period, while two had a two-week period ("State Unemployment Insurance Laws, September 1, 1952," *Monthly Labor Review*, December 1952, pp. 623-625).

¹³ All state laws provide for the payment of benefits for partial unemployment, which is almost universally defined as a week in which an individual's earnings, due to the involuntary loss of work, are less than his weekly benefit amount, that is, the amount of benefits he would receive were he totally unemployed. There is a technical distinction between "partial" and "part-total" unemployment. The former exists where an individual continues to work for his regular employer but is eligible for benefits because of a reduction in hours and earnings. The latter refers to a situation in which an individual loses his regular job and finds casual or part-time work. In the remainder of this paper "partial unemployment" will be used to refer to both of these situations.

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which simply serves notice of the beginning of a period of unemployment.

The period for which continued claims are filed varies among the states in two respects which are significant for interpreting claims data. About half of the states require the filing of claims on a calendar week basis, which means that continued claims represent unemployment during a calendar week (from Sunday through Saturday). In the other half of the states a "flexible" week is used for claims purposes: a continued claim relates to unemployment during the seven consecutive days immediately preceding the day on which the claim is filed. Secondly, the administrative regulations of some states provide for the weekly filing of continued claims, while in others claims are taken biweekly.¹⁴

Data on initial claims and continued claims under the state unemployment insurance laws and the veterans' unemployment compensation program are reported by the state employment security agencies to the BES on a weekly and monthly basis. This makes possible the publication of weekly statistics on initial claims and insured unemployment not only for the nation as a whole, but with a breakdown by states. Moreover, the data are published by the BES within one week after the week in which the claims were filed.

INITIAL CLAIMS

Weekly statistics on initial claims have been regarded as valuable indicators of emerging unemployment.¹⁵ If all members of the labor force who are out of jobs and looking for work were eligible for unemployment benefits, and if all such workers filed claims immediately upon losing their jobs (or upon entering the labor force, in the case of new entrants), the number of initial claims during a given week would constitute a perfect count of accessions to unemployment during that week. There are a number of factors, however, which prevent initial claims data from accurately reflecting changes in the number of newly unemployed workers. In the first place, the limited coverage of unemployment insurance laws obviously means that not all new unemployment is included in the data. Furthermore, even if rates of accession to unemployment were equal for covered and noncovered employments, changes in the volume of initial claims would not accurately reflect the percentage change in new unemployment from one

¹⁴ Biweekly claims filing was adopted by many states during the fiscal year 1954 as the result of a severe budget cut. At the end of 1954 about twenty-nine states are taking claims on a weekly basis.

¹⁵ Cf. Louis Levine, "Adaptations of the Unemployment Concept," *Review of Economics and Statistics*, February 1950, p. 67.

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week to another. Workers newly entering the labor force without wage credits are ineligible for unemployment insurance and therefore do not ordinarily file claims. Consequently the seasonal increase in unemployment which occurs at the close of the school year as young workers enter the job market is not reflected in initial claims data.

Another limitation of data on initial claims lies in the fact that they are affected by legal and administrative factors which are quite independent of what may be happening to unemployment. Workers who exhaust their benefit rights in a given benefit year and remain unemployed may be eligible for benefits and may file initial claims at the beginning of a new benefit year. In such cases the initial claims clearly do not represent accessions to unemployment. The problem is complicated by the fact that ten states use a uniform benefit year (a twelve-month period that is the same for all claimants), while forty states have an individual benefit year (the fifty-two-week period beginning with each claimant's filing of a valid initial claim). In the former states, there is likely to be an increase in initial claims at the beginning of the benefit year which is independent of a change in unemployment. In the latter states there is likely to be some upward bias during the first month of each calendar quarter.¹⁶

The disqualification provisions of state unemployment insurance laws also limit the usefulness of initial claims data as a measure of new unemployment. For example, in those states in which workers who voluntarily quit their jobs without just cause are disqualified for the duration of their unemployment, many persons who leave jobs voluntarily probably do not apply for benefits. Moreover, even when there is no question as to the worker's eligibility, he may not immediately file an initial claim. There are indications that a lag of a week or more between the inception of unemployment and the filing of an initial claim is common.¹⁷ It is possible, although there is no evidence on this point, that some eligible workers do not file claims at all during spells of unemployment, particularly when they are of relatively short duration.

A priori, a number of reasons can be suggested for a delay in filing initial claims, or for complete failure to do so. Some workers may still feel that a stigma attaches to the application for or the receipt of unemployment benefits and may therefore be reluctant to exercise their rights under the unemployment insurance laws except as a last resort. Among other workers there may be a disposition to regard their rights to unemployment benefits as a kind of "bank account" upon which they

¹⁶ *The Labor Market and Employment Security*, BES, April 1954, p. 24.

¹⁷ "Techniques for Estimating Unemployment," BES, mimeographed, July 1950, p. 10.

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hesitate to draw at the beginning of a period of unemployment that they hope will be short. As they continue without work, however, they may re-assess the situation and file claims. Inertia and ignorance of their rights under the laws may be additional factors accounting for the failure of some workers to apply for unemployment benefits. Finally, in areas in which disqualification rates are high there may be a tendency for some unemployed workers to regard the filing of claims as a waste of time.¹⁸

INSURED UNEMPLOYMENT

The best known statistical series on unemployment obtained from the employment security program is called "insured unemployment," and is based upon the continued claims filed under the state unemployment insurance laws, the Veterans' Readjustment Assistance Act of 1952 (unemployment compensation for veterans), and the Railroad Unemployment Insurance Act. State employment security agencies are required to submit to the BES weekly and monthly reports on the "number of weeks of unemployment claimed" under both the state insurance and the veterans' unemployment compensation programs. These data are adjusted to represent the week in which unemployment occurred, rather than the week in which the claims were filed.¹⁹ Thus, insured unemployment in any week represents the number of persons who, by filing continued claims for benefits or waiting period credit under the three unemployment insurance programs,²⁰ certify that they have been totally or partially unemployed during that week.

It is clear that data on insured unemployment cannot be used as a *measure* of total unemployment in the United States, if for no other reason, simply because of the limited coverage of unemployment insurance laws. On the other hand, it has been generally claimed that whatever their limitations, insured unemployment data have the very important advantages of being current and being available on a state,

¹⁸ The entire question of the extent to which and the promptness with which eligible workers apply for unemployment benefits is one which requires research. The lag between layoffs and the filing of initial claims may be related to the state of the local labor market and be most pronounced when alternative job opportunities are still relatively abundant. Also, there may be local variations in the significance of the lag depending upon the industrial and occupational composition of employment, and upon the ethnic and cultural characteristics of the population. The degree of unionization in a local labor market may be an additional factor affecting the extent of failure to apply for benefits, for trade unions will probably have made their members more aware of their rights to benefits than nonmembers.

¹⁹ For the nature of the adjustments required, see below, pp. 141-142.

²⁰ Some of the published data on insured unemployment relate only to claims filed under the state laws. In 1953, state insured unemployment accounted for over 90 per cent of total insured unemployment.

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regional, and local as well as on a national basis.²¹ In view of these advantages, it is important to inquire whether data on insured unemployment are a valid indicator of *changes* in the volume of total unemployment and of *differences* in unemployment rates between states or local areas. This question may be approached by comparing the definition of insured unemployment with the definition used by the Census Bureau in measuring total unemployment. Although such comparisons have been made frequently during the past several years, many of the differences between the two sets of data have been merely mentioned without being adequately explored.²²

4. Insured Unemployment and Census Unemployment

Basically, the most serious limitation of insured unemployment data stems from the impossibility of stating precisely what it is they measure in terms that have economic (as distinguished from legal or administrative) significance. One can say that insured unemployment in a given week includes all persons who have filed claims under unemployment insurance laws certifying to total or partial unemployment during that week; but such a definition, although perfectly operational, lacks economic meaning in the absence of detailed knowledge about the content and administration of unemployment insurance laws and about the extent to which eligible workers avail themselves of their rights under these laws. Moreover, since the provisions of the unemployment insurance laws are variable over time as well as from state to state, and since administrative standards may vary even within a single state, insured unemployment may, from an economic point of view, mean quite different things at different times and in different places. The nature of some of these difficulties is shown in the following analysis of the differences between the coverage of insured unemployment data and census data on total unemployment.²³

UNEMPLOYED WORKERS EXCLUDED FROM INSURED UNEMPLOYMENT

In terms of the census definition of unemployment, there are a number of categories of unemployed workers who are not included in insured unemployment statistics:

²¹ See W. S. Woytinsky, *Employment and Wages in the United States*, Twentieth Century Fund, 1953, p. 402; Levine, *op.cit.*, p. 67; Wood, *op.cit.*, p. 104.

²² See, for example, Gertrude Bancroft, "The Census Bureau Estimates of Unemployment," *Review of Economics and Statistics*, February 1950, pp. 59-65; Levine, *op.cit.*; *Hearings before the Joint Committee on the Economic Report*, 83d Cong., 2d sess., February 1-18, 1954, pp. 317-319.

²³ For the census definition of total unemployment, see Gertrude Bancroft, "Current Unemployment Statistics of the Census Bureau and Some Alternatives," in this volume.

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Workers in Noncovered Employment. All state unemployment insurance laws exclude from coverage certain types of employments. Although there are variations from state to state, the most significant groups of workers excluded by all the laws are self-employed individuals, agricultural workers, domestic servants in private homes, employees of federal,²⁴ state, and local governments, and employees of non-profit organizations. (Railroad workers, excluded under state laws, are covered by the Railroad Unemployment Insurance Act.)

In addition to exclusions based upon type of employment, all but fifteen state laws exclude workers in establishments which have fewer than a specified minimum number of employees. In twenty-two states, which account for roughly a third of all covered employment, this minimum figure is eight employees; that is, only those establishments with eight or more workers are covered. Throughout the nation as a whole, the "size-of-firm limitations" of the state acts exclude about 3.4 million workers.²⁵ Total covered employment under state laws has been estimated as about 37 million workers, or approximately three-fourths of all wage and salary workers.²⁶

The exclusion of the groups of workers noted above results from the fact that during their employment no tax contributions are paid in their behalf by their employers. Consequently, upon becoming unemployed they ordinarily will not have sufficient wage credits to be eligible for benefits. However, if an individual has sufficient wage credits in his base year from covered employment, he is not ineligible merely because his last job was in noncovered employment.

The coverage limitations of unemployment insurance laws not only prevent insured unemployment from being a complete measure of total unemployment as defined by the census but also prevent the ratio of insured unemployment to total covered labor force from being the same as the ratio of total unemployment to total labor force. There are differences in unemployment rates between covered employment on the one hand and specific segments of noncovered employment on the other. For example, census data show that unemployment rates among self-employed individuals are substantially lower than among

²⁴ By the act of Congress approved September 1, 1954, almost all civilian employees were brought under the unemployment insurance system beginning in 1955 (*Monthly Labor Review*, October 1954, p. 1102).

²⁵ *The Labor Market and Employment Security*, April 1954, p. 22. Beginning in 1956 the federal payroll tax for unemployment insurance will be applicable to employers of four or more workers. This change is expected to bring 1.3 million additional workers under coverage of state laws (*Monthly Labor Review*, October 1954, p. 1101).

²⁶ When the 1954 changes in the coverage of the program become fully effective, approximately 41 million of the 52 million wage and salary workers will be covered (*The Labor Market and Employment Security*, September 1954, p. 39).

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wage and salary workers, both in agricultural and nonagricultural industries.²⁷ The exclusion of the self-employed from coverage of unemployment insurance laws would therefore tend to make the ratio of insured unemployment to covered labor force higher than the ratio of total unemployment to total labor force. Similarly, the exclusion of government workers would tend to have the same effect, since unemployment rates among government workers are generally lower than among private wage and salary workers.²⁸ On the other hand, the fact that unemployment rates were higher among agricultural than among nonagricultural wage earners between 1950-1952²⁹ would tend to create an opposite bias during this period.

The net effect of such differences in the incidence of unemployment between covered and noncovered workers is to cause the insured unemployment ratio to be higher than the total unemployment ratio. In 1948 and 1949, unemployment of wage and salary workers from covered industries accounted for three-fourths of total unemployment, but wage and salary employment in those industries comprised less than three-fifths of total employment.³⁰ In this connection it is noteworthy that the ratio of covered to total employment varies widely among the states, as well as among local labor market areas within a state.³¹ Thus, variations in insured unemployment ratios among states or local areas do not necessarily reflect corresponding differences in total unemployment ratios.

The biases in insured unemployment ratios that result from the restricted coverage of unemployment compensation laws are not necessarily constant over time, and may prevent the insured unemployment series from reflecting the magnitude and direction of changes in the volume of total unemployment. For example, seasonal patterns of employment and unemployment in agriculture are different from those in most nonagricultural industries. Moreover, cyclical and secular variations in the relative importance of covered and noncovered employment would likewise disturb the similarity in movement between insured and total unemployment.

Workers without Sufficient Wage Credits. In addition to the unemployed persons who worked in noncovered employments and therefore

²⁷ *Annual Report on the Labor Force*, Bureau of the Census, 1952, p. 9.

²⁸ "Techniques for Estimating Unemployment," p. 20.

²⁹ *Annual Report on the Labor Force*, 1952, p. 9.

³⁰ "Techniques for Estimating Unemployment," p. 17.

³¹ Current data on the ratio of covered to total labor force by state are not available. However, the BES has computed the ratios of covered employment to total nonagricultural employment for all but four states (for which estimates of nonagricultural employment are not available). In March 1954 these ratios ranged from 44 per cent in North and South Dakota to over 80 per cent in Connecticut, Massachusetts, Ohio, and Pennsylvania.

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lack the necessary wage credits for eligibility, new entrants to the labor force or re-entrants whose previous jobs, even if in covered employment, were not sufficiently recent for them to have qualifying base year earnings are not included in the insured unemployment series.

Early in 1950, the ineligibility rate of new claimants for unemployment benefits was in the neighborhood of 15 per cent.³² This figure, of course, does not measure the extent to which new entrants and re-entrants to the labor force are excluded from the insured unemployment total, because presumably the former do not file claims at all, and probably only those of the latter file whose employment experience has been sufficiently recent to give them some basis for believing they might be eligible.

The ineligibility of unemployed workers just entering the labor force has the same effect as the coverage limitations of the unemployment insurance laws: it not only prevents insured unemployment from being a complete measure of the unemployed, but it also prevents the magnitude and direction of month-to-month changes in total unemployment from being correctly registered. The rate of entry into the labor force is not constant from month to month. Moreover, the unemployment rate of new entrants is probably higher than that of workers who have been in the job market for some time. Thus, in months when larger-than-average numbers of workers are entering the labor force there is apt to be a downward bias in the percentage change in unemployment registered by insured unemployment data. This is the case, for example, during the summer months when young workers enter the labor force at the conclusion of the school year. To the extent that labor-force-participation rates increase during periods of high unemployment and/or during periods of supra-normal job opportunities, the same downward bias may exist during the trough and the peak of the business cycle.

Disqualified Workers. Even when an unemployed individual has sufficient base period wage credits to make him eligible for unemployment benefits, there are certain factors which may disqualify him. Although all state laws have disqualification provisions, there is wide variation in both the specific causes for disqualification and in the period for which it is effective. The principal reasons for disqualification, which appear in all state laws, are being unable to or unavailable for work, refusing to accept suitable work, discharge for misconduct, and voluntary quitting without just cause. All states likewise disqualify (at least for a limited period) workers whose unemployment results from a labor dispute in the establishment in which they are em-

³² Levine, *op.cit.*, p. 68.

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ployed. In some states the disqualification for benefits extends throughout the entire spell of unemployment. More frequently, disqualification is for a specified number of weeks, which may vary according to the cause of disqualification. Changes in state laws during 1953 have tended to make disqualification provisions more severe.⁸³

In 1953, when there were 10,543,328 new spells of insured unemployment under state unemployment laws, there were a total of 1,207,326 disqualifications (excluding labor dispute disqualifications).⁸⁴ Although expressing disqualifications as a percentage of initial claims has certain limitations, if it is assumed that all of the disqualifications during the year applied to persons whose spells of unemployment began during the year, about 11 per cent of those who filed valid claims for new spells of unemployment were, for at least some part of the period of their unemployment, unrepresented in the insured unemployment statistics. It should be kept in mind, however, that many persons disqualified for being unavailable for work are perhaps not actually "seeking work," and therefore not unemployed in census terminology. On the other hand, it may be assumed that most persons who voluntarily quit their jobs or are discharged for misconduct do not bother to apply for unemployment benefits at least in those states which disqualify such workers for the entire spell of their unemployment.

Although it is not possible to estimate from available data the proportion of total unemployment (as defined by the census) that is excluded from insured unemployment statistics because of disqualifications, the foregoing analysis suggests that it is not negligible. Moreover, it is significant that the disqualification rate varies considerably from state to state, and among local areas of a given state,⁸⁵ thus limiting the usefulness of insured unemployment data for making interstate or inter-area comparisons. In 1953 the disqualification rate ranged from a low of 5.8 per 1,000 claimant contacts in Kentucky to 46.7 per 1,000 in the District of Columbia. Since discharge for misconduct or voluntary quitting disqualify an individual at the beginning of a spell of unemployment, disqualifications for these reasons can meaningfully be

⁸³ See *Social Security Bulletin*, Social Security Administration, December 1953, pp. 19-20.

⁸⁴ Of these, 392,735 were for voluntarily quitting; 121,912 were for discharge for misconduct; 492,708 were for being unable to, or unavailable for, work; and 88,154 were for refusing suitable work. The remaining 111,817 were miscellaneous disqualifications which do not apply in all the states ("Disqualifications, by Issue, by State," BES, mimeographed table, March 1954).

⁸⁵ For example, in Ohio the number of disqualifications per 100 claimant contacts in 1953 averaged 3.6 for the state as a whole, but ranged between 2.1 and 7.3 among the eight largest labor market areas in the state (*Major Disqualification Issues and Rates, by Local Office of the Ohio State Employment Service, 1953*, Ohio Bureau of Unemployment Compensation, Table RS207-A).

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expressed as ratios to new spells of unemployment. Disqualification for voluntarily quitting a job occurred in 37.2 out of every 1,000 new spells of unemployment in the nation as a whole, but the proportion ranged from 10.2 per 1,000 in New Jersey to 132.3 per 1,000 in South Carolina. Similarly, disqualification resulting from discharge for misconduct averaged 11.6 per 1,000 new spells of unemployment for the nation as a whole, but ranged from 1.4 in New York to 53.2 in South Carolina.³⁶

Workers Who Have Exhausted Benefit Rights. All state unemployment insurance laws impose a maximum limit on the number of weeks that an individual may draw benefits during a period of fifty-two consecutive weeks. This ranges from sixteen weeks in four states to twenty-six weeks in about two dozen states,³⁷ with most of the remaining states having maximum benefit durations of twenty weeks.³⁸ When an individual exhausts his rights to benefits in a given benefit year, he is no longer included in the insured unemployment figures, despite the fact that he may continue to be unemployed. If he remains unemployed until a new benefit year begins, he may or may not be included in the figures at that time, depending upon whether he applies for benefits, and whether his earnings during the new base period make him eligible.

A number of studies have been made of persons exhausting their unemployment benefits,³⁹ and, as would be expected, the findings suggest substantial variation over time and from place to place in the duration of post-exhaustion unemployment. Among fourteen studies made during 1949-1950, the median duration of unemployment subsequent to the termination of benefit payments ranged between eight and twenty-three weeks.⁴⁰

Analysis of the experience of workers exhausting unemployment benefits in Connecticut during 1949 indicated that 45 per cent of the exhaustees were re-employed sometime between the termination of their benefits and the date of the survey early in 1950. Of these only 10 per cent had found work within a week after benefit payments ceased, and another 26 per cent found jobs within a two- to five-week period. On the other hand, 40 per cent were without work for more

³⁶ "Disqualifications, by Issue, by State," mimeographed table.

³⁷ Maximum duration in Wisconsin is 26½ weeks.

³⁸ "Significant Benefit Provisions of State Unemployment Insurance Laws, December 1, 1953," *Monthly Labor Review*, March 1954, pp. 273-274. Slightly over a fourth of the states have uniform benefit durations. In the remaining states, however, not all workers are eligible for the maximum number of weeks specified in the law.

³⁹ For a bibliography, see "Adequacy of Benefits under Unemployment Insurance," *BES*, September 1952, pp. 33-36.

⁴⁰ *Ibid.*, p. 24.

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than ten weeks after exhausting their benefits. The median duration of post-exhaustion unemployment for those who found jobs was nine weeks. Moreover, over a sixth of this group were again without work and looking for a job at the time of the survey.

Of the 55 per cent of the exhaustees in Connecticut who were not re-employed, somewhat under two-fifths were not seeking work in the survey period. The remaining 63 per cent, who were looking for jobs, had experienced an average (median) of nineteen weeks of unemployment since their benefit payments had ceased.⁴¹

The importance of exhaustions relative to total insured unemployment obviously varies with economic conditions, increasing as unemployment becomes more prevalent and of longer duration. The ratio of benefit exhaustions to first benefit payments during 1940 was about 50 per cent. This ratio declined continuously to less than 20 per cent in 1945, as first the defense build-up and then the war effort reduced unemployment to unprecedented lows. As a result of reconversion unemployment in 1946, the exhaustion ratio jumped to almost 40 per cent, then declined to the neighborhood of 30 per cent in each of the next four years. In 1951 the ratio dropped to about 20 per cent.⁴² In fiscal year 1953 exhaustions were 18.8 per cent of first benefit payments, rising to 22.3 per cent in the fiscal year ending June 30, 1954.⁴³

The effect of economic conditions upon the exhaustion ratio limits the usefulness of insured unemployment data for making comparisons between states with different levels of unemployment. In addition, the variation among the states in maximum benefit duration is a purely legal factor which likewise distorts such comparisons. If economic conditions were the same, the exhaustion ratio would be expected to vary inversely with the maximum duration of benefits. In 1953, when the exhaustion ratio was 20.8 per cent for the nation as a whole, it ranged between 8.6 per cent in Connecticut and 41.7 per cent in Louisiana.⁴⁴ The maximum benefit durations in these states are twenty-six weeks and twenty weeks, respectively.

Workers Who Do Not File Claims. In addition to those unemployed persons who, for one reason or another, are not eligible to receive unemployment benefits for a given week, eligible persons who do not file claims are also excluded from the insured unemployment total. Although the number who neglect to file claims at any time during an extended period of unemployment is probably relatively small, there is

⁴¹ "What Happens After Exhaustions of Benefits," *The Labor Market and Employment Security*, May 1950, p. 29.

⁴² "Adequacy of Benefits Under Unemployment Insurance," BES, mimeographed, September 1952, Table C-7.

⁴³ *The Labor Market and Employment Security*, September 1954, p. 40.

⁴⁴ *The Labor Market and Employment Security*, May 1954, p. 42.

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evidence, as noted earlier, that a large proportion of those filing initial claims may have allowed a week or more to elapse between the inception of unemployment and the filing of their claims.

Initial claims are not included in insured unemployment data because theoretically such claims are filed at the beginning of a period of unemployment. When an individual has been unemployed for a week (or two weeks in states with biweekly filing), he is supposed to file a continued claim which certifies to the completion of a period of unemployment. If unemployment data are to include only those who have completed a week of unemployment, and if workers do in fact file initial claims immediately upon becoming unemployed, it is logical to exclude initial claims from the insured unemployment total. If, on the other hand, significant numbers of individuals delay filing initial claims, insured unemployment data might come closer to measuring the full extent of unemployment (as defined by the census) if initial claims were included. This is a question which empirical research might answer.

INSURED UNEMPLOYED EXCLUDED FROM CENSUS UNEMPLOYMENT

There are two categories of workers who may be included in insured unemployment statistics but who, by definition, are excluded from census data on unemployment:

Partially Unemployed Workers. All state laws provide for the payment of unemployment benefits to eligible individuals who are partially unemployed, and weeks of partial unemployment are not differentiated from weeks of total unemployment in deriving insured unemployment statistics.⁴⁵ On the other hand, the census includes among the unemployed only those who were without any remunerative work during the survey week. The relative importance of partial unemployment under unemployment insurance laws varies, of course, depending upon economic conditions. During most of 1946 it accounted for well under 5 per cent of total insured unemployment; in 1953 it amounted to almost one-tenth of the total.⁴⁶

Variations among the states in the extent of insured partial unemployment may reflect differences in the benefit levels of their unemployment insurance laws as well as differences in economic conditions. A week of partial unemployment is defined in all the state laws as one in which an individual's earnings, as a result of involuntary loss of

⁴⁵ There are means of estimating the proportions of partial and total unemployment, however. State agencies submit to the Bureau of Employment Security a monthly report on benefit payments (Form ES-213) which indicates the number of weeks of unemployment compensated, with a subtotal for weeks of total unemployment.

⁴⁶ Data from BES.

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work, are less than his weekly benefit amount. All other things being equal, therefore, a reduction of, say, 50 per cent in hours worked in a state with a high benefit level would give rise to more "partial unemployment" than an identical reduction in a state with a lower benefit level.

Workers with Jobs but Not at Work. The census definition of unemployment excludes persons who are neither working nor looking for work during the survey week, but who have a job from which they are absent because of temporary layoff, labor dispute, vacation, illness, or bad weather. While some of these individuals may be included in the insured unemployment total, most of them will not because of their ineligibility for benefits. For example, persons on paid vacations, and in some cases those on unpaid vacations, are not eligible for benefits; nor, in most states, are persons who are ill, since they are not able to work. Moreover, persons out of work as a direct result of a labor dispute in the establishment in which they work are disqualified for benefits, at least for a limited period of time, in all states. Persons on temporary layoff are included in the insured unemployment statistics only if they apply for benefits and if the administrative agency is willing to regard them as available for suitable work. In the twenty-six states which require a claimant to demonstrate that he is actively seeking work, such an individual who does not want to sever his attachment with his present employer would have at least to go through the motions of making a search for another job.

EFFECT OF ADMINISTRATIVE FACTORS ON CLAIMS DATA

There are a number of purely administrative factors which affect the validity of insured unemployment data as an indicator of changes in total unemployment. The effects of the uniform and the individual benefit years on initial claims have already been described, and somewhat the same effects are exerted on continued claims, from which the insured unemployment statistics are derived. The fact that some states use a calendar week while others use a "flexible" week for continued claims also creates some difficulty. In the former states, the weeks of unemployment claimed in the current week are used to represent insured unemployment in the preceding calendar week. In the latter states, the weeks of unemployment claimed in a given week are averaged with those in the preceding week and the result is used to represent insured unemployment in the preceding week. This adjustment has the effect of overstating unemployment during periods when unemployment is rising, and understating it when the trend is in the opposite direction.

In states where claims are taken on a biweekly rather than on a

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weekly basis the claims-taking load is generally distributed evenly over the working days of a two-week period, with each claimant reporting on a specified day. Consequently, in deriving the insured unemployment figure for a given week, the number of weeks of unemployment claimed by the group reporting in a given week is assumed to be equal to the number that would have been claimed if each individual had reported on a weekly basis. It may be that the extent to which eligible workers file claims differs between states that take claims weekly and those that take them biweekly. Although there are no data on this matter, it seems reasonable to suppose that an individual who is unemployed for a period of only slightly over one week will be more likely to file a claim in a state with weekly reporting than in one with biweekly reporting. In the latter case, the individual is already back at work at the time he is supposed to file his claim. Not only is it more difficult for him to get to the local employment office, but he may well believe that it is not worth the trouble, particularly if the week of unemployment which he might claim would serve only as waiting period credit rather than as a compensable week. To the extent that this occurs, there may be a downward bias in the insured unemployment statistics of states with biweekly reporting.

Finally, although this is not strictly speaking an administrative factor, it should be borne in mind that the criterion of "willingness to work" used in unemployment insurance laws is different from that used by the census. For unemployment insurance purposes the test is the availability of the worker for a suitable job as evidenced by his registration for work at a public employment office and his willingness to accept a referral to, or an offer of, a job. (Twenty-six states also require the individual to make an independent search for work.) In the case of the census, the individual's willingness to work is evidenced by a report to the Census Bureau enumerator, either by himself or by someone in his household, that he was looking for work during the survey week. It is clear that the administrative determination that an individual is available for suitable work is not equivalent to a report to a Census enumerator that the individual is seeking work.⁴⁷

COMPARISON OF CENSUS AND INSURED UNEMPLOYMENT DATA, 1949-1954

In view of the numerous differences in coverage between census and insured unemployment data, it would be expected that the two series

⁴⁷ Studies conducted by the Bureau of the Census and the United States Employment Service during 1946 showed that significant proportions of unemployment benefit recipients were not reporting themselves as looking for work to Census enumerators (see Gertrude Bancroft, "Current Unemployment Statistics of the Census Bureau and Some Alternatives," in this volume).

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not only give different counts of unemployment, but differ also in the month-to-month changes they indicate (see Table 1). In the sixty-six months between January 1949 and June 1954, the insured unemployment total (including the veterans' and the railroad programs) ranged between 40 and 89 per cent of total unemployment as measured by the census.⁴⁸ The median ratio of insured to total unemployment was 64 per cent, and the interquartile range was between 55 and 70. The month-to-month differences in the ratios were most pronounced in 1949, when they ranged between 56 per cent and 89 per cent,⁴⁹ and least pronounced in 1953 when the range was between 57 and 73 per cent. In the first five months of 1954, insured unemployment was a relatively constant proportion of total unemployment, ranging between 64 and 70 per cent.

There is no appreciable tendency for the variation among the ratios of insured to total unemployment to disappear when they are classified by month during the five-and-a-half-year period. In each of the twelve months the range between the highest and the lowest ratio is at least 21 percentage points, and in five months it is 30 or more.

Another way of analyzing the differences between the insured unemployment and the total unemployment series is in terms of the relative changes they show from month to month. Of the 65 month-to-month changes between January 1949 and June 1954, the two series agreed in *direction* in 46 and disagreed in 19. The differences in the magnitude of the month-to-month changes shown by the two sets of data ranged between almost 0 and 30 percentage points, the median difference being about 7 percentage points. The interquartile range of the differences was between about 3 and 13 percentage points.

It is difficult to see any pattern in the variation between the two series, except that the insured unemployment data invariably fail to register the sharp rise in unemployment shown by census data between May and June, when young workers (without wage credits under

⁴⁸ The variation would be even more pronounced if the immediate postwar years were included in the comparison. In each of the first ten months of 1946 insured unemployment actually exceeded total unemployment estimated by the Census Bureau. This was doubtless attributable at least in part to the heavy volume of veterans' claims, which accounted for half or more of all insured unemployment during most of the months of that year.

⁴⁹ The greater variation in 1949 is doubtless attributable in part to the wide variation in the number of veterans who filed claims under the Servicemen's Readjustment Act of 1944. During the first seven months of the year insured unemployment under the veterans' program ranged between about 490,000 and 680,000, or between about 20 and 25 per cent of total insured unemployment. In the last five months of the year, on the other hand, the range was between about 60,000 and 140,000, or between 3 and 6 per cent of total insured unemployment.

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TABLE 1

Comparison of Census Unemployment and Total Insured Unemployment,
1949-1954

(number in thousands of persons 14 years old and over)

MONTH ^a AND YEAR	CENSUS TOTAL UNEMPLOYMENT		INSURED UNEMPLOYMENT ^b		INSURED UNEMPLOYMENT AS PER CENT OF CENSUS UNEMPLOYMENT
	Number	Per Cent Change from Previous Month	Number	Per Cent Change from Previous Month	
1949:					
January	2,664		2,108		79
February	3,221	+20.9	2,544	+20.7	79
March	3,167	-1.7	2,728	+7.2	86
April	3,016	-4.8	2,684	-1.6	89
May	3,289	+9.1	2,655	-1.1	81
June	3,778	+14.9	2,657	+0.1	70
July	4,095	+8.4	2,824	+6.3	69
August	3,689	-9.9	2,438	-13.7	66
September	3,351	-9.2	2,150	-11.8	64
October	3,576	+6.7	1,994	-7.3	56
November	3,409	-4.7	2,261	+13.4	66
December	3,489	+2.3	2,425	+7.3	70
1950:					
January	4,480	+28.4	2,611	+7.7	58
February	4,684	+4.6	2,548	-2.4	54
March	4,123	-12.0	2,417	-5.1	59
April	3,515	-14.7	2,051	-15.1	58
May	3,057	-13.0	1,837	-10.4	60
June	3,384	+10.7	1,638	-10.8	48
July	3,213	-5.1	1,560	-4.8	49
August	2,500	-22.2	1,178	-24.5	47
September	2,341	-6.4	954	-19.0	41
October	1,940	-17.1	820	-14.0	42
November	2,240	+15.5	889	+8.4	40
December	2,229	-0.5	1,059	+19.1	48
1951:					
January	2,503	+12.3	1,246	+17.7	50
February	2,407	-3.8	1,117	-10.4	46
March	2,147	-10.8	975	-12.7	45
April	1,744	-18.8	965	-1.0	55
May	1,609	-7.7	981	+1.7	61
June	1,980	+23.1	1,007	+2.7	51
July	1,856	-6.3	1,067	+6.0	57
August	1,578	-15.0	1,001	-6.2	63
September	1,606	+1.8	922	-7.9	57
October	1,616	+0.6	884	-4.1	55
November	1,828	+13.1	931	+5.3	51
December	1,674	-8.4	1,036	+11.3	62

(continued on next page)

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TABLE 1 (continued)
(number in thousands of persons 14 years old and over)

MONTH ^a AND YEAR	CENSUS TOTAL UNEMPLOYMENT		INSURED UNEMPLOYMENT ^b		INSURED UNEMPLOYMENT AS PER CENT OF CENSUS UNEMPLOYMENT
	Number	Per Cent Change from Previous Month	Number	Per Cent Change from Previous Month	
1952:					
January	2,054	+22.7	1,466	+41.5	71
February	2,086	+1.6	1,350	-7.9	65
March	1,804	-13.5	1,284	-4.9	71
April	1,612	-10.6	1,182	-7.9	73
May	1,602	-0.6	1,127	-4.7	70
June	1,818	+13.5	1,087	-3.5	60
July	1,942	+6.8	1,268	+16.7	65
August	1,604	-17.4	1,257	-0.9	78
September	1,438	-10.3	743	-40.9	52
October	1,284	-10.7	647	-12.9	50
November	1,418	+10.4	690	+6.6	49
December	1,412	-0.4	898	+30.1	64
1953:					
January	1,892	+34.0	1,289	+43.5	68
February	1,788	-5.5	1,189	-7.8	66
March	1,674	-6.4	1,118	-6.0	67
April	1,582	-5.5	1,052	-5.9	66
May	1,306	-17.4	953	-9.4	73
June	1,562	+19.6	885	-7.1	57
July	1,548	-0.9	934	+5.5	60
August	1,240	-19.9	911	-2.5	73
September	1,321 ^c	+6.5	862	-5.4	65
October	1,301 ^c	-1.5	835	-3.1	64
November	1,699 ^c	+30.6	1,183	+41.7	70
December	2,313 ^c	+36.1	1,512	+27.8	65
1954:					
January	3,087	+33.5	2,119	+40.1	69
February	3,671	+18.9	2,368	+11.8	65
March	3,725	+1.5	2,399	+1.3	64
April	3,465	-7.0	2,361	-1.6	68
May	3,305	-4.6	2,308	-2.2	70
June	3,347	+1.2	2,145	-7.1	64

^a Covers the week including the eighth of the month.

^b Includes partial and part total unemployment as well as total unemployment under state, veterans', and railroad unemployment insurance laws.

^c Revised estimates.

Source: Census data from Monthly Reports on the Labor Force, insured unemployment data from Bureau of Employment Security.

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unemployment compensation laws) begin to look for work at the end of the school year. Thus, in 1949, 1950, 1952, and 1953 the census showed a substantial percentage increase in unemployment between May and June, while insured unemployment either declined or remained constant. In 1951 both series registered increases between these two months, but the rise in census unemployment was 23 per cent, while the increase in insured unemployment was only 3 per cent.

Attempts have been made to adjust both census and insured unemployment statistics so that the two series more nearly achieve a common definition of unemployment.⁵⁰ One set of adjustments which has been made involves (1) subtracting from census unemployment those unemployed persons who never had a full-time job or whose last reported job was in an industry apparently not covered by unemployment insurance, (2) subtracting from insured unemployment those persons drawing part-total or partial unemployment benefits, and (3) adding to census figures the number of persons on temporary layoff from nonagricultural jobs with definite instructions to return to work within thirty days. These adjustments do not reconcile all the differences between census and insured unemployment statistics.⁵¹ Indeed, in view of the dependence of insured unemployment data on legal and administrative factors that are not only complex but also variable from state to state, it is clear that the two sets of data cannot be completely reconciled. Nevertheless, when the adjustments referred to above are made, the two series are closer in the amount of unemployment they indicate and also show a somewhat higher degree of correspondence in the direction and magnitude of month-to-month changes (see Table 2).

The differences in movement between the census and the insured unemployment series do not necessarily mean that the former are a more valid indicator than the latter of changes in levels of unemployment. Miss Bancroft has shown in her paper⁵² the impossibility of determining "true" levels of unemployment against which a given series can be compared, and has described the sources of error in census data. Judgments about the relative validity of the two series, therefore, must in the last analysis rest upon evaluations of the respective concepts and techniques underlying them.

⁵⁰ See *Hearings before the Joint Committee on the Economic Report*, pp. 317-319 (see also Gertrude Bancroft, "The Census Bureau Estimates of Unemployment," as cited, p. 62).

⁵¹ See Virginia Kyner, "Total and Insured Unemployment Estimates: A Criticism," and "A Rejoinder," by Gertrude Bancroft, *Review of Economics and Statistics*, November 1951, pp. 338-342.

⁵² In this volume.

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TABLE 2
Estimates of Completely Unemployed Persons in Industries Covered by Unemployment Insurance,
Adjusted Census and Insured Unemployment, 1949-1953
(thousands)

MONTH	1949		1950		1951		1952		1953	
	Census	Insured	Census	Insured	Census	Insured	Census	Insured	Census	Insured
January	2,315	2,016	3,559	2,479	1,993	1,157	1,738	1,331	1,640	1,179
February	2,647	2,448	3,635	2,433	1,893	1,048	1,774	1,255	1,488	1,118
March	2,722	2,635	3,331	2,303	1,704	913	1,486	1,199	1,362	1,048
April	2,695	2,591	2,873	1,954	1,470	887	1,464	1,092	1,364	972
May	2,735	2,549	2,496	1,722	1,315	896	1,360	1,029	1,136	874
June	2,866	2,548	2,474	1,538	1,482	919	1,446	990	1,202	808
July	3,346	2,724	2,384	1,472	1,476	983	1,488	1,161	1,230	858
August	3,031	2,335	1,837	1,108	1,306	921	1,418	1,161	1,082	844
September	2,743	2,059	1,734	900	1,352	838	1,140	687	1,093	785
October	3,032	1,898	1,468	763	1,324	796	1,060	589	1,053	754
November	2,804	2,152	1,734	825	1,446	841	1,138	628	1,348	1,076
December	2,877	2,303	1,732	979	1,396	944	1,182	822	1,594	1,393

Adjustments: Census: Unemployed persons minus those who never had a full-time job or whose last reported job was in agriculture, government, domestic service, self-employment, or unpaid family work; added to the unemployed are persons laid off from nonagricultural jobs with instructions to return to work at a definite date within thirty days.

Insured unemployment: State-insured unemployment, unemployment compensation for veterans, and railroad unemployment program, minus estimated number who did any work

during the week (partial and part-total employment). Proportion of weeks compensated during the month by the state unemployment insurance systems for total unemployment assumed to be proportion of benefit recipients who did no work.

Source: Bureau of the Census and Bureau of Employment Security (from *Hearings before the Joint Committee on the Economic Report*, 83d Cong., 2d Sess., Feb. 1-18, 1954, pp. 317-319).

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5. Local Area Estimates of Total Unemployment

The BES has no legal responsibility for over-all unemployment estimates, and currently does not attempt to estimate total unemployment on a national basis. However, as part of the regular employment security reporting system, the Bureau does require such estimates on a local basis for 149 labor market areas accounting for about 70 per cent of nonagricultural employment in the United States.⁵³

Estimates of unemployment are contained in a bimonthly labor market report (ES-219) which is prepared for each labor market area containing at least one city with a 1950 population of 50,000 or more, and for a few other areas with unusual labor market characteristics. The labor market area for which a report is made is defined as a central city or cities and the surrounding territory within reasonable commuting distance. So far as possible, boundaries of the Standard Metropolitan Areas are used.

The labor market report includes textual material describing labor market trends as well as statistical tables containing estimates of employment and unemployment, turnover, hours, and earnings. Recognizing that the estimates called for in the report require qualitative judgments on the part of the local analysts, the BES works with the state agencies on the development and improvement of needed sources of information and estimating techniques. It has prepared handbooks for the use of state and local employment agencies which suggest methods for making the estimates required by the report.⁵⁴ State agencies submit annual statements to the BES describing the techniques used for estimating employment, unemployment, and labor force changes. The Bureau periodically reviews the labor market reports from each area and submits written evaluations to the respective state agencies.

Data in the labor market reports are used for a number of purposes. According to the *Employment Security Manual*, their basic purpose is to aid in the planning, directing, and evaluation of the services of local employment offices. They are also used, however, as a basis for classifying labor market areas according to the relative adequacy of their labor supply.⁵⁵ Area classifications are "intended to provide a quick, convenient tool to measure comparative differences in the availability of labor (and general economic well-being) of the nation's major

⁵³ The area reporting program was initiated during the defense build-up prior to World War II. The number of areas included in the program has changed from time to time, being as high as 350 during the war.

⁵⁴ See, for example, "Techniques for Estimating Unemployment."

⁵⁵ See *Labor Market Developments in Major Areas*, published bimonthly in mimeographed form by the Bureau of Employment Security.

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production and employment centers. . . . They have been widely used by Government agencies and private organizations in the introduction, administration, and evaluation of manpower programs and policies ever since the area classification program was first initiated in the early days of World War II.⁵⁶ Thus, the area classification program is conceived as useful in assisting employers with the location of new plants, and as a guide for government policies designed to alleviate unemployment.⁵⁷

Although the extent of unemployment is not the sole criterion for classifying local labor market areas according to the relative adequacy of their labor supply, it is the most important one.⁵⁸ In view of the uses to which the classification of areas is put, it is desirable to inquire briefly into the nature of the estimates of total unemployment that are made. The concept of unemployment which local labor market analysts are instructed to use is almost identical with that employed by the Bureau of the Census.⁵⁹ The problem is thus one of utilizing the data which arise as by-products of the operation of the local employment office, together with whatever other materials are available, to arrive at such an estimate.

The general procedure, as well as some specific techniques for developing the unemployment estimate, have been suggested by the BES. The problem is broken down into three major segments: (1) estimating the number of unemployed workers from covered activities, (2) estimating the number of unemployed workers from noncovered activities, and (3) estimating the number of unemployed new entrants and re-entrants to the labor force as well as in-migrants to the local labor market area. Merely to state these problems is to indicate that their solution is, to say the least, a formidable task. For example, even to estimate the number of persons in the first of these three components of the unemployed would require knowledge about the extent to which there are delays in the filing of initial claims; the number of eligible workers who do not apply for benefits; the incidence of unem-

⁵⁶ "Criteria and Procedure Used in Classification of Labor Market Areas," statement introduced in *Hearings before the Joint Committee on the Economic Report*, p. 348.

⁵⁷ The availability of manpower, as indicated by the area classifications, is one of the criteria used by the Office of Defense Mobilization in the evaluation of applications for accelerated tax amortization assistance to new plants in selected defense industries. *Defense Manpower Policy No. 1*, Office of Defense Mobilization, August 2, 1951. Also, "it is the policy of the Federal Government to encourage the placing of contracts and facilities in areas of current or imminent labor surplus. . . ." *Defense Manpower Policy No. 4* (Revised), November 5, 1953.

⁵⁸ For a description of the classification criteria currently being used by the BES, see *Hearings before the Joint Committee on the Economic Report*, pp. 349-350.

⁵⁹ "Techniques for Estimating Unemployment," p. 6.

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ployment among persons who have exhausted their rights to benefits; and the extent to which persons disqualified from the receipt of benefits are without jobs. Moreover, answers to these questions are clearly not constants. The amount of post-exhaustion unemployment is affected by the state of the labor market, and the same is probably true of the extent to which there is a lag in the filing of initial claims. This means that even for a given local area it is impossible to work out adjustment factors on the basis of a single study of each of these questions.

Space does not permit a description of the various techniques which have been recommended for estimating total unemployment on the basis of the data available to a labor market analyst in a local employment office. All of them have certain limitations, of which the BES is fully cognizant, and which arise because the employment security program unfortunately does not yield the types of data which are required. Moreover, some of the more refined techniques which the Bureau has recommended are so elaborate that it may reasonably be doubted that many local labor market analysts have the necessary combination of aptitude, diligence, staff, and time to apply them.

In view of the important purposes which local area estimates of unemployment serve, it would seem desirable to test the validity of those currently being made against the results of periodic household surveys similar to those which the Bureau of the Census now conducts on a national basis.⁶⁰ It might be possible for the Bureau of the Census and the BES to work out an arrangement in which the former agency would develop the sample within the local areas and the latter, in cooperation with the state agencies, would conduct the surveys, the results of which would be processed by the Census Bureau.

Such checks might indicate that the techniques currently employed yield estimates of total unemployment that are sufficiently accurate for the purposes which they are to serve, in which case the local labor force surveys might be discontinued. If, on the other hand, it should be established that employment security data do not yield valid estimates of unemployment, reliance would have to be placed exclusively on local labor force surveys.

⁶⁰ Attempts to compare BES estimates of total unemployment for local labor market areas with the unemployment counts obtained from the 1950 Census of Population encounter several difficulties. The Census Bureau has found that the 1950 census understated total unemployment as measured by the Current Population Survey by about 20 per cent. There are no data, however, on the extent of understatement by local area, which may vary from the national average. Moreover, the census data do not necessarily relate to the same week in April 1950 as the BES estimates. For these reasons, comparisons which have been made between the two sets of data for the fifteen largest labor market areas are not conclusive (letter from Louis Levine, Chief, Division of Reports and Analysis, BES, November 19, 1954).

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6. Summary and Conclusions

1. The administration of the employment security program in the United States makes available several types of data which have some value as indicators of unemployment trends and possibly as bases for estimates of total unemployment.

2. The chief advantages of employment security data relating to unemployment are their currency and the fact that, unlike the data of the Bureau of the Census, they are available not only on a national basis but for regions, states, and local labor market areas as well. Moreover, the data are not subject to sampling variation, nor is the likelihood of response error as great as in the case of census data, since information is obtained directly from the worker rather than from someone in his household. Also, although administrative determinations of the availability of claimants for suitable work vary among states and local areas, the work test in all unemployment insurance laws perhaps provides a more objective criterion of attachment to the labor force than the "seeking work" criterion used by the Census Bureau.

3. On the other hand, the chief disadvantage of employment security data on unemployment is that it is impossible to define in terms that have economic (as distinguished from legal or administrative) significance precisely what it is that the data measure. This is true even of the active file figures and of the claims data that result from the operation of a single state program. The problem is made more complex by the diversity of the various unemployment insurance laws in their coverage, eligibility and disqualification provisions, and administrative features. This diversity, incidentally, qualifies to a considerable extent the advantages inherent in having state and local data. If interstate or interarea comparisons are to be made, it must be kept in mind that differences in the data may reflect differences in the unemployment insurance laws or their administration, as well as in rates of unemployment.

4. Initial claims data have some value as an indicator of incipient unemployment, but numerous legal and administrative factors must be considered in interpreting them. Although insured unemployment statistics, based on continued claims, show a rough correspondence in trend with total unemployment as defined and measured by the Bureau of the Census, there are rather pronounced variations in the ratio between insured and total unemployment. Nevertheless, there is an advantage in having unemployment data from two such different sources. For example, the high levels of insured unemployment relative to total unemployment in the fall and winter of 1953 suggested that the census data were understating total unemployment. This was con-

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firmed when data based on the revised census sample became available in January 1954.

5. Claims data might have greater usefulness as an indicator of unemployment trends if more were known about the extent to which and the circumstances under which eligible workers fail to exercise their rights under unemployment insurance laws. Information is needed on the prevalence of delayed filing of initial claims under varying economic conditions and in areas with varying industrial structures. Similarly, it would be useful to know the extent of, and the reasons for, failure of eligible unemployed individuals to file for benefits at any time during spells of unemployment. Some of these problems are currently being investigated by state employment security agencies. Independent studies along similar lines would doubtless be worthwhile.

6. Estimates of total unemployment on a local area basis need to be checked by periodic labor force surveys. It is true that estimates of total unemployment based upon employment security data should be able to be made with greater confidence on a local than on a national basis. There is only one unemployment insurance law involved in the former case, and the labor market analyst is at least in a position to be intimately familiar with the character of the local labor market and with the administrative factors in the local office that are likely to affect active file and claims data. On the other hand, it remains to be demonstrated that even with these advantages employment security data provide a good basis for local area estimates of total unemployment.

C O M M E N T

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Like Herbert Parnes, I am a Bureau of Employment Security outsider. My remarks will be confined to some analogies and some differences between the United States and Canada in this field.

In both countries there is now extensive social security legislation; in the United States tied more closely to the individual states, in Canada to the federal government. I think that Parnes exaggerates the difficulties which arise from having forty-eight separate laws; Canada has but one Unemployment Insurance Act and yet most of the difficulties that he refers to are found in Canada.

The statisticians of the BES as well as the United States public appear to have concentrated their attention on initial claims, while in Canada there has been more emphasis on a series that we call unplaced applicants. Applicants include claimants since one condition for drawing benefit is being registered for employment, but in addition

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applicants include a proportion of the jobless who for one reason or another cannot claim benefit, a proportion which is in the nature of things unknown. These jobless include those attached to uncovered industries, persons who have exhausted their benefit rights, etc. The case for placing the main statistical emphasis on claimants rather than on applicants is partly that the former are subject to carefully worked out, sharply defined, and consistently administered legal requirements. This definiteness helps to prevent their being used to describe something which they are not, e.g. the whole of unemployment. However, since our own employment service people are not represented at this meeting I must be careful not to take up matters which would be contentious in Canada.

One special difficulty of Canadian figures of either applicants or claimants is that they do not indicate long-term trends. The coverage under the act has been steadily broadened in the fourteen years that it has been in operation and this fact increases the number of claimants and applicants. One type of extension of social security is the supplementary benefits for seasonally unemployed in our relatively difficult winter months.

In the several states cards are kept in the live files for from thirty to sixty days after the applicant was last seen in the office. This means that a man can have been working this long before his card is removed and there can be no question that this has an effect in exaggerating the number of cards in the file. The interest of Canadian authorities in getting statistics from the applicant files has shown itself in a reduction of this period to fifteen days; in principle the file is counted on Thursday of each week only for persons who were in contact with the office within the preceding fifteen days. In addition all persons who declared themselves to have a job are excluded for purposes of this count. As Parnes points out for the United States, we cannot be sure that the job applicants always state their existing job connections.

On the other hand, the number of persons entitled to benefit who failed to collect is mentioned several times by Parnes as a factor leading to understatement on the part of the statistics. I do not know whether Canadians are quicker to seize any money that may be due to them than are citizens of your country but we have never heard of this particular difficulty in Canada.

Parnes' statement that "the diligence and regularity with which applications in the active file are canceled are inversely related to the pressure of other activities" is probably part of the dynamics of any statistical compilation that is tied in with, and a subordinate element of, an administrative operation.

