

## What Is An “Alternative Base Period” & Why Does My State Need One?

### *Expanding UI for Low-Wage & Part-Time Workers*

For years now, fewer unemployed workers have not been collecting unemployment insurance (UI) benefits because eligibility rules have not kept pace with changes in the labor market, including growing low-wage and part-time work. In 1999, only 36% of all unemployed workers collected unemployment benefits, and the number is even smaller for low-wage workers. With significant UI trust fund reserves built up in many states because of sustained low unemployment, positive UI reforms to assist low-wage working families are on the agenda in a growing number of states. In most states, the single most important reform that would bring more low-wage workers into the UI system is the “alternative base period.”

**What is an alternative base period, and how does it work?** Alternative base periods, or ABPs, are now found in twelve states, most of them adopted just in the past few years. Basically, ABPs allow more workers to qualify for benefits by updating the system for tracking an individual’s recent earnings which are needed by many workers to satisfy the states’ monetary eligibility rules.

All states use a base period, or base year, to determine whether laid off workers have earned enough wages to qualify for UI benefits. A base period is typically four calendar quarters. (The calendar quarters are January through March, April through June, July through September, and October through December.) Most states define their base periods as the first four of the last five completed calendar quarters. Depending on when a UI claim is first filed and how the state defines its base period, the quarters of wages considered can include wages earned as long as 18 months back.

Our illustration below shows how base periods work and which states permit added flexibility with ABPs. In states using a typical base period definition, a worker filing a UI claim cannot use wages earned in the current calendar quarter (the “filing quarter”) or the most recent prior completed quarter (the “lag quarter”) toward monetary eligibility or in calculating his or her UI weekly benefit amount. In states using the ABP, the worker who fails to qualify using the typical base period can also use his or her more recent wages to meet the base-period earnings requirement. The Ohio ABP statute (counting the lag quarter wages) and the New Jersey ABP statute (counting both the lag quarter and the filing quarter wages) are found below.

#### How States Define Their Base Periods

Traditional Base Period				Alternative Base Period	
First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Completed Lag Quarter	Filing Quarter
			Most states end their base period after this quarter	Maine, Michigan, New Hampshire, New York, North Carolina, Ohio, Rhode Island, Washington, Wisconsin	Massachusetts, New Jersey, Vermont

**Example:** Marcos files a claim for UI on June 23, 2000, having worked from October 13, 1999, until his

layoff on June 23, 2000. He worked at the minimum wage of \$5.15 an hour for 25 hours per week (totaling 36.5 weeks and \$4,699.38 in earnings). Despite this significant amount of work, Marcos does not qualify using a standard base period requiring \$1500 in earnings during the first four of the last five completed calendar quarters. That is because his state only recognizes \$1480.63 in earnings for the 11.5 weeks that Marcos worked in the fourth quarter of his base period. However, if the state adopts the ABP, Marcos will qualify for UI based on the \$1673.75 in the lag quarter (and, in some states, also the \$1545.00 of wages in his filing quarter).

Traditional Base Period				Alternative Base Period	
First Quarter January - March 1999	Second Quarter April – June 1999	Third Quarter July – Sept. 1999	Fourth Quarter October – December 1999	Completed Lag Quarter January – March 2000	Filing Quarter April – June 2000
			Worked	Began October 13, 1999 Filed June 23, 2000	
			Wages	\$1,480.63	\$1,673.75
			Total Wages	\$4,699.38	

**What states have adopted ABPs?** Twelve states have adopted ABPs (Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Rhode Island, Vermont, Washington, and Wisconsin), representing about one-third of the nation’s UI claims. ABPs have recently passed with significant bipartisan support in states like Wisconsin, New Jersey, New Hampshire, and North Carolina.

**Who gets helped by ABPs?** Studies show that about one in five workers failing to qualify for UI benefits because their earnings did not meet their states' monetary eligibility requirements end up qualifying under ABPs. Most of these of these are low-wage or part-time workers. Seasonal workers, including those in the building and construction trades, also benefit from ABPs because these workers often earn wages concentrated in fewer quarters of their base periods. Because more recent wages are used, ABPs result in higher weekly UI benefits in some states as well.

**What are the costs of ABPs?** According to a national study of the states that have adopted the ABP, the costs of administering ABPs have not been significant. On average, the benefits paid out of the UI trust funds have increased by 4-6%. Given the comparably large numbers of workers who benefit from ABPs, this cost is justified. In calculating the costs of ABPs, these estimates do not take into account that a fair proportion of workers would have eventually drawn UI if they remained unemployed and filed later, valid UI claims.

**Who can we call for help?** The National Employment Law Project provides advice and support for policy makers and advocates relating to unemployment insurance, including ABPs. Contact: Maurice Emsellem at (212) 285-3025, ext. 106 [emsellem@nelp.org] or Rick McHugh at (734) 332-1015 [rmchugh@nelp.org].

## Model State ABP Statutes

### Ohio (counting lag quarter wages)

Ohio Unemployment Compensation Act, Section 4141.01(Q)(2)

If an individual does not have sufficient qualifying weeks and wages in the base period to qualify for benefit rights, the individual's base period shall be the four most recently completed calendar" If information as to weeks and wages for the most recent quarter of the alternate base period is not available to the administrator from the regular quarterly reports of wage information, which are systematically accessible, the administrator may, consistent with the provisions of section 4141.28 of the Revised Code, base the determination of eligibility for benefits on the affidavit of the claimant with respect to weeks and wages for that calendar quarter. The claimant shall furnish payroll documentation, where available, in support of the affidavit. The determination based upon the quarters preceding the first day of the individual's benefit year. Such base period shall be known as the "alternate base period alternate base period as it relates to the claimant's benefit rights, shall be amended when the quarterly report of wage information from the employer is timely received and that information causes a change in the determination. As provided in division (B)(1)(b) of section 4141.28 of the Revised Code, any benefits paid and charged to an employer's account, based upon a claimant's affidavit, shall be adjusted effective as of the beginning of the claimant's benefit year. No calendar quarter in a base period or alternate base period shall be used to establish a subsequent benefit year.

### New Jersey (counting both lag quarter & filing quarter wages)

New Jersey Unemployment Compensation Law, Title 43, Subtitle 9, Chapter 21, Section 43:21-19©(1).

With respect to benefit year commencing on or after July 1, 1995, if an individual does not have sufficient qualifying weeks or wages in his base year to qualify for benefits, the individual shall have the option of designating that his base year shall be the "alternative base year," which means the last four completed calendar quarters immediately preceding the individual's benefit year; except that, with respect to a benefit year commencing on or after October 1, 1995, if the individual also does not have sufficient qualifying weeks or wages in the last four completed calendar quarters immediately preceding his benefit year to qualify for benefits, "alternative base year" means the last three completed calendar quarters immediately preceding his benefit year and, of the calendar quarter in which the benefit year commences, the portion of the quarter which occurs before the commencing of the benefit year.

The division shall inform the individual of his option under this section as amended by P.L. 1995, c. 234. If information regarding weeks and wages for the calendar quarter or quarters immediately preceding the benefit year is not available to the division from the regular quarterly reports of wage information and the division is not able to obtain the information using other means pursuant to State or federal law, the division may base the determination for eligibility for benefits on the affidavit of an individual with respect to weeks and wages for that calendar quarter. The individual shall furnish payroll documentation, if available, in support of the affidavit. A determination of benefits based on an alternative base year shall be adjusted when the quarterly report of wage information from the employer is received if that information causes a change in the determination.

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