Unemployment Insurance

State Material

What Is An "Alternative Base Period" And Why Does My State Need One?

(April 2003)

Introduction: Over recent decades, unemployment insurance (UI) programs have paid UI benefits to fewer unemployed workers in part because UI eligibility rules have not kept pace with changes in the labor market. In 2002, about 45 percent of all unemployed workers collected unemployment insurance benefits. This number is smaller for low-wage workers. In many states, a significant reform bringing more low-wage workers into the UI system is the alternative (or alternate) base period. This fact sheet explains how ABPs help laid off workers, especially low-wage and part-time workers. The Addendum discusses some drafting issues regarding alternative base period legislation.

What are alternative base periods and how do they work? Alternative Base Periods, or ABPs, are found in eighteen states, most of them adopted in the past five years. Basically, ABPs allow more workers to qualify for benefits by adding flexibility when determining monetary eligibility for UI benefits.

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 traditional states define their base periods as "the first 4 of the last 5 completed calendar quarters." Depending upon when a UI claim is filed and how the state defines its base period, the quarters of wages considered can include wages earned as long as 18 months prior to the filing of the UI claim, with more recent wages excluded.

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 and exclude wages from the two most recent calendar quarters.	Connecticut, District of Columbia, Georgia, Maine, Michigan, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Virginia, Washington, Wisconsin	Massachusetts, New Jersey, and Vermont use filing quarter wages when necessary.

As our illustration shows, with a traditional base period, wages earned in the current calendar quarter (the "filing quarter") and the intervening calendar quarter (the "lag quarter") are not used to determine if a laid off worker qualifies for UI benefits. States with ABPs permit workers to use these more recent lag quarter wages.

Here's a specific example: Marcos files a claim for UI benefits on June 23, 2002, having worked from October 13, 2001 to his layoff on June 23, 2002. 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 traditionally defined base period requiring $1500 in earnings during the first four of the last five completed calendar quarters. His hypothetical state recognizes only $1480.63 in earnings for the 11.5 weeks of work that falls within the fourth quarter of his base period. However, under an ABP, he qualifies based on the $1673.75 in the lag quarter (and, in Massachusetts, New Jersey, and Vermont , also the $1545.00 of wages in his filing quarter).

How ABPs Work: A Concrete Example

	Traditional Base Period				Alternative Base Period	
	First Quarter January - March 2001	**Second Quarter April-June 2001**	**Third Quarter July – Sept. 2001**	**Fourth Quarter October – December 2001**	**Completed Lag Quarter January – March 2002**	**Filing Quarter April – June 2002**
Worked				Began October 13, 2001		Filed June 23, 2002
Wages				$1,480.63	$1,673.75	$1,545.00
Total Wages					$4,699.38	

What states have adopted ABPs? Eighteen states have adopted ABPs (Connecticut, District of Columbia, Georgia, Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Rhode Island, Vermont, Virginia, Washington, and Wisconsin), representing well over one-third of the nations UI claims. In 2002, four states joined the ranks of ABP states, Connecticut, District of Columbia, Georgia, and Oklahoma. New Mexico and Virginia adopted ABP legislation in early 2003.

Who gets helped by ABPs? Studies show that up to 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. The highest proportion 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 earn wages concentrated in fewer quarters of their base periods in many states. Unemployed workers who previously collected welfare are also more likely to collect unemployment benefits as a result of the ABP. 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, states should take into account that a fair proportion of workers would have eventually drawn UI if they remained unemployed and filed later, valid UI claims. In addition, because those qualify using the ABP include a higher proportion of low-wage workers, their unemployment benefits are lower than average as well.

Who can we call to help? The National Employment Law Project provides advice and support for policy makers and advocates relating to unemployment insurance, including ABPs. Contact our UI Safety Net Project through Maurice Emsellem at (510) 663-5700 or emsellem@nelp.org.

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You are here: Unemployment Insurance » State Material » Expanding UI Access » What Is An "Alternative Base Period" and W My State Need One?

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