

AVERAGE WEEKLY WAGE SURVEY, 1974 Highlights

The Research and Analysis Section of the Alaska Department of Labor is actively involved in the collection, analysis and dissemination of data which is generated through standard and special employment and unemployment programs administered by the Department. A substantial amount of information is generated as a by-product of routine operations. For example: Unemployment Insurance Contribution Reports filed by employers yield employment and wage information by area and industry, while Unemployment Insurance claims filed by unemployed workers provide a source of information concerning various characteristics of the insured unemployed (i.e. levels of unemployment and unemployment breakdowns by industry, occupation, sex, area, etc.). Numerous reports are prepared and submitted to the U.S. Department of Labor, Manpower Administration, on a weekly, monthly, and quarterly basis. These reports provide current information on State and national economic conditions and in turn provide a foundation for planning and policy making. On occasion there is a need for information which is not available from existing resources.

In June, 1973, a bill (HR 8600) designed to broaden Unemployment Insurance (U.I.) coverage and substantially increase benefit payment levels by establishing benefit standards was brought before the 93rd Congress by President Nixon. During the summer of 1974, all states were requested to provide information concerning various characteristics of recent U.I. beneficiaries in order that a thorough analysis could be made concerning the effects of this bill. In Alaska, all of the requested data was available from existing files except for weekly wage information. Weekly wage data was available only from employer records, therefore, it was necessary to survey employers for the appropriate information. With a great deal of cooperation from those employers, the required information was obtained and forwarded to Manpower Administration. Using this same information the Research and Analysis Section was able to conduct its own study to determine the effects of the proposed legislation on Alaska. A monograph concerning the findings of this study was written by Michael Taylor, U.I. Actuary, and was subsequently published. This analysis

indicated that the proposed bill, which would completely change Alaska's method for determining benefit entitlements, would greatly raise Alaska's employer taxes, without substantially improving the present system. With these facts substantiated, the Alaska Department of Labor was able to voice opposition to Federal benefit standards since no allowances were made for Alaska's unique wage and unemployment problems.

The following paragraphs are excerpts from the published report "Average Weekly Wage Survey, 1974." Copies of this report can be obtained from the Research and Analysis section of the Alaska Department of Labor. In reading this article it should be kept in mind that this survey of wages is of Unemployment Insurance beneficiaries only and the data (wage rates, weeks worked, etc.) may not, therefore, be comparable to all workers (e.g. non-beneficiaries) in any given category.

Fundamental to any Unemployment Insurance benefit payment scheme are the U.I. claimants' (singular and collective) annual wages, high quarter wages, and/or weekly wages. The choice, which of the three benefit payment schemes is to be implemented in a state, must necessarily be fitted to the economic conditions existing in that state. Considerations such as industrial and occupational wage distributions, labor market attachment as reflected by length of employment, and costs of the system to the employer should all be examined before choosing the benefit scheme most suited to that state.

In Alaska, because of the high incidence of seasonality among high paid workers, (e.g., the construction and fishing industries) and because most (70%) of the covered workers are employed only 1, 2, or 3 quarters during the year, the benefit formula scheme based upon annual wages was viewed as being best suited to the Alaskan economy and the needs of its workers and was therefore implemented in 1953. This annual benefit payment scheme, unlike the other two schemes, takes recognition of the fact that workers in Alaska are, for the most part, seasonal workers, that these workers can anticipate at least one spell of unemployment during the year, and that

they plan their finances accordingly.

During the past few years, there has been an increasing desire on the national level to increase U.I. coverage and benefit payments. While this is a noble and worthwhile goal, it is coupled with a provision to eliminate the annual wage benefit payment scheme and thus force Alaska into a situation in which U.I. benefit payments suitable to a non-seasonal economy will be paid to the seasonal Alaskan workers. To find the extent to which either the weekly wage or the high quarter wage benefit payment scheme is unsuitable for Alaska, it was necessary to determine the relationship between the covered workers' annual wage, high quarter earnings, and weekly wage. Alaska does not require reporting of weeks of work and weekly wage information, therefore, such data is not available from agency records. In 1974, the Research and Analysis Section of the Department of Labor engaged in a study of the actual work experience of selected Alaskan Unemployment Insurance beneficiaries.

Because weeks of work and normal weekly wage information was not available, it was necessary to contact the beneficiaries' former employers to obtain this information. Our survey to accomplish this was conducted in the following manner. During the first week of July, 1974, letters were sent to the 1,469 employers of our sample of 1,660 U.I. beneficiaries, requesting the weeks of work and normal weekly wage information. During the first week in August, 686 registered letters were sent to those employers who failed to reply to our first letter. And during the first two weeks of September, telephone calls were made to non-respondents of the second letter. Also, during these three months, letters were sent to employers who had answered our earlier letters but had supplied incomplete or questionable data. Our final response consisted of complete information for 1,194 beneficiaries, out of the 1,660 beneficiaries in the survey, for a completion ratio of 72%.

The primary task of the average weekly wage survey was to determine for each of the sample U.I. beneficiaries the number of weeks worked during their base period. With this information, and the beneficiaries' base period earnings, their average weekly wage (base period earnings divided by the number of weeks worked) was determined. The summarized results of this weekly wage determination together with the beneficiaries'

number of weeks of work and other data are presented in the following discussion and tables.

In Table 1, the surveyed beneficiaries' average number of weeks worked, average weekly wage, median weekly wage, and average weekly benefit amount (basic amount only, dependents allowance not included) are shown by industry. For all of the sample beneficiaries, the average number of weeks worked was 29 and the average weekly wage was \$293 per week. Beneficiaries who had worked in the Agriculture, Forestry and Fisheries industries (primarily fishermen) worked the fewest number of weeks, averaging 16 weeks, and had the second highest average weekly wage of \$436. Beneficiaries from the Finance, Insurance, and Real Estate industry had the lowest average weekly wage (\$175) but had worked the greatest number of weeks, averaging 35 weeks of work during their base period year. The average weekly benefit amount (excluding dependents allowance) for all beneficiaries was \$62 and varied from a high of \$75 for beneficiaries in the construction industry to a low of \$53 for beneficiaries in the service and trade industries.

In Table 2, the survey beneficiaries' average number of weeks worked, average weekly wage, and average weekly benefit amount are presented by occupational groups. It shows that beneficiaries from the Professional, Technical and Managerial, and Clerical and Sales occupations worked the greatest number of weeks, averaging 35 weeks during their base period year. Beneficiaries from the Farming, Fishing and Forestry occupations with 20 weeks of work and beneficiaries from the Processing occupation with 23 weeks of work averaged the fewest number of weeks during their base period year. The Processing occupation also had the lowest average weekly wage of \$154. Beneficiaries from the Structural Work occupation had the highest average weekly wage of \$393.

In our attempt to analyze the effect of federally proposed benefit provisions (specifically those outlined in HR 8600), the provisions of that bill were incorporated into our sample beneficiaries' wage data. Individual benefit amounts were determined for each beneficiary under the following four benefit formulas: 1) Alaska's present annual wage formula with a \$90 maximum weekly benefit amount (WBA), 2) Alaska's present formula but with the maximum WBA set at \$150, 3) an Average Weekly Wage

TABLE 1

AVERAGE WEEKS OF WORK AND AVERAGE WEEKLY WAGE
BY INDUSTRY

<u>Industry</u>	<u>Number of Beneficiaries</u>	<u>Average Number of Weeks Worked</u>	<u>Average Weekly Wage</u>	<u>Median Weekly Wage</u>	<u>Average Weekly Benefit Amt.1/</u>
All Industries	1,194	29	\$293	\$252	\$62
Ag., Forestry & Fisheries	37	16	436	380	62
Mining	31	29	352	363	69
Construction	314	26	453	450	75
Manufacturing	225	25	271	255	57
Transp., Comm. & Utilities	124	30	262	245	61
Trade	238	33	181	156	53
Finance, Ins. & Real Estate	30	35	175	143	61
Services	156	32	191	140	53
Government	36	32	223	174	62
Unclassified	3	24	251	322	48

1/ Basic amount. Dependents allowance not included.

TABLE 2

AVERAGE WEEKS OF WORK AND AVERAGE WEEKLY WAGE
BY OCCUPATION

<u>Occupation</u>	<u>Number of Beneficiaries</u>	<u>Average Number of Weeks Worked</u>	<u>Average Weekly Wage</u>	<u>Median Weekly Wage</u>	<u>Average Weekly Benefit Amt.1/</u>
All Occupations	1,194	29	\$293	\$252	\$62
Prof., Tech., & Managerial	57	35	294	246	72
Clerical & Sales	155	35	167	144	56
Service	123	30	182	134	50
Farming, Fishing & Forestry	27	20	379	326	56
Processing	67	23	154	130	42
Machine Trades & Bench Work	44	31	302	255	67
Structural Work	356	27	393	382	71
Miscellaneous	175	29	300	292	66
INA	190	26	309	254	59

1/ Basic amount. Dependents allowance not included.

TABLE 3
AVERAGE WEEKLY BENEFIT AMOUNT
UNDER THE FOUR BENEFIT FORMULAS BY INDUSTRY

Industry	All Beneficiaries	Present Annual Wage Formula		Average Weekly Wage Formula	High Qtr. Earnings Formula
		\$90 Maximum	\$150 Maximum	\$150 Maximum	\$150 Maximum
		Average	Weekly	Benefit	Amount
Ag., Forestry & Fisheries	37	\$ 61.30	\$ 72.32	\$ 129.21	\$ 114.01
Mining	31	73.52	97.23	140.86	133.05
Construction	314	79.36	107.45	143.06	137.63
Manufacturing	225	59.53	72.57	113.39	102.50
Transp., Comm. & Utilities	124	65.54	78.81	112.56	110.14
Trade	238	57.07	65.05	85.82	86.44
Finance, Ins. & Real Estate	30	58.53	64.00	83.83	80.34
Services	156	53.58	60.60	81.89	80.28
Government	36	60.19	71.61	97.51	89.65
Unclassified	3	56.00	56.00	106.17	106.41
Total	1,194	64.51	79.67	111.46	106.64
Percent of increase over present \$90 maximum.			23.5%	72.8%	65.3%

formula (as would be required by federal benefit standards) with a \$150 maximum WBA and, 4) a high quarter earnings formula (as a possible alternative under federal benefit standards).

In Table 3, the survey beneficiaries' average weekly benefit amounts payable under these four benefit schemes are presented by industry. Under the present system with a \$90 maximum, the average weekly benefit amount for all beneficiaries is \$64.51. Going to a \$150 maximum (annual wage formula), the average weekly benefit amount increases by 23.5% to \$79.67. In going from the present system to an average weekly wage or high quarter earnings formula, the average weekly benefit amount increases by 72.8% and 65.3% to \$111.46 and \$106.64 respectively. Because an increase in the weekly benefit amount will cause a corresponding change in UI benefit costs, it is easily seen that using the average weekly wage or high quarter earnings benefit formula will greatly increase the cost of the UI system.

The Average Weekly Wage Survey is but one example of the type of services provided by the Alaska Department of Labor. Through effective data gathering and subsequent analysis, information can be provided to greatly aid decision and policy makers in plotting the future course of many programs. This particular survey has dramatically shown how the

State of Alaska's Unemployment Insurance Program would be affected by a well intended piece of legislation. Hopefully, changes can be instituted which will make Alaska's U.I. program more adequate without changing the many unique features which have evolved over many years of trying to best meet the needs of Alaska's unemployed workers. This must be accomplished with consideration to retaining some balance whereby an undue burden is not placed upon the State's employers. Only through the compilation and analysis of accurate and complete information can this goal be realized.

ALASKA'S LABOR MARKET IN MAY

Employment - Unemployment: Despite the reductions of many mining and trucking operations, due to spring breakup, statewide employment rose from 155,000 in April to 161,000 in May. Total employment in May was up 21 percent from a year ago. During the month, total unemployment declined to 14,300, a drop of 1,800 from the month ago level. Bolstered by the increase in the number of employed workers, the civilian labor force increased from 171,100 to 175,500 over the month.

Mining: Oil and gas exploration slowed in May as many companies completed operations before the