ERRATUM

What Have We Learned from Empirical Studies of Unemployment Insurance?

TIMOTHY J. CARR of Mathematica Policy Research, Inc. has brought to our attention an error in an example provided by Finis Welch in his July 1977 Review article, “What Have We Learned from Empirical Studies of Unemployment Insurance?”

On page 459 Welch stated that under his assumptions (of a uniform distribution of unemployment duration from zero to twenty weeks and a two-week waiting period), the mean duration among those not receiving benefits, given an 80 percent coverage rate, would be six weeks. Actually, with an 80 percent coverage rate, the mean duration would be 7.43 weeks.

According to Welch, this can be verified by the following calculations:

With fraction, C, of the population covered and with 10 percent of covered employees not receiving benefits, the fraction of the total population not receiving benefits is

\[ C(0.1) + (1 - C) = 1 - .9C \]

and expected or mean duration is

\[ \frac{(1.0 \times C \times .1 + (1 - C) \times 10.0)}{(1 - .9C)} = \frac{(10.0 - 9.9C)}{(1 - .9C)}. \]

So, with \( C = 0.8 \), expected duration is

\[ \frac{(10.0 - 7.92)}{(1 - .72)} = \frac{2.08}{.28} = 7.43. \]