Unemployment Insurance in the 21st Century:
1) Relationship to means-tested income support programs
2) Eligibility and low-wage workers

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Research Supported by the W.E. Upjohn Institute for Employment Research and the New York Community Trust
THREE TOPICS

• Changes in means-tested programs and the implications for UI

• UI eligibility requirements and low-wage/low-educated workers

• Low take-up rates among low-wage/low-educated workers
BROADER SOCIAL SAFETY NET

- Past 20 years has seen major changes to the means-tested safety net
  - Expansions of the Earned Income Tax Credit
  - Ending of any cash assistance entitlement
  - Expansions of public health insurance to the poor, especially children
  - Liberalization of eligibility for Food Stamps (SNAP)
- All of these have implications for the importance of UI to low-wage/low-educated working populations
Program Benefits Receipt by Low-Educated Single Mothers Entering into Unemployment

Source: Authors' analyses using a pooled sample of the 1990-2004 SIPP panels
IN THE CURRENT DECADE

- UI became more important to low-educated single mothers who become unemployed than cash assistance.
- This makes future changes to UI more important to this group than before.
- FSP/SNAP is by far the most common income support accessed by this population.
- Greater FSP reliance may have led to a decline in overall benefit amounts.
Participation in UI, AFDC/TANF, OR FSP(SNAP) by Low-Educated Single Mothers Entering a Spell of Unemployment

<table>
<thead>
<tr>
<th>Year</th>
<th>% Receiving Benefits from 1+</th>
<th>Median Monthly Benefits (1996$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1994</td>
<td>69.7%</td>
<td>$462</td>
</tr>
<tr>
<td>1996-1999</td>
<td>64.0%</td>
<td>$320</td>
</tr>
<tr>
<td>2001-2005</td>
<td>66.6%</td>
<td>$301</td>
</tr>
</tbody>
</table>

Source: Authors’ preliminary results from a pooled sample of the 1990-2004 panels of the SIPP

Proportions accessing benefits stays relatively stable

Median (and mean) benefits received falls by 35%
BROADER ISSUES OF ELIGIBILITY AMONG LOW-WAGE WORKERS
Receipt & Eligibility for UI among Low-Wage Workers, 2001-2003

Source: Author's analysis of the 2001 panel of the SIPP

Less than a third of low-wage workers meet non-Monetary eligibility requirements (imprecise estimate)

Many eligible low-wage workers appear to not access benefits
## UI Receipt: Differences by Industry and Wage Level

<table>
<thead>
<tr>
<th>Industry</th>
<th>Low-Wage</th>
<th>High Wage</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>9%</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Retail</td>
<td>12%</td>
<td>43%</td>
<td>16%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>25%</td>
<td>51%</td>
<td>39%</td>
</tr>
<tr>
<td>Construction/Mining</td>
<td>27%</td>
<td>66%</td>
<td>58%</td>
</tr>
</tbody>
</table>

GAO Analysis of the 1993 SIPP Panel

Industry is associated with different rates of receipt among low-wage and high-wage workers alike.
Percentage Growth in Sectors Since 1980 (CES Data)
CONCLUSIONS

- UI will be more important to low-wage workers in the 21st Century than in the 20th

- Big differences in UI participation by industry
  - Likely a result of non-monetary requirements
  - Are worker characteristics to blame?
  - Industry-level factors also appear important
  - Growth in low-participation industries, and declines in high participation industries sped up this decade
  - Higher wage workers will be affected this century
  - Labor practices in the services may spread
  - Growth of independent contractors, for example

- Questions about disparities in take-up rates remain
POLICY PROPOSALS

- Consider public outreach campaigns
  - Some evidence that this can be effective
  - Could target by industry

- Examine industry-level factors related to non-monetary eligibility requirements
  - Consider shortening non-monetary ineligibility periods, like most western-industrial nations
  - Look at “just-in-time” scheduling practices to limit formal lay-offs
  - What are the implications for eligibility?