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Unemployment Insurance, the Recession, and Race

A Kirwan Background Report

Summary

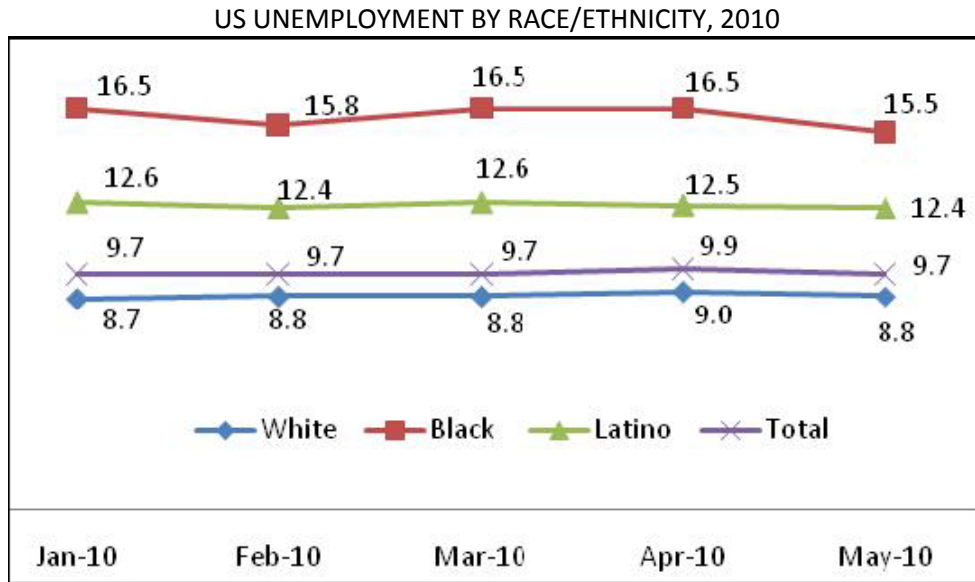
§ **There are significant racial disparities in receipt of unemployment benefits.** While national unemployment hovers close to 10 percent, African American and Latino unemployment rates top 15 and 12 percent, respectively. Unfortunately, Blacks and Latinos are also 25 percent less likely than unemployed Whites to receive benefits, due in large part to their disproportionate representation among low-wage, part-time, and seasonal workers, who are ineligible for or poorly covered by unemployment benefits.

§ **The impacts of unemployment on workers and families are severe and both near and long-term.** The risks for teens and young adults in the current recession are especially notable. Foregone work experience and skill development are among the more immediate consequences of high youth unemployment. Over the long run, this lack of experience could lead to less upward mobility and fewer promotions, resulting in significantly lower lifetime earnings. Even more broadly, the overall productivity and entrepreneurship of the U.S. economy could suffer from the employment outlook of one or more “recession generations.” Unemployment benefits can mitigate some of these and other negative effects of unemployment.

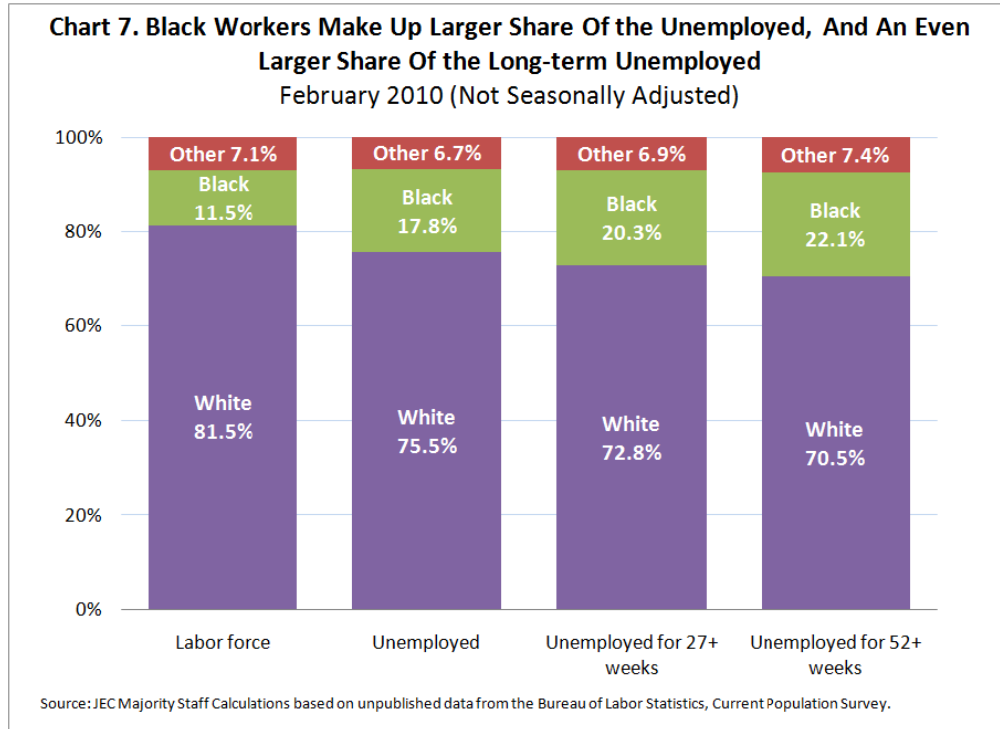
§ **States are facing huge shortfalls in unemployment trust funds.** Forty states will be insolvent by 2013 and require more than \$90 billion in federal funding to maintain benefits payments. States will continue to face high demands on unemployment insurance programs as high rates of unemployment are expected to continue over the next several years. The immediate and long-term negative effects on individuals, families, and communities -- both the unemployed and the employed -- will likely be devastating if dramatic corrective actions are not taken.

§ **The modernization of eligibility standards is a critical piece of the solution, but it is not the whole solution.** The reforms embodied in the Unemployment Insurance Modernization Act as part of the American Recovery and Reinvestment Act mark important points of departure to expanding access to unemployment insurance benefits for groups that have fallen through the cracks, including women, workers of color, less-than-full-time, and low wage workers. A number of states have adopted innovations that would extend benefits to many more workers if adopted by more states. Even relatively simple-to-implement measures – indexing weekly benefits amount to wage growth, making it possible to file claims by phone or over internet in more states, conducting more effective outreach about UI eligibility standards and claims-filing – would make a big difference for many unemployed people.

I. African American and Latino workers are overrepresented among the unemployed and long-term unemployed



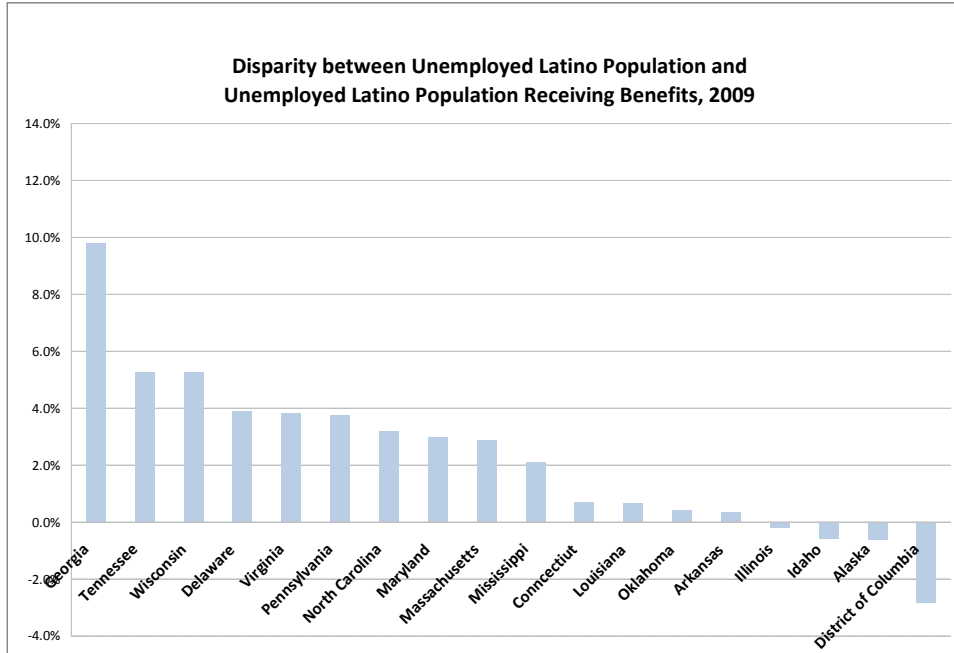
Source: US Bureau of Labor Statistics



Source: Understanding the Economy: Long-term Unemployment in the African American Community

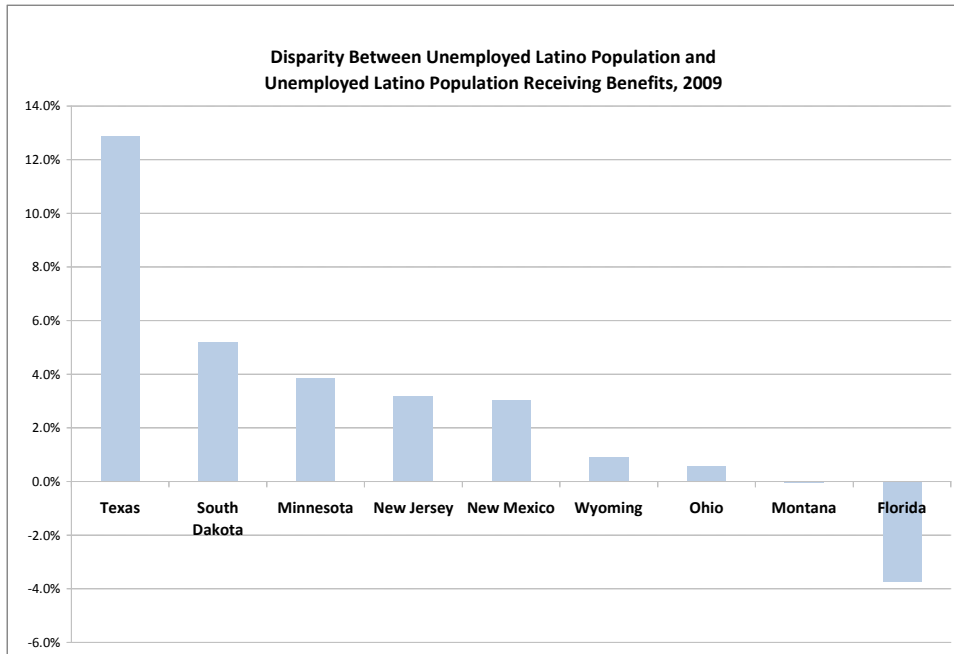
II. African American and Latino workers are underrepresented among unemployment benefit recipients

Latinos are underrepresented among UI benefit recipients in the great majority of states that report data on racial/ethnic identity on recipients



Source: Bureau of Labor Statistics and ProPublica. <http://www.propublica.org/special/is-your-states-unemployment-system-in-danger-603>.

Note: These states reported racial/ethnic identity data on 95-100% of benefit recipients.

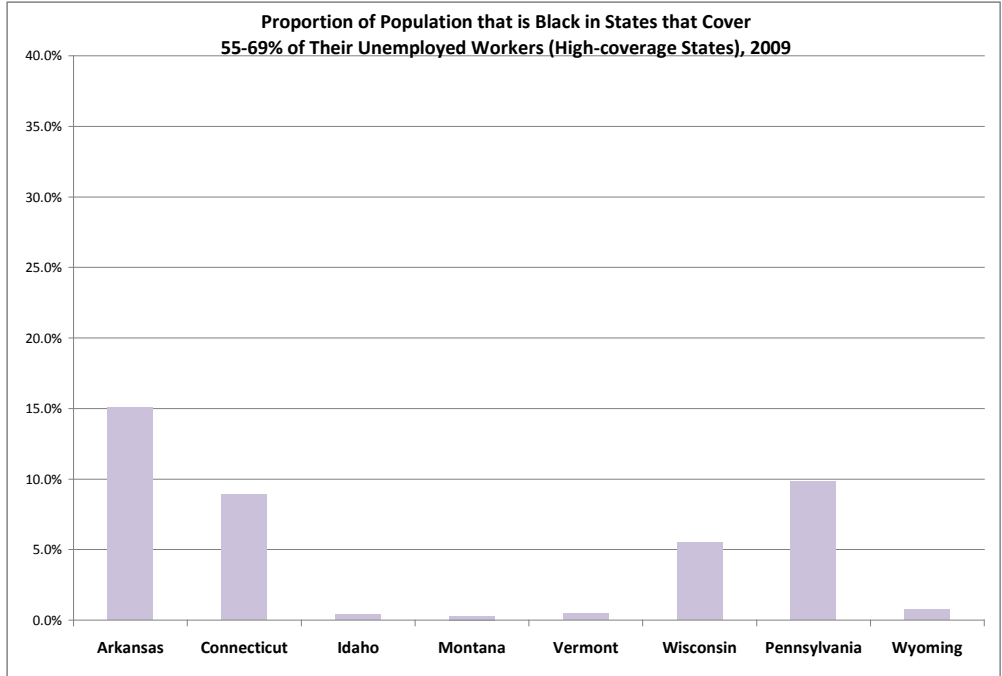


Source: Bureau of Labor Statistics and ProPublica. <http://www.propublica.org/special/is-your-states-unemployment-system-in-danger-603>.

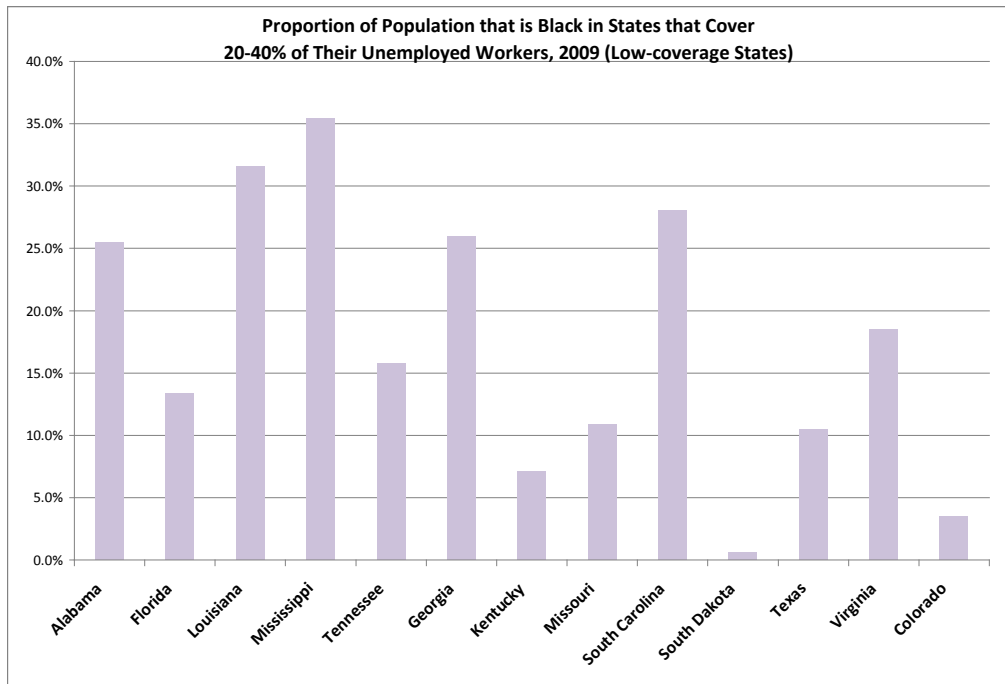
Note: These states reported racial/ethnic identity data on 90-95% of benefit recipients.

II. African American and Latino workers are underrepresented among unemployment benefit recipients (continued)

African Americans are grossly underrepresented in high-coverage states and grossly overrepresented in low-coverage states



Source: US Bureau of the Census and ProPublica. <http://www.propublica.org/special/is-your-states-unemployment-system-in-danger-603>.



Source: US Bureau of the Census and ProPublica. <http://www.propublica.org/special/is-your-states-unemployment-system-in-danger-603>.

II. African American and Latino workers are underrepresented among unemployment benefit recipients (continued)

African Americans and Latinos also number disproportionately among low-wage workers, who don't enjoy the same unemployment benefit reciprocity status as full-time workers in many states

**Table 1
Workers affected by federal minimum wage increase to \$7.25
on July 24, 2009**

		Directly affected	Indirectly affected	Total affected	Total workers
	All	100.0%	100.0%	100.0%	100.0%
Sex	Female	62.5%	62.9%	62.7%	48.3%
	Male	37.5%	37.1%	37.3%	51.7%
Age	20 or older	73.0%	79.9%	75.6%	95.8%
	Under 20	27.0%	20.1%	24.4%	4.2%
Race	White	58.0%	58.0%	58.0%	67.9%
	Black	18.7%	17.9%	18.4%	11.2%
	Hispanic	19.3%	19.3%	19.3%	14.4%
	Asian	2.1%	2.5%	2.2%	4.7%
	Other	1.9%	2.3%	2.0%	1.9%
Family type	Married parent	14.1%	16.4%	14.9%	28.3%
	Single parent	9.7%	9.8%	9.7%	6.5%
	Total parents	23.8%	26.2%	24.7%	34.8%
	Married, no kids	15.1%	18.2%	16.2%	27.5%
	Unmarried, no kids	61.2%	55.6%	59.1%	37.8%
Family income	Under \$35,000	56.9%	57.4%	57.1%	36.4%
	Over \$35,000	43.1%	42.6%	42.9%	63.6%
Education	Less than high school	34.7%	29.0%	32.6%	10.5%
	High school	34.0%	36.4%	34.9%	28.8%
	Some college	21.2%	22.9%	21.8%	19.6%
	AA degree	5.2%	5.9%	5.5%	9.8%
	Bachelor's or higher	4.9%	5.8%	5.2%	31.3%
Hours	Part time (19 hrs or less)	20.0%	15.7%	18.4%	5.3%
	Mid time (20 - 34 hrs)	36.8%	29.6%	34.2%	12.8%
	Full time (35 or more hrs)	43.2%	54.7%	47.4%	81.9%

Source: EPI analysis of 2008 CPS.

Notes: Directly affected workers are those earning between the state's current minimum wage and \$7.25. Indirectly affected workers are those earning between \$7.25 and \$7.25 plus the size of the minimum wage increase.

II. African American and Latino workers are underrepresented among unemployment benefit recipients (continued)

Low-wage and part-time workers are much more likely to be ineligible for UI on both monetary and non-monetary grounds and less likely to apply EVEN IF ELIGIBLE than higher-wage and full-time workers

TABLE 2. Descriptive proportions of receipt and eligibility for unemployment insurance by worker characteristics

(Proportions)	Adult workers, aged 18–64			
	All workers who entered a spell of unemployment			Among those eligible for UI
	Received UI (1)	Monetarily eligible (2)	Non-monetarily eligible (3)	Received UI (4)
WORK HOURS				
Full-time	35.8	91.6	45.4	61.9
Part-time	12.9*	77.3*	28.6*	48.7*
Part-time primary wage earner	17.2*	80.3*	32.2*	47.0*
Part-time secondary wage earner	9.3*	72.9*	26.5*	49.3*
EDUCATION				
College grad	32.8	92.0	47.6	69.9
Some college	31.6	88.9*	40.5*	63.8
High school grad	32.7	87.7*	41.4	60.0
Not high school grad	21.2*	84.1*	40.5	41.8*
WAGE RATE				
Highest wages	46.3	96.0	67.4	76.5
Fourth quintile	46.2	95.1	53.8*	79.6
Third quintile	37.8*	96.2	47.0*	64.1*
Second quintile	28.5*	89.7*	40.3*	48.2*
Lowest wage earners	17.1*	77.7*	31.2*	46.2*

*Note:** statistically significantly different from means for reference group at $p < 0.05$ or above.
Source: Author's calculations from Center for Economic and Policy Research SIPP Uniform Extracts, Version 2.0.

Source: H. Luke Shaefer, "Identifying Key Barriers to Unemployment Insurance for Disadvantaged Workers in the United States," 2010.

III. Unemployment benefits can mitigate the impacts of unemployment on workers and their families, which can be swift, severe, and long-term

- Research shows a sharp drop in food consumption following job loss, which has in turn been linked to health and mortality declines after rates long periods of unemployment.ⁱ
- At the time of job loss, the median worker has less than \$250 in her or his savings account.ⁱⁱ However, there are significant disparities among groups in wealth holdings that indicate that some workers will be better able to weather the economic storm, disparities that persist regardless of income.
- Studies show marital conflict and decreased parenting skills are associated with increased economic pressures (unemployment, underemployment) and this has been shown to have an adverse, long-term effect on children.ⁱⁱⁱ
- Unemployment often comes with a concurrent loss of health coverage, which means dependents lose their coverage as well. Many uninsured individuals delay or forgo medical care. These individuals have increased health risks and are more likely to be diagnosed with diseases. Once individuals can no longer forego care, their health is usually in very poor condition that translates into high medical bills and debt.
- The prospects for youth in the current recession are notable. Foregone work experience and skill development are some of the more immediate consequences of high youth unemployment. Over the long run, this lack of experience could lead to less upward mobility and fewer promotions, resulting in significantly less lifetime earnings. Even more broadly, the overall productivity and entrepreneurship of the U.S. economy could suffer from the employment outlook of one or more recession generations.^{iv}
- The longer a worker is unemployed, the less employable that worker becomes. In industries especially hard hit, the likelihood of returning to the same job is bleak. The implications for certain groups are not good, given their over-representation in certain industries, for example, construction. In 2006, Hispanics accounted for almost a quarter of those employed in the construction industry.^v Manufacturing has been steadily losing jobs for decades. Workers in these professions, especially the long term unemployed, will need retraining.
- The drag of long-term unemployment and such high unemployment rates are sure to be followed by substantial increases in poverty. The impact of high unemployment on child poverty will be severe; while children in general will see an increase from 18.0% to 27.3%, Black children will see an astonishing increase from 34.5% to 52.3%.^{vi} Indeed, the impact of the recession on children has already been severe. Nationally, one in five (20%) children was living in poverty in 2008, and poverty rates for children of color are climbing above 40% in some states.^{vii}

IV. The American Recovery and Reinvestment Act provided \$7 billion in financial incentives for states to expand their UI eligibility to vulnerable populations. Many states have acted on those incentives; unfortunately, some still have not.

ARRA INCENTIVE REFORMS ENACTED BY STATE, December 2009

State	ARRA Incentive Funding State Reforms						
	ABP	Part-Time	Training	Dependent Allowance	Compelling Family Reasons		
					Domestic Violence	Spouse Relocates	Illness & Disability
Alabama							
Alaska	Enacted			X		X	
Arizona					X	X	X
Arkansas	Enacted	Enacted			Enacted	Enacted	Enacted (Fix)
California	Enacted (2011)	X	X		X	X	X
Colorado	Enacted	Enacted (Fix)	O		Enacted (Fix)	Enacted	Enacted (Fix)
Connecticut	X			X	Enacted (Fix)	Enacted	Enacted (Fix)
Delaware	Enacted	X			X	Enacted	Enacted
District of Columbia	X	O			X		
Florida							
Georgia	X	Enacted	Enacted				
Hawaii	X	Enacted (Fix)			Enacted	Enacted	Enacted
Idaho	Enacted	Enacted	Enacted				
Illinois	X			Enacted (Fix)	Enacted (Fix)	Enacted	Enacted (Fix)
Indiana					X	X	
Iowa	Enacted	Enacted (Fix)	Enacted	O			
Kansas	Enacted	Enacted (Fix)	Enacted		X	X	
Kentucky							
Louisiana		X					
Maine	X	X	Enacted (Fix)	O	Enacted (Fix)	Enacted (Fix)	Enacted (Fix)
Maryland		Enacted		O			X
Massachusetts	X		Enacted (Fix)	X	X		
Michigan	X			O			
Minnesota	Enacted (Fix)	Enacted (Fix)			Enacted (Fix)	Enacted (Fix)	Enacted (Fix)
Mississippi							
Missouri							
Montana	Enacted	Enacted	Enacted		X		
Nebraska		X			X	X	X
Nevada	Enacted	X			X	X	X
New Hampshire	X	X			Enacted (Fix)	Enacted	Enacted
New Jersey	X	X	Enacted (Fix)	O			
New Mexico	X	X		X	X		
New York	X	Enacted (Fix)	O		Enacted (Fix)	Enacted (Fix)	Enacted (Fix)
North Carolina	X	X			X	Enacted	X
North Dakota							
Ohio	X			O			
Oklahoma	Enacted (Fix)	Enacted			Enacted (Fix)	Enacted (Fix)	Enacted (Fix)
Oregon	Enacted		Enacted (Fix)		Enacted (Fix)	X	X
Pennsylvania		X		O		X	
Rhode Island	X			O	X	X	
South Carolina					X		
South Dakota	Enacted	X			X		
Tennessee	Enacted	Enacted		Enacted			
Texas					X		X
Utah							
Vermont	X	X	Enacted		X		
Virginia	X						
Washington	X		O		X	Enacted	X
West Virginia	Enacted						
Wisconsin	X		Enacted		Enacted (Fix)	Enacted	Enacted (Fix)
Wyoming		X			X		
Total	35	27	12	6	31	24	21
Newly Enacted - incl. fix	16	13	11	2	12	14	12

Key: X Provision enacted pre-ARRA O Provision exists in some form, although not ARRA-compliant Enacted Provision enacted post-ARRA

Note that the analysis may vary in some cases from information produced by the states due to variations that relate to the specific requirements of the ARRA necessary to qualify for incentive funding, while state many policies are also subject to interpretation by the courts and administrative law judges.

Source: Written Testimony of Rebecca Dixon National Employment Law Project, Hearing Before the Maryland House of Delegates, Economic Matters Committee. January 28, 2010.

V. Additional Ways Forward

- 1) More states must adopt the more inclusive reforms championed and incentivized by the American Recovery and Reinvestment Act. Enhance training opportunities by providing state-funded retraining opportunities; extend benefits for workers in training; provide jobless workers with training opportunities.^{viii} States can target these training investments to sectors that have an under-supply of qualified workers. Training and re-training opportunities must also be effectively communicated to the public so that displaced workers are aware of their options.
- 2) In light of the federal investment in state-run unemployment insurance, the federal government should consider imposing stricter standards on state disbursement of UI funds, especially as these affect vulnerable populations.
- 3) Make race/ethnic identification collection mandatory in regards to UI recipients.
- 4) Require states to conduct outreach for laid-off workers to ensure workers know of their possible eligibility for UI benefits. Many workers never file claims because they wrongly assume they are ineligible. Require employers to distribute UI information to displaced workers.
- 5) Shorten the disqualification period due to voluntary quits to a few weeks instead of the duration of an unemployment spell. This would mean if workers were unemployed for four or perhaps 12 weeks following a voluntary quit – or if they met work search requirements (as is done in France) – they could become eligible to receive UI benefits.^{ix}
- 6) Eliminate the one week waiting period.
- 7) Allow workers to ‘bank’ their UI months over time, to use when they need it the most. Every year of work might translate into one month of UI benefits, up to a maximum of a few years. Workers could choose to take this when they need it most, and the limited total eligibility might reduce moral hazard concerns.^x
- 8) Make the ability to file a UI claim over the phone or internet available in all states.
- 9) Index weekly benefits amount to the growth in wages.^{xi}
- 10) Change the benefit calculation formula to aid those earnings below-average workers who are in most need of help to meet basic needs at the time of job loss. The National Employment Law Project recommends using 1/24th (instead of 1/26th) of high-quarter wages to augment low-wage benefits.^{xii}
- 11) Establish better extended benefits triggers. Currently, federal EB rules require that states use a 5% Insured Unemployment Rate that must also exceed 120% of IUR for the same 13-week period in the previous two years. States then have two more trigger options: the Optional IUR trigger, in which a state’s IUR must meet or exceed 8.0%; and the optional Total Unemployment Rates (TUR), in which the trigger is set at 6.5% or more for a 13-week period and the rate must exceed 110% TUR for the same 13-week period in either of the previous two years. The TUR is the most protective option for workers.^{xiii}

ⁱ Orr, Andrea. “Extending Unemployment Insurance is the fiscally responsible thing to do.” Economic Policy Institute, May 28, 2010. p 1

ⁱⁱ Id.

ⁱⁱⁱ Christoffersen, M.N. “A follow-up study of longterm effects of unemployment on children: loss of self-esteem and self-destructive behavior among adolescents.” *Children* 4: 212-220. 1994. Page 213.

^{iv} Supra n. 7

^v Pew, 4 <http://pewhispanic.org/files/factsheets/28.pdf>

^{vi} Mishel, Lawrence. "Sounding the Alarm: Update on the Economic Downturn." Economic Policy Institute, May 21, 2009. Accessed July 5, 2010 at

http://www.epi.org/publications/entry/sounding_the_alarm/

^{vii} Children's Defense Fund, *The State of America's Children 2008*.

<http://www.childrensdefense.org/child-researchdata-publications/data/state-of-americas-children-2008-report.pdf>

^{viii} NELP. "Changing Workforce, Changing Economy." Accessed July 12, 2010 a

http://www.nelp.org/site/issues/category/changing_workforce_changing_economy

^{ix} H. Luke Shaefer, "Identifying Key Barriers to Unemployment Insurance for Disadvantaged Workers in the United States," 2010.

^x Id.

^{xi} Id.

^{xii} These specific recommendations were derived from "Changing Workforce, Changing Economy: State Unemployment Insurance Reforms for the 21st Century." The National Employment Law Project, 2004.

http://www.nelp.org/site/issues/category/changing_workforce_changing_economy

^{xiii} Id.