

# A New Safety Net for Low-Income Families

Number 6



America's low-income working families are struggling to get by, too often making impossible choices among food, housing, and health care because their incomes do not stretch far enough. Government safety nets were reformed in the mid-1990s with the promise that work would pay. But that promise remains unfulfilled for many families. This series of essays explores the challenges these vulnerable households face and suggests ways to protect them and help them thrive—urgent goals with far-reaching benefits for our children, our families, and our economic future.

## Weathering Job Loss—Summary

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Low-wage jobs are often characterized by uncertainty and unpredictable gaps in employment. Few low-income families have enough assets to tide them over after a job loss. And many don't have access to the temporary income of unemployment insurance, since the program's eligibility requirements can work against low-income families. We recommend updating the program to extend benefits to more workers and better reflect changes in the labor force.

### WHO'S ELIGIBLE FOR UNEMPLOYMENT BENEFITS?

In 2006, an estimated 4.9 million families had an unemployed adult. In about 1.5 million of those families, no adult in the household was working. Bouts of unemployment for low-income families can be long—the average spell in 2006 was 21 weeks, compared with an average 17 weeks for all workers. In the past, families could fall back on public assistance, but in the post-welfare reform era, fewer have this option because of time limits and stricter eligibility requirements.

Unemployment insurance (UI) is part of the social safety net designed to catch families after a job loss, often keeping them from sliding into poverty. But low-wage workers are only half as likely as higher-wage workers to get benefits, even though they're 2.5 times as likely to be unemployed. Short job tenure and low wages make it difficult for workers to meet the program's minimum earnings requirement.

Also, benefits are only available to workers who meet "good cause" reasons for losing a job, such as downsizing, but states vary in how they interpret this rule. Low-wage workers who have to quit a job due to

illness or family emergency don't meet the "good cause" standard. In many states, women who leave jobs because of pregnancy, child care problems, domestic violence, or a spouse's job-related move also do not qualify. Workers who are looking for part-time jobs are not eligible in 20 states. Even if a worker does qualify, the program only replaces a portion of income, so the benefits often aren't enough to cover basic family needs.

### RECOMMENDATIONS

We recommend modifying UI's eligibility requirements, making a national requirement of beneficial changes already adopted by some states. Federal financial incentives could be offered to states that adopt or retain these features.<sup>1</sup> We also propose other changes that would extend the scope of the program. The cost of these proposals would be split by federal and state governments.

- *Alternative base period:* Instituting an alternative base period provision would allow program administrators to consider a worker's most recent earnings to determine whether they have earned enough to qualify for UI. Had every state used this more flexible measurement in 2003, about 300,000 people could have been added to the UI rolls. Twenty states have already switched over and found the administrative costs bearable.
- *Time versus wages:* States should switch to using "time worked" rather than "total wages earned" to determine eligibility. This measure benefits low-wage workers since they don't have to work as many hours to become eligible.
- *Good cause for unemployment:* We propose adding the following to the list of approved reasons for leaving a job: domestic violence, a spouse's job-related move, and needing to care for sick family members. An esti-

mated 50,000 additional workers, primarily women, could then qualify. We also suggest giving benefits to unemployed women who are returning to the labor force after time off to raise children so long as they were eligible for UI when they quit their jobs.

- *Part-time work:* In 20 states, adults looking for part-time work are not eligible for UI. Allowing these job seekers to qualify could add an estimated 200,000 beneficiaries.
- *Uniform 26 weeks:* We recommend every state offer workers the typical maximum benefit of 26 weeks of UI, regardless of prior work history. Thirteen states have adopted this change. If all states followed, an estimated 700,000 workers could benefit.
- *Temporary disability pay:* UI is offered to adults looking for work, but those who leave jobs because of a temporary illness, disability, or pregnancy may not be able to work. Disability pay could provide these individuals with financial support during these temporary periods out of the labor force.
- *Dependent pay:* Thirteen states provide supplemental payments for dependents, but most state unemployment insurance programs are blind to the number of people a former worker must support. We propose increasing this allowance and expanding it to all states.
- *Training time:* Training stipends, offered by some states through their UI program, allow workers to

take time away from a job to get an education or upgrade their skills.

Policymakers should keep in mind that laid-off workers have also lost access to important benefits, such as health insurance and child care subsidies. Other papers in this series address these needs.

### OUTCOME

Many low-income adults are committed to working but still face recurring spells of unemployment. Expanding the scope and coverage of UI as a safety net for these families makes sense—it’s not means tested and has no asset limits, so households don’t need to spend down assets before qualifying for benefits. Unemployment can be devastating for low-income families. More support while the breadwinners look for work can help families weather job loss and stay out of poverty.

### NOTE

1. Some of these recommendations were addressed in the Unemployment Modernization Act, part of the proposed Trade and Globalization Assistance Act of 2007. Federal financial incentives, under this plan, would be paid for by revenues generated by the Federal Unemployment Tax Act surtax. Impact estimates are from the National Employment Law Project.

#### RECEIPT OF UNEMPLOYMENT COMPENSATION (PERCENT OF FAMILIES WITH UNEMPLOYMENT)

Source: March 2007 Current Population Survey.

Note: Low-income families are those with incomes below 200% of the federal poverty level (FPL).

Moderate-income families are those with incomes between 200% and 300% of FPL. Higher-income families are those with incomes above 300% of FPL.

UNEMPLOYED	ALL FAMILIES	LOW-INCOME	MODERATE-INCOME	HIGHER-INCOME
# of families (thousands)	3,976	2,076	715	1,184
% receiving compensation	29.5	22.4	34.0	39.1

For the full report, see “Weathering Job Loss: Unemployment Insurance” by Margaret C. Simms.

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