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- Unemployment was higher for non-Hispanic black than for non-Hispanic white or Hispanic workers in the recession.
- Black unemployed workers have the lowest receipt of Unemployment Insurance, 23.8 percent compared to whites' 33.2 percent.
- Differences persist even after controlling for education, past employment, and reasons for unemployment.

# Racial and Ethnic Differences in Receipt of Unemployment Insurance Benefits during the Great Recession

Austin Nichols and Margaret Simms

Unemployment rose sharply during the Great Recession, climbing from 5.0 percent in December 2007 to peak at 10.0 percent in October 2009. Rates were far higher among people of color, with African American unemployment exceeding 16 percent in early 2010 and Hispanic unemployment exceeding 13 percent in late 2009. This compares to 9.3 percent for white non-Hispanic unemployment in that same period. Moreover, people of color were much more likely to be among the long-term unemployed: although African Americans represented about 12 percent of the labor force in January 2012, they made up almost 24 percent of those unemployed for a year or more and 26 percent of those unemployed for 99 weeks or more, according to Bureau of Labor Statistics data.

**T**his brief uses data from the Survey of Income and Program Participation (SIPP) to examine how receipt of Unemployment Insurance (UI) by unemployed workers between the ages of 15 and 61 varied by race and ethnicity in 2010. We find that even after taking differences in education, past employment, and reasons for unemployment into account, non-Hispanic black and Hispanic workers are significantly less likely to receive UI benefits when unemployed than are their non-Hispanic white counterparts. Some of the difference may be due to workers' choices or preferences, but some may reflect discrimination in hiring and the reported

reasons for separation from those jobs, both of which can affect eligibility.

## Background

Unemployment Insurance was designed to alleviate the economic hardship workers and their families suffer during unemployment. Due to the length and severity of the recent recession, understanding how the UI system has functioned for different types of workers will provide insight into how people fare during long periods of unemployment. Such knowledge can also inform policymakers in any efforts to strengthen the safety net for workers who lose their jobs, whether due to the general effects of economic hard times,

*Low-wage unemployed African American workers are less likely to receive UI benefits—an especially adverse outcome given that African Americans likely have fewer assets to fall back on.*

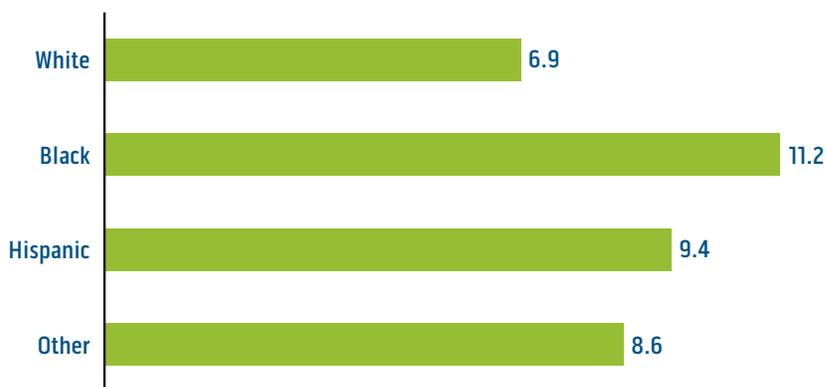
declines in specific industries, or even a firm's downsizing or closure.

The 2009 American Recovery and Reinvestment Act (ARRA) included several provisions for enhancing unemployed workers' access to Unemployment Insurance. Federally funded benefits (which begin when state basic benefits end) were extended via Emergency Unemployment Compensation, with up to 33 weeks of additional coverage for workers without jobs for more than six months (the typical duration of state benefits). In addition, the federal government funded an additional \$25 in weekly benefits for all unemployed workers, which may have induced more people to file claims. The act also provided incentives for states to modify their programs in ways that would extend benefits to previously ineligible workers and enhance payments for workers with dependents. Many states relaxed constraints on eligibility in order to receive the "modernization" incentive payments in 2009.

### Unemployment and UI Receipt by Race and Ethnicity

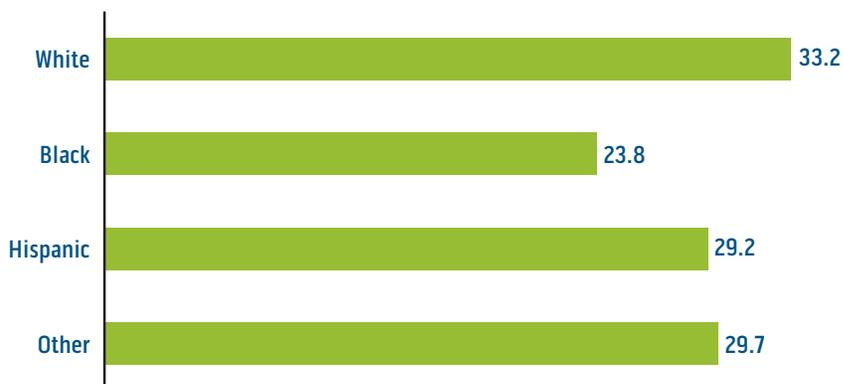
Unemployment rates were much higher for non-Hispanic black than for non-Hispanic white, Hispanic, or other individuals (figure 1) in mid-2010. Further, black workers have the lowest rates of receipt of UI benefits among the unemployed, 23.8 percent compared to 33.2 percent among non-Hispanic white workers (figure 2). Many intertwined factors account for these differences between racial and ethnic groups. The unemployment compensation system is designed so that not all workers will be eligible for UI benefits should they become unemployed. People who have short periods of employment broken up by nonworking spells have a harder time establishing eligibility. Lower-paid workers, seasonal workers, and those in certain industries are less likely to meet monetary eligibility or other requirements. African Americans are more likely than non-Hispanic whites to have characteristics linked to low UI recipiency, including low levels of

Figure 1. Percentage Unemployed, by Race/Ethnicity, 2010



Source: U.S. Census Bureau, Survey of Income and Program Participation, 2010 (wave 6, May–August).

Figure 2. Percentage of Unemployed Workers Receiving UI Benefits, by Race/Ethnicity, 2010



Source: U.S. Census Bureau, Survey of Income and Program Participation, 2010 (wave 6, May–August).

education, concentration in occupations or industries where workers are less likely to be covered, and short tenure on jobs.

Less-educated workers may be less likely to receive UI benefits than more-educated workers for several reasons. For example, when compared to their more-educated peers, less-educated workers may be less aware of the UI program and have more difficulty navigating the application process. Low levels of

education are also associated with other job characteristics that could affect eligibility for and receipt of unemployment compensation. Workers with low levels of education tend to have shorter job tenure, and short-tenure separations are much more likely to be voluntary quits or terminations for cause. Such separations are likely to mean that workers are not eligible for unemployment compensation. On average, unemployed nonwhite workers

tend to have less education than their white counterparts; as such, part of the racial and ethnic differences in UI receipt likely reflects differences in educational attainment.

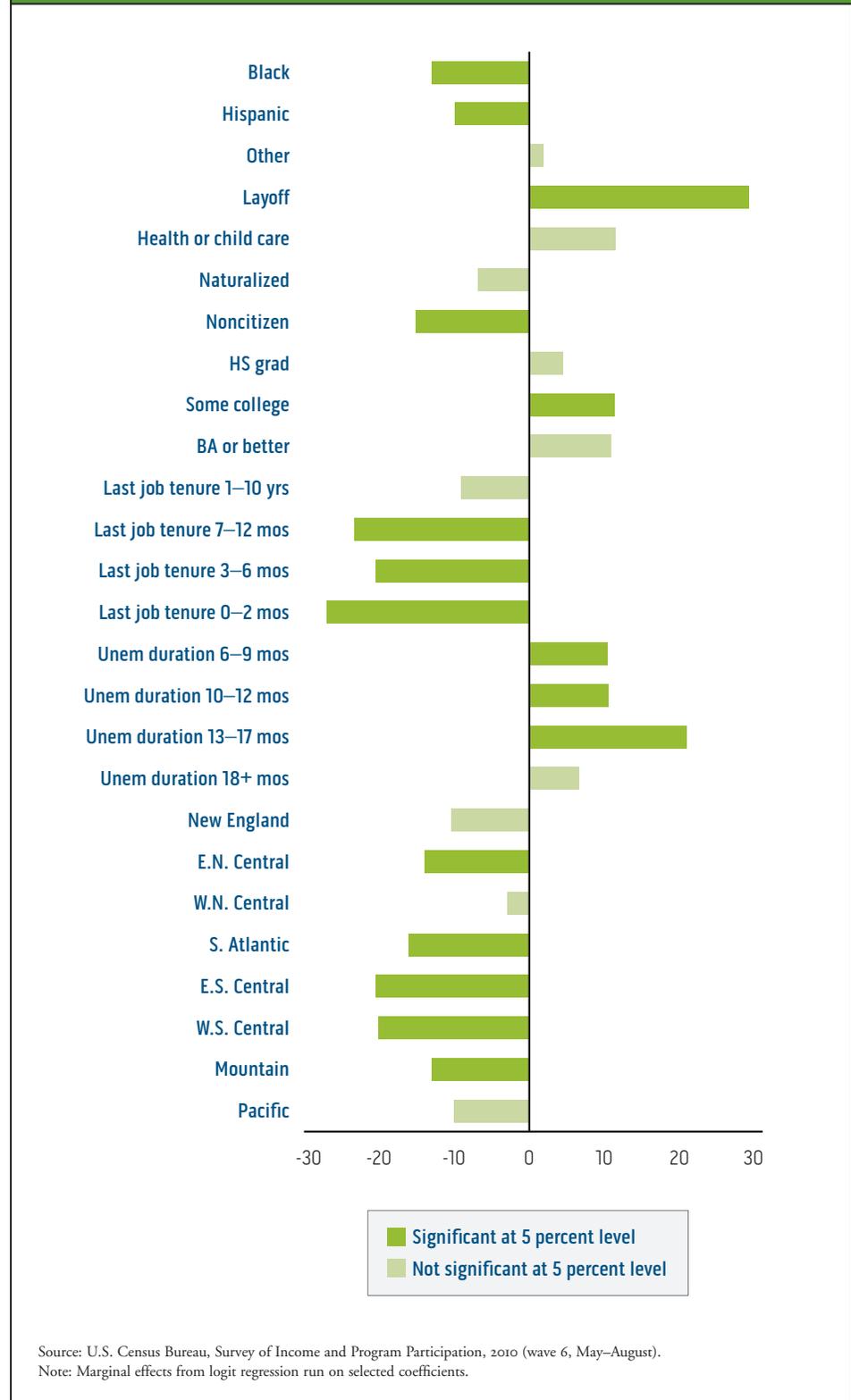
Because the UI system is a federal-state program with the state establishing many of its rules, eligibility varies considerably. For example, those who work part-time and are looking for part-time work are not eligible for UI in some states. The impact of reasons for separation from employment—lost job versus left job, for instance—also varies. The African American population tends to be concentrated in states with low reciprocity rates and more stringent rules (Vroman 2005).

Even when workers with similar characteristics are compared, African Americans are still more likely to be without UI benefits. For example, within educational categories in which UI receipt tends to be lower, African Americans are less likely to receive UI than other similarly educated workers. About 1 in 4 unemployed non-Hispanic white workers with less than a high school education receive UI, while 1 in 8 unemployed non-Hispanic black workers with less than a high school education receive UI. About 1 in 3 unemployed non-Hispanic white workers with a high school education but no college receive UI, while 1 in 5 unemployed non-Hispanic black workers with a high school education but no college receive UI. Even when workers with similar job tenures are compared, unemployed blacks have rates of UI receipt consistently below those of non-Hispanic whites.

### How Much of the Difference in UI Receipt Can Be Attributed to Race and Ethnicity?

To better assess the relationship between UI receipt and race and ethnicity, we estimate a multivariate statistical model that accounts for the various factors associated with receiving UI benefits.<sup>1</sup> Figure 3 highlights our findings in terms of percentage point differences

**Figure 3. Effects of Characteristics on Likelihood of Receiving UI Benefits, 2010**



associated with each characteristic, holding other characteristics constant.

After we account for various other factors, the gap between non-Hispanic black and white rates of UI receipt remains large and statistically significant—13 percentage points as compared with 9—without controlling for other factors (from figure 2). The gap between Hispanic and white rates of UI receipt—about 4 percent without conditioning on other characteristics—is smaller than the gap for blacks.<sup>2</sup>

Beyond racial and ethnic differences, several other factors affect UI receipt. Job tenure, for example, is important, with those exiting short-tenure jobs much less likely to receive UI benefits. The difference between those who leave a job in the first year relative to those who were in jobs more than 10 years is about 20 to 27 percentage points (figure 3), roughly twice the difference between non-Hispanic black and white workers, all other characteristics being held constant. Unemployment duration also has a strong impact on the likelihood of receipt, with workers who have been unemployed longer being more likely to receive UI. Workers unemployed 6 to 12 months are about 10 percentage points, and those unemployed 12 to 17 months are about 20 percentage points, more likely to receive UI benefits than those unemployed less than 6 months. Some of this difference is because those who receive UI can afford to be unemployed longer. The nature of job separation also affects benefit receipt, with workers whose job loss was employer initiated (layoff, plant closing, etc.) being about 29 percentage points more likely to receive UI benefits at the time of the survey.

Other factors associated with lower UI receipt are less important in explaining differences among unemployed workers, with one exception. Although having low levels of education and not being a citizen are factors correlated with lower benefit receipt, the differences across educational and citizenship categories are much less striking in the regression.

Differences are not significant between states that have different UI modernization provisions in place. However, there are significant differences by region. When different regions are compared to the Mid-Atlantic states, which tend to offer more generous benefits, the likelihood that a worker receives UI is lower. This is especially notable with regard to the Southern states, where unemployed workers are 16 to 20 percentage points less likely to receive UI benefits.

Even though Hispanic and non-Hispanic black workers are more likely than non-Hispanic white workers to have characteristics associated with lower rates of UI receipt, their rates are even lower than for non-Hispanic white workers with similar characteristics. The differences in characteristics among workers explain a small proportion of the observed difference in receipt, even in a regression model.<sup>3</sup>

The explanatory variables, such as education, job tenure, industry, and unemployment duration, account for about 13 percent of the differences in UI receipt between Hispanic workers and non-Hispanic white workers and about 37 percent of the difference between non-Hispanic black and white workers, so the gaps are not fully explained by systematic differences in these characteristics. If all three groups had identical characteristics, the remaining gap between Hispanic workers and non-Hispanic white workers would be close to 8 percentage points, and the gap between non-Hispanic black and white workers would also be close to 8 percentage points, according to the regression adjustments. However, many of these regression adjustments must be taken with a grain of salt, since discrimination can operate by limiting educational and employment opportunities in ways not apparent in our data. To the extent that differences in workers' industry and job tenure actually reflect differential treatment by employers, we may not wish to "control away" all of these differences.

Not accounted for in the foregoing analysis is any difference in individuals' decisions to

apply for unemployment compensation. Some unemployed workers never apply for benefits for many reasons. A recent study of differences in application rates (Gould-Werth and Shaefer forthcoming), using 2005 BLS/Census survey data, finds that low-educated African Americans are less likely than whites to apply for benefits, because they think they are not eligible. Unfortunately, because the survey was discontinued, there is no way of knowing if this would still apply during the Great Recession, when public attention and media coverage of the extended and somewhat more generous benefits were widespread.

## Discussion

African Americans are less likely to receive UI benefits even after accounting for factors that can affect benefit receipt by other workers. This means many low-wage unemployed African American workers are likely suffering more economic hardship than their white counterparts—an especially adverse outcome given that African Americans likely have fewer assets to fall back on (Kochnar, Fry, and Taylor 2011).

Eliminating the racial gap in benefit receipt would likely require a variety of strategies, some related to information dissemination and some related to differences in state policies and procedures. Under the current federal-state structure, the federal government can only encourage states to be more generous to beneficiaries who worked or want to work part-time, those who have sporadic work histories, and those who may have left their jobs for family reasons—characteristics shared by many unemployed African American workers. The federal government could also help states disseminate better information to workers who might not be aware of their eligibility for benefits. How much the latter strategy alone would reduce the gap in receipt is unknown. Finally, the federal government could also investigate the rates at which employers contest UI claims, to see if there is a racial gap in contestation. ■

## Notes

1. A logit regression of UI receipt on characteristics of workers and the last job they held is estimated in the last month of data in wave 6 of the SIPP.
2. In some multivariate models, the gap in the receipt of UI benefits between Hispanic workers and non-Hispanic white workers is not statistically significant, although the estimated magnitude of the gap remains around 9 percentage points.
3. The effects (coefficients) of characteristics are also different for non-Hispanic black and Hispanic workers than for non-Hispanic white workers. In a regression of receipt on characteristics, we can attribute a portion of the difference in receipt to differences in characteristics and a portion to differences in coefficients (the effects of different characteristics on receipt). The proportions due to differences in characteristics and coefficients are calculated via regression-based decomposition detailed by Jann (2008), namely twofold Oaxaca decomposition with reference coefficients from a pooled model.

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## Unemployment and Recovery Project

This brief is part of the Unemployment and Recovery project, an Urban Institute initiative to assess unemployment's effect on individuals, families, and communities; gauge government policies' effectiveness; and recommend policy changes to boost job creation, improve workers' job prospects, and support out-of-work Americans.

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