

What Happens to Families' Income and Poverty after Unemployment?

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Unemployment can be especially devastating for families with children. Housing payments, food and transportation costs, health care needs, and even child care costs don't end when a job ends. Research shows that children are more likely to repeat a grade when parents lose jobs,¹ and those living with unemployed single mothers are more likely to drop out of school and to experience lower emotional well being.² Other studies document that unemployment often intensifies parental stress, which in turn impairs children's future outcomes.³

This analysis examines how unemployment during the Great Recession affected the incomes and poverty status of families with children. We follow parents age 25 to 54 in families with children that lost work during the recession and its aftermath, covering May 2008 through February 2011.⁴ We focus on parents who were regularly employed before unemployment—defined as having at least 3 consecutive months of earnings—to understand subsequent employment and receipt of safety net benefits among families used to having a regular paycheck. A parent must be unemployed for at least 2 consecutive months to be included in the analysis because those reporting shorter spells of unemployment may never need or seek public income support.⁵

For parents who experience unemployment, our results highlight family income and poverty status over 12 months, starting with the onset of unemployment. The results distinguish parents unemployed for 6 months or longer (long term), parents who find work before 6 months but subsequently experience at least one more spell of unemployment (short term with new spell), and parents who find work before 6 months and do not experience another spell of unemployment (short term with no new spell). We find that

poverty triples when a parent is unemployed for 6 months or longer, despite the important role the safety net plays in supporting their families' incomes.

Parents' Unemployment Experience

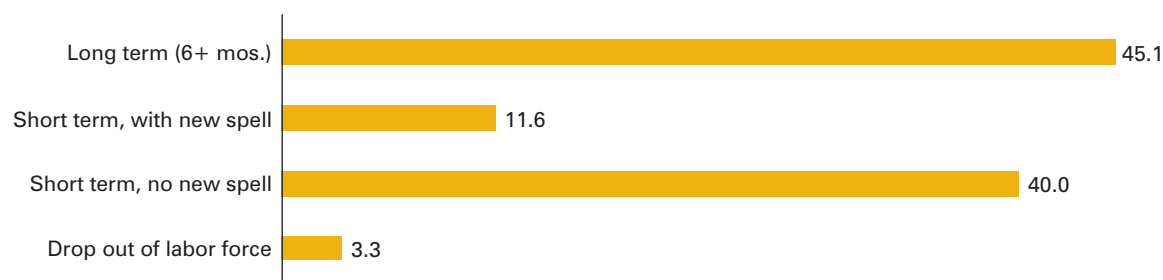
Among all parents who were regular earners during the recent recession, about 6 percent experienced at least 2 consecutive months of unemployment. Nearly half (45.1 percent) of these parents were unemployed long term; 11.6 percent were unemployed short term with at least one new spell of unemployment; 40.0 percent were unemployed short term with no further unemployment; and 3.3 percent of parents dropped out of the labor force (figure 1).⁶

Unemployment outcomes vary by parents' characteristics (table 1). Single parents are more likely to become unemployed (7.8 percent) than married parents (5.2 percent). Among parents who become unemployed, singles more often end up unemployed for 6 months or more (55.0 percent). And single parents are less likely to experience short-term unemployment with no new unemployment than their married counterparts (31.9 percent compared to 43.9 percent).

Non-Hispanic black parents more often experience unemployment than non-Hispanic white parents, and their unemployment spells are more likely to last at least 6 months (55.7 percent compared to 46.5 percent). Hispanic parents become unemployed more often than other racial/ethnic groups, but a smaller proportion of their unemployment spells lasts at least 6 months. Other evidence also confirms that Hispanic workers experience unemployment more often since they are more likely to work in occupations and



FIGURE 1. *Unemployment Dynamics among Parents Age 25 to 54, with Steady Work Prior to Unemployment Event (Percent)*



Source: SIPP 2008 panel, waves 1 through 8.

Notes: All families are observed for 12 months following unemployment. The initial spell of unemployment is defined as being unemployed in at least 2 consecutive months (parents report looking for work or being on layoff and having no earnings). Sample observations have at least 3 consecutive months of earnings prior to the initial unemployment spell.

industries hit hardest by the recession, such as construction, but their unemployment durations tend to be shorter.⁷

Parents without a high school education are much more likely to experience unemployment than parents with more education, but their unemployment spells also tend to be shorter. Over 1 in 10 parents with less than a high school education working regularly at the start of the recession experienced unemployment; 36.9 percent of these unemployed parents remained without work for 6 months or more compared to 49.8 percent of those with a high school education. Also, parents in the lowest two education groups found intermittent work more often than those with some college. For example, about 15 percent of unemployed high school dropouts and high school graduates found work and then experienced unemployment again, compared to about

10 percent of those with at least some college. These patterns of employment may indicate in part a stronger incentive to find any work, especially among the least educated group, or a lower bar on quality of job offers accepted.

How Do Families Get By after Unemployment?

Safety net benefits and sometimes other private sources of family income replace at least part of lost earnings during a period of unemployment. Some families may need continued support even after reemployment because new jobs may be intermittent or not provide the same earnings. We show incomes for families in the period of parents' unemployment and during the period of reemployment for those parents experiencing short-term unemployment.⁸ We examine receipt

TABLE 1. *Unemployment of Parents by Characteristics (Percent)*

	All with unemployment	Post-unemployment outcome		
		Long term	Short, with new spell(s)	Short, no new spell(s)
Married	5.2	44.2	11.9	43.9
Single	7.8	55.0	12.1	31.9
Race/Ethnicity				
Non-Hispanic white	4.8	46.5	10.9	42.5
Non-Hispanic black	6.5	55.7	11.3	33.0
Hispanic	8.6	40.4	15.8	43.8
Other	4.7	57.9	9.2	32.9
Education				
Less than high school	12.7	36.9	14.8	48.2
High school	6.8	49.8	14.7	35.5
More than high school	4.5	48.5	9.9	41.6

Source: SIPP 2008 panel.

Notes: Demographic characteristics are as of the initial period of observation. Characteristics exclude dropouts, since sample sizes are too small to analyze separately.

and amounts of safety net benefits, including Unemployment Insurance (UI), Temporary Assistance for Needy Families (TANF) and related forms of public assistance, and the Supplemental Nutrition Assistance Program (SNAP), commonly known as food stamps, in the post-unemployment period. We also show how earnings change for those parents who find work in the first 6 months after unemployment. We track changes in private sources of support including earnings of other adults in the family and other income (such as income from assets and Social Security benefits). The changes in income illustrate how key safety net benefits work during these transitions.

Long-Term Unemployed

The majority of parents in the long-term unemployed group (69.8 percent) receive UI benefits (table 2). While the high level of UI receipt is encouraging and reflects both federal extensions during this period of high unemployment and recent coverage extensions, the benefit replaces only a fraction of the unemployed workers' earnings.⁹ On average, long-term unemployed families receive only \$210 per capita per month in unemployment benefits compared to losing \$790 in earnings.¹⁰ Unemployment benefits are designed to replace a share of a worker's wages, and in 2010 only 14 states provided a higher benefit to those with dependents.¹¹

As a result of relatively low unemployment benefits, many also turn to other income supports to augment their families' resources. For example, the share receiving SNAP benefits doubles from 18.2 percent before the initial unemployment spell to 37.4 percent after the first month of unemployment. Public assistance

receipt increases from 1.9 to 5.1 percent, but the low rates of receipt and low benefits paid mean that this makes little difference to average family incomes among long-term unemployed parents.

The share with other earnings in the family increases only slightly. While other adults' average per capita earnings decline in the long term, these earnings become a larger share of family income (providing 59.4 percent of total income compared to 36.9 percent in the pre-unemployment period). The share with other income such as Social Security increases, and this income source contributes somewhat more to per capita family income in the long run. Total monthly income per capita drops from \$1,391 to \$822 (59 percent of pre-unemployment income).¹²

Reemployed with New Unemployment

Families with unemployed parents who find work quickly but experience unemployment again (11.6 percent of all parents we see becoming unemployed) experience a big drop in income during their initial spell of unemployment and only partially recover after reemployment (table 3).¹³ Average monthly earnings for these parents drop from \$758 before unemployment to \$321 in the reemployment period, because new jobs either pay less or provide fewer hours, and earnings are only intermittent. More families have other earnings in the reemployment period than prior to unemployment (68.4 percent compared with 62.7 percent), indicating that some live with other adults (mostly spouses) able to increase their work effort to make up for the spouse's more erratic earnings. The receipt of other income also increases and contributes more per capita, especially in the reemployment period.¹⁴

TABLE 2. *Income Sources before and during an Unemployment Event: Long-Term Unemployed*

	% with income source		Per capita monthly amount (\$)	
	Before	During	Before	During
Own earnings	100.0	0.0	790	0
Other earnings	59.3	62.6	513	488
Other income	69.8	74.3	70	86
Unemployment Insurance	0.0	69.6	0	210
SNAP	18.2	37.4	16	35
Public assistance	1.9	5.1	2	4
Total	100.0	100.0	1,391	822

Source: SIPP 2008 panel, parents unemployed for at least 6 months.

Notes: Post-unemployment income reflects average monthly income received during months of unemployment, and amounts include parents with and without the source of income. Per capita amounts are calculated by dividing income sources by the number of persons in the family.

TABLE 3. *Income Sources before, during, and after an Unemployment Event: Short-Term Unemployment Spell Followed by Work and More Unemployment*

	% with income source			Per capita monthly amount (\$)		
	Before	During	After	Before	During	After
Own earnings	100.0	0.0	100.0	758	0	321
Other earnings	62.7	60.9	68.4	456	382	387
Other income	65.6	63.3	70.7	57	79	109
Unemployment Insurance	0.0	52.5	53.7	0	172	102
SNAP	24.6	29.4	38.2	23	28	35
Public assistance	0.9	2.8	4.5	0	2	1
Total	100.0	100.0	100.0	1,294	663	955

Source: SIPP 2008 panel, parents unemployed for at least 2 but less than 6 months and subsequently employed, followed by at least one more spell of unemployment.

Note: Per capita amounts are calculated by dividing income sources by the number of persons in the family and are averaged over all families, whether receiving or not.

Over half of parents in this group receive some Unemployment Insurance benefits during the initial period of unemployment and after reemployment. Average unemployment benefits contribute far less to incomes in the reemployment period than in the full unemployment period (\$102 compared to \$172) since benefits are received intermittently. The share of families enrolled in SNAP increases from 24.6 percent before unemployment to 29.4 percent during the initial unemployment spell and 38.2 percent in the reemployment period. Correspondingly, per capita SNAP benefits in the reemployment period increase from \$23 to \$35. Receipt of public assistance also increases after unemployment, although this benefit contributes very little to per capita average income.

Reemployed with No New Unemployment

The families with parents who find work quickly after unemployment and experience no further unemployment (40.0 percent of unemployed parents) fare the best (table 4). These parents' earnings fall from \$699 in the pre-unemployment period to \$612 in the reemployment period (a 12 percent decline). However, other adults' earnings play an important role in these families' incomes. In the pre-unemployment period 68.6 percent have other adults with earnings, and that increases to 73.9 percent in the reemployment period. Other adults' earnings contribute about \$630 to average per capita income before and after unemployment.

Safety net benefits matter less for these families. Only 31.0 percent receive UI during their

TABLE 4. *Income Sources before and after an Unemployment Event: Short Term with No New Unemployment*

	% with income source			Per capita monthly amount (\$)		
	Before	During	After	Before	During	After
Own earnings	100.0	0.0	100.0	699	0	612
Other earnings	68.6	67.3	73.9	634	627	633
Other income	69.5	69.5	72.7	68	77	71
Unemployment Insurance	0.0	31.0	26.4	0	92	24
SNAP	16.9	21.2	22.9	16	21	20
Public assistance	0.9	1.1	1.3	1	1	1
Total	100.0	100.0	100.0	1,423	818	1,346

Source: SIPP 2008 panel, parents unemployed for less than 6 months and subsequently reemployed, with no new unemployment in the 12 month period of observation.

Note: Per capita amounts are calculated by dividing income sources over all members in the family and are averaged over all families, whether receiving or not.

spell of unemployment, considerably less than the parents experiencing long-term unemployment or parents unemployed short term with a repeat spell of unemployment. It is not clear whether a smaller share of these families apply for these benefits (given their shorter unemployment spells) or whether a smaller share qualify for unemployment benefits. The monthly per capita unemployment benefit is only \$92 during the unemployment period. These families also report receipt of unemployment benefits during their reemployment periods, presumably because some receive lagged benefits during the month they become reemployed. (The per capita amount drops to \$24 per month.) SNAP receipt increases from 16.9 percent before unemployment to 21.2 percent during unemployment and 22.9 percent after reemployment.

These families weather a big drop in total income during the period of unemployment but recover most of it after reemployment. Per capita monthly income declines from \$1,423 before unemployment to \$818 during unemployment, then recovers to \$1,346 (a 5 percent decrease) after reemployment.

What Happens to Families' Poverty Status after Unemployment?

The poverty status of families with parents experiencing unemployment highlights the devastation associated with long-term unemployment (figure 2). Poverty nearly triples among families unemployed 6 months or more, rising from 12.0 to 35.3 percent. Poverty increases from 14.8 to 19.5 percent among families with parents who find work quickly but experience unemployment again, and increases

only slightly from 13.4 to 14.5 percent among those who find a job quickly but have no further unemployment. Overall, poverty doubles among families with children that experienced at least 2 consecutive months of unemployment during the recent recession.

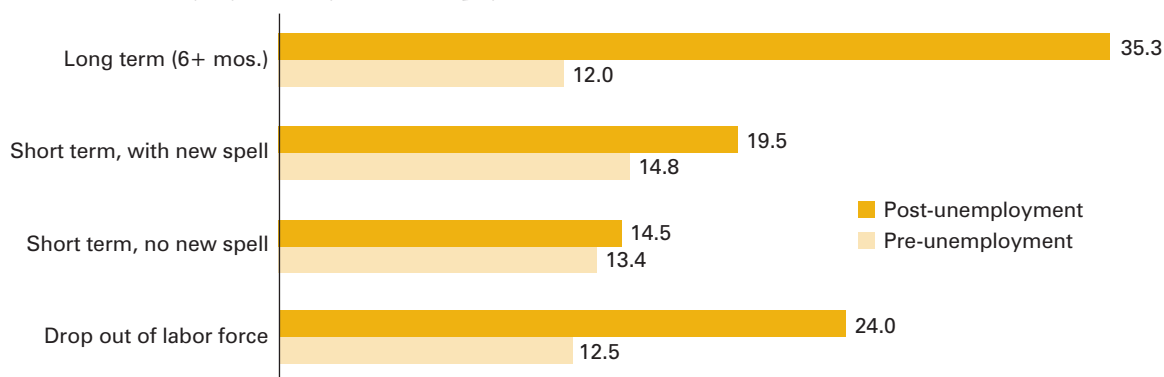
The distribution of income relative to poverty provides more evidence of the ravages of unemployment, especially among those unemployed for at least 6 months (table 5). The long-term unemployed have high rates of deep poverty (incomes below one-half the federal poverty threshold), increasing from 3.0 percent before unemployment to 14.4 percent after unemployment. Over half of the long-term unemployed group is poor or near poor (below 150 percent of the poverty threshold) in the post-unemployment period.

Poverty is also common among those who find work quickly but get laid off again. About 40 percent are poor or near poor in the post-unemployment period, compared with about 30 percent before unemployment. Most of those reemployed quickly recover their income, although there is some increase in the number of those near poor and a slightly lower share at the top of the income distribution.

Summary and Policy Lessons

Forty-five percent of those in our sample, parents unemployed for at least 2 months after at least 3 consecutive months of earnings, experienced a spell of unemployment lasting more than 6 months. While many of these long-term unemployed parents qualified for Unemployment Insurance, these benefits could not compensate for lost earnings. Also, this high rate of UI benefit receipt among the long-term unemployed reflects emergency benefits that are now threatened as states

FIGURE 2. Poverty before and after an Unemployment Event (Percent)



Source: SIPP 2008 panel.

Notes: Poverty is calculated to include the cash value of SNAP benefits. Poverty in the post-unemployment period reflects income associated with each group's final observed outcomes as shown in tables 2 through 4. For the long-term group, poverty rates are averaged over up to 12 months of unemployment. For the short-term groups, poverty rates are averaged during the period of reemployment (up to 9 months).

TABLE 5. *Distribution of Family Income Relative to the Federal Poverty Threshold before and after an Unemployment Event*

%	Long term		Short term, with new spell(s)		Short term, no new spell	
	Before	After	Before	After	Before	After
Below 50	3.0	14.4	1.7	5.4	2.7	3.2
50 to 100	9.0	20.9	13.1	14.1	10.7	11.3
100 to 150	15.0	20.1	14.5	23.4	15.3	18.3
150 to 200	16.6	13.8	12.0	11.7	15.7	12.9
200 to 300	20.1	16.8	20.6	23.9	19.8	21.5
300+	36.3	14.1	38.1	21.5	35.8	32.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIPP 2008 panel.

Notes: Poverty is based on cash income plus the value of SNAP. Poverty in the post-unemployment period reflects income associated with each group's final observed outcomes as shown in tables 2 through 4. For the long-term groups, it reflects poverty rates averaged over up to 12 months of unemployment. For the short-term groups, it represents poverty rates averaged during the period of reemployment (up to 9 months).

grapple with UI program deficits by scaling back benefits.¹⁵ SNAP offers a supplement that many unemployed families use, but this only provides a benefit of \$35 per person per month, on average. Public assistance income increased only slightly during the period of unemployment. Despite the safety net benefits, poverty nearly tripled among these families, increasing from 12.0 to 35.3 percent.

More than 1 in 10 of the unemployed parents found employment quickly but experienced another spell of unemployment. They saw more than a \$300 drop in their per capita monthly income (27 percent), and their poverty rate increased from 14.8 to 19.5 percent.

The 40 percent of parents who experienced unemployment but quickly found steady jobs fared much better than the parents who were laid off again. Per capita monthly earnings declined from \$699 to \$612 (12 percent). But increased work effort among other adults in the family helped to offset this loss. Family income dropped by 5 percent, on average, and this group's poverty rate increased slightly from 13.4 to 14.5 percent.

This story of post-unemployment incomes demonstrates the critical role of quick reemployment in maintaining family economic well-being. The long and deep recession, coupled with increases in long-term unemployment, suggests the need for greater focus on initiatives to spur reemployment. Unfortunately, past programs to encourage the newly unemployed to quickly take new jobs have shown limited success. The Congressional Budget Office (2012) reviews ideas for modifying Unemployment Insurance to incentivize quick reemployment and finds that reemployment bonuses tried in the 1980s and 1990s did not generally reduce the number

of weeks of UI benefit receipt. Similarly, wage insurance tried in Canada to temporarily provide reemployed workers some or all of the difference between their old wages and their new wages had little effect on how long unemployed workers received benefits. On the other hand, certain trial programs that used combinations of job search assistance and increased emphasis on work search rules did reduce unemployment.

The United States currently has a historically high number of individuals who have been out of work for 6 months or more. These individuals and their families merit attention. Recent federal policy has increased access to Unemployment Insurance and extended benefits for longer periods of time.¹⁶ Beyond helping the long-term unemployed meet their material needs through Unemployment Insurance, policies to spur employment among the long-term unemployed are warranted. A small initiative in the American Recovery and Reinvestment Act of 2009 (ARRA) increased job supply through a TANF emergency fund for states to create subsidized employment programs.¹⁷ Many states took the initiative and created about 230,000 jobs. But these programs ended as ARRA funds ran out in 2010.

Some long-term unemployed likely need new skills to match the needs of employers. The CBO review suggests that there are no clear or easy solutions. For example, training programs tend to work best for entry-level workers with the least skill and work experience, rather than the long-term unemployed. While sectoral training programs (those that target local employers' specific needs) have had some success, it is not clear whether such programs could be implemented on a scale large enough to make a difference.

Despite the lack of clear-cut solutions to reduce or prevent long-term joblessness, the devastating effects of long-term unemployment on families demand policy innovation in addition to a strong safety net. States' demonstrated ability to initiate subsidized jobs programs quickly and their preliminary success with skills certification programs and job search assistance suggest ideas that should be implemented on a broader scale as potential ways to boost reemployment.

Notes

1. Stevens and Schaller (2011).
2. Kalil and Ziol-Guest (2005).
3. Oreopoulos, Page, and Stevens (2008).
4. Family structure is defined during the initial working period. The sample size is 14,219 parents, and 825 experienced at least 2 months of unemployment. The analysis follows each parent experiencing unemployment; of the 825 unemployed parents, 7 percent were in a household in our sample where another parent lost work. Since we require 12 months of data after the initial unemployment event, those who leave the survey early are not included in the analysis. We define unemployment as parents reporting they are looking for work or on layoff and have no earnings.
5. We use up to 32 months from the Survey of Income and Program Participation (SIPP). We can observe employment as early as May 2008 (using retrospective information from 4 months before the first interview in September 2008) to as late as February 2011. Since we summarize employment and family income for 12 months after the initial spell of unemployment, the exact data months used are not exactly the same for all families.
6. Dropouts cannot be analyzed further due to their small sample size.
7. U.S. Department of Labor, Bureau of Labor Statistics (2011).
8. Parents in the long-term unemployed group are unemployed for at least 6 and up to 12 months. We can only show their family income and poverty during unemployment because there is not a sufficient number of months to report income outcomes for those who eventually find work.
9. Nichols and Zedlewski (2011) show that UI benefit receipt doubled among low-work, unemployed families between 2005 and 2009, at least in part reflecting recent expansions of these benefits.
10. As noted in table 2, the averages represent the amount received by all families whether they received UI or not.
11. http://www.nelp.org/content/content_issues/category/State_Reports_and_Statistics/.
12. Per capita income is calculated by dividing income by the number of family members to account for differences in family sizes.
13. Note that these parents may experience multiple spells of unemployment and earnings during their "reemployment" period, but these multiple occurrences of unemployment are too infrequent to analyze separately.
14. Other income includes all sources of retirement and disability income received by the family and could reflect doubling up with grandparents receiving Social Security or receipt of such benefits by the unemployed parent or his/her spouse.
15. Vroman (2012) discusses recent state changes in UI programs.
16. See Lindner and Nichols (2012) for a discussion of these policies.
17. See U.S. Department of Health and Human Services (2011) for a description of these programs.

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