UI in the Safety Net: Lessons from the Great Recession

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April 27, 2011

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Prepared for National Poverty Center—Brookings Institution symposium “Rethinking the Safety Net after the Great Recession,” Washington, DC.
UI in the Safety Net: Lessons from the Great Recession

1. Principles of Unemployment Insurance
2. UI and ES use by TANF Leavers
3. UI in the Great Recession
4. Research after the Great Recession
5. UI in the Safety Net
6. Prospects for UI in the Safety Net
1. Principles of Unemployment Insurance

- TEMPORARY partial income replacement during involuntary unemployment--an earned entitlement.
- MONETARY Eligibility
  - Sufficient recent earnings and employment
- NON-MONETARY Eligibility (Job Separation)
  - No voluntary job quits
  - No employer discharges for cause
  - Actively seeking return to full-time work
- BENEFICIARY Rate
  - May be higher than non-monetary eligibility rate
  - Definite denial periods
- NO Means Test
  - Benefit is wage related, and governed by social adequacy
2. UI and ES use by TANF Leavers

- About 25 percent of newly unemployed TANF leavers apply for UI.
- About half of TANF leaver UI applicants receive UI.
- TANF leavers qualify for UI at lower rates than other UI applicants, primarily due to higher rates of job quits and employer discharge.
- Among TANF leaver UI applicants, UI beneficiaries have a higher rate of returning to work and a 34% lower rate of returning to TANF.
- Employment Services (ES) are widely used and effective among TANF leavers.
- UI application leads to higher ES use by TANF leavers.
## 2. UI use by TANF Leavers

<table>
<thead>
<tr>
<th>State</th>
<th>Monetary %</th>
<th>Non-Monetary %</th>
<th>Beneficiary %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>95</td>
<td>46</td>
<td>61</td>
</tr>
<tr>
<td>Georgia</td>
<td>89</td>
<td>48</td>
<td>49</td>
</tr>
<tr>
<td>Michigan</td>
<td>98</td>
<td>39</td>
<td>65</td>
</tr>
<tr>
<td>Ohio</td>
<td>65</td>
<td>32</td>
<td>30</td>
</tr>
<tr>
<td>Pooled</td>
<td>87</td>
<td>44</td>
<td>50</td>
</tr>
</tbody>
</table>

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2. ES use by Georgia TANF Leavers
Adult TANF Recipients in the US and Georgia, 1997-2009

- **US**
  - 1997: 2,000,000
  - 2009: 1,000,000

- **Georgia (GA)**
  - 1997: 500,000
  - 2009: 10,000

The graph shows the reduction in TANF recipients over the years, with a significant decrease in both the US and Georgia populations.
3. UI in the Great Recession

- Regular UI benefit payments
  - 2006: $30.1 billion to 7.3 million first pays
  - 2009: $79.6 billion to 14.2 million first pays

- Extended Benefits (EB)
  - EB with trigger was 50-50; became 100% federal

- Emergency Unemployment Compensation
  - Up to 73 weeks (EB+EUC) onto 26 regular UI

- Federal Additional Compensation
  - $25 weekly extra, Feb. 2009 to Dec. 2010

- UI Modernization (McDermott rules)
3. UI in the Great Recession

UI Modernization (PL 111-5, Section 2003)

- $7 billion available nationwide Allocations to states in proportion to their share of UI covered earnings nationwide
- One-third for alternate base period (ABP) (39)
- Two-thirds for adopting 2 of 4 other changes
  - Part-time: eligible if seeking only part-time reemployment (25)
  - Compelling family reasons: quits or discharges (18)
  - Job training: 26 weeks UI for exhaustees (14)
  - Dependents allowance: $15/$50 week (7)

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Status of UC Modernization Incentive Payment Applications through November 3, 2010

39 states have been approved for incentive payments totaling $3,430,333,851

Full share approvals (32 states)

1/3 share approvals (7 states)
3. UI in the Great Recession

- Tom Gabe and Julie Whittaker (CRS 2011)
  - In 2009 among UI recipients 24.3% would have been in poverty without UI, instead with UI only 10.5% reached the poverty level.
  - In 2009 UI kept 3.3 million out of poverty

- Greg Acs and Molly Dahl (CBO 2010)
  - Poverty rate in 2009 was 14.3% instead of 15.4% if there was no UI
  - 2009 families with an unemployed person 19.3% percent in poverty, 24.3% percent without UI

- CBO rated UI (EUC) as the strongest of eleven countercyclical measures
4. Research after the Great Recession

Average Treatment Effects (ATE)
Effects of UI and ES on TANF Leavers
• Adults in households exit TANF for employment
• Subgroups among TANF exiters:
  • Females with children
  • Females without children
  • Males (with or without children) (15 percent)

• Local Average Treatment Effects (LATE)
Local Average Treatment Effects

LATE is a contrast between those barely eligible for UI with those eligible for minimum UI benefits.

Around the minimum earnings required for UI, it is nearly random whether annual earnings are just above or just below earnings sufficient to qualify for minimum UI.

In some states, minimum UI earnings for eligibility is close to maximum earnings for TANF eligibility.

Pre-recession test effect of UI on TANF return:
February, 2009 to December, 2010 FAC +$25
5. UI in the Safety Net

- Use of UI and ES by TANF Leavers
- Does UI prevent disability?
  - (David Autor, Kevin Hollenbeck)
- Does EITC prevent use of UI?
  - (Sara LaLumia)
- Interactions between SNAP and UI
  - (ADARE, Missouri (FL), Cal PPRI)
- CBO budget scoring of EUC should account for savings to other programs.
6. Prospects for UI in the Safety Net

- Previously weak federal rules for forward funding of regular UI years pre-recession.
- Unprecedented federal UI largess in GR.
- Recent federal proposal for debt relief to states. Waive interest on borrowing for 2 years, and raise FUTA tax.
- States retreating from 26 weeks (FL, MI)
- Will 20 weeks max UI become the norm?