Policies Targeting Low-Income Workers

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This report summarizes recent recommendations to modify the Unemployment Insurance (UI) system, and provides evidence of outcomes from states where these changes have been enacted. Most of these UI policy changes were recommended in the 2009 Recovery Act, in which the federal government offered states monetary incentives to adopt UI system changes. The five policies we have reviewed are:

- Adopt an Alternative Base Period
- Change Base Period Accounting From Dollars to Hours
- Allow Search for Part-Time Work
- Allow UI for Domestic Reasons for Leaving Work
- Provide an Allowance for Dependents

This report briefly describes each policy, the NWAF states that have enacted the revision, and evidence of need, outcomes, and costs from states that have implemented the policy.

Table 1 below shows which of these UI policy changes NWAF states have enacted. Table 2 summarizes the expected changes in UI eligibility, receipt, cost, and the groups most likely affected.

<table>
<thead>
<tr>
<th>Policy</th>
<th>North Dakota</th>
<th>Montana</th>
<th>South Dakota</th>
<th>Iowa</th>
<th>Minnesota</th>
<th>Oregon</th>
<th>Idaho</th>
<th>Washington</th>
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</thead>
<tbody>
<tr>
<td>Base Period Hourly Adjusted</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Date Unknown</td>
<td>2006</td>
<td>1971</td>
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<td>Domestic Reasons for Leaving Work</td>
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<td>Partial</td>
<td>Partial</td>
<td>No</td>
<td>2009</td>
<td>2001</td>
<td>No</td>
<td>2002*</td>
</tr>
<tr>
<td>Allowance for Dependents</td>
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<td>No</td>
<td>No</td>
<td>Date Unknown</td>
<td>No</td>
<td>No</td>
<td>No</td>
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</tr>
</tbody>
</table>

*This WA policy was revised in 2009, broadening coverage

1 Not a Recovery Act policy recommendation.
Alternative Base Period

In the past, states determined monetary eligibility for UI benefits based on workers exceeding a minimum level of earnings in a fixed period. Many states calculated worker earnings from the first four of the past five quarters, omitting the most recent quarter of work; this lag was to allow employers time to file quarterly reports that verify worker wage history. An Alternative Base Period (ABP) eligibility rule includes work completed in the most recent quarter and drops the oldest quarter, but only for workers who benefit from this option. Advocates\(^2\) of this policy change argue there are many workers who are deemed ineligible for UI benefits who would be eligible under an ABP because of more recent work.

**NWAF States With Provision:** Idaho, Iowa, Minnesota, Montana, Oregon, South Dakota, and Washington

**NWAF States Without Provision:** North Dakota

**Evidence of Need and Outcomes:** The National Employment Law Project (NELP) (2005) found increased UI receipt, particularly among low-wage workers, in six states where ABP had been implemented. In Washington state, 5 percent of UI recipients qualified using the ABP in 1997 and 8.4 percent in 1998.\(^3\) There were low, but varying levels in Michigan, Maine, New Jersey, Georgia, Virginia and North Carolina, where the percent of UI claimants receiving due to ABP were 5.5, 6.5, 6.2, 2.7, 3.1, and 2.1 percent.

\(^2\) Such as the National Employment Law Project and the Economic Policy Institute

\(^3\) Planmatics (1997).
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respectively. Using 2003 data from the Survey of Income and Program Participation (SIPP), Stettner et al. (2005) estimated that UI monetary eligibility would increase by 7.2 percentage points if all states implemented an ABP. This finding is consistent with an estimate from a separate study performed by Wayne Vroman in 1995, which predicted a 6 to 8 percent increase in eligibility, and higher than the studies of receipt based on actual implementation, because not all of those eligible will apply for benefits.

Multiple studies found an ABP disproportionately benefits low-wage, minority, women, and young workers. Emsellem (2010) found that 19.3 percent of Washington state UI recipients using the ABP were formerly receiving Temporary Assistance for Needy Families (TANF) assistance, compared to 8.4 percent of all UI recipients. Stettner et al. (2005) found in Michigan only 1.6 percent of high-wage workers receiving UI based on the ABP, compared to 17.4 percent of low-wage workers. Using the SIPP data, they estimated that 58 percent of workers nationally who need ABP to qualify for UI would be in the bottom quartile of earners.

Stettner et al. (2005) also predicted that African Americans and Hispanics would be more than 1.5 times more likely than white workers to benefit from an ABP, and that workers under 25 years of age would be more than twice as likely as older workers to access UI through ABP. In Washington state, ABP eligibility after implementation was more likely for those who were young, female, from a minority group or had a below-average level of education (all characteristics also associated with having low earnings). ABP claimants had above-average representation from selected industries in Washington (agriculture, mining, construction, retail trade and services), and were more likely to live in low-wage counties.

Finally, Stettner et al. (2005) calculated the cost of an ABP policy in selected states and found that the cost to cover workers eligible via the ABP was less than the average worker because they come from lower wage groups. However, the increase in eligibility would increase costs to the entire system by an estimated 1 to 5 percent. The added costs of an ABP would be charged against the experience rating of employers who lay off ABP eligible workers or to the whole system if an employer is not responsible. Figure 1 displays these findings by states with an ABP.

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4 Stettner, Boushey, and Wenger (2005)
5 Planmatics (1997)
6 Ibid.
7 The UI system is funded by a payroll tax on employers. The tax rate is lower for employers who infrequently lay off workers, and higher for employers who lay off workers more frequently; this is called an employer’s experience rating. When a UI recipient is unemployed for reasons unrelated to the employer, their benefit costs are not recorded against that employer’s experience rating, but recorded to the whole system (effectively charged to all employers as it affects the base UI tax rate).
Change Base Period Accounting From Dollars to Hours
Monetary eligibility rules in most states require a minimum amount earned in the base period to qualify, which can be attained with fewer work hours for high-wage workers than low-wage workers. Converting to a requirement based on hours rather than earnings would remove this inequity. States could set eligibility rules so that base period qualification is denoted in hours or so the monetary requirement is pegged to a value relative to hourly minimum wage in order to not disadvantage low-wage workers (U.S. Advisory Council on Unemployment Compensation, 1995).

**NWAF States With Provision:** Idaho, Oregon, and Washington

**NWAF States Without Provision:** Iowa, Minnesota, Montana, North Dakota, and South Dakota

**Evidence of Need and Outcomes:** The effects of this policy can be illustrated using North Dakota’s program, as it does not account for wage disparity when calculating monetary eligibility. In 2010, according to the U.S. Department of Labor (2011), North Dakota’s base period wage minimum was $2,795. A worker earning minimum wage ($7.25) would have to work 386 hours in the base period to qualify for UI. A worker earning the mean hourly wage in North Dakota ($17.31) would qualify for UI in 161 hours.

We have not found research directly measuring the effect of converting to an hourly or equivalent eligibility method. Many states that do use an hourly or equivalent method also use an Alternative Base Period; therefore the effects may be comingled. Clearly, this policy would have the largest effects on workers with low wages as does the alternative base period.

**Allow Search for Part-Time Work**
Many states require UI recipients to be “able and available” for full-time work, and must be seeking full-time “suitable work.” These requirements can prohibit unemployed part-time workers from receiving UI benefits, even if they are monetarily and otherwise non-monetarily eligible (NELP 2004). States could allow workers to be eligible for UI even if they are looking for part-time work.
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**NWAF States With Provision:** Idaho, Iowa, Minnesota, Montana, South Dakota, and Washington

**NWAF States Without Provision:** North Dakota and Oregon

**Evidence of Need and Outcomes:** The proportion of U.S. workers who are part-time has increased significantly over time: one in six workers nationally were part-time in 2004—3 times the rate in the 1950s. Unemployed part-time workers over age 25 were half as likely to receive UI benefits as full time workers (NELP 2004) and 14.3 percent of unemployed part-time workers received UI benefits in states not requiring search for full-time work; versus 11.6 percent in states that did have that requirement (Shaefer 2010).

NELP estimates a part-time worker provision increases UI eligibility by 2 to 7 percentage points and costs by 2 to 5 percent. McHugh and Stettner (2005) estimated the increases in eligibility and cost of providing UI benefits to part-time workers in states that implemented coverage of part-time workers. In Colorado, 1.2 percent of UI recipients were part-time workers, which cost the state $220,000 in 2000. In Maine, 2.7 percent of UI recipients were part-time workers, and benefits to this group cost Maine $1.8 million in 2004—$2,032 per worker. In California, 0.5 percent of recipients were part-time workers in 2004 with benefits of $14.34 million.

Part-time workers are predominantly women, and earn much lower wages than full-time workers. NELP (2004) found part-time workers were 67 percent female and earned lower wages than full-time workers ($8.25 vs. $14.64 an hour). Kaye (2001) found 39 percent of part-time workers reported wanting or being available for full-time work; the other 61 percent were unwilling or unable to work full-time. This information suggests that about two-thirds of part-time workers would not meet the “able and available” for full-time work rule.

**Allow UI for Domestic Reasons for Leaving Work**
Some states do not allow workers to receive UI benefits if they left work for non-work reasons such as domestic violence, spousal relocation, illness, or disability. With this policy change, UI benefits would be available to workers leaving for domestic reasons, but would not affect employer experience ratings.

**NWAF States With Provision:** Minnesota, Oregon, and Washington

**NWAF States Without Provision:** Idaho, Iowa, North Dakota; partial provision in Montana and South Dakota

**Evidence of Need and Outcomes:** Smith and McHugh (2002) estimated that 1.5 million U.S. women (1 percent of women) experienced domestic or sexual violence by an intimate partner in 2000 and that 24 to 52 of them would lose their jobs as a result. However, very few unemployed workers cite domestic violence as the reason for unemployment in states that include “domestic reasons” provisions. Minnesota UI administrators reported 21 claims over a four-year period. Nebraska approved five claims in the year 2000. Oregon estimated it approves 20 claims per year. Colorado approved 63 claims over two years. Connecticut provided the most detailed information: Between October 1999 and April 2001 there were 47 claims averaging $397 a week in benefits averaging $108,000 per year. The low number of
claims could reflect unwillingness to report domestic violence or inability to provide required
documentation. We did not find evidence of the number of UI claims citing other “domestic reasons” for
leaving work.

Thus, both the number of workers using this policy and the costs are likely to be very low. Women are
the most likely beneficiaries of this policy.

Provide an Allowance for Dependents
Most states provide a weekly UI benefit payment that is calculated based solely on the workers historic
earnings. This policy would increase benefit payments to unemployed workers with children. The
argument for this policy is that unemployed workers with children need more income to support their
families than those without dependents.

NWAF State With Provision: Iowa

NWAF States Without Provision: Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, and
Washington

Evidence of Need and Outcomes: Nationwide, 14 states currently provide a dependent allowance; however, we were unable to find analysis of the effects of this policy. As of 2011, the states that provide a dependents’ allowance are Arkansas, Connecticut, Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, New Jersey, New Mexico, Ohio, Pennsylvania, Rhode Island, and Tennessee. Some states, like Arizona and Nevada, once provided a dependent allowance, but have since repealed it.

This UI provision is fundamentally different from the other policies we have reviewed. The other policies affect who has access to UI benefits; this recommendation affects how much an unemployed worker receives, based on their family structure in addition to their historic earnings. By increasing benefits to workers with dependents, this policy targets beneficiaries based on criteria other than work history.

The dependent allowance determination method varies from state to state. They are calculated by (1) increasing the maximum weekly benefit amount for workers with dependents, (2) paying a flat dollar amount per week per dependent, or (3) using a higher wage replacement rate to calculate the weekly benefit for workers with dependents. Methods one and three are more regressive because higher earning workers with dependents will receive more benefit per dependent than a worker with the same number of dependents who earns less. Five states nationally use one of these more regressive allowance calculation methods, nine use the non-regression method.

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8 According to the U.S. Dept. of Labor, Ohio uses method one; New Mexico, Tennessee, Pennsylvania, Michigan, Massachusetts, Maryland, Maine, Connecticut, and Alaska use method two; and Rhode Island, New Jersey, Iowa, and Illinois use method three.
References


