Making Unemployment Insurance Work Better for Low-Wage Families

By Claire McKenna, National Employment Law Project
Posted June 2, 2014

The federal-state unemployment insurance (UI) program provides partial wage replacement for workers who have lost their jobs and boosts state economies during downturns. The program’s impact was especially pronounced during the Great Recession, protecting millions from poverty and saving hundreds of thousands of jobs every year. Unfortunately, despite UI’s effectiveness, it faces significant challenges, including most recently the elimination of federal benefits for the long-term unemployed. President Obama tapped into concern about the vitality of the program by calling for reform in this year’s State of the Union, but offered few details. While Congress should act to extend these lapsed benefits, one issue on which states can take quick action is burdensome eligibility standards which prevent many low-wage workers from receiving coverage, even though they’re more likely than higher earners to be unemployed and need income support during jobless spells.

States have consistently underfunded their UI programs, consequently relying heavily on loans from the federal government to pay benefits in recent years. As a result, reforms that expand eligibility may feel like a heavy lift. However, by neglecting this large part of the workforce, the UI program may do progressively less to stabilize workers and the economy during future recessions. A few key policies could go a long way toward ensuring that low-wage working families can access this important lifeline.

First, states should permit unrestricted “good cause” for voluntarily leaving work. Current state UI laws often fail to acknowledge compelling personal circumstances — a destabilizing change in child care, for example — that can conflict with low-wage workers’ employment obligations. In general, a worker must be separated from work involuntarily to qualify for benefits; if, instead, she quits, it must be for “good cause.” Yet, all but 12 states require that good cause be connected to the worker’s job (for example, if the claimant endured sexual harassment). Otherwise, many states make individual exceptions to the work-related good cause definition for personal reasons (for example, leaving for a better-paying job or because of illness).

The 2009 Recovery Act attempted to address some of these issues by providing states grants to allow UI eligibility for workers to quit a job to escape domestic violence, care for an ill family member, or follow a spouse who relocates for work. While states should continue to adopt such exceptions, the broadest approach would be to define good cause as any compelling reason for leaving work whether or not the reason is work-related, as in California and a small number of other states. For UI programs to align with the needs of today’s working families, they must recognize the range of reasons that compel hardworking people, particularly those with limited means, to leave a job.

Second, states should establish parity for part-time workers. Many states disqualify low-wage workers by requiring part-time workers to look for full-time work, even when their work history meets eligibility
requirements. Although the Recovery Act offered states funding if they chose to allow claimants with a part-time history to search for only part-time work, 14 states still require such claimants to look for full-time employment.

Part-time workers, many of whom are women with care-giving responsibilities, make up a significant share of the labor force (nearly one in five workers) and exhibit significant attachment to work, usually working far more than 20 hours per week and over most of the year. These individuals should not be shut out of coverage because of a technicality. Further, the UI program was intended to function counter-cyclically, expanding when the economy contracts. In order to do so most effectively, state programs must more fully recognize the nature of the post-recession U.S. economy, in which jobs in low-wage sectors, many with nonstandard, short schedules return first.

Third, states should provide fairer treatment for temporary workers. Most workers who are laid off for lack of work qualify as long as they earned enough in their last job and look for new work. However, 31 states make a problematic exception by requiring temporary workers to report to the temp agency that laid them off for re-assignment. Otherwise they’re deemed to have voluntarily quit without good cause and are disqualified. In practice, this policy serves more to prevent the temp industry from bearing UI charges – since employers who lay off more workers generally face higher UI taxes – than to re-employ workers.

Fair and responsible state programs encourage workers to consider as many employment options as possible and don’t penalize them for this effort. They aim to reconnect claimants to steady work, instead of relegating them to a cycle of short-term, dead-end jobs. The states where this exception is currently law should follow the lead of Massachusetts, where legislators last year proposed repealing the policy as part of a bill addressing UI trust fund solvency.

Taken together, these reforms would extend essential protection to low-income families, which would have broader benefits as well, boosting state economies while better preparing them for future downturns.

To print a PDF version of this document, click here.

Claire McKenna is a policy analyst at the National Employment Law Project. - See more at: http://www.spotlightonpoverty.org/ExclusiveCommentary.aspx?id=76d2b527-ecdc-48ae-9d16-aeb428d9b9d4#sthash.e5xlRdRg.dpuf