

The Case for Dependent Allowances in Washington: \$98 Million in Federal Funds Available to Help Jobless Workers Support Their Families

by Maurice Emsellem, Katherine Gallagher Robbins, Jasmine Tucker, Julie Vogtman

Washington's unemployment rate now stands at 9.2 percent, twice as high as the rate when the recession began in December 2007.¹ Unemployment insurance (UI) has been a lifeline for many Washingtonian families during this difficult time; over 200,000 jobless workers are collecting state and federal UI benefits today.²

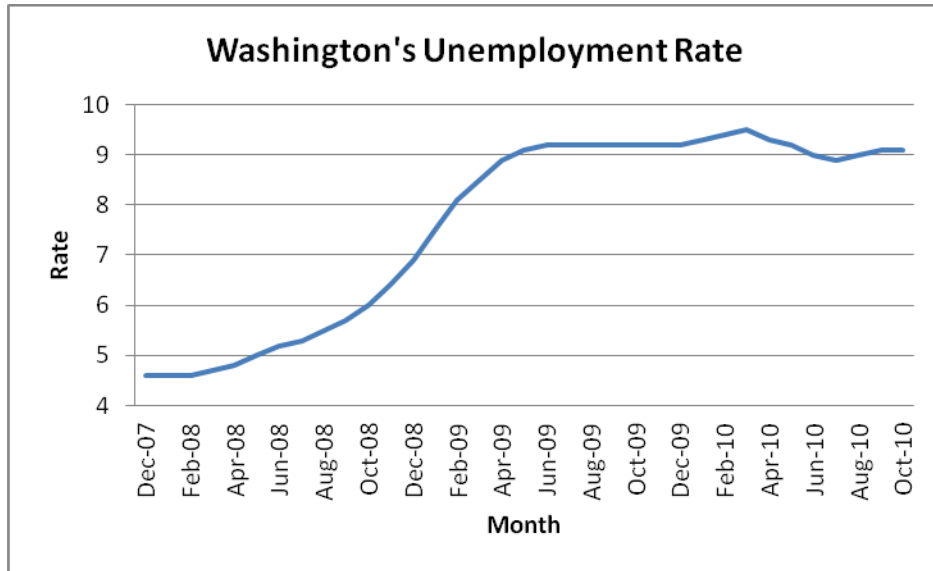
UI benefits help families make ends meet, reducing economic insecurity and the negative consequences associated with unemployment. Because recipients tend to spend benefits quickly to meet basic needs, UI also stimulates local economies and helps create jobs. For both the state and its residents, the Washington unemployment insurance system is an essential tool to promote economic stability and recovery.

But unemployment insurance can do far more to help families and Washington's bottom line. If the state acts before August 2011 to expand its program by providing additional benefits for jobless workers supporting dependent family members, the state will qualify for federal funds made available by the American Recovery and Reinvestment Act (the Recovery Act).³ Implementing a "dependent allowance" would boost state UI benefits for jobless workers struggling to cover the costs of supporting families while making Washington eligible for nearly \$98 million in federal funding to finance this important reform.

Washington Families Have Been Hit Hard by the Recession.

Since April 2009, Washington's unemployment rate has hovered at or around 9.0 percent (Figure 1).⁴ Prior to 2009, the state's unemployment rate had not breached 9.0 percent in more than 25 years.⁵ Since the beginning of the recession, Washington has lost 177,800 non-farm jobs across a number of sectors, including government, construction, and financial activities.⁶

Figure 1: Unemployment in Washington During the Great Recession



As unemployment remains high across the state, many Washington families are feeling the effects. 9.2 percent of Washington families with children under 18 – more than 65,500 families – had at least one parent who was unemployed at some point in 2009.⁷ Single parent households, the majority of which are headed by single mothers, were even worse off – 9.8 percent had an unemployed parent at some point during 2009.⁸

Unemployment Insurance Can Reduce the Damage Caused by Joblessness – But Washington Families Need More Help.

Unemployment can lead to poverty and economic instability, both of which have scarring effects on families, especially children. In 2009, more than 133,000 (8.1 percent) Washington families were poor,⁹ and poverty rates were substantially higher than in 2008 for many vulnerable groups. Among Washington families with children under 18, the poverty rate increased from 12.3 percent in 2008 to 13.0 percent in 2009,¹⁰ while the poverty rate for families headed by single mothers rose to 34.1 percent (up from 25.5 percent in 2008).¹¹

The continued economic crisis means these rates likely will be even higher in 2010.¹² However, the increase in poverty in Washington undoubtedly would have been worse without the stabilizing effect of UI benefits. Nationwide, UI kept 3.3 million people out of poverty in 2009, including nearly one million children.¹³

Given that the typical unemployed person has limited liquid net savings (less than \$250 prior to job loss),¹⁴ it is not surprising that many jobless workers and their families would become poor without the income provided by UI – and would experience the detrimental effects of poverty that can

reverberate for generations. Children living in poverty are 1.3 times as likely as non-poor children to experience learning disabilities and developmental delays.¹⁵ Children who enter poverty during a recession are less likely to complete high school or college, and more likely to live in or near poverty as adults, than their more affluent peers.¹⁶

Though having a parent laid off may not reduce family income below the official – and very low – poverty line (\$21,756 for a family of four in 2009),¹⁷ the tremendous drop in earnings that results can make it difficult to cover the regular costs of housing, utilities, transportation and health care, much less any unexpected expenses. Job loss can lead to loss of health insurance coverage¹⁸ and greater risk of mortgage default;¹⁹ not surprisingly, unemployed workers report increased stress levels and strained family relationships.²⁰

Workers who are laid off tend to experience a decline in earnings even after finding new employment,²¹ and in the long term, their children may have lower annual earnings than those whose parents remained employed.²² Moreover, research suggests that not only the amount of household income, but also its stability, matters for children. A recent national study found that children in deteriorating or fluctuating economic circumstances were more likely to experience more negative academic and behavioral outcomes than children in stable economic situations.²³

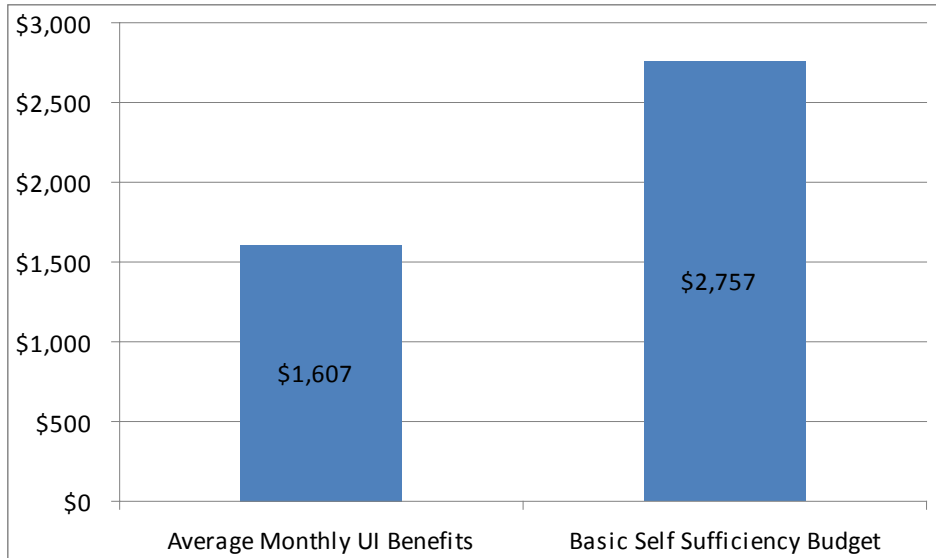
The income replacement function of unemployment insurance is thus vital not only for parents struggling to find work, but also for the current and future well-being of children dependent upon their parents' income. For more than 70 percent of the Washington households who received state UI benefits in 2009, the benefits constituted all or most of their household income.²⁴ More than half of all benefits paid to Washington's jobless workers are spent on two basic necessities – housing (43.8 percent) and food (14.0 percent)²⁵; because this money goes directly back into local economies, it also has a substantial stimulative effect, helping to create thousands of jobs and prevent further unemployment.²⁶

However, the level of benefits provided in Washington is insufficient to keep pace with the financial demands of jobless families in today's economy. As of the end of October, state UI benefits averaged just \$371 a week (or \$1,607 a month).²⁷ In 2009, state UI benefits replaced less than half (44.9 percent) of the average wage of Washington workers.²⁸ Moreover, core living expenses are typically much higher for unemployed workers with children than for those who do not have families to support,²⁹ and households with children are less prepared to face economic instability than other kinds of households.³⁰

Washington's benefits fall short of the income needed for families to pay for even the basic necessities. For example, according to the "self sufficiency standard" for King County calculated by researchers at the University of Washington, the monthly average of \$1,607 in unemployment benefits covers less than 60 percent (58.3 percent) of the cost of the basics – food, housing, health

care, transportation and miscellaneous essentials such as clothing (\$2,757) – for a family of two adults and two children (Figure 2).³¹

Figure 2: Washington Unemployment Benefits Fall Short of Living Expenses for a Family of Two Adults and Two Children in King County³²



Dependent Allowances Paid for by the Recovery Act Can Fill the Gap in Washington’s Benefits.

Fortunately, with over \$97.7 million in federal incentive funding available through August 2011, Washington is in a position to help more jobless families meet their basic needs by providing additional unemployment benefits for families with dependents.

These supplemental benefits, called “dependent allowances,” have existed since the early days of the unemployment insurance program. As of 2010, 14 states and the District of Columbia had adopted dependent allowances for jobless workers who are supporting families (Table 1) – including six of the 15 states in the country with the highest populations (Washington ranks 13th), making the benefits available to large numbers of jobless workers.³³ Tennessee and the District of Columbia are the latest jurisdictions to have implemented dependent benefits in response to the generous incentive funding provided by the Recovery Act.

As detailed in Table 1, the state dependent allowance policies vary in their scope, with some providing more generous benefits and others offering more generous coverage. Typically, states provide between \$10 and \$25 a week in additional benefits per dependent, up to a maximum that generally ranges from \$50 to \$75. Several states supplement the benefits of jobless workers who support not just their minor children, but also their parents, siblings and other dependent family

members. In today's economy, with record numbers of people living in multigenerational households – many likely driven by unemployment³⁴ – these additional options take on special significance.

Dependent benefits can help families with jobless workers tremendously. For example, in a family with two children collecting \$300 a week in benefits, a dependent allowance of \$50 per week represents a 16.0 percent increase in the family's total benefits – more than \$200 a month that goes a long way to help pay for groceries and other necessary household expenses.

Enacting a new dependent allowance will qualify Washington for the remaining \$97.7 million in federal incentive funding under the Recovery Act as long as the provision meets certain requirements that are consistent with the level and scope of benefits provided by the typical state. Specifically, the state dependent benefit must provide at least \$15 a week per dependent; the benefits may be capped, but not at less than \$50 a week or 50 percent of the recipient's weekly unemployment benefits, whichever is lower.³⁵ Aside from these required benefit levels, Washington has discretion to define the scope of coverage and may limit dependent allowances to jobless workers supporting a minor child of a designated age or extend the coverage to other dependents, including older children, parents, spouses or other family members.

* * *

Washington has a unique opportunity to aid some of its most vulnerable residents while addressing a fundamental limitation of the state's unemployment insurance program with the help of significant funding provided by the Recovery Act. But Washington cannot delay – the state must pass legislation by August 2011 to take advantage of the nearly \$98 million in incentive funding. Taking decisive action now will improve not only the state's budget and economy, but also the lives of thousands of its families hardest hit by the economic downturn.

Table 1: Comparison of State Dependent Allowance Provisions (December 2010)

<i>Dependent Allowance States</i>	<i>State Provisions Qualifying for Federal Recovery Act Funds</i>	<i>Amount Per Dependent/State Cap on Benefits</i>	<i>Minors Covered</i>	<i>Covers Additional Dependents</i>
Alaska	Yes	\$24/\$72	Yes	No
Connecticut	Yes	\$15/\$75	Yes (or up to 21 if child is a full-time student)	Yes (older child unable to work/spouse)
District of Columbia	Yes	\$15/\$50	Yes (under 16)	Yes (older child unable to work, spouse, parent, brother or sister)
Illinois	Yes	\$26-\$147/\$147	Yes	Yes (older child unable to work, spouse)
Iowa	No	\$2-\$14/\$85	Yes	Yes (older child unable to work, spouse, parent brother or sister)
Maine	No	\$10/\$178	Yes	Yes (older child unable to work, spouse)
Maryland	No	\$8/maximum state UI benefit	Yes (under 16)	Yes (older child unable to work)
Massachusetts	Yes	\$25/\$314	Yes (or up to 24 if child is a full-time student)	Yes (older child unable to work)
Michigan	No	\$6/maximum state UI benefit	Yes	Yes (older child unable to work, spouse, parent, brother or sister)
New Jersey	No	7 percent of weekly benefits for first dependent, 4 percent for next two/maximum state UI benefit	Yes (under 19 or up to 22 if child is a full-time student)	Yes (older child unable to work, spouse)
New Mexico	Yes	\$25/\$100	Yes	No
Ohio	No	\$1-\$133/\$133	Yes	Yes (older child unable to work, spouse)
Pennsylvania	No	\$5/\$8	No	Yes (older child unable to work, spouse)
Rhode Island	Yes	\$10 or 5 percent of weekly benefits/\$136	Yes	Yes (older child unable to work)
Tennessee	Yes	\$15/\$50	Yes	No

Source: U.S. Department of Labor, 2010 Comparison of State Laws, Tables 3-9, 3-10.

Endnotes

-
- ¹ Washington State Employment Situation Report for November *available at* http://www.workforceexplorer.com/admin/uploadedPublications/10871_ESR_Dec_14_10.pdf and NWLC calculations from the U.S. Dep't of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics database, *available at* <http://data.bls.gov/cgi-bin/surveymost?la> (last visited Dec. 10, 2010).
- ² Approximately 90,000 Washingtonians are receiving state unemployment benefits. U.S. Dep't of Labor, Employment & Training Admin., Unemployment Insurance Weekly Claims Data, *available at* <http://www.ows.doleta.gov/unemploy/wkclaims/report.asp> (last visited Dec. 14, 2010). As of October 23, 2010, more than 115,000 people in Washington were receiving federal benefits. U.S. Dep't of Labor, Employment & Training Admin. (unpublished data on file with author).
- ³ By implementing an alternative base period that allows workers to count their most recent earnings in applying for UI, Washington has already earned approximately \$48.9 million in federal incentive funds. Nat'l Employment Law Project, The Unemployment Insurance Modernization Act: Filling the Gaps in the Unemployment Safety Net While Stimulating the Economy, Table 2 (Jan. 2009), *available at* http://nelp.3cdn.net/c763952a5b73e8852c_3iim6sj65.pdf.
- ⁴ U.S. Dep't of Labor, Bureau of Labor Statistics, "Regional and State Employment and Unemployment: October 2010," Table 3 (Nov. 23, 2010), *available at* <http://www.bls.gov/news.release/laus.t03.htm> and NWLC calculations from the U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics database, *available at* <http://data.bls.gov/cgi-bin/surveymost?la> (last visited Dec. 10, 2010).
- ⁵ NWLC calculations from the U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics database, *available at* <http://data.bls.gov/cgi-bin/surveymost?la> (last visited Dec. 10, 2010).
- ⁶ NWLC calculations from Washington State Employment Situation Reports for December 2007 and November 2010 *available at* <http://www.workforceexplorer.com/article.asp?ARTICLEID=10581>.
- ⁷ NWLC calculations from U.S. Census Bureau, 2009 American Community Survey, Table B23007: Presence of Own Children Under 18 Years By Family Type By Employment Status, *available at* http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ds_name=ACS_2009_1YR_G00_&ts (last visited Nov. 19, 2010).
- ⁸ NWLC calculations from U.S. Census Bureau, 2009 American Community Survey, Table B23007: Presence of Own Children Under 18 Years By Family Type By Employment Status, *available at* http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ds_name=ACS_2009_1YR_G00_&ts (last visited Nov. 19, 2010).
- ⁹ NWLC calculations from U.S. Census Bureau, 2009 American Community Survey, Table C17010: Poverty Status in the Past 12 Months of Families by Family Type by Presence of Related Children Under 18 Years, *available at* http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ds_name=ACS_2009_1YR_G00_&ts (last visited Dec. 8, 2010).
- ¹⁰ NWLC calculations from U.S. Census Bureau, 2008 and 2009 American Community Surveys, Table C17010: Poverty Status in the Past 12 Months of Families by Family Type by Presence of Related Children Under 18 Years, *available at* http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ds_name=ACS_2009_1YR_G00_&ts (last visited Dec. 8, 2010).
- ¹¹ NWLC calculations from U.S. Census Bureau, 2008 and 2009 American Community Surveys, Table C17010: Poverty Status in the Past 12 Months of Families by Family Type by Presence of Related Children Under 18 Years, *available at* http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ds_name=ACS_2009_1YR_G00_&ts (last visited Dec. 8, 2010).
- ¹² Emily Monea & Isabel Sawhill, Brookings Institution, An Update to "Simulating the Effect of the 'Great Recession' on Poverty" (Sept. 2010), *available at* http://www.brookings.edu/~media/Files/rc/papers/2010/0916_poverty_monea_sawhill/0916_poverty_monea_sawhill.pdf.
- ¹³ Nat'l Employment Law Project, 3.3 Million People Kept Out of Poverty with Unemployment Benefits in 2009 (Sept. 2010), *available at* http://nelp.3cdn.net/0e404890d4fcffaec3_ycm6bnaye.pdf.
- ¹⁴ Raj Chetty, Harvard Univ., Should Unemployment Benefits Be Extended? An Economic Framework and Empirical Evidence (May 2010), *available at* http://epi.3cdn.net/d5a99f04921083739f_t7m6bxpa7.pdf.

-
- ¹⁵ Jeanne Brooks-Gunn & Greg J. Duncan, The Effects of Poverty on Children, 7 *Future of Children* 55, 61 (Summer/Fall 1997), available at http://www.princeton.edu/futureofchildren/publications/docs/07_02_03.pdf.
- ¹⁶ First Focus, Turning Point: The Long Term Effects of Recession Induced Poverty, at 7-10 (May 2009), available at http://www.firstfocus.net/sites/default/files/r.2009-5.12.ff_.pdf.
- ¹⁷ U.S. Census Bureau, Poverty Thresholds for 2009 by Size of Family and Number of Related Children Under 18 Years, available at <http://www.census.gov/hhes/www/poverty/data/threshld/thresh09.html>.
- ¹⁸ Cong. Budget Office, Economic & Budget Issue Brief: Losing a Job During a Recession, at 4-5 (April 2010), available at http://www.cbo.gov/ftpdocs/114xx/doc11429/JobLoss_Brief.pdf.
- ¹⁹ Executive Office of the President, Council of Economic Advisors, The Economic Impact of Recent Temporary Unemployment Insurance Extensions, at 5 (Dec. 2010), available at <http://www.whitehouse.gov/sites/default/files/microsites/20101202-cea-economic-impact-temp-ui-extensions.pdf>.
- ²⁰ Hart Research Associates, Unemployed in America: The Job Market, the Realities of Unemployment, and the Impact of Unemployment Benefits (April 2003) (survey commissioned by Nat'l Employment Law Project). See also Jessica Godofsky et al., Rutgers Univ., American Workers Assess an Economic Disaster, *Work Trends*, at 7 (Sept. 2010), available at http://www.heldrich.rutgers.edu/sites/default/files/content/Work_Trends_September_2010.pdf; Michael Luo, Job Woes Exacting a Toll on Family Life, *N.Y. Times* (Nov. 11, 2009), available at http://www.nytimes.com/2009/11/12/us/12families.html?_r=1.
- ²¹ Cong. Budget Office, *supra* note 18, at 4.
- ²² Marianne Page et al., Univ. Cal. Davis, Working Paper #05-21: The Intergenerational Effects of Worker Displacement (Aug. 2005), available at http://www.econ.ucdavis.edu/working_papers/05-21.pdf.
- ²³ Kristen A. Moore et al., Poverty and Welfare Patterns: Implications for Children, 31 *J. Soc. Policy* 207, 221 (April 2002).
- ²⁴ Wash. State Employment Security Dep't, 2009 Claimant Expenditure Survey (forthcoming).
- ²⁵ Memo from Tammy Fellin, Director of Office of Research and Policy, Wash. State Employment Security Dep't, to Maurice Emsellem, Policy Co-Director, Nat'l Employment Law Project (Nov. 23, 2010) (on file with NELP).
- ²⁶ See, e.g., Impact International, The Role of Unemployment Insurance As an Automatic Stabilizer During a Recession (July 2010) (finding that every dollar spent on unemployment benefits generates two dollars in economic activity); Executive Office of the President, *supra* note 19, at 15 (finding that over 260,000 Washington workers have collected federal jobless benefits since the program was created in July 2008, with over 21,000 jobs generated from the infusion of money into the state's economy).
- ²⁷ U.S. Dep't of Labor, Employment & Training Admin., Monthly Program and Financial Data, available at <http://workforcesecurity.doleta.gov/unemploy/claimssum.asp> (last visited Dec. 13, 2010).
- ²⁸ Refers to average weekly wages of Washington workers covered by UI. U.S. Dep't of Labor, Employment & Training Admin., Unemployment Insurance Data Summary, 4th Quarter 2009, available at http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum10/DataSum_2010_2.pdf (last visited Dec. 14, 2010).
- ²⁹ For example, in King County, housing for one adult at a "self sufficiency" level costs \$796 a month, compared to \$958 for two adults and two young children. Food for one adult comes to \$277, compared to \$860 a month for two adults and two minor children. Diane Pearce, Ctr. for Women's Welfare, Univ. of Wash. School of Social Work, The Self Sufficiency Standard for Washington State 2009, at Table 1 (June 2009), available at <http://selfsufficiencystandard.org/docs/Washington2009.pdf>.
- ³⁰ Jacob S. Hacker, Philipp Rehm and Mark Schlesinger, Rockefeller Found., Standing on Shaky Ground: Americans' Experiences with Economic Insecurity (Dec. 2010), available at http://www.economicsecurityindex.org/upload/media/ESI%20report%20final_12%2013.pdf.
- ³¹ Pearce, *supra* note 29.
- ³² The "basic self sufficiency budget" refers to the cost of food, housing, health care, transportation and miscellaneous expenses for a family with two adults and two young children. See *ibid*.
- ³³ These states include Illinois, Pennsylvania, Ohio, Michigan, New Jersey and Massachusetts.
- ³⁴ Pew Research Ctr., The Return of the Multi-Generational Family Household (March 2008), available at <http://pewsocialtrends.org/2010/03/18/the-return-of-the-multi-generational-family-household/>.
- ³⁵ American Recovery and Reinvestment Act of 2009 § 2003, 42 U.S.C.A. 1103(f)(3)(D) (2010).