

Barriers keep vulnerable workers from accessing unemployment insurance

April 26 2010

(PhysOrg.com) -- A new University of Michigan study suggests that provisions in a federal economic stimulus plan falls short of fully bringing vulnerable unemployed workers into the unemployment insurance program.

As the country endures the highest unemployment rates in decades, the recent [economic stimulus](#) (American Recovery and Reinvestment Act) made \$7 billion available to be split among state unemployment insurance programs if they adopt certain measures to increase eligibility.

H. Luke Shaefer, assistant professor at the U-M School of Social Work, said these measures, among other things, would allow workers to include recent earnings in their eligibility calculations, expand eligibility to those who quit for "compelling family reasons" such as [domestic violence](#), and enhance eligibility of part-time workers.

These provisions, however, do not go far enough in helping all workers gain access to the program, Shaefer says.

Shaefer used longitudinal data from the 2001 panel of the Survey of Income and Program Participation to compare eligibility and participation rates in unemployment insurance among vulnerable workers with those of more advantaged workers. He focused on low-wage workers and part-time workers who were primary wage earners—a particularly disadvantaged group.

Shaefer found that a large majority of vulnerable workers already met earnings requirements, a main component targeted by the economic stimulus reforms. About four out of five vulnerable unemployed workers met their state's earnings requirements, but only 17 percent of them received benefits.

Another barrier involved low rates of nonmonetary eligibility related to the reason for job loss, according to Shaefer. This is at least in part driven by the clustering of vulnerable workers in industries like retail, where firms tend to avoid layoffs by reducing worker hours and cutting labor costs in other ways, he says. In most cases, a worker must have been laid off to be eligible for unemployment insurance.

One of the study's key findings was that differences in eligibility do not fully explain the disparity between vulnerable and advantaged workers. Even among the lowest-wage workers whom Shaefer estimates are eligible, only 50 percent reported receiving benefits. The same was true of 77 percent of high-wage workers.

"If the federal government and states want to bring vulnerable workers into the system, they may need to explore ways to notify workers of their possible eligibility and will need to think creatively about covering workers clustered in industries that avoid layoffs by cutting workers' hours," Shaefer said. "The provisions in the ARRA are a step in the right direction. However, more is needed to truly cover vulnerable workers."

The findings appear in the current issue of *Journal of Social Policy*.

Provided by University of Michigan

Citation: Barriers keep vulnerable workers from accessing unemployment insurance (2010, April 26) retrieved 2 May 2024 from <https://phys.org/news/2010-04-barriers-vulnerable-workers->

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