

The Great Recession, Unemployment Insurance and Poverty

Dr. Wayne Vroman
The Urban Institute

wvroman@urban.org

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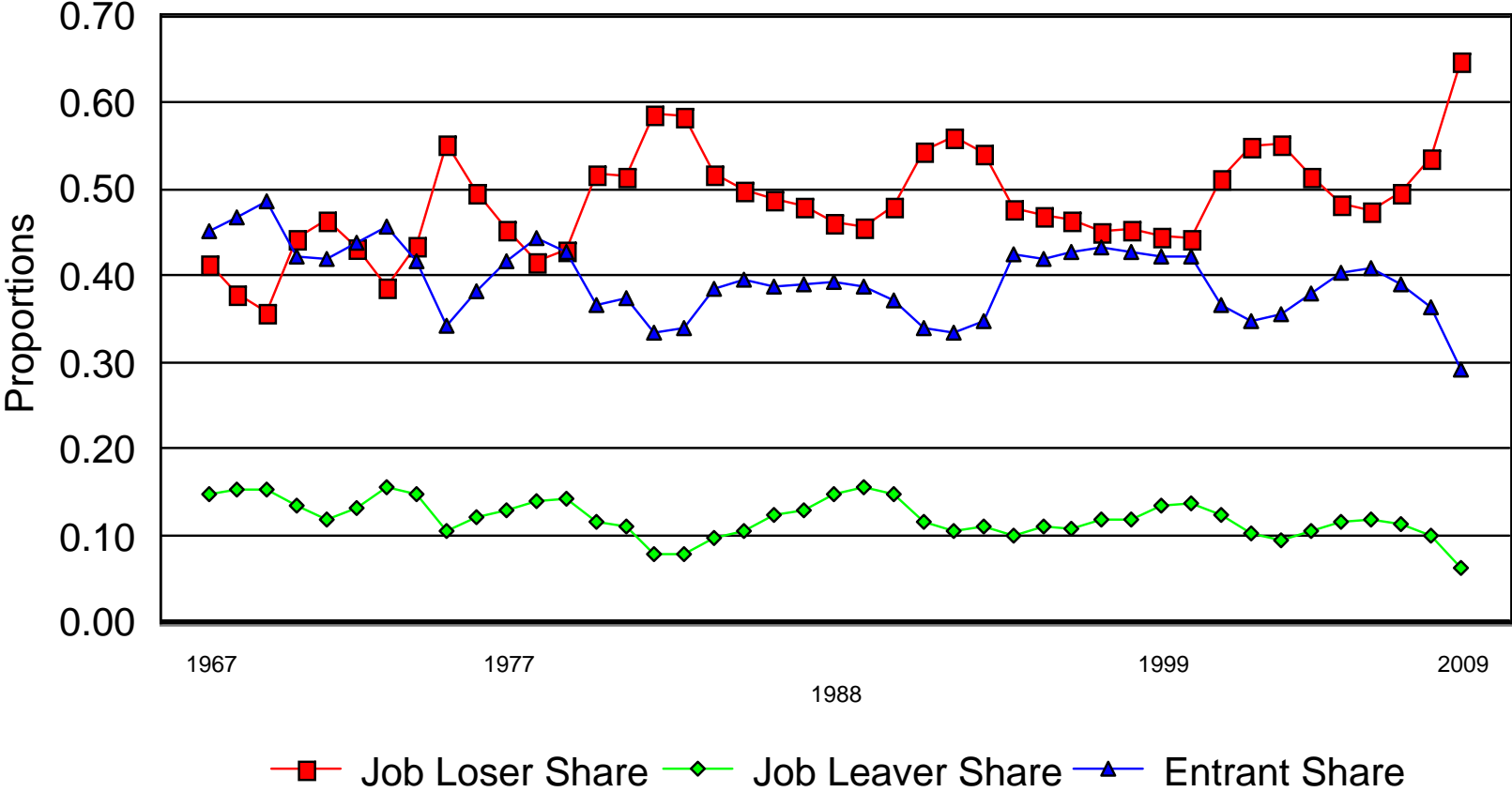
Outline

1. The Labor Market in 2009
2. UI in the Current Recession
3. Unemployment, UI and Poverty

U.S. Labor Market - 1946-2009

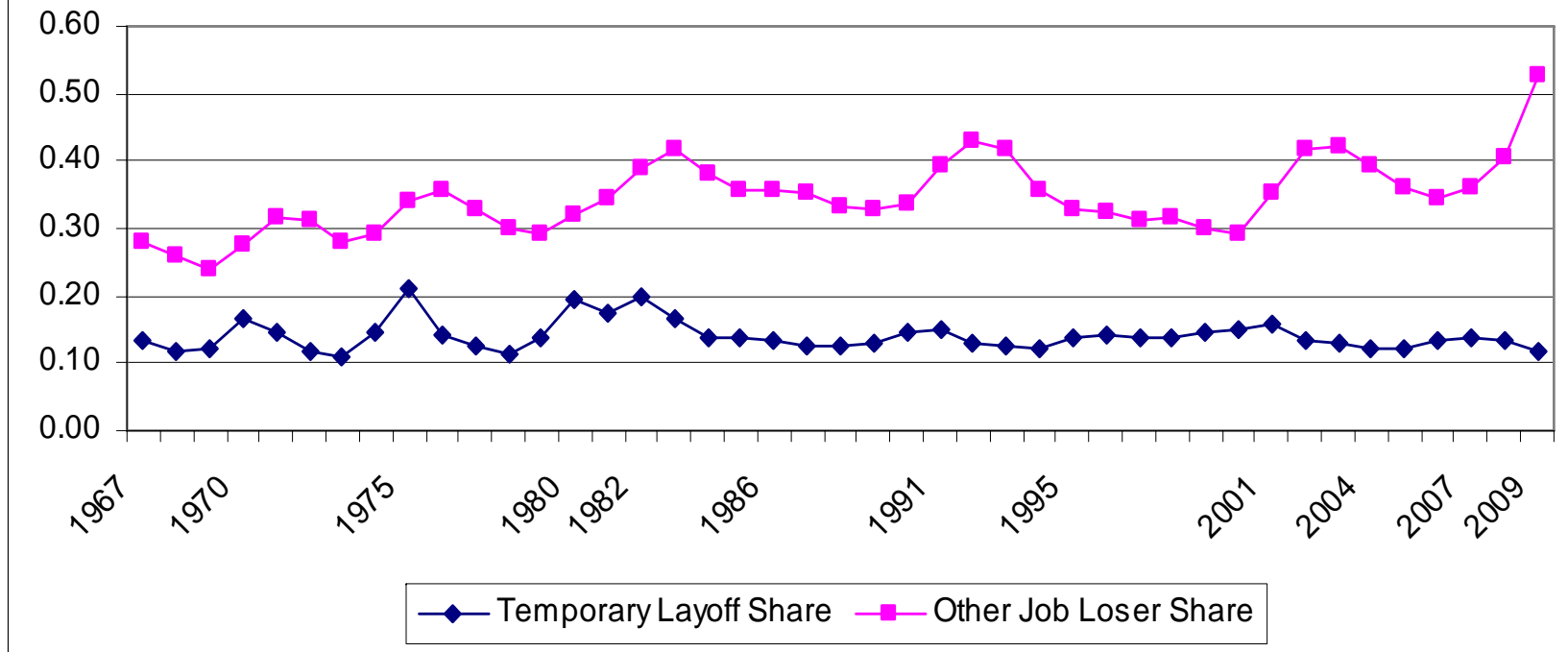
	2009	Highest Ever	Second Highest	Second Highest
Male U Rate	10.4	10.4	9.9	1982-83
Female U Rate	8.1	9.4	9.2	1982-83
U 27+ Share	0.315	0.315	0.239	1983
Mean U Dur.	24.3	24.3	20.0	1983
Median U Dur.	15.8	15.8	10.1	1983
Job Loser Share of U	0.645	0.645	0.587	1982 ₃

Chart 1. Shares of Unemployment by Reason



Source: BLS

Chart 2. Temporary Layoffs and Other Job Losers:
Shares of Unemployment, 1967 to 2009



Source: BLS data

Unemployment Insurance 2008-2010

- Unusual amount of federal legislation
- Extended Unemployment Compensation (EUC)
 - Established in June 2008
 - Four extensions of EUC
 - At present new claims accepted through Feb. 26, 2010
 - Further extensions of EUC possible in 2010

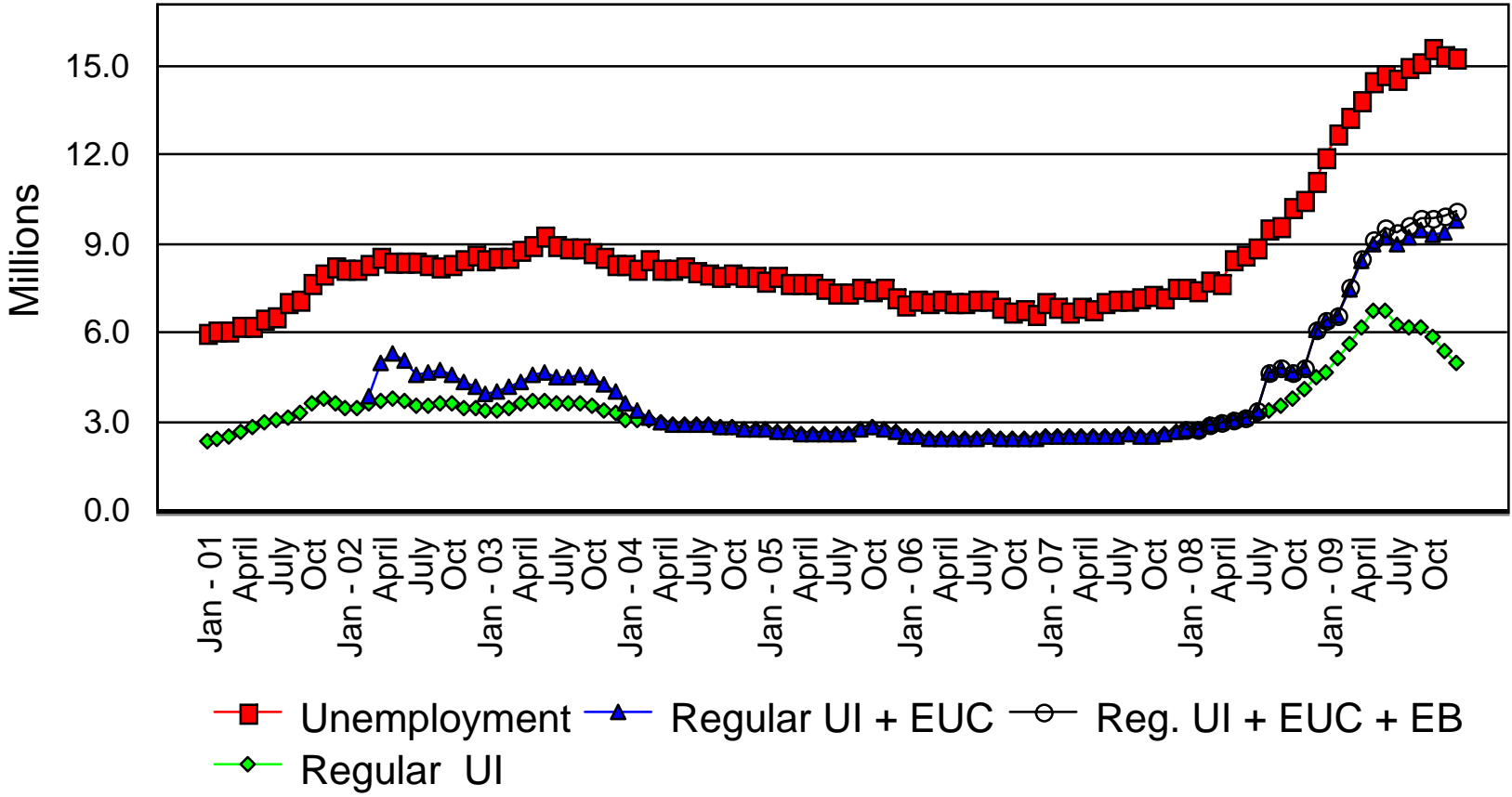
ARRA of February 2009 – UI Benefit Provisions

- Extended EUC to December 2009
- Federal Additional Compensation (FAC) - \$25 per week for all UI claimants
- Extended Benefits (EB) – temporary triggers allowed that increase access to EB
- “UI Modernization” - \$7.0 billion set aside for states to improve access to benefits
- 31 states have received modernization monies
- UI benefits up to \$2,400 are tax-free under ARRA

ARRA - Other UI Provisions

- Reduced cost of health insurance for UI claimants
- Interest-free borrowing by state UI programs with debts during 2009 and 2010
- Added \$500 million for UI administration
- Added monies for services to UI claimants
- Other workforce provisions

Chart 3. Unemployment and UI Claimants, 2001-2009



Data from BLS and OWS of U.S.
Department of Labor

State UI Benefits, 2007-2009

	Regular UI	EB	EUC	Total
2007	32.0	0.0		32.0
2008	42.6	0.0	7.8	50.5
2009	78.4	7.1	42.4	127.9

Source: OWS. Benefits in \$billions.
2009 estimated by author

Analysis of Poverty - 1

- Data: March 2009 Annual Demographic File of the Current Population Survey
- Income for calendar year 2008 (2009 data not available until September 2010)
- Income: pre-tax, post transfer income
- 117.2 million families with head 16 or older
- Analysis by age (16-24, 25+) and gender of head
- 20.1 million families with unemployment
- Duration – weeks of longest spell within the family

Analysis of Poverty - 2

- 20.1 million families with unemployment
- \$37.6 billion of UI reported for all families, 0.73 of 2008 program total
- \$28.8 billion of UI reported in families with unemployment
- UI benefits - 2.2 percent of total family income
- \$107.1 billion of other transfers to these families
 - OASDI - \$40.7 billion
 - Pensions - \$26.3 billion
 - Food Stamps - \$7.8 billion
 - Social Assistance - \$1.8 billion
- Analysis of family poverty rates

Table 2. Counts of Families

	1-13 Weeks	14-26 Weeks	27-39 Weeks	40-52 Weeks	Total
Families with Unemp.	9.5	5.6	2.7	2.4	20.1
Families with UI Benefits	1.8	2.0	0.9	0.7	5.5
Share with UI Benefits	0.194	0.354	0.351	0.307	0.273

Source: March 2009 CPS. in millions

Table 3. Poverty Rates: Proportions of Families with Unemployment

	1-13 Weeks	14-26 Weeks	27-39 Weeks	40-52 Weeks	Total
All Income Sources	0.116	0.154	0.189	0.261	0.153
Income Less UI Benefits	0.119	0.169	0.213	0.297	0.166
Income Less All Transfers	0.173	0.222	0.304	0.413	0.232

Source: March 2009 CPS.

Table 4. Poverty Rates: Proportions of Families with Unemployment and with UI Benefits

	1-13 Weeks	14-26 Weeks	27-39 Weeks	40-52 Weeks	Total
All Income Sources	0.062	0.064	0.104	0.151	0.082
Income Less UI Benefits	0.082	0.107	0.171	0.268	0.131
Income Less All Transfers	0.126	0.152	0.258	0.394	0.193

Summary

- Uniquely high permanent job separations initiated by employers in 2009
- Federal UI legislation unusually active in 2008-2010
- CPS income data studied here refer to 2008
- UI has largest poverty reducing effects in families with long duration unemployment
- Other transfers very important in poverty reductions in families with unemployment