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# **Unemployment Insurance and Low-Educated Single Working Mothers Before and After Welfare Reform**

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## **INTRODUCTION**

During the 1990s, low-educated single mothers left cash welfare and increased their labor force participation at unprecedented rates (Blank 2006). A number of factors contributed to these dramatic changes: the 1996 welfare reform, the expansion of the Earned Income Tax Credit (EITC), and the economic expansion of the late 1990s (Ellwood 2000; Meyer and Rosenbaum 2001). An important question is the extent to which increased work effort by low-educated single mothers who experience job loss has translated into increased access to unemployment insurance (UI).

Spurred by recent research conducted at the Upjohn Institute that focuses on UI receipt among former TANF recipients (O’Leary and Kline 2008), the current study addresses three questions about the UI utilization of low-educated single mothers:

1) Has the large growth in labor force participation among adult single mothers since the early 1990s been accompanied by a growth in UI participation by this population when they experience a spell of unemployment?

2) Has eligibility for UI changed over time for this group, and are nonmonetary or monetary eligibility requirements now more important?

3) Has the relative importance of three major income support programs—UI, the Food Stamp Program, and cash welfare—changed for single mothers who enter a spell of unemployment?

### **Background**

Eligibility for benefits depends on two factors: monetary and nonmonetary eligibility.

In order to be *monetarily eligible*, an individual typically must have a minimum level of earnings from a qualified employer over four out of five recent quarters. The minimum earnings threshold varies by state but is generally in the range of \$1,000 to \$3,000. Some states also impose a high quarter requirement, which is a separate minimum earnings amount in one of the quarters. Some recent studies find that TANF leavers and other groups of low-wage workers already have high rates of monetary eligibility (O’Leary and Kline 2008; Shaefer 2010). High levels of monetary eligibility among vulnerable populations suggest that this is not the primary factor driving low levels of UI participation.

*Nonmonetary eligibility* has to do with an individual’s reason for job loss, and whether or not the would-be recipient is looking for work. Though some states now allow workers who voluntarily quit for good cause (such as to care for a sick family member, loss of child care, or to escape domestic violence) to maintain eligibility, most states only provide unemployment benefits to those who have experienced involuntary job loss. A number of existing studies suggest that nonmonetary requirements may be the more important barrier to UI eligibility facing vulnerable workers (Holzer 2000; O’Leary and Kline 2008; Rangarajan et al. 2002). Indeed, it appears that low-wage workers are disproportionately employed in industries that tend to avoid formal layoffs (GAO 2000; Lambert 2008).

A final factor affecting access to UI is benefits take-up. Wandner and Stettner (2000) report that more than half of the unemployed do not file for UI, and that the most common reason cited is “perceived ineligibility.” Furthermore, low-wage unemployed workers who are eligible for UI may be less likely to take up UI benefits as compared to more advantaged eligible unemployed workers (Shaefer 2010).

## CURRENT STUDY

To address the question of how the public program participation of recently unemployed low-educated single mothers has changed over time, we compare them to similarly educated single childless women. We use data from the Survey of Income and Program Participation (SIPP), a nationally representative, longitudinal data set collected by the U.S. Census Bureau that, among other things, asks questions about labor market participation and public benefit receipt. We focus on a subset of working-age<sup>1</sup> single women who have, at most, a high school degree. Among such women, we look specifically at those who have entered a spell of unemployment.<sup>2</sup> Our study period is 1990 to 2005, with the early years, 1990 to 1994, defined as *prereform*, and the later years, 2001 to 2005, defined as *postreform*. Both the pre- and postreform periods included mild recessions, while the in-between period saw a major economic boom. The middle period was also when most states implemented welfare reform.

We focus on relative outcomes between single mothers and single childless women because these two subpopulations likely experience similar labor market dynamics. In this way we hope to control for external factors leading to changes in program eligibility and participation, and thus feel more confident that any observed outcomes are due to policy reforms.

For the purpose of this study, a woman is considered to have participated in UI if she reported receiving cash benefits from her state's program during the first three months following a job separation. To estimate monetary eligibility for the program, each worker's wages in a simulated base period were compared to her state's minimum earning requirements. To estimate nonmonetary eligibility, a woman is considered to have met these requirements if her

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<sup>1</sup> We define working age as 22–55.

<sup>2</sup> Entering a spell of unemployment is defined as having been employed and having worked the previous month, and not working but seeking work in the current month, based on a woman's self-report.

unemployment spell began because she experienced an involuntary job loss. Women who reported being fired or voluntarily quitting were considered ineligible. When we compare the importance of UI participation to that of participation in other income support programs, we rely on women's self-reported receipt of either cash welfare or food stamps during the same period.

## **FINDINGS**

As we would expect, between the pre- and postreform periods, the proportion of single mothers who work rose considerably. During the same period, the proportion of single childless women employed actually fell somewhat. We estimate that, as a result, the employment rate for single mothers increased by 18 percentage points relative to that of the comparison group. But did this dramatic increase in work effort among low-educated single mothers translate into improved access to UI benefits during times of unemployment? To our knowledge, ours is the first study to look across an extended period, on a national level, at changes in UI eligibility and benefit receipt among women likely to have been affected by welfare reform.

### **UI Benefits: Eligibility and Receipt**

Looking first at nonmonetary UI eligibility, we see in Table 1 that for both groups of women, rates of nonmonetary eligibility are rather low. Roughly 40 percent of low-educated single mothers experiencing a spell of unemployment were nonmonetarily eligible for UI during both the pre- and postreform periods. The rate of nonmonetary eligibility among similar childless women actually fell—from about 46 percent to 36 percent across the two periods. This led to an 8-percentage-point relative improvement in the nonmonetary eligibility of single mothers as compared to single childless women.

As Table 1 shows, the low-educated single women in our study are more likely to meet monetary UI requirements than nonmonetary requirements. In both the prereform and postreform periods, childless women were more likely than single mothers to be monetarily eligible for UI, but the gap declined over time. During the prereform period, 71.5 percent of single mothers and 84 percent of single childless women were monetarily eligible for UI upon entering a spell of unemployment. During the postreform period, the figures are 77 percent and 83 percent, respectively. Thus, the relative rate of monetary eligibility for single mothers compared to single childless women increased by 7 percentage points.

Interestingly—and perhaps surprisingly since the eligibility rates of single mothers improved relative to those of single childless women—when we look at rates of UI benefit receipt, we find that single mothers did not improve their probability of accessing UI benefits, relative to single childless women, between the pre- and postreform periods. It is hard to know exactly why this is the case. The most commonly cited reason for failing to file for unemployment benefits is presumed ineligibility (Vroman 2009; Wandner and Stettner 2000). Also, low-wage workers who meet eligibility criteria may be less likely to take advantage of unemployment benefits than eligible higher-paid workers because they are more likely to presume they are ineligible (Shaefer 2010).

In an effort to ascertain whether the above findings were not explained by unobserved differences or changes in the makeup of the two groups of women (for instance, varying educational levels or ethnic backgrounds), we also conducted multivariate analyses that allowed us to control for a number of factors, including age, race, education, state, and the unemployment

rate. We find that the results hold, with the relative differences in UI receipt between the two groups of women pre- and postreform nearly identical in magnitude.<sup>3</sup>

### **Relative Importance of Unemployment Insurance, Cash Welfare, and the Food Stamp Program / Supplemental Nutrition Assistance Program**

As seen in Figure 1, during the postreform years, a greater proportion of low-educated single mothers entering a spell of unemployment received UI benefits than received cash welfare.<sup>4</sup> This is the first time in our study period that this proved true for an extended period of time. In 2002, for example, we estimate that 16 percent of single mothers entering a spell of unemployment participated in cash welfare, whereas a bit more than 20 percent received unemployment benefits. Since 2002, the proportion accessing TANF has shrunk even further.

Far more common than either of these programs was receipt of food stamp benefits. Participation in the Food Stamp Program grew in the early 1990s but declined significantly during the welfare reform years. The participation rates of recently unemployed low-educated mothers rose significantly, however, during the postreform period, from 51 percent in 2001 to 64 percent in 2005—the highest of any year in the study. Comparing single mothers to single childless women, we find that upon entering a spell of unemployment, low-educated single mothers are far more likely (by approximately 25 percentage points) to get some form of aid than are similarly educated single childless women. This disparity stays about the same across the study period, despite the precipitous decline in the probability of receiving cash assistance.

In sum, even though we do not observe an increase in UI benefit receipt, because of the decline in cash assistance UI became the more common form of income support for low-

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<sup>3</sup> For regression results and discussion, see the full-length paper of the same title that this brief is based on.

<sup>4</sup> By cash welfare we mean Temporary Assistance for Needy Families (TANF) and its predecessor, Aid to Families with Dependent Children (AFDC).



educated single mothers entering a spell of unemployment during the post-welfare reform period. Moreover, the probability of accessing food stamps, already the most highly utilized income support program among this population, increased during the postreform period. As a result, the proportion of this population accessing benefits from at least one of these programs remained virtually unchanged across the study period. This does not say anything about the amount of assistance that was received, on average.

## **DISCUSSION**

Recent policy efforts to boost UI participation rates of low-income workers have focused on reforming UI program eligibility rules. Our results lead to the conclusion that reforming eligibility requirements may not, in and of itself, significantly increase benefit receipt. While low-educated single mothers have seen both their monetary and nonmonetary eligibility rates improve relative to similarly educated childless women, they have not realized relative improvements in benefit receipt. This may be due to a lack of knowledge about the program, a lack of understanding of a complex bureaucratic process, a quick transition back to work, or a lack of need for benefits as a result, at least in part, of greater access to the Food Stamp Program.

To the extent that eligibility criteria do act as a barrier to UI for this population, we, like others before us, find that nonmonetary requirements are a greater barrier than are monetary requirements. Some might argue that low rates of nonmonetary eligibility result from personal characteristics of low-educated single mothers, who may lack the skills or discipline to maintain employment. If this were true, the best way to increase UI receipt might be through increased job training programs that focus on these skills. On the other hand, most working single mothers

who become unemployed do meet UI monetary eligibility requirements, suggesting a substantial attachment to the labor force.

Another possibility is reforming nonmonetary UI requirements to allow individuals who quit a job (not those who were terminated for cause) and meet certain requirements to access benefits. Though this raises serious issues of moral hazard (individuals may have an incentive to quit if they know they can receive benefits), many other western industrial countries have more liberal policies, limiting nonmonetary ineligibility to a few weeks or months rather than the entire unemployment spell (Storey and Neisner 1997).

The UI Modernization Act offers an incentive for states to take a step in this direction. It made \$7 billion available to be split among state UI programs if they adopt certain measures to increase UI eligibility. To receive the first third of their share, states must adopt an Alternative Base Period (ABP), which allows workers to count earnings from their most recently completed quarter in determining eligibility. This should benefit low-wage workers (Coven and Stone 2009).

States can receive the final two-thirds of their UI modernization incentive payments if they make two of four additional reforms. One of the four options is to relax nonmonetary requirements to make eligible those who quit for “compelling family reasons,” which include domestic violence, illness or disability of an immediate family member, or a spouse’s employment relocation. As of November 2010, a total of 18 states had adopted at least two of these four provisions (USDOL 2010). Measures such as these could go a long way toward improving UI receipt among low-educated single working mothers when they experience a spell of unemployment.

**Table 1 UI Program Participation and Eligibility of Low-Educated Single Women, Ages 22–55**

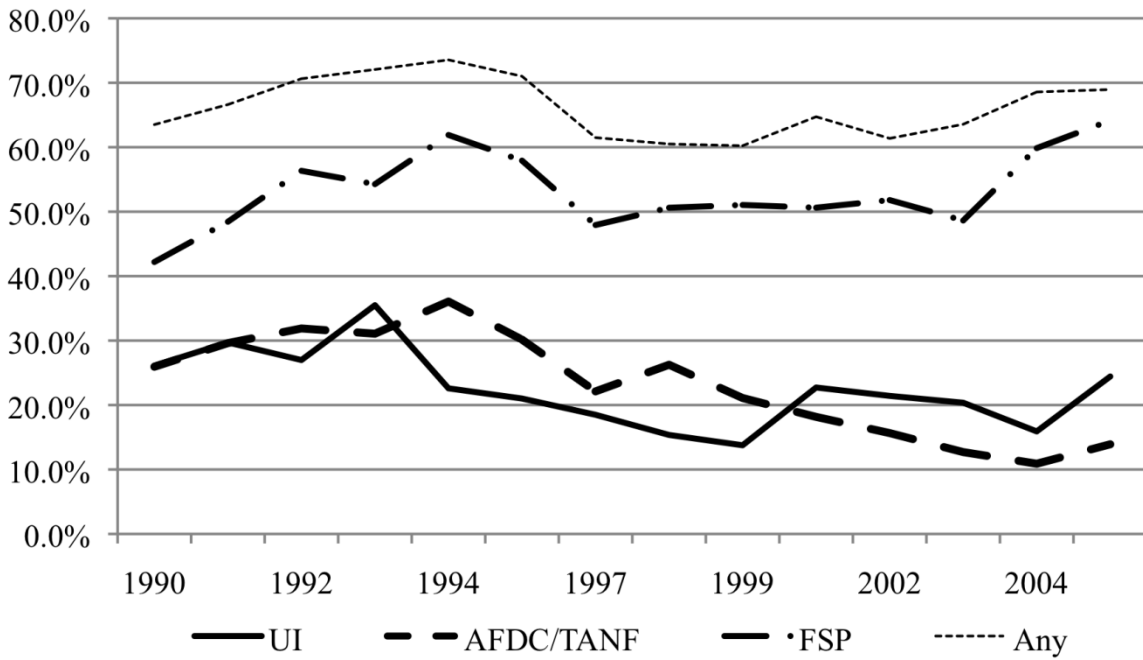
Proportions (standard errors)

Year	Mothers (1)	Childless women (2)	Difference 1 – 2 (3)
UI participation, single women entering unemployment			
Prereform period (1990–1994)	0.287 (0.017)	0.314 (0.018)	–0.027 (0.025)
Reform period (1996–1999)	0.171** (0.017)	0.209** (0.020)	–0.038 (0.026)
Postreform period (2001–2005)	0.214** (0.018)	0.255** (0.020)	–0.041 (0.027)
Monetary eligibility for UI, single women entering unemployment			
Prereform period (1990–1994)	0.715 (0.021)	0.842 (0.015)	–0.127 (0.026)
Reform period (1996–1999)	0.730 (0.023)	0.855 (0.021)	–0.125 (0.031)
Postreform period (2001–2005)	0.769** (0.019)	0.826 (0.020)	–0.057** (0.028)
Nonmonetary eligibility for UI, single women entering unemployment			
Prereform period (1990–1994)	0.400 (0.025)	0.455 (0.024)	–0.055 (0.035)
Reform period (1996–1999)	0.341** (0.025)	0.346** (0.030)	–0.005 (0.039)
Postreform period (2001–2005)	0.387 (0.023)	0.361** (0.027)	+0.026** (0.035)

NOTE: \*\* Statistically significantly different from same-column estimate for 1990–1994 by 0.05 level or above. Standard errors clustered by state.

SOURCE: Authors' calculations from a pooled sample of the 1990–2004 SIPP panels.

**Figure 1: Program Participation of Single Mothers Entering into Unemployment**



Source: Authors' analyses using a pooled sample of the 1990-2004 SIPP panels

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