

WORKING & POOR

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Making UI Work For Families

This year, we depart from our traditional data book to present a more in-depth look at how kids are affected by issues related to the adult workforce. This brief is the first in a series to look at issues of employment and supports for working families. It goes without saying that parents' ability to earn a living wage or support their families between jobs affects many aspects of their children's lives. Because we know so much about the disastrous potential effects of poverty on children, it behooves us to explore ways in which unemployment insurance and other systems that support the workforce can be made more family friendly.

Introduction

Unemployment insurance (UI) was originally created to provide cash benefits to laid-off workers to support them and their families until they return to work. This support has been an important source of income for traditional full-time workers in Wisconsin. Over the past several years, however, the workforce has changed dramatically, both nationwide and in Wisconsin. Today, about 20 percent of the workforce are part-time workers, many of whom are mothers with children under 18, low-income workers, and former W-2 participants. Family responsibilities are often the reason that these individuals work part-time. Unfortunately, Wisconsin's unemployment insurance program has not kept pace with changes in the composition of the state's

workforce. Under current law, workers in this growing segment of the workforce are not eligible for benefits should they be laid off. As a result, women and low-income workers in Wisconsin are less likely to benefit from UI if they lose their employment. This **WisKids Count Policy Brief** describes the Wisconsin unemployment insurance program and the changes necessary to make our system more family friendly by allowing it to respond appropriately to the state's changing workforce.

The Unemployment Program in Wisconsin

Following its progressive tradition, Wisconsin became the first state to institute a system of unemployment benefits for workers temporarily laid-off from their jobs in 1932. The program also had the social goals of encouraging stable employment practices and providing a mechanism for economic stimulus during downturns in the economy!

True to its name, Unemployment Insurance is based on an insurance model. Employers contribute a certain amount in taxes based largely on the experience they have had in laying off eligible workers, and workers become eligible for benefits based on the amount of wages they have earned during the period of time leading up to their unemployment.



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The general theory of UI is that only workers who have made a significant contribution to the state's workforce are eligible for benefits. In addition to having sufficient earnings, individuals have to satisfy other requirements to be eligible for benefits. First, they have to be able and available for work at 50 percent of the full time jobs in their areas. Since more than 50 percent of the full time jobs in any area are first shift jobs, this means that people have to be able to work a full time job during the first shift. Full time jobs are defined as jobs that

require 35 hours of work per week. Secondly, they have to conduct two or more work searches per week, and they must document that they applied for jobs with particular employers. Third, individuals may not refuse to accept "suitable work" when it is offered and may not refuse to return to work for a previous employer when recalled. There are federal and state limitations on what may be considered "suitable work." For example a person may not be required to take a job that pays far less than what his or her previous job paid.

Receiving Benefits While in Training Programs

As a result of a new state law, Act 197, which went into effect on April 25, 2004, workers who participate part time in training programs administered by DWD are now eligible to receive UI as long as they are otherwise eligible for benefits. Under the old law, only those engaged in full time training could still receive benefits. In addition, recipients may be able to work part time, participate in training part time and collect unemployment all at the same time. They would not be disqualified for failing to accept jobs offered by their previous employers, be available for work, register for work, search for work, or accept other suitable work that is offered.

Benefit Extension

The federal Temporary Extended Unemployment Compensation (TEUC), which provided benefits for those who exhausted their regular benefits but who were still unemployed, ended on December 27, 2003. Those who are entitled to benefits that accrued before that date could have received their extended benefits until April 3, 2004. At this time, there is no other extended benefits program. Although there has been some movement in Congress, to date unemployment benefits have not been extended.

Changing Workforce

The UI system was set up at a time when full-time male breadwinners dominated the workforce. Eligibility criteria and benefit levels were established with this workforce paradigm in mind. Today, around 30 percent of all workers are in non-standard jobs (part-time, part-year, and/or temporary). Women have entered in the labor force in great numbers, with many balancing family and work responsibilities. Their entry further contributed to the expansion of part-time and part-year employment.²

In 1999, 68 percent of Wisconsin women aged 16 and older were in the labor force, substantially higher than the 60.5 percent rate for the country as a whole. Only two states, Minnesota and Nebraska, have a greater percentage of women in the workforce. White women's participation in the workforce in Wisconsin was higher than white women nationally (68% v 61%) and African American women had an average labor force participation rate that was 7.4 percentage points higher than that of white women and 11 percentage points above the national rate for African American women.³ Mothers represent the fastest growing segment of the workforce.



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An increasing number of women with children under 18 (79 percent) in Wisconsin are engaged in the labor market. In the nation as a whole, 67.5 percent of mothers with children under age 18 are working.

Who Works Part Time?

Although Wisconsin women are more connected to the workforce than in the nation as a whole, they are less likely to be employed full-time (69.2 percent versus 72 percent). Not surprisingly, therefore, the percentage of women working part-time is higher than the national average (28 percent versus 24 percent). Of the women working part-time, however, fully 45 percent are working part-time due to childcare and other family considerations.⁴ The percentage of women in the labor force who are “involuntarily” working part-time — that is, they would prefer to work full-time were the jobs available - is slightly less in the state than in the country as a whole. Workers are considered involuntarily working part-time if they state their reason for working part-time as reduced hours at one’s normally full-time job, reduced seasonal demand, poor business conditions, or inability to find full-time work. The Bureau of Labor Statistics does not consider lack of childcare and some other family considerations involuntary reasons for part-time work.⁵

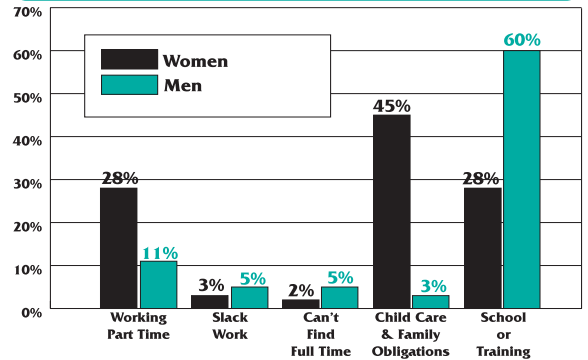
Unemployment

In 2002, Wisconsin had an unemployment rate only slightly lower than the nation as a whole. However, for women the rate of unemployment was significantly better (4.5 percent vs 5.6 percent). Men in Wisconsin, however, were unemployed at a rate higher than the national average (6.5 percent of men were unemployed, compared with national rate of 5.9 percent). For people of color in Wisconsin, the picture is grimmer. According to the Bureau of Labor Statistics, more than 19 percent of African American men are unemployed in the state. This rate is close to four times that of white men, giving Wisconsin the dubious distinction of having one of the largest black-white disparities in unemployment in the country. Although reliable data are not available for Latino and Asian American unemployed workers in Wisconsin, nationally the unemployment rate for Hispanic workers was 7.6 percent and 5.9 percent for Asian Americans in 2002. These rates, too, are significantly higher than rates for white unemployed workers (4.8 percent).

How is Part-Time Work Treated in Other States?

Twenty-four states make some provision for unemployment insurance for part-time workers. Of these, nine (Delaware, Kansas, Nebraska, Pennsylvania, South Dakota, Vermont and Wyoming) have “part-time parity”, or policies that treat part-time workers just like full-time workers. Thirteen states permit payment of benefits when the claimant has done a substantial amount of part-time work prior to filing the claim (Arkansas, Colorado, Florida, Hawaii, Iowa, Louisiana, Maine, Minnesota, New Jersey, New York, North Carolina, Oklahoma and Puerto Rico). Finally, two jurisdictions (District of Columbia and Rhode Island) allow workers to receive benefits even if they are only seeking part-time work if they can show good cause for not seeking a full-time job. The remaining 25 states, including Wisconsin, require availability for full time work, without exception.⁶

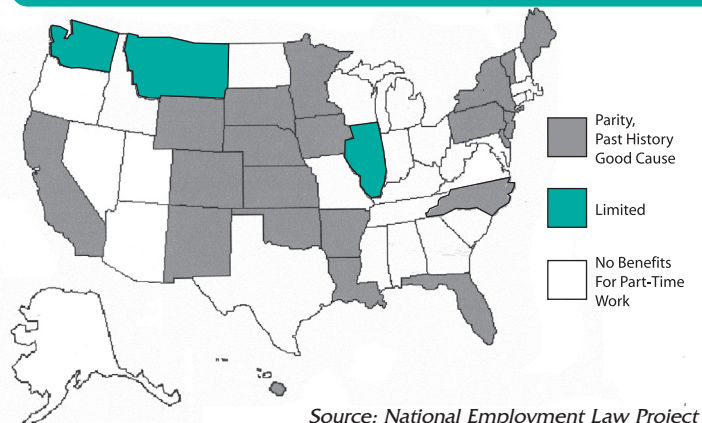
Reasons For Working Part-Time, 2001



Source: WI Child Care Research Partnership, Issue Brief No. 1, July 2001

Of the women working part-time, however, fully 45 percent are working part-time due to childcare and other family considerations.

Family Friendly UI Practices, 2004



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Mission Statement

The Wisconsin Council on Children and Families is a state-wide, multi-issue child advocacy organization. It works to improve the well being of children and families by advocating for effective health, education, justice and human service programs that are accessible and equitable for children.



The Last Safety Net

Unemployment insurance is often the only form of support that recently unemployed adults can turn to. Recent earnings may make them ineligible for the Wisconsin Works program, and there is no other form of cash assistance they can draw on to pay bills, maintain housing and support their children. Additionally, low-income families who have been in low-wage or part-time jobs often have little or no cash reserves to assist them in bridging the gap between their last job and the next. The General Accounting Office (GAO) examined the use of the UI program by low-wage and unemployed workers and found that low-wage workers are less likely than other unemployed workers to receive UI benefits, even though they are twice as likely to become unemployed.⁷ We know that, upon leaving, W-2 participants are more likely to obtain part-time jobs. But if they lose those jobs, they are not eligible for UI, and may not be eligible to return immediately to W-2. This circumstance leaves low-income families with children in a particularly precarious financial situation, putting them at risk of losing housing and failing to meet other basic needs.

Wisconsin Law Needs to Change

To be eligible for UI, in addition to having sufficient earnings, a person must be able and available for work at 50 percent of the full time jobs in their area. This Department of Workforce Development rule presents two problems for the new non-traditional workforce. First, workers have to be available for full time jobs. Secondly, they must be available to work first shift jobs, because 50 percent of the full time jobs are, by definition, first shift jobs. Many people with family obligations simply cannot work full time in a first shift job.

In order to continue serving the purpose for which unemployment insurance was intended, UI law must be changed to require only that workers be available for work for 20 hours per week instead of the current 35 hours. In addition, the requirement that persons claiming benefits be available for 50 percent of the full time jobs should be repealed in order to accommodate non-traditional workers.

Conclusion

One of the most consistent findings in child development research is the strong relationship between family economic hardship and poor outcomes for children. Families that work hard but are nevertheless living from one paycheck to the next are extremely vulnerable. They find it nearly impossible to build up savings. This economic insecurity creates stress on parents and in turn on children. For this reason, low-income parents are at greater risk for depression and poor mental health that may manifest itself in harsh, detached parenting.⁸ Insulating working families from the extreme hills and valleys associated with losing a job can help to create a stable environment for children while their parents seek future employment.

Social and economic policies that value and support working families and seek to ensure equal opportunity can have an enormous impact on the health and well being of all children and families. The Wisconsin workforce is changing. The unemployment insurance system must change as well to recognize and value the contributions of these new workers.

¹ *Unemployment Insurance System*, Wisconsin Legislative Fiscal Bureau, Informational Paper 70 January 2003.

² *Making Wages Work*, The Finance Project, Web Address: <http://www.financeprojectinfo.org/mwww/unemployment.asp>

³ *The Status of Women in Wisconsin*, Woman's Policy Research, 2004

⁴ *Geographic Profile of Employment and Unemployment*, Table 13, Bureau of Labor Statistics, 2002

⁵ *Characteristics of the Employed*, Bureau of Labor Statistics, Web address: <http://www.bls.gov/cps/home>.

⁶ *Between a Rock and a Hard Place: Confronting the Failure of State Unemployment Insurance Systems to Serve Women and Working Families*, National Employment Law Project, 2002, pgs 26,27.

⁷ General Accounting Office, Web address: www.gao.gov.

⁸ (G. Downey and J.C. Coyne, "Children of depressed parents: An integrative review", *Psychological Bulletin*, 108 (1990))

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