



# ACKNOWLEDGEMENTS

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Above all, we thank the workers and organizations that embraced this project with enthusiasm and grace; this report is dedicated to them.

## About the authors

**Dr. Annette Bernhardt** is a Senior Policy Analyst at the Brennan Center for Justice at NYU School of Law. A leading expert on low-wage labor markets, she works with national and local groups to develop viable responses to the changing nature of work in this country. **Kate Rubin** is a Research Associate at the Brennan Center; with a background in community organizing, she provides research and outreach support for local policy campaigns.

**Cover Photo:** ©Mark Peterson/Corbis  
October 17, 2001 job fair at Madison Square Garden for workers who lost their jobs as a result of the World Trade Center terrorist attacks.

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# EXECUTIVE SUMMARY

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## The Failed Promise of Unemployment Insurance

Workers in New York City have been traumatized during the past two years – by the horrific attacks of September 11<sup>th</sup>, by a stubborn recession that even now refuses to let up, and by a wave of unemployment that has reached deep into every community. On the street, a wrenching scene has unfolded over and over again. Lines of unemployed New Yorkers wait to get into job fairs; many never manage to get inside, and those who do find few jobs available.

The unemployment insurance (UI) program was created to be the first line of defense for these workers. Its goal is to provide temporary income to unemployed workers immediately after job loss, tiding them over until they find a new job, and preventing the downward spiral into poverty. Almost all workers pay into the UI fund through their payroll taxes. But as this report documents, eligibility restrictions and shortcomings in the administration of the UI program mean that less than half of unemployed workers actually receive benefits – especially those who need help the most.

In this report, we use an innovative survey of 2,557 unemployed workers in New York City to answer the following questions:

- How well did the unemployment insurance program meet the needs of working families, both before and after the World Trade Center attacks?
- Did outreach by community groups and other organizations increase the ability of workers to get unemployment benefits?
- And most important, how were working families affected by the chronic unemployment of the past two years?

The results indicate a serious failure of our safety net. But they also provide a clear road map for what policy makers can do to respond. The good news is that the solutions are right in front of us: more effective outreach, reform of eligibility rules, and deepening the level of support.

## The Survey

Between August and November 2002, we conducted a unique community-based survey of 2,557 workers in New York City who became unemployed at some point in 2001 or 2002. Our goal was to interview a broad range of workers – including low-income and immigrant workers often missed by phone interviews – and to fill in the knowledge gap left by official government statistics. We distributed the survey through 39 community organizations and 32 street sites across the five boroughs. While the resulting sample is not strictly representative, it captures a broad spectrum of the city's unemployed workforce and their experiences during the last two years (see last page for more details).

## Widespread Economic Hardship

The large majority of workers and their families in our sample experienced substantial hardships and had to resort to a range of coping strategies.

- 60% experienced economic stress – such as having to cut down on meal sizes, going to a soup kitchen, having utilities cut off, being evicted, or having to drop health insurance.
- 79% had trouble paying their bills – such as rent and utilities, phone and cable and credit card bills, loans, or health insurance and childcare.
- 86% had to withdraw savings, borrow money from friends or banks, sell property, or charge on credit cards.
- 74% lost their employer-provided health insurance and 70% lost all or part of their employer-provided pension. (Note, though, that less than half of the sample had either to begin with).

At the same time, while unemployment hurt everyone, it hurt some more than others.

- Low-wage workers were 48% more likely to have had their utilities cut off than higher-wage workers. And they were more than twice as likely to be evicted or forced to move in with friends or relatives.

## An Unequal System

More than half of New Yorkers who lost their jobs never received unemployment benefits.

- Government data for New York State show that only 44% of unemployed workers collected UI benefits in 2002. Both nationally and in New York, that percentage has been steadily declining over time.

Those who needed income support the most were the least likely to get benefits.

- Higher-wage workers who lost their jobs were twice as likely to receive benefits as low-wage workers (80% vs. 38%), regardless of education level.
- Workers who had held full-time jobs were much more likely to receive benefits than workers who had held part-time, seasonal, and temporary jobs.
- White workers were 73% more likely to receive benefits than Latino workers, 36% more likely than African American workers, and 18% more likely than Asian and “other” workers – regardless of education or income level.

Why are there such strong differences across different groups of workers? Part of the problem is that substantial numbers of the unemployed did not apply for benefits. For example, low-wage and temporary workers in our sample were less likely to apply for benefits, thinking that they had not earned enough or worked enough to qualify.

To a significant degree, these preconceptions reflect the fact that UI eligibility rules tend to screen out low-wage workers, workers in contingent jobs, ex-welfare recipients, and cases in which there was not a clear-cut “involuntary” job loss (for example, quitting a job in order to care for a sick family member).

But even among those who did apply for benefits, some workers were more likely to be rejected than others. In 2001, government data for New York State show that 29.5% of new applications were denied, and almost one-third were denied because of insufficient earnings.

## **Inadequate Benefits**

**Unemployment benefits are temporary, and especially during recessions, significant numbers of workers exhaust their benefits before finding a new job.**

- Government data for New York State show that in 2002, nearly 100,000 workers per quarter exhausted their regular unemployment benefits. By the end of 2002, the percent of workers exhausting their regular benefits stood at 58%.
- Lack of effort in job search and skill development has not been the problem. Virtually all the workers we interviewed were still searching for work, and 51% had enrolled in a training or education class. The problem was simply the lack of jobs: 71% said that they could not find any job at all, or a job that offered enough hours and earnings.

**Unemployment benefits are not meant to fully replace workers' lost earnings.**

- The average weekly wage in New York State was \$885 in the fourth quarter of 2002. But the average weekly unemployment benefit was only \$275 per week.
- Moreover, the size of benefits depends on the worker's previous earnings. In our sample, the typical higher-wage worker received \$405 a week in benefits, whereas the typical low-wage worker received just \$156 a week.

The upshot is that unemployment benefits only partially reduce economic hardship (for low-wage workers, barely at all) and especially during recessions, do not last long enough.

## **Outreach Works**

**Outreach significantly increased the number of unemployed workers receiving benefits.**

- In the months immediately following September 2001, the percent of unemployed workers in our sample receiving benefits jumped by 24%. This is a clear effect of the extraordinary outreach response after the World Trade Center attacks.
- Workers who had been union members at their last jobs were 38% more likely to receive unemployment benefits than those who had not been union members – not surprisingly, since unions provide their members with information and assistance during the application process.
- Workers whom we found at outreach organizations – nonprofits and service providers – had high reciprocity rates. By contrast, workers whom we found by canvassing the streets or lines at job fairs were much less likely to receive benefits.

**In addition, outreach significantly reduced the inequality in who received unemployment benefits.**

- In our sample, differences based on language, race, or ethnicity were fully erased between September and December 2001.

- Among union members, the usual gap between low-wage and higher-wage workers, and between white workers and workers of color, was completely erased.

A powerful case study shows that targeted outreach works: Two walk-in application centers in Queens and Brooklyn are specifically targeted at Chinese speakers who have only limited English. The Chinese speakers in our sample who used these centers had significantly higher reciprocity rates than those who did not.

## How Public Policy Can Help: Reform on Three Fronts

The findings in this report provide a clear road map for policy makers: Fix the unemployment insurance program so that it truly is the first line of defense for millions of working families after job loss.

**Outreach:** Outreach strategies such as those used to boost applications for the Earned Income Tax Credit (EITC) should be adopted for unemployment insurance. Employers must also be pulled into the effort, since they are the most immediate point of contact for workers when they lose their jobs.

**Eligibility:** Reforming eligibility rules is a basic question of fairness. If workers pay into the UI fund, they should be able to draw on it when they lose their jobs – regardless of whether they had a low-wage or high-wage job, or worked part-time or full-time.

**Depth of support:** The amount and duration of unemployment benefits need to be increased – first, by making sure that benefits keep pace with the growth in workers' wages, and second, by instituting an automatic trigger for the extension of benefits during recessions.

These reforms are a simple matter of political will. Our neighboring states – Pennsylvania, New Jersey, and Connecticut – do a much better job of supporting their unemployed residents. If other states have figured out the politics of providing a solid safety net, then so can New York. The workers who endured and prevailed through September 11th, and who continue to struggle through the ongoing recession, deserve nothing less.

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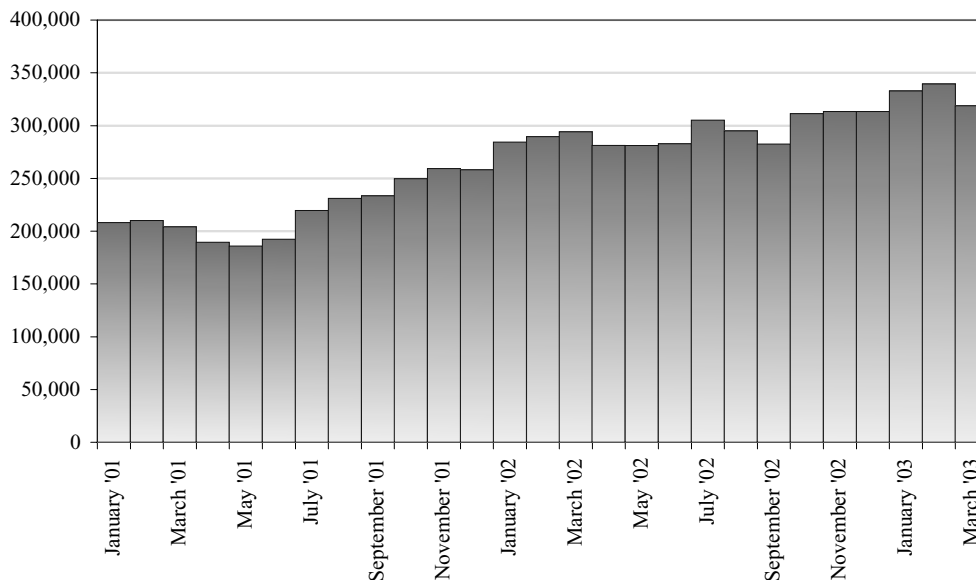
# AN UNPRECEDENTED TEST OF OUR SAFETY NET

**W**orkers in New York City have been traumatized during the last two years – by the horrific attacks of September 11<sup>th</sup>, by a stubborn recession that even now refuses to let up, and by a wave of unemployment that has reached deep into every community.

The city has lost 226,100 jobs since the start of 2001, more than one-tenth of those lost nation wide. Our unemployment rate currently stands at 8.7%; in March, fully 320,194 workers were without a job (See Figure 1). Low-income and immigrant communities have been particularly hard hit, with displacement concentrated in the restaurant, hotel, and retail industries. And on the street, a wrenching scene has unfolded over and over again. Lines of unemployed New Yorkers wait to get into job fairs; many never manage to get inside, and those who do find few jobs available.<sup>1</sup>

In this extraordinarily difficult time, the response on the ground has been equally extraordinary. In the face of almost impossible circumstances, individuals, community groups, service providers, government agencies, employers, and foundations have made the most out of limited resources to create an astonishing network of emergency services.

But heroic acts cannot and should not be a substitute for a comprehensive, well-functioning safety net. As the crisis of joblessness deepens, there are serious questions about the extent to which our social support programs, as a system, are adequate to the task of helping workers and their families in times of recession and displacement. This report focuses on what is by far the biggest part of that safety net, the unemployment insurance system.



**FIGURE 1: Number of unemployed workers in New York City, 2001-2003**

Source: U.S. Department of Labor (2003a)



## The unemployment insurance (UI) system

For families already living close to the margin, unemployment and loss of income are often brutal, derailing years of hard work and reducing daily life to a struggle for existence. Families with enough savings may be able to limit the damage, but can't entirely avoid the economic and emotional suffering that occurs when income and stability are lost.

But this is not a viable way to run an economy. Business cycles are inevitable and almost everyone will be unemployed at some point in their career. Without government intervention, job loss creates a destructive cycle, undermining the economic and social health of the workforce, and by extension, the stability of industry. It is also unjust reward for the millions of workers who keep our economy growing from year to year.

The unemployment insurance system was created to fill this critical gap. Its mission holds out the promise that workers in this country can expect help when they lose their jobs. As such, it is unique in the patchwork of safety net programs that currently exist.

Concretely, the goal of the UI program is to provide temporary income to unemployed workers immediately after job loss, tiding them over until they find a new job, and preventing the downward spiral into poverty that might otherwise result.<sup>3</sup> It is a near universal program. Almost all wage and salary workers pay into the UI fund through their payroll taxes (97%), and that payment is compulsory.<sup>4</sup> Unlike public assistance, food stamps, or Medicaid, workers do not have to demonstrate economic need in order to qualify for benefits when they lose their job. They do, however, have to meet a number of other eligibility requirements that significantly shape which workers qualify for benefits.

Below we will describe in more detail how the UI system is actually designed and administered, and how it affects workers. Ultimately, though, any assessment of the program must be done in the context of its overarching goal: to provide a safety net for working people when they lose their jobs.

## Learning from the unemployed in New York City

In this report, we use an innovative survey of more than 2000 unemployed workers in New York City to ask the following questions:

How well did the UI program meet the needs of working families in weathering the unthinkable tragedy of September 11<sup>th</sup> and the deep recession that accompanied it?

- How many workers received unemployment benefits? Were there systematic differences among those who received them, and if so, why?
- Is there evidence that intervention by public agencies, non-profits, and other organizations increased the ability of workers to get benefits?
- How were working families affected by unemployment? Did UI benefits make a difference in alleviating economic hardships?

The answers that we find are stark and troubling. Often, they illustrate a serious failure in the ability of our safety net to help working families in need. But the graphs, tables and stories in this report also provide a clear road map for what public policy can do to respond, and in particular, to restore the promise of our unemployment insurance system.

*"I am looking for a sound means to provide at once security against several of the great disturbing factors of life – especially those which relate to unemployment and old age."*

Franklin Delano Roosevelt in a special message to Congress on June 8, 1934, laying the groundwork for the passage of the Social Security Act of 1935 that established the unemployment insurance system.<sup>2</sup>

# ABOUT THE SURVEY

**B**etween August and November of 2002, the Brennan Center conducted a community-based survey of unemployed workers in the five boroughs of New York City. We gathered a total of 2,557 surveys, which were administered face-to-face at sites across the city.

In order to qualify for the survey, a worker had to be a resident of New York City and have become unemployed at some point in 2001 or 2002. The survey itself was nine pages long and was available in English, Spanish, and Chinese. It was worded simply and took between 15 and 30 minutes to fill out; in many cases, workers were able to fill it out on their own.

This was not a standard random telephone survey – our goal was to reach a broad spectrum of the unemployed, including those who are typically not captured in official phone interviews. We therefore took a three-pronged approach in distributing the survey.

First, we worked with 39 organizations across the city that were most likely to come into contact with unemployed workers. These organizations included community-based groups, 9/11 relief organizations, unions, pro-

## ON REPRESENTATIVENESS

This survey was not a traditional phone survey of a random sample of households. Rather, we decided to distribute the survey on the ground, face-to-face, working with community groups and canvassing street sites where unemployed workers were likely to congregate. We made this choice for the following reasons.

First, phone surveys tend to systematically miss low-wage, recently displaced, contingent, immigrant, and undocumented workers (Keeter 1995). Yet the experience of outreach organizations is that these are precisely the workers who have the hardest time accessing unemployment insurance, and we wanted to make sure to fully include this population in our survey. Second, administrative payroll data already provide official estimates of the number of workers in New York City who are unemployed. Therefore, it made no sense to reinvent the wheel with our survey. Instead, our survey takes up where official statistics leave off – focusing on detailed questions about how workers and their families cope during unemployment, and the adequacy or inadequacy of the unemployment insurance safety net.

So how should our survey be used? It should be used as rich source of information that is complementary to official statistics and that fills in many of the gaps left by those statistics. More precisely, our sample should not be used to estimate population characteristics (such as the percent of unemployed New York City residents that received UI benefits). What our sample can do, especially given its large size, is elucidate the dynamics surrounding unemployment and the unemployment insurance system (for example, by comparing the experiences of different groups of workers). As a check on the validity of our findings, we have confirmed all of the patterns reported below with statistical models that control for a range of worker and job characteristics, allowing us to ensure that we are not reporting spurious relationships.

In short, what this survey loses in statistical representativeness, it gains in depth of information and breadth of coverage across many different types of workers. Above all, it is a rich but often disturbing portrait of 2,557 New Yorkers as they struggled with unemployment in 2001 and 2002.

fessional membership organizations, advocacy groups, community colleges, social service delivery organizations, non-profit training providers, and non-profit temp agencies. We worked closely with each organization to identify the best way to deliver the survey to the unemployed workers in their communities. Sometimes, the survey was administered as part of client intake interviews or as part of an English as a Second Language (ESL) class; sometimes it was given to workers to fill out as they waited for services; and sometimes we gave presentations to orientation classes. When needed, we trained the organizations’ staff in how to administer the survey. Many of the organizations worked with us over the course of several months, and we coordinated weekly drop-offs and pick-ups of surveys.

Second, we wanted to reach workers who were not seeking help from established organizations. We therefore spent a significant amount of time on the streets, canvassing lines outside of job fairs, entrances to the city’s job centers, areas outside of for-profit temp agencies, and soup kitchens. In total, we went to 32 “street sites,” many of them repeatedly over the course of four months.

Third, we put the survey on the Brennan Center website and sent announcements to a variety of on-line groups and bulletin boards that were likely to reach unemployed workers from the city.

Table 1 shows the distribution of how we reached our sample of unemployed workers. Almost half of the sample was contacted with the assistance of non-profit organizations, many of them community-based groups or disaster relief centers. Almost a quarter of the sample was contacted on street corners and outside of temp agencies and job fairs. About one in nine respondents was found through membership organizations, and a similar number was contacted at community colleges, typically while attending evening classes. Finally, a small number filled out the survey on the web. The combination of these strategies yielded a very broad spectrum of the city’s unemployed workforce.

**TABLE 1: How respondents received our survey**

	Percent
Through non-profit organizations	46.7
On the street	21.3
Through membership organizations	11.8
At community college classes	11.2
On the web	9.1

# A FIRST LOOK AT THE SAMPLE

**T**he burden of unemployment is not equally distributed in our society. While virtually everyone loses their job at some point during their career, across the country, workers of color and those without college degrees are disproportionately represented in the ranks of the unemployed.<sup>5</sup> And New York City is no different: A recent report documented that the workers who bore the brunt of unemployment in 2002 were disproportionately the young, the less educated, African American, Hispanic, and male. Correspondingly, the occupations that were hardest hit were sales, administrative support, and blue-collar jobs.<sup>6</sup>

The 2,557 workers who answered our survey reflect both this inequality of job loss, as well as the rich diversity of New York City and its residents. Table 2 takes a first look at selected characteristics of our sample (a fuller description is given in Appendix A).<sup>7</sup>

Respondents were spread across all five boroughs and represented a full range of ages, education levels, and race and ethnic backgrounds. Close to half were born outside the U.S., listing 92 different origin countries. And while many reported English as their first language, 40 other languages are represented here, ranging from Spanish, Chinese and Russian to the rare Tagalog and Wolof.

The sample is split almost evenly between those who became unemployed in 2001 and those who lost their jobs in 2002. The job loss in 2001 was concentrated in the months following the World Trade Center attacks, with more than a quarter of our sample reporting unemployment between September and December of 2001. A majority of the respondents (75%) said they had lost their job because they were laid off, their business closed, or their temp job had ended; these reasons were especially common in the aftermath of September 11<sup>th</sup>. And not surprisingly, given the stubbornness of the current recession, there are also substantial numbers of long-term unemployed, with more than half of the sample having been without a job for more than six months.

Finally, our sample includes workers from every industry and occupation, both union and non-union, working a variety of schedules and hours. Some had been at their jobs for less than a year; others had tenures as long as 36 years. And although the median hourly wage of \$13 per hour very closely matches the city's overall median, roughly a quarter were earning below the federal poverty line for a family of four.

## Comparison to official government data

At this point, we should reiterate that our sample is not a true random sample. We therefore compared the characteristics of our respondents to official government data for unemployed workers in New York City in 2001 and 2002.<sup>8</sup> The comparison shows differences of varying degrees along several dimensions. First, our sample had a smaller percentage of workers who were age 24 or younger, with a correspondingly larger percentage in the middle two age groups. As a result of this age difference, fewer of our respondents had less than a high school degree, and more had some college experience. The percentages with a high school or bachelor's degree matched the government data closely. Our sample also had fewer white workers, and more long-term unemployed. The industry breakdowns

were roughly similar, with somewhat fewer workers in our sample from construction and transportation, and more in services.

What should we make of this comparison? Government surveys use rigorous random sampling techniques, but often systematically miss hard-to-reach populations. Community-based surveys have the advantage of being able to reach those populations, but do not use random sampling. Both strategies likely result in samples that are not wholly representative; hence the importance of pursuing both. We therefore interweave (and clearly mark) official government data as we present our findings. The bigger point, though, is that although our sample is not strictly representative in all respects, it contains a very large and diverse number of unemployed workers in New York City, including groups whose experiences are not often documented.

		Percent
Education	High school degree and less	45.0
	Some college experience and higher	55.0
Race/ethnicity	African American	36.8
	Latino	28.7
	Asian and others	13.5
	White	21.0
Nationality	Percent foreign born	44.0
	Number of different origin countries listed	95
Language	Percent with English as primary language	63.4
	Number of different languages listed	40
When became unemployed	January '01 - August '01	18.4
	September '01 - December '01	26.9
	January '02 - November '02	54.8
Months unemployed	6 months or less	48.2
	More than 6 months	51.8
Reason for leaving job	Lay-off, business closed, shift was eliminated	63.3
	Temporary job ended	11.6
	Fired	13.4
	Quit	11.7
Wages at last job	Median hourly wage (in 2002 dollars)	\$13.00
	Percent with wages below poverty line*	24.0
Work status at last job	Full-time workers (year round)	73.6
	Part-time, part-year, or temp workers	26.4
Industry at last job	Services	50.7
	Retail and wholesale trade	18.5
	Finance, insurance, and real estate	9.8
	Manufacturing, construction, transportation, and others	15.7
	Government	3.8
Occupation at last job	Professional, technical, and managerial	18.7
	Clerical and administrative support	28.7
	Sales and service	38.4
	Blue collar	13.9
Percent union member		20.1

**TABLE 2: Selected characteristics of the surveyed workers**

\* Federal poverty line in 2002 for a family of four: \$8.64/hr.

# THE BASICS: WHO RECEIVES UNEMPLOYMENT INSURANCE?

**A**ny assessment of our country's UI system must begin with one core fact: Many workers who lose their jobs never receive unemployment benefits. Consider the following:

- For the nation as a whole, only 43% of the unemployed received benefits in 2002. And that percentage has been steadily declining over time, with a particularly strong drop in the 1980s that has not been recovered.
- In New York State, fewer than half of unemployed workers (44%) collected benefits in 2002. And as shown in Figure 2, although that percentage has fluctuated somewhat over the past two decades, it has never crossed the halfway mark.<sup>9</sup>

Beyond these very basic facts, however, our knowledge is piecemeal at best. Do all unemployed workers need or even want benefits? Are some more likely to receive benefits than others? Does everyone who loses a job apply? If not, why not? And how often are workers denied benefits?

In short, if the UI system is meant to be a universal safety net, why is the reciprocity rate so low? We will now begin to answer some of these questions, drawing on our survey as well as other studies on this topic.

As a group, the workers in our sample have been more successful in accessing the UI system than is generally the case in New York State. The sample's overall reciprocity rate of 57% reflects the fact that about half of the workers were contacted through non-profit and membership organizations; as we will see, such organizations are often effective in helping their constituents access public supports.<sup>10</sup>

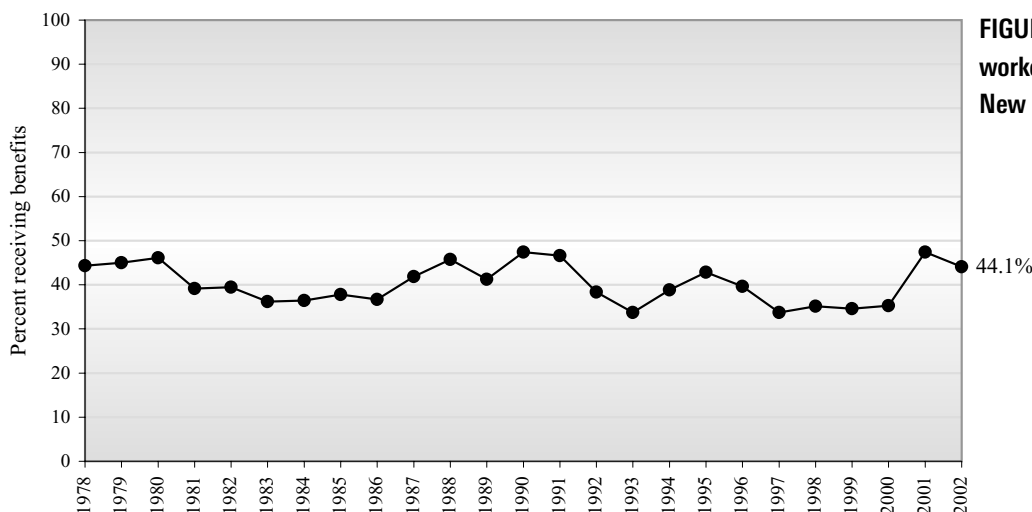
## SOME DEFINITIONS

We begin our analysis using the simplest definition of reciprocity: the number of workers receiving benefits, divided by the total number of unemployed workers. We call this the reciprocity rate. It allows us to answer the following question: "Of all workers who are unemployed, what percent receive UI benefits?"

Later in the report we will also break up this overall reciprocity rate into two pieces. First we will ask, what percent of unemployed workers apply for benefits? We call this the application rate.

Second we will ask, of workers who apply for benefits, what percent were denied them? We call this the rejection rate.

Third we will ask, of workers who received unemployment benefits, what percent have exhausted them? We call this the exhaustion rate.



**FIGURE 2: Percent of unemployed workers receiving UI benefits in New York State**

Source: U.S. Department of Labor (2003d) and (2003b)

But again, the power of our survey lies in its ability to dig deeper and reveal group differences that aggregate numbers can hide. And it turns out that those group differences are stark. Figure 3 shows the percent of workers in our sample that received unemployment benefits, broken down by several basic dimensions.

The striking message from these graphs is how unequally benefits are distributed across our city's workforce – with the most disadvantaged and vulnerable the least likely to receive them.

- The most straightforward determinant of who receives benefits is whether or not the worker lost her job involuntarily. This is because UI eligibility rules strongly favor workers who lost their jobs through what is considered to be no fault of their own. Thus workers who lost their jobs because of lay-offs or business closings were much more likely to receive benefits than those who were fired, who had temporary jobs that ended, or who quit their job.

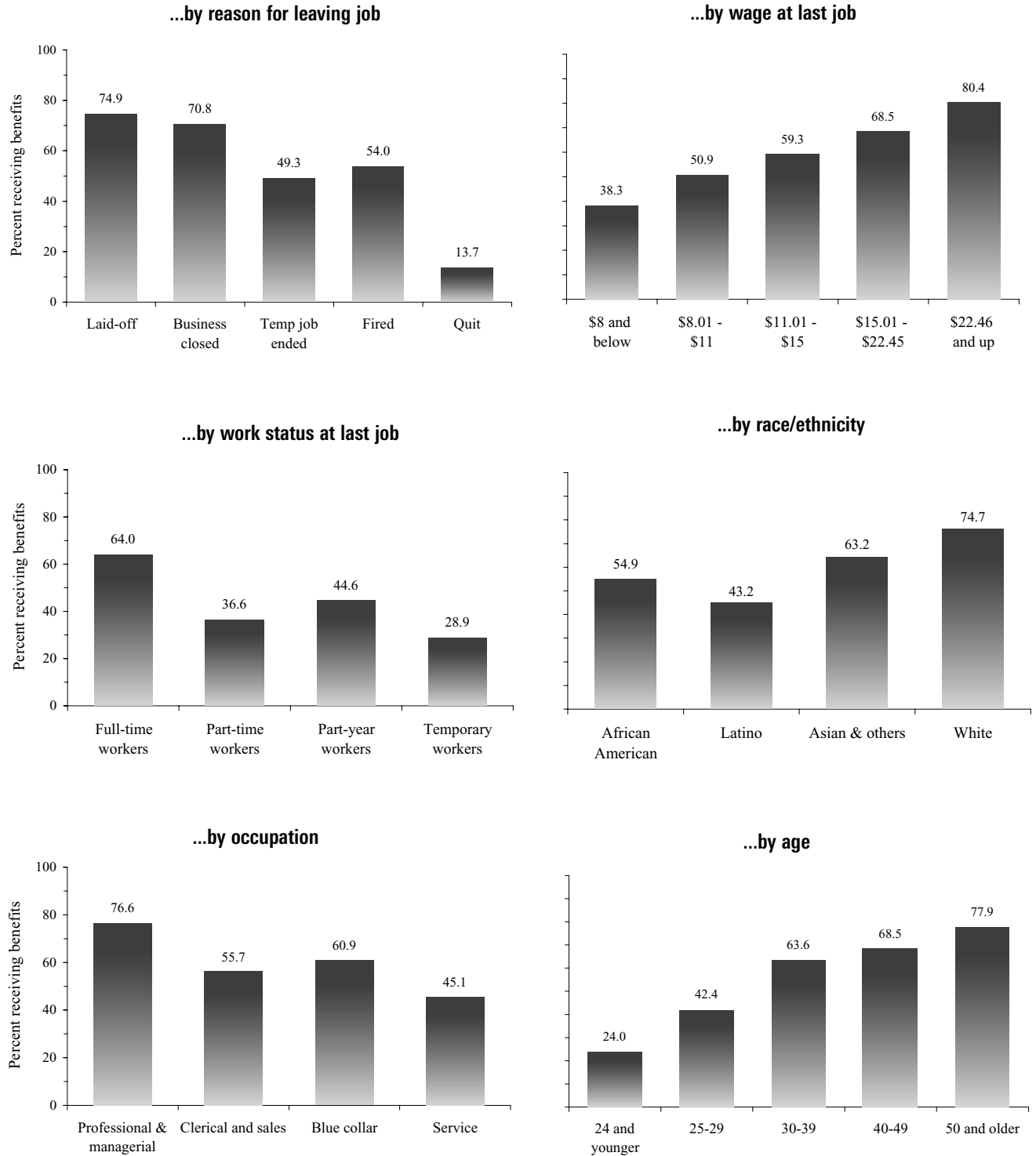
Note that the definition of “involuntary” is something of a slippery concept here. For example, low-wage workers who said that they quit their jobs frequently listed childcare or having to take care of a sick relative as the reason for their decision. But as we will see below, workers citing these reasons for job loss are considered on a case-by-case basis by the New York State Department of Labor and are often not judged eligible for UI benefits. Similarly, part-year, part-time, and temporary workers were much more likely than others to be unemployed because their contingent jobs had ended. Since short-term assignments are an inherent part of these new and growing forms of work, it is an important policy question whether unemployment in this context is truly involuntary.

- There is a clear relationship between wages and reciprocity: The higher the wages of the last job, the greater the likelihood that the worker will receive unemployment benefits. The difference here is quite strong. For example, higher-wage workers were twice as likely to receive benefits than low-wage workers (80% vs. 38%).
- Workers who had held full-time jobs were much more likely to receive benefits than workers who had held “nonstandard” jobs – such as part-time, seasonal, temporary, and contract jobs. So for example, full-time workers had a reciprocity rate of 64%, more than twice the rate for temporary and on-call workers (30%) and significantly higher than the rate for part-time and part-year workers.
- Race and ethnicity plays a marked role in determining whether or not someone receives UI benefits. White workers were 73% more likely to receive benefits than Latino workers, 36% more likely than African American workers, and 18% more likely than Asian and “other” workers.<sup>11</sup>
- The occupation of the worker's last job also affects reciprocity, with professional and managerial workers most likely to receive benefits (77%) and service workers the least likely (45%).
- The worker's age is also a strong predictor, with reciprocity increasing the older the worker is. Only a quarter of workers aged 24 or younger received benefits, compared to a majority (78%) of those who were 50 or older.

*“In the last decade, unemployed low-wage workers appeared far less likely to receive UI benefits than other unemployed workers, even though low-wage workers were twice as likely to be unemployed.”* U.S. General Accounting Office (2000)

It is important to emphasize that the dimensions shown in Figure 3 were chosen because they dominate the story of who receives benefits and who does not

**FIGURE 3: Percent of unemployed workers receiving benefits...**





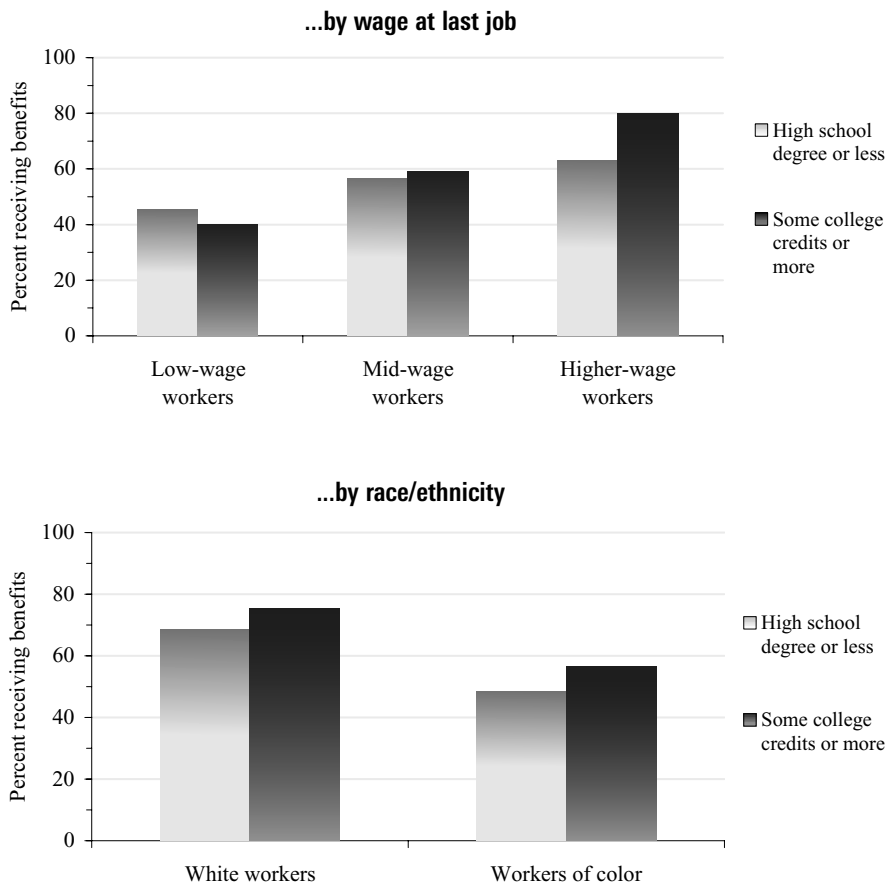
– even after controlling for other characteristics of the workers or their jobs that one might think would be relevant here. For example, factors such as education, immigrant status, gender, language proficiency, poverty status, and industry play a weaker role and do not significantly change the patterns that we have just discussed.

An intuitive way to illustrate this point is to take the example of education. Figure 4 repeats the above analysis of reciprocity rates by wage group and race/ethnicity, but distinguishes between less- and more-educated workers. Here we begin to use a three-category version of the workers’ wages at their last job: low-wage workers (up to \$10 per hour); mid-wage workers (\$10.01 to \$17 per hour); and higher-wage workers (\$17.01 per hour and up).<sup>12</sup>

Clearly, the wage and race effects dominate the education effects: Particularly striking is that workers of color are consistently less likely to receive unemployment benefits than white workers, regardless of their education level.

More precisely, Table 3 shows a range of worker and job characteristics and their relationship to whether or not the worker received benefits. Taken individually, a number of the variables appear to have a strong relationship to reciprocity. But once we use a statistical model that predicts reciprocity with a large number of different variables, many of the effects disappear – with wage, race, age, work status, occupation, and reason for job loss emerging as dominant. The findings from this model are shown in Appendix B.

**FIGURE 4: Percent of workers receiving benefits, by education and...**



**TABLE 3: Percent of unemployed workers receiving, applying, and rejected for UI benefits**

		Percent received benefits	Percent applied for benefits	Of applicants, percent rejected
Full sample		57.0	64.0	10.2
Age	24 and younger	24.0	29.6	19.1
	25-39	54.7	61.1	10.4
	40+	72.2	79.0	8.5
Sex	Female	57.2	63.6	10.1
	Male	57.2	63.6	10.0
Education	High school or less	50.0	57.1	12.4
	Some college and higher	63.3	69.2	8.5
Race/ethnicity	Black	54.9	62.0	11.2
	Latino	43.2	50.0	14.2
	Asian and others	63.2	69.0	8.0
	White	74.7	80.0	6.6
First language	First language is English	60.4	67.0	9.6
	First language is other	51.6	58.0	11.0
Immigration status	Born in the U.S.	56.2	63.0	10.3
	Born elsewhere	61.5	68.0	9.3
Public assistance (PA)	Did not receive PA in past 5 years	60.2	66.0	8.9
	Received PA current in past 5 years	51.2	57.0	10.8
Reason for leaving job	Lay-off or business closed	73.6	77.7	5.3
	Temporary job ended	49.3	55.6	11.4
	Fired	54.0	64.4	16.2
	Quit	13.7	28.4	51.7
Months unemployed	3 months or less	53.1	58.0	8.5
	4 to 6 months	61.8	67.0	7.4
	More than 6 months	60.7	69.0	11.7
Tenure at last job	Less than a year	44.2	52.2	15.3
	1-9 years	61.5	67.4	8.8
	10+ years	79.8	86.1	7.3
Hourly wage at last job	Low-wage: Less than \$10	43.3	49.2	12.0
	Mid-wage: \$10 - \$17	58.1	66.0	12.0
	Higher-wage: \$17.01 and up	76.0	81.6	6.9
Work status at last job	Full-time workers	64.0	70.0	8.8
	Part-time/part-year workers	39.1	44.9	13.0
	Temporary and on-call workers	28.9	44.0	34.9
Industry at last job	Services	55.8	62.0	10.5
	Retail and wholesale trade	48.1	53.0	9.6
	Finance, insurance, and real estate	82.7	89.0	7.1
	Manufacturing, construction, & others	64.9	70.5	8.0
Occupation at last job	Professional, managerial, technical	76.4	81.0	6.0
	Service, sales, clerical	52.6	59.9	12.2
	Blue collar	61.9	67.0	7.8
Number of times unemployed in last 5 years	Once	61.5	67.0	8.0
	2 times	59.2	67.0	12.2
	3 or more times	48.0	56.0	13.6

# BREAKING IT DOWN: WHAT EXPLAINS THE UNEQUAL DISTRIBUTION OF BENEFITS?

**I**n sum, there is a striking inequality in who receives unemployment benefits. Those who are least likely to get benefits are precisely those who are most vulnerable to fluctuations in the economy, and who most need temporary income support – workers in low-wage or contingent jobs, workers of color, and those in front-line service occupations.

Those who are least likely to get unemployment benefits are precisely those who need income support the most – workers in low-wage or contingent jobs, workers of color, and those in front-line service occupations.

These patterns are troubling. Most working families are not eligible for programs such as public assistance, food stamps, and Medicaid. When a family member loses her job, unemployment benefits are often the only possible source of income support – at least until the family spends down its savings, enters poverty status, and then perhaps qualifies for public assistance. But again, this is not a constructive or humane way to run an economy.

So what's at work here? Why are there such strong differences in reciprocity across different groups of workers, defined by wages, occupations, race, ethnicity, work status, and age?

The answer has to do with differences in both who applies for benefits and who is rejected for benefits. Many workers never apply for unemployment benefits, often because they don't think they are eligible, are afraid to, or don't know how. And among those who do apply, some workers are more likely than others to be rejected.

## 1. Differences in who applies for benefits

Overall, 64% of the unemployed workers in our sample applied for benefits. Going down the second column of Table 3, differences in these application rates look remarkably similar to the differences described previously in reciprocity rates. Moreover, in a statistical model, all of the factors that strongly predict whether or not a worker received benefits also strongly predict whether or not a worker applies for them – wages, income, race, occupation, age, and reason for job loss.

In other words, the inequalities that we documented in UI reciprocity are partly the result of inequalities in who applies for benefits.<sup>13</sup>

So why don't people apply?

These national data mirror our findings. Table 4 shows the distribution of reasons that respondents in our sample did not apply for benefits, and there are four that dominate. By far, the most common reason is that the worker didn't think she was eligible – listed by more than half of non-applicants. Another quarter said that they expected to have a job soon – an increasingly tenuous reason, given that long-term joblessness is the high-

est it has been in 10 years. Almost one-fifth said that they were worried about immigration issues or that they worked off the books. And close to one in 10 said that they didn't know about unemployment benefits or how to apply for them, or thought that they had used up all of their benefits – for young workers, almost a quarter fell into this category. Only a small percentage reported reasons such as not needing the money or because of negative conceptions of the UI program. These patterns closely track national government data.<sup>14</sup>

From a policy standpoint, these results are alarming. Substantial numbers of the unemployed are screening themselves out, not applying for benefits and therefore guaranteed not to get them. Often they are doing so based on preconceptions about how the UI system works and their eligibility, because of fear about immigration status, or because of lack of knowledge about how to apply.

To a significant degree, these preconceptions are accurate. For example:

- Of the temporary workers in our sample who did not apply for benefits, almost half thought that they had not worked enough to be eligible. This is a far higher percentage than among full-time workers.
- Low-wage workers who did not apply for benefits were much more likely than others to think that they had not earned enough to qualify.
- Latino and Asian workers who did not apply for benefits were much more likely to report that they were worried about immigration issues or had worked off the books, and therefore did not think they were eligible.
- Workers who were fired, who quit their jobs, or whose temp jobs had ended were significantly more likely to think that they were not eligible, and therefore not apply.
- Workers who had several unemployment spells in the last three years were less likely to apply for benefits, and more likely to think that they were ineligible – an indicator that workers learn from past attempts to apply for UI benefits.

**TABLE 4: Reasons why workers did not apply for unemployment benefits**

	Percent			
I didn't think I was eligible	56.8	→	Of those who said "I didn't think I was eligible":	
I didn't apply because I expected to have a job soon	24.9		I didn't think I worked or earned enough	36.4
I'm worried about immigration issues/I worked off the books	17.3		I voluntarily left my last job	29.8
I didn't know about unemployment insurance or how to apply	9.0		I was an independent contractor	16.1
I plan to file soon or I didn't need the money	5.8		I was not available for work	10.3
Too much of a hassle or like charity or welfare	4.5		I was fired for misconduct	7.9
Other	4.6		I refused to accept suitable work	3.4

*Note: respondents could choose more than one answer*

As shown in the box below, these assessments echo the eligibility rules used by the New York State Department of Labor in determining who will receive unemployment benefits. Structurally, these rules tend to exclude workers in contingent jobs, low-wage workers, ex-welfare recipients, and cases in which there was not a clear-cut “involuntary” job loss. This bias in eligibility rules, especially against low-wage, part-time, part-year, and temporary workers, is well documented and has been shown to have a significant negative effect on both application and reciprocity rates.<sup>15</sup>

Still, New York State’s eligibility rules are complicated, and they became more complicated in the past year and a half with the availability of extended and disaster benefits. An analysis of national data in the 1980s suggests that at least some of the unemployed who do not apply for benefits would, in fact, be eligible for them.<sup>16</sup> We will explore this point in more depth below.

## **2. Differences in who is rejected for benefits**

Once workers apply for unemployment benefits, there is of course the question of whether they are approved. In 2001, official government data for New York State show that 29.5% of new applications were denied, and almost one-third were denied because of insufficient earnings.<sup>17</sup>

The rejection rate in our sample is lower, at 10%. Since only 73 workers in our sample were rejected for benefits, we do not feel comfortable generalizing from this group. Still, the rejection rates of different groups of workers in the third column of Table 3 are instructive. Several groups do appear

### **ELIGIBILITY RULES FOR UNEMPLOYMENT INSURANCE IN NEW YORK STATE**

The basic criteria that a worker must meet in order to qualify for unemployment insurance benefits in New York State are:

1. The person must have lost a job through no fault of his or her own;
  - Workers who “involuntarily” lost their job through lay-offs or plant closings are covered.
  - Workers who “voluntarily” quit their jobs are not covered, unless they can demonstrate “good cause” for leaving (such as compelling health problems).
  - Workers who were fired are covered, unless they were fired because of “misconduct” on the job.
2. The person must be actively seeking “suitable work” and accept suitable work if offered;
  - Workers are allowed to limit their job search to “suitable work” — jobs that fit their skills, personal circumstances, and “the prevailing conditions of work” in the community. But after 13 weeks, workers cannot refuse a job that pays at least 80% of their former wage.
3. The person must have earned at least a certain amount of money during a recent one-year time period.
  - The Department of Labor tests for sufficient earnings in the first four of the last five completed calendar quarters before the quarter in which the worker applies for benefits.
  - In practice, low-wage workers, part-time and contingent workers, and those re-entering the workforce have a harder time qualifying for benefits. For example, someone who has worked continuously for 20 hours a week at \$6.50 an hour or less would not qualify for UI benefits in New York State.

In addition, there are specific classes of workers that are explicitly excluded from coverage, including workers who are formally classified as independent contractors.

to be at a disadvantage when it comes to being approved for benefits: low-wage workers, workers of color, contingent workers, the young, and workers who left their jobs for reasons other than lay-offs or plant closings.

And there are clear reasons for these differences. We asked our respondents why they were rejected for unemployment benefits, and in general, the reasons given mirror the eligibility rules discussed above, highlighted even more when broken down by different groups of workers:

- Low-wage workers were 48% more likely to be rejected for insufficient earnings or hours than others. Astonishingly, they were six times more likely to be rejected because bad health or care giving responsibilities kept them from being able to seek work.
- Temporary and part-time workers were 75% more likely to be rejected because of insufficient earnings or hours than full-time workers. They were also three times more likely to not know why they were rejected.
- Workers who had quit their jobs were 3.5 times more likely than others to be rejected because they had done so without “good cause.”

By law, everyone who applies for benefits and is rejected is entitled to appeal and ask for a hearing. But in our sample, few workers had appealed and won. As shown by the quotes in the sidebar, the process is not always straightforward.

Workers who did not appeal usually said that they did not think they could win, or else did not know how to begin the process. Other responses were heartbreaking and, at times, show misconceptions of how the UI system works.

**Workers describe what happened when they were rejected for benefits and appealed:**

*“I’m still waiting. I’m hard of hearing and everything has to be done over the phone. They keep sending my mail to the wrong address.”*

*“After receiving a letter and being told that I qualify I never received any more correspondence.”*

*“I could not find representation; I tried to request [a] reschedule but was denied.”*

*“They never responded.”*

*“They said I waited too long.”*

*“After two adjournments, I was denied.”*

*“They said I should pay back the money they sent me because of an INS mistake.”*

**Workers explain why they did not appeal after being rejected for benefits:**

*“I don’t have time, I need food.”*

*“Because of my health.”*

*“I was too upset and numb at the time to contest.”*

*“I received a letter after 4 months saying I should reapply; I tried and was denied again; so why bother?”*

*“Union workers often not eligible.”*

*“I figured it would be easier to just temp.”*

*“I believed what I was told by the person on the phone.”*

# DOES OUTREACH MAKE A DIFFERENCE?

**W**e have so far drawn a very stark picture of a safety net that is not serving significant numbers of unemployed workers – especially those who need income support the most. Part of the problem lies with eligibility rules that either discourage workers from applying in the first place, or that disqualify some groups of applicants more often than others. So there is clearly a need to reassess UI eligibility rules (a topic to which we will return below). But on the ground and in our communities, is there also a role for making the UI system more accessible?

After the World Trade Center attacks, there was an extraordinary effort on the part of relief organizations, community groups, public agencies, and unions to reach workers and their families in New York City and help them access a range of social supports, including unemployment insurance. By mid-year of 2002, \$2.7 billion in charitable donations had been distributed along with more than \$20 billion in government funds. The September 11<sup>th</sup> Fund alone made 392 grants to local groups, which it estimates translated into aid for over 100,000 people by the end of 2002. The Federal Emergency Management Agency (FEMA) approved nearly 10,000 applications for mortgage and rental assistance, and fully funded the Crisis Counseling Assistance and Training Program (CCP) that did outreach and offered crisis counseling to anyone who was in the affected area at the time of the disaster.<sup>18</sup> And this inventory just scratches the surface; hundreds of community groups and thousands of individuals worked on the ground to translate the disaster funds and volunteer energy into concrete emergency services for the victims.

To what extent does this effort give us lessons about the potential for increasing access to public benefits? Our survey provides several powerful pieces of evidence on this question. Table 5 shows three indicators of the effectiveness of direct outreach and assistance to the unemployed:

- First, the myriad outreach efforts following the September 11<sup>th</sup> tragedy apparently had a strong impact on helping the unemployed apply for benefits. Overall recipiency jumped by 24% in the months from September to December of 2001 – a clear effect of outreach efforts, especially since the recipiency rate fell again in 2002.

**TABLE 5: The effects of outreach on recipiency rates**

	Percent of workers who received benefits
<b>When respondent became unemployed</b>	
Before September '01	51.9
September '01 to December '01	64.6
January '02 onward	56.5
<b>Whether respondent was union member at last job</b>	
Not union member	53.5
Union member	73.9
<b>How the respondent received the survey</b>	
Through a membership organization	70.5
Through a nonprofit organization	62.7
At a community college class	44.9
On the street	38.6
On the web	69.4

- Workers who had been union members at their last job were 38% more likely to receive unemployment benefits than those who had not been union members. In past research, this is a well-documented finding: Unions significantly boost reciprocity rates by providing information and assistance in the application process to their members.<sup>19</sup> At their best, unions have a driving mandate to help support their workers during lay-offs or joblessness.
- Finally, there is a clear relationship between reciprocity and where we found the respondents for our survey. Workers whom we found at outreach organizations – membership groups and nonprofits – had quite high reciprocity rates.<sup>20</sup> By contrast, workers whom we found by canvassing the streets, waiting lines at job fairs, or community college classes were much less likely to receive benefits. (For the small percent of respondents who filled out the survey on the web, we have very little information on how they actually applied for benefits.)

We should emphasize that these are strong effects. They remain significant in a statistical model in which we control for a host of other worker and job characteristics that could influence the reciprocity rate (see Appendix B).<sup>21</sup>

There is also a second part to the outreach story – which is that outreach can significantly reduce the inequality in who receives unemployment benefits. A powerful case study is given in the sidebar, documenting the effectiveness of walk-in application centers in Queens and Brooklyn specifically targeted at Chinese speakers who have only limited English.

And this is not an isolated example.

- Figure 5 shows that unemployed workers whose first language was not English were significantly more likely to receive UI benefits in the months immediately following September 11<sup>th</sup>, erasing any language difference in reciprocity. A similar effect is shown in the second panel, which shows the disadvantage that workers of color usually experience in accessing unemployment benefits was much reduced in this time period.
- Figure 6 shows that unions have consistently been able to help all of their members access the UI system, across the entire survey span (2001 and 2002). The usual reciprocity gap between low-wage and higher-wage workers, and between white workers and workers of color, is completely erased for union members.

It is no accident that outreach makes a difference. Applications for UI benefits in New York State are almost exclusively taken over the phone, through a largely automated system. To date, that automated system

#### **A CASE STUDY IN EFFECTIVE OUTREACH: CHINESE WORKERS**

In our sample, there were 187 workers who reported that their first language was Chinese. Many had held low-wage jobs, did not have much education, and most indicated that they were uncomfortable either reading, writing, or speaking English – all factors that usually mean the worker will have a hard time accessing the UI system.

And yet, fully 71% of these workers received unemployment benefits, far above the average for our sample and for New York State as a whole.

The reason for their success lies with two factors. First, 95% of these workers filled out our survey at well-established organizations that have strong records of providing advocacy and support services to this community.

Second, 72% of these workers applied for benefits at two unique walk-in centers (in Queens and Brooklyn) that have translators and are explicitly meant to help Chinese unemployed workers with limited-English access benefits. The striking success of these two centers is a clear example of the effectiveness of, and need for, concerted outreach at both the state and local level.

Unfortunately, these centers may be in jeopardy. In 1999, the Department of Labor closed all of its walk-in unemployment centers across the city. The Asian American Legal Defense and Education Fund (AALDEF) sued the Department of Labor, and as part of a preliminary ruling the Queens and Brooklyn centers were kept open. But the lawsuit is still pending and the ultimate fate of the centers remains to be determined.



FIGURE 5: The effect of outreach on UI reciprocity...

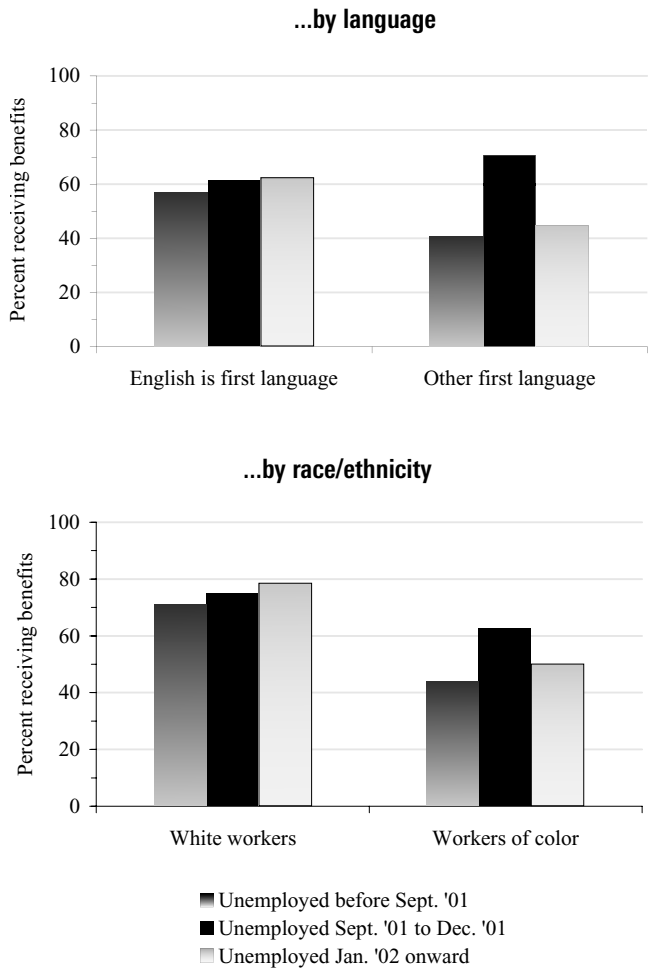
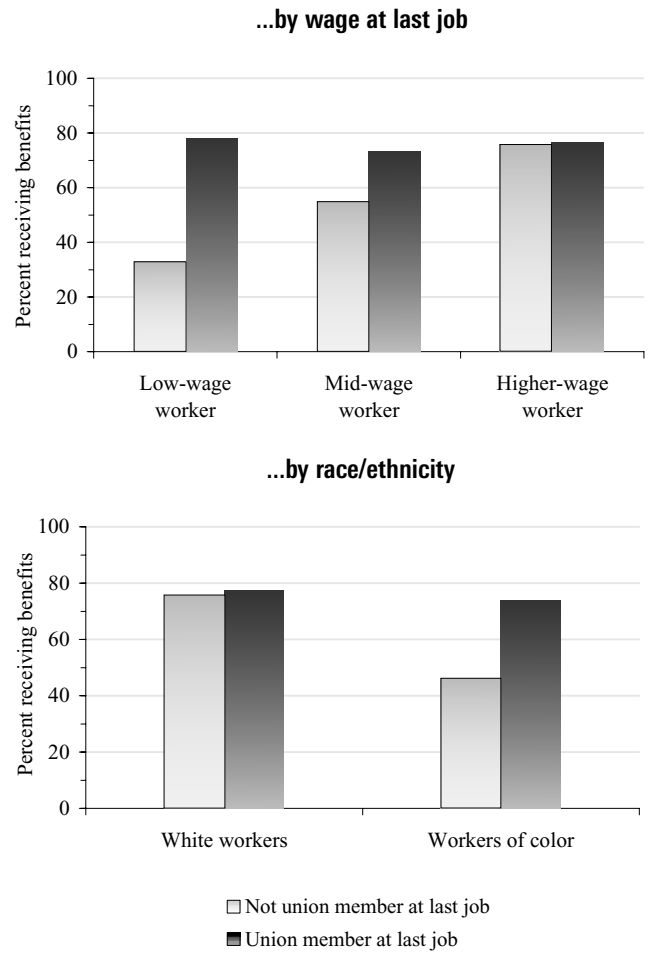


FIGURE 6: The effect of unions on UI reciprocity...



is available only in English or Spanish. There is the possibility that an interpreter for several other languages could be accessed, but only if the applicant understands sufficient English to get far enough into the menu to request one. The menu system itself can also be difficult to navigate, especially when additional documentation is needed. The result is that advocacy and immigrant groups and legal services providers in New York City have consistently found that the comprehension barriers in the application process are so daunting that they often have to guide their clients through the process.

In sum, there is an obvious lesson here for public policy. It is, in fact, possible for the UI system to serve all workers equally. And as shown by the effectiveness of unions in helping their members receive benefits, it doesn't require the Herculean efforts evident after September 11<sup>th</sup>.

## A note on the application process

In our survey, we asked respondents whether they had any problems in the application process. But only workers who had *successfully* filed an application typically answered this question, so we do not have a good record of workers who tried to apply but found the process too difficult or confusing and never completed it. Still, it is useful to briefly look at problems encountered by successful applicants: 47% reported having trouble finding out what number to call or navigating the phone system; 13% reported more serious problems of comprehension, such as understanding the phone system; and 12% reported serious problems, in which, for example, the Department of Labor challenged the application and asked for more proof of eligibility from the worker.

There is also some evidence that the outreach efforts discussed above resulted in fewer problems being reported – for example, immediately after September 11<sup>th</sup>. But still, most of the workers who completed the application process ended up receiving benefits. The more important question is whether there were significant numbers of workers who were discouraged by barriers in applying and never finished the process – especially those speaking languages other than Spanish or English. Our survey was not able to record instances of such discouraged workers, and this is a clear area for future research.

*“I was amazed at how badly I was treated by the unemployment system. And unless you have a lawyer, how are you supposed to know anything about the law, the process, how are you supposed to represent yourself?”* Former medical billing clerk who quit her job because of harassment in December and is still in hearings with the DOL because her application for unemployment insurance was rejected. After four months of living on no income at all, she has come close to exhausting the savings she accumulated over the past 10 years; her credit card payments are on hold, and she is moving to Florida, where she hopes it will be easier to find work.

# HARDSHIPS I: HOW DO WORKERS AND THEIR FAMILIES COPE DURING UNEMPLOYMENT?

**T**he current recession, now two years old, has caused serious hardships for families across the country.

For example, nation-wide participation in food stamps programs has risen by 3.5 million people since January of 2001. In New York City, the World Trade Center attacks added an additional layer of displacement, distress, and need. Emergency food programs were already operating at capacity before September 11<sup>th</sup>, but the majority saw substantial increase in demand after the attacks. The number of homeless sleeping in shelters reached an all-time high this past year, with 38,254 people staying in shelters or welfare hotels at some point in March 2003. This is more than double the number four years ago, and in particular, includes a significant rise in the number of homeless children.<sup>22</sup>

The unemployed workers and families in our survey fared no better. Table 6 shows that the large majority (88%) experienced substantial hardships directly as a result of unemployment, and had to resort to a range of coping strategies:

- 60% experienced economic stress – such as having to cut down on meal sizes, going to a soup kitchen, having utilities cut off, being evicted, having to go to a shelter, or having to drop health insurance or child care.
- 79% had trouble paying their bills – such as rent and utilities; phone, cable, and credit card bills; loans; or health insurance and childcare.
- 86% made sacrifices to meet bills – such as withdrawing savings, borrowing money from friends or banks, selling property, or charging on credit cards. And this money was used simply to cover the basics, such as food, rent, and medical costs.
  - ➔ Among low-wage workers, the median amount charged on credit cards was \$1,400, with a maximum of \$40,000. Among higher-wage workers, the median amount was \$2,900, with a maximum of \$150,000. The large majority (71%) was still paying off these amounts, at a median interest rate of 18%.
- 74% lost their employer-provided health insurance. Of those who managed to retain health insurance through COBRA or their union, 58% saw their co-pay increase. (Recall, however, that only 50% had health insurance from their last employer to begin with).

**TABLE 6: The extent of hardships resulting from unemployment**

<b>Percent of sample reporting at least one hardship:</b>	<b>87.8</b>
Percent that experienced economic stress:	59.6
Had to cut down on meal size or go to a soup kitchen	30.9
Utilities were cut off	19.9
Had to drop health insurance or childcare	19.2
Was evicted, or had to move to a shelter	11.1
Filed for bankruptcy	3.7
Percent that had trouble paying bills:	79.3
Rent and utilities	57.6
Phone and cable	45.5
Credit card	36.1
Health insurance	20.6
Childcare	10.6
Auto and other loans	10.4
Percent that made sacrifices to meet bills:	86.0
Withdrew savings	56.2
Borrowed money from friends or relatives	39.2
Borrowed money from a bank or on a credit card	24.5
Sold or pawned property	19.8
Did odd jobs or asked for money on subway or street	17.2
What this money was used for:	
Food	61.9
To pay bills	72.9
Medical costs	18.6
Rent	51.4
Clothing	27.9
Other	9.5
Of those that had employer-provided health insurance, the percent that lost it:	74.2
Percent still receiving health insurance through COBRA	15.5
Percent still receiving health insurance through union	10.3
Of those that had an employer-provided pension, the percent that lost it:	49.7
Percent that will still receive full pension	30.5
Percent that will still receive part of pension	19.7

- 50% lost their entire employer-provided pension and another 20% lost part of their pension. (Only 21% of the sample received a pension from their last employer).

These are all indicators that unemployment places considerable stress on the economic and psychological health of working families. And at this point, it is worth reminding the reader that more than half of the workers in our sample had been unemployed for six months or longer. For many, the hardships that we document here have become chronic, a permanent change in daily life. But even for those who have been unemployed for shorter periods, the downward spiral into hardships usually begins quite quickly – the typical worker can only replace five weeks of lost earnings without a job.<sup>23</sup>

While almost all families struggle during unemployment, there are systematic differences in the types of hardships experienced. Some hardships were felt across the board, regardless of the wages the worker had been earning at her last job – for example, having trouble paying rent, borrowing from friends or relatives, and doing odd jobs to make ends meet.

But for other hardships, there is a distinct patterning by the resources available to the worker:

- Low-wage workers were 48% more likely to have had their utilities cut off than higher-wage workers, and more than twice as likely to be evicted or to be forced to move in with friends or relatives. They were also much more likely to have gone to a soup kitchen and to ask for money on the streets or subways.
- Conversely, higher-wage workers were 57% more likely to have withdrawn savings, 40% more likely to borrow money from a bank, and 59% more likely to have problems paying off their credit card bills.<sup>24</sup>
- In general, mid-wage workers looked much more like low-wage workers in their experience of hardship than higher-wage workers.
- These differences are not surprising, but it is important to highlight that while unemployment hurts everyone, it hurts some more than others. Low-wage workers and their families have very little margin for error and are often thrown into a very real state of crisis by even short spells of joblessness.

*“I used up my savings and then had to use FEMA money for other bills – auto insurance, utilities. The stress causes health problems, it’s pulling my family apart. I’m cutting back in making long-term plans, like going to school.”* Louis Molina, former taxi driver. Louis worked 16-hour shifts almost every day for six years because the income from a 12-hour shift wasn’t enough to cover basic expenses. In the winter of 2002, he sometimes finished a 16-hour shift with no more than \$50 after paying his daily lease fee and gas money. Because taxi drivers are classified as independent contractors, Mr. Molina never had health insurance, never received overtime, and did not qualify for unemployment insurance.

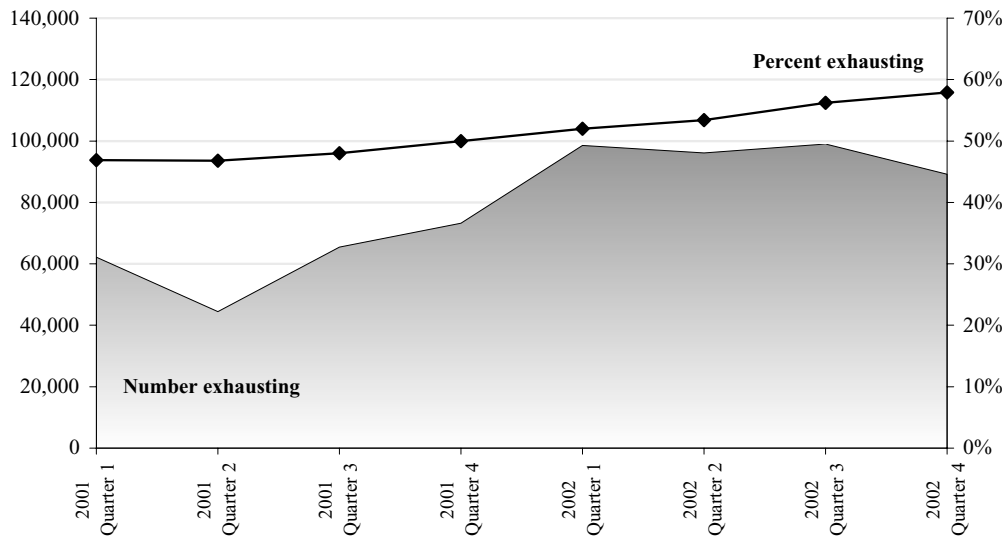
# HARDSHIPS II: DO UNEMPLOYMENT BENEFITS HELP?

**A**s stated at the outset, one of the key goals of the unemployment insurance system is to provide temporary income support when workers lose their jobs, avoiding a downward spiral into economic hardships and poverty.

The picture, however, is complicated by two facts:

- (1) Unemployment benefits are temporary, with the result that significant numbers of workers exhaust their benefits before finding a new job.

New Yorkers can receive regular unemployment benefits for a maximum of 26 weeks. Recognizing the depth of our current recession, the federal government also instituted an additional 13 weeks of extended benefits in March 2002, and renewed that program in January.<sup>25</sup> Even these extensions have not been enough, however. Figure 7 shows that the number of New Yorkers who exhausted their regular benefits increased as the recession worsened, hovering near 100,000 per quarter for much of last year. By the end of 2002, the percent of workers exhausting their regular benefits stood at 58%. Starting in June 2002, thousands of workers also began to exhaust their extended benefits, quickly jumping up to almost 80,000 a quarter.

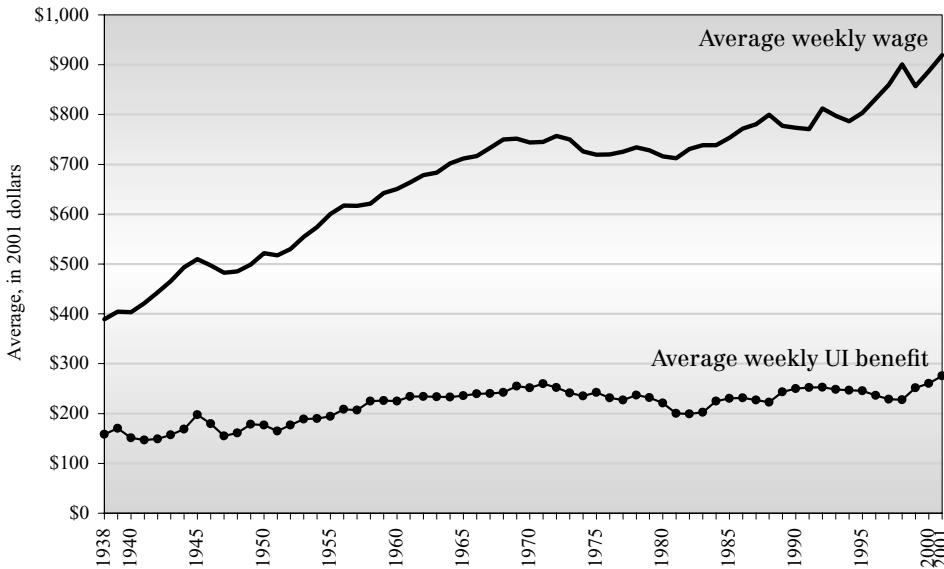


**FIGURE 7: Number and percent of workers exhausting regular UI benefits in New York State**

Source: US Department of Labor (2003b)  
Percent exhausting is 12 month moving average

(2) The benefits themselves do not fully replace the workers' lost earnings.

The average weekly wage in the fourth quarter of 2002 was \$885 in New York State. But the average weekly UI benefit was only \$275 per week. This translates into a replacement rate of just 31% for a typical worker. And as shown in Figure 8, benefit amounts have not kept up with the growth in earnings over time.<sup>26</sup>



**FIGURE 8: Average weekly earnings and UI benefit amount in New York State, 1938-2001**

Source: US Department of Labor (2003b) and (2003e)

These two limitations are very much in evidence in our sample of New York City workers:

- Overall, the median weekly UI benefit check was \$309, ranging from a low of \$13 to \$405 (the maximum possible). That paycheck replaced 46% of usual weekly earnings for the median worker.
- But higher-wage workers received much more than lower-wage workers (\$405 and \$156 a week, respectively). Percentage-wise, their replacement rate was lower, because unemployment benefits are capped at \$405 a week. In the absolute terms, however, workers with higher earnings at their last job were at a substantial advantage.
- Of the workers who received unemployment benefits, 44% exhausted their regular benefits. The majority went on to apply for extended benefits, but even with these additional weeks of income support, more than two-thirds (68%) exhausted their extended benefits before finding a job.

Given the current reality of the unemployment insurance system – that it only provides temporary, partial income support – what can we say about its ability to alleviate economic hardships for jobless workers and their families?

In order to answer this question, we use a subset of the hardship measures described above, focusing on “serious” hardships that indicate a growing

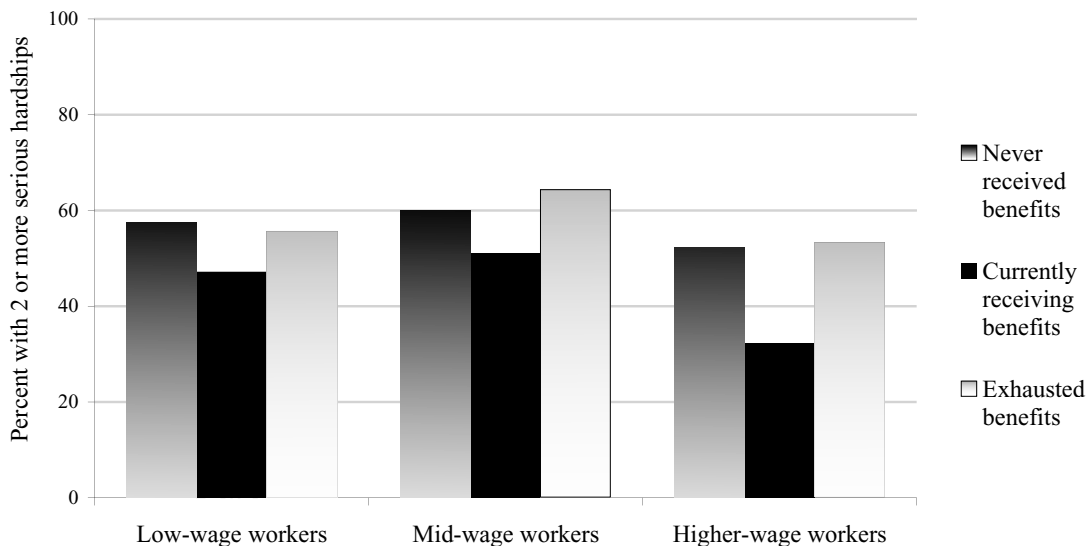
crisis in the ability of the worker and her family to meet basic needs. These serious hardships consist of the following: utilities being cut off, being evicted or having to move to a shelter, having to go to a soup kitchen or cut meals, having trouble paying rent or utilities, selling or pawning property, borrowing money from friends or relatives, and doing odd jobs or asking for money in the subway. In Figure 9, we look at the percent of workers who reported two or more of these serious hardships that were directly the result of unemployment:

- The incidence of serious hardships was distressingly high – overall, 52% of our sample reported two or more such hardships.
- Receiving UI benefits clearly reduced the incidence of serious hardships. This effect was most pronounced for higher-wage workers – perhaps not surprisingly, since their unemployment benefits were on average significantly larger than those of the other two wage groups.<sup>27</sup>
- But once UI benefits were exhausted, the incidence of serious hardships bounced back to previous levels, a clear indication of the extent to which many of these workers and their families depended on those benefits.<sup>28</sup>

*“Normally I can find a job really quick. I have a good resume, but no one’s hiring. Now I need to have an open Public Assistance case because I’m waiting for housing subsidies and I need food stamps – basically, you’re forced to be on welfare. Now they want me to work in the WEP program for \$200 every two weeks when I used to get \$400-\$500 per week, and that was barely enough for my family.”* Jean Taylor, former accounts receivable clerk, who exhausted her unemployment benefits in January 2003. Without income to pay rent or utilities, Ms. Taylor was forced to leave her home and take her five children to the City’s Emergency Assistance Unit which, after several days, placed them in a temporary residence home.

In sum, unemployment benefits did help to alleviate economic stress and reduce hardships for our sample, a point that should not be lost. At the same time, the incidence of serious hardships was high regardless of whether a worker received benefits or not, underscoring how the limited reach of the UI system ultimately limit its effectiveness. A national study of the extended benefits program in the last recession came to a similar con-

**FIGURE 9: Percent of workers reporting two or more serious hardships, by wage level and whether or not received unemployment benefits**





clusion: The program kept a considerable number of families from falling below the poverty line, but for others was insufficient either in benefit amount or duration.<sup>29</sup>

### The role of other safety net programs

If fewer than half of the unemployed get UI benefits – and more than half exhaust those benefits before finding a job – are other safety net programs able to fill the gap?

In our survey, we asked workers which other forms of assistance they had received as a result of becoming unemployed.

- 8% received public assistance
- 21% received food stamps (the majority fell below the poverty line)
- 23% received Medicaid, Disaster Medicaid, or Medicare (the majority fell below the poverty line)
- 7% received Child Health Plus or Family Health Plus
- 4% received housing subsidies
- 31% of those who lost their jobs between September and December of 2001 received some type of 9/11 relief assistance.

Unfortunately, other programs in the safety net are no stronger than unemployment insurance. This is because a majority of those programs have stringent income guidelines, and are only meant to support a small subset of the population. The upshot is that in the end, too many workers and their families are barely getting by.

*“I’ve gotten help from Safe Horizon, a little bit from Red Cross and quite a bit from the Salvation Army. ... Nevertheless, I’ve had to go bankrupt. Extended benefits for unemployment would have helped prevent that. That’s why I, who have tried to do the right thing all my life, come here begging you to do the right thing.”* Joe Bergmann, former creative director in marketing, testifying before the U.S. House of Representatives Committee on Ways and Means in April, 2003. Mr. Bergmann has been working since he was 14; he is currently unemployed for the first time in his life after being laid off by an advertising firm. He has been searching for a job since the day he was laid off in October 2001 and has sent out more than 2000 resumes, to no avail.

<b>Not Getting By on Unemployment: Income and Expenses for Nereida Peña</b>	<b>Monthly Expenses</b>		<b>Monthly Income</b>	
	Nereida Peña is a former Windows on the World employee who found a job at the Russian Tea Room after the September 11th disaster. But she has been unemployed since the Tea Room closed in July 2002. Though she applied for FEMA rental assistance months ago, she only began receiving it in April 2003. For more than six months, she supported her family on unemployment benefits alone, which did not even cover her monthly rent. Now that she is receiving FEMA, her unemployment insurance is about to run out, and she is still without work. FEMA will pay her entire rent, but she has no income to cover the costs of electricity, food, gas, or phone, let alone healthcare costs, childcare, transportation, or spring clothing for her children.	Rent	\$830	FEMA rental assistance
	Electricity	\$110	Unemployment benefits (\$169 per week)	\$676
	Food	\$800	Food Stamps	– not eligible
	Gas	\$65	Medicaid	– not eligible
	Phone	\$80		
	<b>TOTAL EXPENSES</b>	<b>\$1885</b>	<b>TOTAL INCOME</b>	<b>\$1506</b>

# SEARCHING FOR A JOB

**D**espite the considerable hardships just described, and the fact that more than half of our sample had been unemployed for six months or longer, almost everyone that we surveyed (95%) was still actively searching for a job.

And importantly, by far the biggest problem was simply the lack of jobs. We asked our respondents why they were still unemployed, with the following responses:

- 71% said that they could not find any job at all, or a job that offered enough hours and earnings.
- 15% said that they were hampered by insufficient education, job experience, English-speaking ability, or that they were too young or too old.
- 9% said that they were hampered by lack of transportation, a driver's license, or their health.
- 5% said that they were constrained because they had to take care of children or a sick relative.

We also asked workers to list the top three resources that had been most helpful to them in their job search. The results, shown in Table 7, reflect what we know from other studies about job search in general. Despite the growing efforts both nationally and locally to provide a coherent system of job placement centers, by and large, workers still go it alone, contacting employers, and using informal networks, newspapers, temp agencies, and now the web. In particular, it is troubling that more workers said they had gone to a temp agency or headhunter (29%) than to a job center or other government agency (22%).

At the same time, a large number of the workers in our sample enrolled in training or education classes. As shown in Table 8, fully 52% had enrolled in some sort of class, representing a range of education institutions in the city. This is an astonishing level of effort, given the duress imposed by joblessness and constant job search. The breakdown by program also shows a healthy use of what are commonly known as “life-long” learning programs – community colleges, vocational schools, government training programs, business schools, and GED and ESL classes.

Clearly, lack of effort in both job search and skill development has not been a problem for these workers. In a city that has lost 226,100 jobs since the start of 2001, there simply aren't enough

**TABLE 7: How unemployed workers searched for jobs**

	Percent
Newspaper ads	58.4
Friends or relatives	51.4
The web	38.1
Temp agency or head hunter	29.2
Directly contacting employers	22.4
A job center or other government agency	22.1
Neighborhood organization or church	7.8
My union	7.7
Professional association	6.7
Community college placement office	4.4
Standing on day labor corners	1.8

*Note: Respondents could check more than one method*

**TABLE 8: Enrollment in training or education programs**

	Percent
All training and education programs	52.0
Vocational school	8.6
Community college	7.9
Government training program	7.5
GED or ESL classes	7.5
Business school	5.2
Four-year college	4.3
Other	7.1

job opportunities – which just serves to highlight again, above all else, the fundamental need for income support for the unemployed.

In addition, from the standpoint of public policy, the lack of connection to public employment resources is not a good sign. While not the focus of this report, it is worth noting the broad consensus that our city's workforce development system is in shambles. The goal of the One-Stop Centers was to establish an integrated system of training and job placement where workers could expect a full menu of integrated services. In New York City, this reorganization has not yet taken place, for a complex set of reasons. Prime among them is the abandonment of workforce policy by the last mayoral administration and its pernicious approach to welfare reform. The result is a system that barely manages to distribute funds on time, never mind systematically connect workers to employer-based training and job placement.<sup>30</sup>

## A note on re-employment

A key question that our survey cannot speak to is what happens when unemployed workers manage to find a new job. This is because we focused on talking to workers who were currently unemployed, and much of our research strategy (e.g. administering surveys outside of job centers, and working with outreach organizations) reflects that focus.

However, a small number of workers in our sample (212) did in fact report that they had recently managed to find some sort of employment. This is too small a group to analyze in depth, but a quick look tells a story that is well known. Using their old jobs for comparison, these workers were less likely to be working full-time, to be earning the same amount of money, to have employer-provided health insurance or pensions, and to be working for a unionized employer.

More generally, a long history of research has documented that unemployed workers often have a very hard time finding full-time jobs with earnings equal to their last jobs. For example, a national study of workers who had exhausted all of their UI benefits in the 1990s found that two-thirds reported a drop in earnings, and almost half saw a decline in their weekly hours. Another national study focused on the last recession and tracked displaced workers who had lost a full-time job in 1991 or 1992. Two years after displacement, more than two thirds of these workers were either still searching for work, out of the labor force, self-employed, employed part-time, or employed full-time with earnings less than those on their last job. Similarly, a study of New Yorkers who had exhausted all of their UI benefits during the last recession found that a year after losing their benefits, only 31% had found a new job, and of those, 76% earned less than at their old job.<sup>31</sup> The bottom line is that the impact of unemployment often reaches far past the actual state of joblessness itself, affecting wages and hours worked for years to come.

*"I am constantly looking for a job each and every day. But no one calls back. Whenever I go I meet the manager or the department head and they give me an application but they say, 'The economy is not booming and I can't give any promise I'm going to call you. As soon as there is an opening for you I will call you.'" Mohammed Fruitwalla, former food service employee at the World Financial Center. Because he had worked at the World Trade Center site, Mr. Fruitwalla received 18 months of rental assistance from FEMA, but he received only \$191 per week of UI benefits to pay for utilities, food, and other expenses for his family of four. Mr. Fruitwalla exhausted his unemployment benefits months ago and will exhaust his FEMA assistance soon; despite persistent searching, he has been unable to find a job.*

# CONCLUSION: WHAT CAN PUBLIC POLICY DO?

**T**he lesson from this report – and from countless voices and stories portrayed in newspaper articles and interviews across the country – is that while the unemployment insurance program holds enormous promise as a comprehensive safety net for millions of working families, in practice, that promise has too often been hollow.

By far the greatest failure of the program is that it systematically fails to serve those who most need it. As documented in this report, fewer than half of unemployed workers in New York State actually received UI benefits in 2001 and 2002. And those who needed help the most – low-wage workers, part-time and temporary workers, and workers of color – were the least likely to get it.

Sadly, these findings are not new. Recently, the General Accounting Office spoke forcefully about the inability of the UI system as currently administered to meet the needs of low-wage workers and ex-welfare recipients. And in light of the steady decline in reciprocity rates over the past three decades, two policy analysts from the Advisory Council on Unemployment Compensation concluded that “the UI program no longer responds to the needs of a growing portion of the unemployed population.”<sup>32</sup>

*“The UI program no longer responds to the needs of a growing portion of the unemployed population.” McMurrer and Chasanov (1995)*

In short, without active intervention, we are in danger of losing one of our country’s key institutions supporting working families, not to mention our economy.

So what can public policy do? We should stress that a detailed answer to this question is outside the bounds of this report. Several national and local policy groups have developed an incisive program of reform for the UI system, and we strongly encourage readers to consult their materials – prime among them the National Employment Law Project and the Center on Budget and Policy Priorities.

That said, the following are three broad areas where change is both needed and possible:

## Improve outreach and involve employers

Outreach can make a profound difference – both in boosting reciprocity rates overall, and even more importantly, in helping low-wage and immigrant workers gain access to benefits. Unions have long recognized this fact, and community groups, relief organizations, and philanthropists learned it in the aftermath of September 11<sup>th</sup>. But it is a lesson that has not yet been internalized by the UI program itself. Too many workers don’t apply for benefits based on preconceptions about their eligibility, because of fear about immigration status, or because of lack of knowledge about

how to apply. And when they do try to apply, many find the process too daunting or the language barriers too great.

The challenge here is similar to boosting the uptake rate of the Earned Income Tax Credit (EITC) in the city's low-income community. The impressive outreach efforts to increase EITC application rates should be a model for those working to increase applications for unemployment benefits as well.

But in the case of UI, there is an additional resource for intervention: the employers. When a job separation occurs (whether through lay-offs, firings, or quits), the most immediate point of contact with the worker is the employer. In New York State, there is in fact a regulation that requires employers, at the time of separation, to inform employees of their right to apply for unemployment insurance and to provide them with the necessary documentation. However, reports from community and advocacy groups indicate that this is rarely done. Finding ways to more systematically draw employers into the outreach effort should therefore be a key priority of reform efforts.

## **Reform eligibility rules**

Even with extensive outreach, we are still faced with the core problem of the UI program as currently structured: Its eligibility rules are biased against those who most need the help. This report and numerous other analyses have found that low-wage workers, ex-welfare recipients, and temporary, part-time, and part-year workers are less likely to qualify for benefits because of insufficient earnings and/or hours. On both counts, decisive reform of eligibility rules is needed.

For policy makers, the key insight here is that virtually all of the workers currently not eligible for unemployment benefits have paid into the UI fund. Rethinking eligibility rules is therefore a very basic question of fairness. If workers pay into the system, they should be able to draw on it when they lose their jobs – regardless of whether they are home healthcare workers or doctors, janitors or Wall Street analysts, data entry clerks or lawyers. Every day, millions of low-wage Americans perform absolutely critical services to keep this country running; they have as much right to income support when they lose their jobs as anyone else.

The case of temporary, part-year, and part-time workers is particularly important. The much-heralded flexibility of our “new economy” will backfire on us if workers' lives are thrown into chaos every time the temp industry goes into a slump or project-based jobs come to an end. The UI system is still operating on an outdated employment model from the 1960s, when life-long jobs were more common and lay-offs infrequent. It urgently needs to be updated to reflect the realities of the 21st century workplace, where unemployment plays a much more central role in many workers' lives.

## **Increase the amount and duration of UI benefits**

Finally, there is the problem that even when someone receives unemployment benefits, the depth of support is increasingly inadequate, on two fronts.

*“The unemployment phone system is inadequate to deal with the problems faced by non-English speakers. There is a definite need for offices where people with language difficulties and more complicated claims can receive assistance in person.”* Ken Kimmerling, attorney with the Asian American Legal Defense and Education Fund (AALDEF). Along with other legal services providers, AALDEF has represented numerous individuals and groups over the years who have been unable to access their unemployment benefits because of language barriers and concerns about immigration status.

First, the dollar amount of unemployment benefits as a percentage of previous earnings currently stands at just 31% in New York State, and this percentage has declined over time. For low-wage workers, the result is often below-poverty income – in our sample, \$156 a week in UI benefits. In fact, the often meager size of unemployment benefits may be one of the reasons that workers don't apply for them. A simple solution is to commit to a certain replacement percentage that keeps pace with inflation.

Second, the lesson from the current deep recession is that we need a more streamlined and automatic system for triggering extended benefits, once workers have exhausted their standard benefits. Both in our survey and in national data, the story is clear: Millions of workers have exhausted their regular benefits and been left without any income support, even as they desperately search for jobs. The decision to extend their benefits should not be left to the vagaries of politics and legislative schedules; it should be an automatic action that takes place once a certain level of unemployment or exhaustions is reached.

## A matter of political will

Are any of these three reforms realistic? Absolutely. It's a simple matter of political will.

Consider the following. The unemployment insurance program is largely run by the states. They provide most of the funding and are generally able to set their own eligibility criteria and benefit levels. As a result, there is quite significant variation in state rules and policies, leading to inequitable treatment of workers from one state to the next, despite similar work and earnings histories.<sup>33</sup>

In the case of New York State, the contrast to surrounding states is especially instructive. Pennsylvania, New Jersey, Connecticut and Massachusetts all managed to significantly increase their reciprocity rates above the halfway mark in 2001 and 2002 – precisely when their residents most needed the help. New York's reciprocity rate, by contrast, stayed below 50%.

More generally, a recent report found that New York has a lower reciprocity rate, lower application rate, and higher rejection rate than neighboring states. Its average unemployment benefit amount is lower, and replaces less of previous income. New York also has a higher exhaustion rate, and its UI trust fund is in the worst shape of any state in the nation.<sup>34</sup>

The upshot? If other states have figured out the politics of supporting their unemployed residents, then so can New York. The workers who endured and prevailed through September 11<sup>th</sup>, and who continue to struggle through the ongoing recession, deserve nothing less.

*"What will I do when my benefits are up? I am already struggling to get by. And there is no work. The help that unemployment gives me is not enough to get by but I have been denied food stamps and other assistance. And I am behind in paying for everything."*

Ernesto Guerra, former factory worker who has been unemployed since his employer went out of business in December of 2001. Mr. Guerra worked in a factory whose business depended on clients and companies located on Canal Street, near the World Trade Center. Demand plummeted so deeply after 9/11 that the factory was forced to close only two months after the attacks.

*"I have worked for more than twenty-one years in this country. I have paid my taxes for all of these years but now, in my time of need, I am unable to find support. I don't think that this is fair."* Felix Batista, restaurant worker at Windows on the World from 1978 until September, 2001. Since his wife passed away from cancer in 1994, Mr. Batista has been the sole supporter of his four children and elderly mother.

## END NOTES

<sup>1</sup> Sources, in order, are Office of the New York City Comptroller (2003); Bowles (2003); U.S. Department of Labor (2003a); and Fiscal Policy Institute (2002).

<sup>2</sup> U.S. Congress. House. *Message from the President Relative to Legislative Accomplishments of Administration and 73rd Congress*. 73rd Congress, 2nd Session, 1934. Doc. 397.

<sup>3</sup> The system also has other functions, such as providing stimulus to a weak economy and preserving the skills and attachment of the workforce during unemployment; see Stettner and Emsellem (2002) for a complete list of goals. But from the standpoint of workers, the most immediate point about unemployment benefits is that they are meant to help prevent economic hardships such as drawing down savings, dropping health insurance, defaulting on loans, or moving to cheaper housing.

<sup>4</sup> See Blaustein (1993).

<sup>5</sup> Even at the height of the boom economy in 2000, the national unemployment rates for blacks and Hispanics (7.5% and 5.6% respectively) were significantly higher than the rate for whites (3.5%). The unemployment rate for workers with a high school diploma was 3.5%; for those without a high school diploma, 6.4%; and for those with college degrees, 2% (Martel and Langdon 2001).

<sup>6</sup> See Levitan (2003).

<sup>7</sup> In this and all following tables and graphs, we do not list sample sizes because multiple dimensions are summarized in any one analysis. The amount of missingness varies across the variables used in this report; it is generally minimal, ranging from 0% to 13% with a median of 10%. The one exception is the variable recording the reason that the respondent lost his or her job, which had a 40% missing rate. Given the importance of this variable, we decided to use it with caution in our descriptive analysis, and in the logistic regression shown in Appendix B, used multiple imputation of missing values for the collapsed binary version of the variable. The model results are quite robust to alternate treatment of missing values.

<sup>8</sup> Tables were prepared for the Brennan Center by the Economic Policy Institute (EPI) in Washington, D.C., using Current Population Survey data for 2001 and 2002. The sample consisted of unemployed workers in New York City, excluding new entrants. The tables summarized age, education, gender, race, unemployment duration, reason for job loss, and industry at last job. The coding for reason for job loss could not be reconciled with ours, and so no comparison was made. EPI tables are on file with the Brennan Center and available upon request.

<sup>9</sup> For time trends in the UI program, see McMurrer and Chasanov (1995).

<sup>10</sup> Publicly released reciprocity data for New York City are not yet available. Historical data suggests that during the 1990s, New York City's reciprocity rate was about 25% lower than New York State's (with the gap growing over the decade).

<sup>11</sup> See Applied Research Center (2002) for additional evidence on disproportionate trends in UI reciprocity by race, even after accounting for differences in income and education.

<sup>12</sup> For the remainder of the report, we often use collapsed versions of variables for more complex analyses, in order to ensure sufficient numbers of cases.

<sup>13</sup> In general, state-level government data confirm that application rates as well as rejection rates are closely linked to reciprocity rates; see Vroman (2001).

<sup>14</sup> Wandner and Stettner (2000) found that half of non-filers reported that they assumed they were ineligible for benefits because they didn't work or earn enough at their previous jobs. Of the remaining non-filers, a quarter didn't apply because they had voluntarily left their last jobs. An additional 13% thought they were not eligible, but did not give a specific reason why.

<sup>15</sup> See Vroman (2001); US General Accounting Office (2000); Wenger (2001); Emsellem et al. (2002).

<sup>16</sup> Using the Current Population Survey, Blank and Card (1991) estimated that in the late 1980s, 43% of unemployed workers were eligible for unemployment insurance, but only 30% received it. These estimates were based on unemployed workers' reports on their previous jobs, how they had become unemployed, and pre-unemployment earnings.

<sup>17</sup> See New York State Department of Labor (2002).

<sup>18</sup> Sources, in order, are McKinsey & Co. (2002); The September 11th Fund (2002); and FEMA (2002).

<sup>19</sup> For example, see McMurrer and Chasanov (1995) and Blank and Card (1991).

<sup>20</sup> The category of "membership groups" consists partly of unions, but also professional associations and immigrant advocacy groups.

<sup>21</sup> For example, the incidence of lay-offs and business closings relative to quits and fires was higher in the months immediately following 9/11. One might expect higher reciprocity rates simply on this basis. But in fact, reciprocity rates were higher in the months after 9/11, regardless of reason for job loss.

<sup>22</sup> In order, see Food Research and Action Center (2003); Food Bank for New York City (2002), Coalition for the Homeless (2003); and Cooper (2003). Note that while food-stamp program enrollment has increased nationally during this recession, in New York City it has fallen by 2% even as the city's poverty rate increased, signaling a clear problem in capacity and outreach (Gotbaum 2002).

<sup>23</sup> See Gruber (2001), who also found that almost one-third of workers cannot replace even 10% of their lost income.

<sup>24</sup> We should note that while low-income households are still less likely to use credit cards than higher-income households, their use rate increased rapidly during the 1990s. For a recent report on credit card debt by household income, see Draut and Silva (2003).

<sup>25</sup> For more detail, see Center on Budget and Policy Priorities (2003).

<sup>26</sup> See U.S. Department of Labor (2003b).

<sup>27</sup> That the reduction of serious hardships for higher-wage workers was stronger than for the other two wage groups was confirmed in a statistical model.



<sup>28</sup> A study by the New York State Department of Labor (1994) found similar levels of hardship in a sample of workers who had exhausted their extended benefits in the last recession in the early 1990s.

<sup>29</sup> See Corson et al. (1999).

<sup>30</sup> See Fischer and Kleiman (2002) and Potter (2002) for in-depth analysis.

<sup>31</sup> Sources, in order, are Corson et al. (1999); Garner (1995); and New York State Department of Labor (1994).

<sup>32</sup> McMurrer and Chasanov (1995), p. 32. See also the U.S. Government Accounting Office (2000).

<sup>33</sup> For thorough analysis of state variation, see Emsellem et al. (2002), Wenger (2001), and Center on Budget and Policy Priorities (2003).

<sup>34</sup> See National Employment Law Project (2002); the neighboring states considered were Connecticut, New Jersey and Pennsylvania.

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**APPENDIX A: Characteristics of the sample**

<b>Demographics:</b>		
Borough of residence	Bronx	16.9
	Brooklyn	42.9
	Queens	17.3
	Manhattan	21.8
	Staten Island	1.1
Age	24 and younger	16.3
	25-29	17.4
	30-49	49.5
	50+	16.7
Sex	Female	57.1
	Male	42.9
Education	Less than high school	16.6
	High school degree	28.4
	Some college experience	31.7
	Bachelor's degree or higher	23.3
Race/ethnicity	African American	36.8
	Latino	28.7
	Asian and others	13.5
	White	21.0
Nationality	Percent foreign born	44.0
	Median number of years in the U.S.	15.0
	Number of different origin countries listed	95
Language	Percent with English as primary language	63.4
	Number of different languages listed	40
	Percent that don't feel comfortable with English	13.0
Household information	Percent of households with children	57.9
	Percent that received public assistance in last 5 years	21.0
<b>Work history and characteristics of last job</b>		
When became unemployed	January '01 - August '01	18.4
	September '01 - December '01	26.9
	January '02 - November '02	54.8
Months unemployed	3 mths or less	31.1
	4 to 6 mths	17.1
	more than 6 mths	51.8

Reason for leaving job	Lay-off, business closed, shift was eliminated	63.3
	Temporary job ended	11.6
	Fired	13.4
	Quit	11.7
Wages at last job	Median hourly wage (in 2002 dollars)	\$13.00
	Percent with wages below poverty line*	24.0
Work status at last job	Full time workers (year round)	73.6
	Part time workers (year round)	15.4
	Part-year workers	7.0
	Temporary and on-call workers	3.9
Industry at last job	Services	50.7
	Retail trade and wholesale trade	18.5
	FIRE	9.8
	Manufacturing, construction, and others	12.6
	Transportation, communication, utilities	3.1
	Government	3.8
Occupation at last job	Professional, technical, and managerial	18.7
	Clerical & administrative support	28.7
	Sales	12.3
	Blue collar	13.9
	Service	26.1
Percent union member		20.1
Percent with employer-provided health insurance		50.3
Percent with employer-provided pension		21.4
Job tenure before separation	Less than a year	31.8
	1 - 5 years	46.9
	6 years and higher	21.3
Percent with health insurance		50.3
Percent with pension		21.4
# of employers in past 5 years	1	27.8
	2	27.4
	3+	44.8
# times unemployed in last five years	1	57.3
	2	25.2
	3+	17.5

\* Federal poverty line in 2002 for a family of four: \$8.64/hr.

**APPENDIX B: Logistic regression predicting UI benefit reciprocity**

Contrast category	Model 1				Model 2			
	B	S.E.	Sig.	Exp(B)	B	S.E.	Sig.	Exp(B)
Higher-wage workers	-0.671	0.160	0.000	0.511	-0.639	0.168	0.000	0.528
	-0.417	0.143	0.004	0.659	-0.365	0.150	0.015	0.694
Full-time workers	-0.745	0.125	0.000	0.475	-0.739	0.131	0.000	0.478
Ages 25-39	-0.987	0.160	0.000	0.373	-0.887	0.167	0.000	0.412
	0.806	0.122	0.000	2.239	0.707	0.130	0.000	2.027
Men	0.239	0.114	0.037	1.270	0.338	0.120	0.005	1.403
White workers	-0.548	0.157	0.000	0.578	-0.640	0.172	0.000	0.527
English is first language	-0.386	0.120	0.001	0.680	-0.539	0.127	0.000	0.583
Last job in service industry	0.006	0.154	0.967	1.006	0.043	0.163	0.794	1.043
	0.363	0.174	0.037	1.437	0.518	0.180	0.004	1.678
	0.321	0.187	0.086	1.378	0.198	0.192	0.304	1.218
Last job in professional and managerial occupations	-0.491	0.173	0.004	0.612	-0.663	0.179	0.000	0.515
	-0.135	0.258	0.599	0.873	-0.446	0.268	0.096	0.640
Job lost due to lay-off	-0.961	0.119	0.000	0.383	-0.868	0.125	0.000	0.420
Some college experience or higher	-0.157	0.122	0.197	0.855	-0.258	0.128	0.043	0.773
Not union member					1.202	0.166	0.000	3.325
Unemployed after 9/11					-0.386	0.149	0.010	0.680
Respondent received survey at membership or non-profit organization					-0.194	0.180	0.281	0.823
					-0.823	0.143	0.000	0.439
Filled out on the web					-0.278	0.247	0.261	0.757
Constant	1.902	0.193	0.000	6.698	2.212	0.241	0.000	9.137
N	1,887				1,887			
Percent didn't receive benefits predicted correctly:	58.9				63.9			
Percent received benefits predicted correctly:	82.6				83.5			
-2 log likelihood	2032				1921 (change significant at .000 level)			

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#### **Brennan Center for Justice at NYU School of Law**

161 Avenue of the Americas, 12th Floor  
New York, NY 10013

Tel. (212) 998-6730

**Press Contact:** Laura Weiner, (212) 992-8631