

Unemployment Insurance Benefits Vitaly Important to California Families Are Threatened

(October 2011)

Unemployment and poverty in California have increased dramatically in the wake of the deepest recession since the Great Depression.

- In September 2011, the statewide unemployment rate was 12.1 percent, up from 5.8 percent at the beginning of the recession in December 2007.
- In California in 2010, 46.1 percent of jobless workers were looking for work for 27 weeks or more, up from 16.8 percent in 2007.¹
- The poverty rate in California reached 15.8 percent in 2010, up from 12.4 percent in 2007.
- Poverty among children rose to 22.0 percent in 2010, up from 17.3 percent in 2007.²

Unemployment Insurance (UI) benefits are vital to the economic security of California women and families.

- In 2010, 11.3 percent of women workers were unemployed and 43.8 percent of jobless women workers had been looking for work for 27 weeks or more.³
- UI provides modest income support to workers who have lost jobs through no fault of their own and meet other state requirements. Workers in California are eligible for up to 26 weeks of regular state-funded benefits and 73 additional weeks of federally funded UI benefits.⁴
- Women comprised 48.6 percent of the more than 538,700 average weekly claimants of regular California UI benefits in August 2011.⁵

UI benefits help women and families in California by reducing poverty, pumping money into the economy, and creating jobs.

- UI benefits also boosted California's economy, pumping an estimated \$2 into the economy for every \$1 spent on the program.⁶
- Nationwide, UI benefits increased employment by an average 1.6 million jobs each quarter between mid-2008 and mid-2010.⁷
- Nationwide, UI benefits kept 3.2 million people (including 900,000 children) from falling into poverty in 2010.⁸ State-specific data will be forthcoming soon.

UI benefits in California are threatened by cuts because the state UI trust fund is currently insolvent.

- State UI benefits are funded by a payroll tax on a small portion of wages. But California did not adequately fund its UI trust fund when the economy was strong to prepare for times of increased need. California has been borrowing money from the federal government to pay state UI benefits, but it must begin to repay those loans, plus interest.

- State lawmakers will need to take action to address the insolvency of the UI trust fund.
- California could strengthen the financing of its UI system by increasing the amount of employees' wages subject to the UI payroll tax (called the taxable wage base) and/or increasing the tax rate employers pay on those wages. Sixteen states index their taxable wage base to keep pace with average wage growth. In most of these states, the UI trust fund is large enough that the state has not had to borrow from the federal government.⁹
- Alternatively, California could respond by cutting benefits for jobless workers: reducing the duration of benefits, amount of benefits, or eligibility for benefits.
- Because federal UI benefits are calculated based on the state benefit formula, cuts to state UI benefits mean federal benefits for long-term unemployed workers in the state are reduced as well.
- In 2011, ten states with insolvent trust funds have reduced benefits and/or restricted eligibility for UI, while only two have enacted reforms to strengthen program financing (and one coupled those changes with benefit cuts).¹⁰

Cutting benefits is not a fair solution to California's trust fund insolvency. **Women and their families in California can't afford cuts to UI benefits!**

¹ Seasonally adjusted monthly unemployment rates from U.S. Dep't of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics database, <http://data.bls.gov/pdq/querytool.jsp?survey=la> (last visited Oct. 19, 2011). Annual long-term unemployment rates are Nat'l Women's Law Ctr. calculations from U.S. Dep't of Labor, Bureau of Labor Statistics, Bull. 2768, Geographic Profile of Employment and Unemployment, 2010 178 (2011), <http://www.bls.gov/opub/gp/pdf/gp10full.pdf> (Table 26: Unemployed persons by sex, race, Hispanic or Latino ethnicity, and duration of unemployment) and U.S. Dep't of Labor, Bureau of Labor Statistics, Bull. 2736, Geographic Profile of Employment and Unemployment, 2007 178 (2011), <http://www.bls.gov/opub/gp/pdf/gp07full.pdf> (Table 26: Unemployed persons by sex, race, Hispanic or Latino ethnicity, and duration of unemployment). Rates are for individuals 16 and older.

² Compare U.S. Census Bureau, 2010 American Community Survey, Table R1701: Percent of People Below Poverty Level in the Past 12 Months (2010), http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_10_1YR_R1701.US01PRF&prodType=table (giving overall poverty rates for 2010), with U.S. Census Bureau, 2007 American Community Survey, Table R1701: Percent of People Below Poverty Level in the Past 12 Months (2007), http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ds_name=ACS_2009_5YR_G00_&_s (giving overall poverty rates for 2007); compare U.S. Census Bureau, 2010 American Community Survey, Table R1704: Percent of Children Under 18 Below Poverty Level in the Past 12 Months (2010), http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_10_1YR_R1704.US01PRF&prodType=table (giving children's poverty rates for 2010), with U.S. Census Bureau, 2007 American Community Survey, Table R1704: Percent of Children Under 18 Below Poverty Level in the Past 12 Months (2007), http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ds_name=ACS_2009_5YR_G00_&_s (giving children's poverty rates for 2007).

³ Women's annual unemployment rates are from U.S. Dep't of Labor, Bureau of Labor Statistics, Bull. 2768, Geographic Profile of Employment and Unemployment, 2010 (2011), <http://www.bls.gov/opub/gp/pdf/gp10full.pdf> (Table 14: States: employment status of the civilian noninstitutional population by sex, age, race, Hispanic or Latino ethnicity, and marital status, 2010 annual averages). Women's annual long-term unemployment rates are Nat'l Women's Law Ctr. calculations from U.S. Dep't of Labor, Bureau of Labor Statistics, Bull. 2768 and Bull. 2736, *supra* note 1. Rates are for individuals 16 and older.

⁴ Ctr.on Budget & Policy Priorities, Maximum Duration of Unemployment Insurance by State (2011), http://www.cbpp.org/files/PolicyBasics_UI_Weeks.pdf.

⁵ U.S. Dep't of Labor, Employment & Training Admin, Characteristics of the Insured Unemployed, <http://ows.doleta.gov/unemploy/chariu.asp> (last visited Oct. 19, 2011). This figure is for regular state UI benefits only.

⁶ Wayne Vroman, Urban Institute & IMPAQ Int'l, The Role of Unemployment Insurance as an Automatic Stabilizer During a Recession (2010), http://wdr.doleta.gov/research/FullText_Documents/ETAOP2010-10.pdf.

⁷ Heather Boushey & Matt Separa, Ctr. for Am. Progress, Unemployment Dollars Create Millions of Jobs (2011), http://www.americanprogress.org/issues/2011/09/ui_creates_jobs.html. See also Vroman, *supra* note 7.

⁸ U.S. Census Bureau, Income, Poverty, and Health Insurance Coverage: 2010 25 (2011) (PowerPoint slides), http://www.census.gov/newsroom/releases/pdf/2010_Report.pdf. Figure includes state and federal UI benefits.

⁹ Wayne Vroman, Nat'l Acad. of Soc. Ins., *Unemployment Insurance: Problems and Prospects*, 2 Unemployment Ins. Brief, Oct. 2011, at 1, available at <http://www.nasi.org/sites/default/files/research/UI%20Brief%20No%202.pdf>.

¹⁰ Nat'l Emp. Law Project, Unraveling the Unemployment Insurance Lifeline: Responding to Insolvency, States Begin Reducing Benefits and Restricting Eligibility in 2011 (2011), http://www.nelp.org/page/-/UI/2011/Unraveling_UI_Lifeline_Report.pdf?nocdn=1.