



**INSTITUTE FOR WOMEN'S POLICY RESEARCH**  
1707 L Street NW ♦ Suite 750 ♦ Washington, DC 20036

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**THE UNEMPLOYMENT INSURANCE MODERNIZATION ACT:**

**IMPROVING UI EQUITY AND ADEQUACY FOR WOMEN**

**Testimony of**

**Vicky Lovell, Ph.D.**

**Institute for Women's Policy Research**

**Before the House Ways and Means Committee,  
Subcommittee on Income Security and Family Support,  
Hearing on Modernizing Unemployment Insurance to Reduce Barriers for Jobless Workers**

**September 19, 2007**

Chairman McDermott, Ranking Member Weller, and Members of the Subcommittee,

I am Dr. Vicky Lovell, Director of Employment and Work/Life Programs at the Institute for Women's Policy Research (IWPR). I hold a Ph.D. in Public Policy and Administration from Portland State University and have been employed at the Institute for eight years. In that time, I have written or co-authored several research reports on Unemployment Insurance (UI), including comprehensive analyses of UI systems in Georgia and Florida and historical reviews of women's experiences of the UI system. Other IWPR staff have completed research projects on UI that have fundamentally altered our understanding of the importance of this program for women, and especially low-wage women, and highlighted inequities in the program that leave working women at a disadvantage.

Thank you for providing me with an opportunity to present research from IWPR and others on the inadequacy of the UI system as currently designed in fulfilling its original objectives in the case of women.

I would like to address the need for three important changes proposed in H.R. 2233, the Unemployment Insurance Modernization Act: the Alternative Base Period; coverage of part-time workers; and support for workers who lose their jobs because of family circumstances.

From the perspective of women workers, the provisions of the Unemployment Insurance Modernization Act directly address two persistent facts: (1) women are disproportionately represented in the low-wage workforce; and (2) women continue to be our country's primary caregivers, carrying a particular responsibility for caring for children.

Six of every ten minimum-wage workers in the U.S. are women, and nearly one-third of working women (29.4 percent) earn a poverty-level wage or less (Mishel, Bernstein, and Allegretto 2006). These women hold jobs as child-care workers, teachers' aides, hairdressers, retail clerks, and building cleaners (Lovell, Hartmann and Werschkul 2007). They may earn the minimum wage, or a few dollars an hour more. Women are more likely than men to be in this earnings group because pay in some jobs that are considered to be "women's work" is depressed by the very fact that women are doing the work (Reskin 1993). In addition, when doing the same job, it is still the case that women tend to be paid less than men—even within low-wage occupations. For example, among dishwashers, women earn only 87 cents for every dollar that men earn (Weinberg 2007).

Although low-wage workers are more likely than higher-wage workers to become unemployed, they are significantly less likely to receive UI benefits. The Government Accountability Office recently calculated UI reciprocity rates of 17.8 percent for low-wage workers, compared with more than double that—40.0 percent—for higher-wage workers (Government Accountability Office 2000).

As women have become more and more active in the labor force, families have come to rely increasingly on women's earnings, not as a supplement to a main earner, but as main earners themselves. In fact, married women bring in more than one-third of their families' income, on average (U.S. Department of Labor 2006). African-American women bear an even greater responsibility for supporting their families, earning 40 percent of household income (Brown 1997). For single mothers with no other earners in the household, the earnings responsibility is obviously much greater. Nineteen percent of today's families are headed by women (Cromartie 2007). Everyone in these women's families, including their children, is affected when public policies fail to adequately support them during temporary spells of unemployment.

This is one reason that unemployment has such a strong impact on women's economic well-being. IWPR research documents that, even when taking into account a worker's poverty status, becoming unemployed increases women's experience of hardship by 50 percent, leading to food insecurity, inability to access needed

health-care services, and difficulty sustaining housing (Lovell and Oh 2005). The loss of income from a job is not a minor issue for women; nor is it beyond the intended scope of the UI system. But, as currently designed, that system erects barriers to women's receipt of UI. As a result, the rate at which unemployed women receive UI is more than 10 percent lower than men's UI reciprocity rate.

### The alternative base period

When states calculate whether a worker had sufficient earnings to qualify for UI benefits, most look to a 12-month period ending three to six months before the worker lost her job. This set of months is called the "standard base period" or SBP. The worker's most recent earnings are completely ignored in assessing whether the worker's labor-force attachment is sufficient to qualify for UI benefits. This makes it less likely that a worker who recently joined the workforce, or recently re-joined after being home caring for a family, or works in an industry with high turnover, will be able to count on support from the UI system if she is laid off. Since women have slightly lower average job tenure than men do (Schmitt 2004), they may have more difficulty meeting earnings standards that require continuous work over an 18-month period.

Under an "alternative base period" (ABP), earnings of workers who fail to meet monetary eligibility criteria under the SBP are re-calculated, using earnings in the most recently completed calendar quarter. With modern computer systems for administering unemployment insurance, there is no reason to ignore more recent earnings in calculating eligibility for UI. 18 states and the District of Columbia have made this change, by considering recent earnings for workers who do not qualify under the traditional approach. In New Jersey, the ABP confirms UI eligibility for a larger share of unemployed women than unemployed men (Stettner, Boushey, and Wenger 2005).

A survey of state UI administrators found that the costs of modifying computer systems to support use of the ABP for those failing monetary eligibility criteria under the SBP were modest. None of the states surveyed had to purchase new computer hardware or software (Stettner, Boushey, and Wenger 2005). The UI Modernization Act would require that states implement such a process as the first step in earning a distribution of UI funds. This is a completely feasible and fair change that would increase women's economic security.

Arguments against the Alternative Base Period often assume that workers are in complete control of their job tenure—that is, it is often assumed that a worker who meets an employer's job performance expectations can hold a job indefinitely. But in today's economy, with increasing employment instability, the requirement of an 18-month earnings record is an unnecessary and unrealistic burden. Job tenure has declined significantly for some groups of workers over the last 25 years, with men aged 35 to 54 affected particularly strongly (Valletta 2007). Volatility in employment necessarily means that workers have more difficulty meeting earnings standards that require job continuity lasting 18 months prior to the start of unemployment.

In the old employment model, UI was often envisioned as temporary relief for full-time workers with long employment histories who were laid off due to a recession or industry slowdown, with the expectation that workers would be rehired once economic conditions improved. The new reality is widespread underemployment for many low-wage workers, even when the economy is strong. In some industries, high turnover is a fairly commonplace consequence of work schedules that change nearly every week, work hours that are often less than workers need to meet their living expenses, and inadequate regard for workers' child-minding requirements (Lambert 2003). In other cases, workers may be vulnerable to being fired the first time they experience a crisis with transportation or child-care (Taylor and Rubin 2005). In this context, frequent movement into and out of jobs does not necessarily reflect workers' desires, but may instead be an artifact of the types of jobs being made available by employers. In this scenario, it is neither fair nor reasonable to interpret a gap in an earnings record as a lack of adequate labor-force attachment on the part of the worker, and UI benefits should not be denied or

postponed on that account.

## Part-time workers

In many states, UI claimants looking for part-time work are not eligible for UI, even if they have historically worked part-time and would qualify for UI based on that work history, or have family obligations that preclude full-time work.

Part-time work is an integral feature of today's economy. More than one in every six workers (17.1 percent) is on a part-time schedule. Contrary to a common misperception, most part-time workers are not young adults still in school: Two-thirds are 25 years old or older, and 35 percent are women in the prime working ages of 25 to 54 years. Women's responsibility for caring for their families is a primary driver of part-time work; 25 percent of part-timers cite child-care problems and other family or personal responsibilities as the reason for working a reduced schedule. Another 12 percent of part-timers—one in every eight—would prefer to work full-time, but cannot find a full-time job.

When workers looking for a part-time job are denied UI benefits, women are the primary losers. While women comprise 42 percent of the full-time workforce, they account for 67 percent of all part-timers. But part-timers are much less likely than full-timers to receive UI when they become unemployed: UI reciprocity rates are 17.7 percentage points higher for full-time than for part-time low-wage workers, and 9.4 percentage points higher for full-time than part-time higher-wage workers (Government Accountability Office 2000).

Many workers on part-time schedules provide a critical portion of their families' total income; they are not just students working for a little spending money. Income from a second worker's part-time job may be what keeps families from defaulting on their mortgages, or allows them to save for their children's college education. And UI payroll taxes are paid on behalf of part-time workers just as they are full-time workers. These earned benefits should be available to workers who are seeking a part-time position.

## Compelling family circumstances

Leaving a job that is incompatible with family care work, or refusing a shift change that makes it impossible to find child-care, is often ruled a "voluntary" job termination, which is not covered by UI (Government Accountability Office 2000). The same is true of women who cannot go to work because of domestic violence or stalking. But this misunderstanding of the concept of "voluntary" job termination is inappropriately narrow. If a child becomes disabled, everyone in this room would agree that their parent might need to be home to care for that child, even if that requires an absence from a long-term job, and especially if there are no affordable options for providing care. In most families, the worker selected to stay home will be a woman. It is simply wrong to consider this to be a "voluntary" action, or the worker's "fault." But workers who leave their jobs are much less likely than those laid off to receive UI, and women leavers are much less likely than men leavers to get unemployment benefits (Smith, McHugh, and Stettner 2003).

A change in Washington State's UI law in 2004 made it more difficult for "voluntary" job leavers to receive UI. A study by the state's Employment Security Department's (ESD) of this more restrictive approach to job quits shows that women were more negatively affected than men (Washington State Employment Security Department 2006). While most voluntary-quit claimants would have been deemed eligible under both the old and new schemes, more than 10 percent of those filing this kind of claim under the new law were denied, although they would have been eligible previously. The rate at which claims for women with voluntary quits were denied increased by 12 percentage points, compared to a rise of 9 percentage points for men. Women with issues of domestic or marital responsibilities (including losing child-care or having a spouse relocate) were

particularly vulnerable under the new rules; 71 percent of denied claims for domestic or marital responsibilities that would have been eligible before 2004 were from women. Losing a job due to becoming ill or disabled, or having to care for an ill or disabled family member, also became a bigger obstacle to UI receipt for women under the new rules; 57 percent of claims for this type of job quit that would have been approved under the previous rules were filed by women. When Washington changed its UI system, women were the main losers, because of their responsibility for family care.

To ensure that the concerns of victims of all forms of domestic violence, as defined by the Violence Against Women Act, are addressed by UI, I encourage the Subcommittee to specifically incorporate sexual assault and stalking, as defined for that legislation (at 42 USC s 13925), into H.R. 2233. In addition, the requirement for “reasonable and confidential documentation” should be carefully defined to avoid imposing onerous burdens on women whose safety is in jeopardy due to domestic violence.

Another issue for women that is not addressed by H.R. 2233 is job terminations caused by lack of child-care. This situation can arise when a worker has arranged for child-care during work hours, but the child-care provider becomes unavailable, and no substitute can be immediately found. Studies of low-income mothers, including those moving into employment from welfare, mention this as a barrier to making this transition successfully (Kisker and Ross 1997). Research evaluating New Jersey’s TANF program found that, of former TANF recipients who quit their jobs, 10 percent cited child-care problems as the cause (Rangarajan, Razafindrakoto, and Corson 2002). Unemployment insurance can support these workers by providing temporary income while new child-care arrangements are established and a new work-search undertaken (Greenburg and Savner 1999).

#### Comments on the flexibility of the Unemployment Insurance system

In line with a long history of statutory updates to the UI system to align with a changing workforce, H.R. 2233 would provide an overdue adjustment to this important system, without imposing impractical new demands on states.

The federal side of our 72-year-old UI system has been amended many times, to expand coverage, reflect changing norms, respond to fiscal realities, and stay aligned with the changing economy. For instance, just a few years after the program was enacted, a taxable wage base was established, excluding wages above a certain threshold from the UI tax. In 1954 and 1970 the employer size threshold was reduced, to bring more workers under the umbrella of UI. And in the 1970s, the program was expanded to cover non-profit organizations and state and local governments (Blaustein 1993). Thus, there is plenty of precedent for reforming UI so that it can remain effective and in order to provide more adequate support for workers.

State programs are also revised periodically. Sometimes these reforms benefit employers, by lowering UI payroll tax rates, for example; in other instances they help workers by expanding coverage. As an early example, in the 1940s some states changed their programs to make women ineligible for UI if they were fired upon becoming pregnant, left their jobs to follow a spouse who had been transferred, or had to limit their work hours to match the availability of child-care (Blaustein 1993). In general, according to a noted historian of the program, “over the years, the terms and conditions of eligibility set forth in state laws have become more detailed and demanding, and the disqualifications imposed have grown stiffer” (ibid., 282). This state-level flexibility can ensure that the UI system meets its original objectives of supporting unemployed workers, smoothing consumption over the business cycle, discouraging layoffs, and keeping workers available for rebounding employer demand (ibid.). But, when undertaken piecemeal, one state at a time, it necessarily creates inequities, giving benefits to workers in a certain circumstance in some states while denying benefits to workers in identical circumstances elsewhere. This geographical inequity can only be addressed through federal action.

Public policies should be updated periodically so that they continue to be effective as the workforce and economy evolve and to remain in sync with Congress' and the people's intent. This seems to be the case with the UI system, which currently supports a much smaller share of the unemployed than was the case earlier in the program's history.

The approach envisioned by the Unemployment Insurance Modernization Act is restrained and responsible. It would use funds generated by the UI system, which are more appropriately used to improve that system than for completely unrelated purposes; and it would maintain states' ultimate control over their programs, while incentivizing important improvements. This is the same method that was originally used to encourage states to implement UI programs following passage of the Social Security Act of 1935.

#### Increasing UI equity and effectiveness through modest reforms

Much has changed about the American workforce since the Unemployment Insurance system was created in 1935. The relative importance of the goods-producing sector has declined, while services have surged (Council of Economic Advisers 2007); workers are more educated and nearly three times as productive (*ibid.*); women are now permanently incorporated into a broad range of occupations and industries. Families rely more than ever on women's earnings from employment; in fact, it was only earnings from women's increased work effort over the period 1979 to 2000 that prevented lower-income families from having their incomes fall during that timeframe (Bernstein and Kornbluh 2005). And women share equally with men in the problem of unemployment: While women were 32 percent of the unemployed in 1950 (Blaustein 1993), in August 2007 women were fully half of all the unemployed (50 percent; U.S. Bureau of Labor Statistics 2007).

Some things haven't changed, though. Contemporary cultural norms accept women's employment, but still expect women to do the majority of family care work. Conflict between hours of employment and the daily demands of caring for families push women toward part-time work, more than men, and occasionally lead to temporary job loss for women, more so than for men. Domestic violence is a reality for thousands of women, affecting their job stability.

The UI system has largely been an effective public policy response to the problem of cyclical unemployment. It performs less well with regard to the constraints women face in meshing employment with their family responsibilities and in its treatment of low-wage workers, many of whom are trying to make ends meet in a high-turnover job environment. UI taxes are paid for part-time, low-wage, and women workers, but, because of outdated rules, these workers do not receive a proportionate share of UI benefits, leaving many families without income protection despite their commitment to work. H.R. 2233 will help return the UI system to its former coverage levels, improve income stability for many families, and move this important program in the direction of greater equity and improved adequacy.

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