The shredding of the US "safety net": most laid off workers denied unemployment benefits

Paul Scherrer
2 April 2001

Millions of workers, if they lose their jobs during the current economic downturn, will not be able to collect unemployment compensation. Nor will they be eligible for other federal and state social programs that would have been available in the past. This is especially true for the growing number of low-wage, part-time, temporary and contractual workers that were hired during the 1990s.

In addition, the millions of people who have been forced off the welfare rolls and into low-paying jobs will find that they can neither collect unemployment benefits nor return to welfare.

Studies recently released by the US General Accounting Office, the US Department of Labor, the National Employment Law Project and the Urban Institute all examine what level of unemployment insurance (UI) benefits will exist for different sections of workers during a recession. Taken together, these studies reveal that millions of unemployed workers will not receive any benefits at all, and that those who do will receive lower benefits for a shorter period of time.

Today, less than one in three unemployed workers receives UI benefits. This compares to more than 40 percent during the 1970s, 44 percent in the 1960s and more than 50 percent in the 1950s. Among low-wage workers, those making less than $8.00 an hour, and part-time workers, those working less than 30 hours a week, the chances of collecting UI benefits is even worse. Nationally, just 18 percent of low-wage workers and 12 percent of part-time workers receive UI benefits.

Unemployment benefits, like most social programs in the United States, vary from state to state. New York and California are among the states with the highest levels of laid-off workers receiving UI benefits, while Texas, Florida and Georgia are among the states with the lowest levels. In Texas, for instance, only one in five laid-off workers receives UI benefits and fewer than one in ten low-wage and part-time workers receives them.

Changes over the last several decades in unemployment insurance laws make it harder for all workers to qualify for the benefits, while the institutional structure of UI makes it especially difficult for low-wage and part-time employees to qualify.

Thus the massive shift in the workforce over the past decade towards the use of part-time, temporary and contractual employees has created a vast pool of workers who by and large are not protected by the UI system.

Low-wage, part-time and contractual workers

The 1990s saw one of the biggest periods of job growth in US history. By the end of the decade, unemployment was at record low levels. However, a growing proportion of these new workers were part-time, temporary, day laborers and independent contractors, as companies increasingly relied upon what are now called nonstandard workforce arrangements (NSWA) to fill what used to be permanent positions. Overall, there are more than 34 million workers classified as NSWA, representing more than 29 percent of the workforce.

By far the largest segment of these are part-time workers. One in every five workers, 20 percent of the total workforce, works part-time, triple the number in the 1950s. On average these workers are employed 35 weeks a year, 21 hours a week and most receive low pay with few if any benefits. Seventy percent of them are women.

The number of independent contractors (ICs) has also skyrocketed in the 1990s, tripling to more than 7 million workers. Contract employees now represent about 7 percent of the workforce. In addition to the traditional field of construction, ICs have become common in the computer, health care, telecommunications, retail and service industries. Likewise the number of temporary workers has also tripled in the 1990s to a record 3.5 million. Temporary agencies now represent a $72 billion industry. Another 2 million people work in casual jobs and as day laborers.

The National Priorities Project, an organization advocating what they call a “livable wage,” has been tracking the wages paid to workers at new jobs. According to their study, more than 70 percent of new jobs pay less than a livable wage, roughly $32,000 a year depending upon the state. More than 40 percent of these new jobs pay less then half of a “livable wage,” or about $16,000 a year.

The four fastest growing job classifications—cashiers, retail salespersons, cleaners and wait staff—all pay less than the official poverty-level rate. While unemployment fell to its lowest level in years over the last decade, poverty rates have only declined slightly since their peak in 1993.

Barriers to unemployment benefits

While each state has its own specific formula for qualifying workers for UI benefits, there are three general standards that all unemployed workers must meet to receive benefits. These include: (1) a minimum earnings requirement above a specific amount during a base period, usually a year; (2) that the worker has been involuntarily laid off, or quit for “good cause”; and (3) the laid-off worker is actively seeking full-time work.

These requirements are especially difficult for low-wage, part-time and temporary workers to fulfill and thus qualify for UI benefits. In 1995, only 18 percent of unemployed low-wage workers were collecting UI benefits compared to 40 percent of unemployed higher-wage workers.

Most states require that in order to receive UI benefits a person must be available to take full-time work, even if the person is laid off from a part-time job. For instance, an unemployed retail worker who previously worked part-time and who is looking for a job with the same 30 hours a week would be ineligible for benefits in 30 states. In Texas, for example, fewer than one in ten part-time workers receive UI benefits, less than half the national average. For low-wage part-time workers, only one in every twenty receives benefits.

The restrictions on part-time work especially impact women, who make up 70 percent of part-time workers. Many have children and a growing number are single parents and may be restricted to working only certain hours due to child care constraints.

In order to receive benefits, temporary workers must prove that they did not “voluntarily” quit their jobs. Most states have laws or state policies specifically preventing temporary workers from receiving UI benefits unless they can first prove that they contacted the temporary agency for referrals between jobs, and before filing a UI claim. Even in those cases where a temporary worker is able to receive UI benefits, the temporary agency can simply give that person a short assignment, forcing him or her to start the whole process over again.

Most of the millions of people who have left welfare since the 1996 changes in the welfare laws will also not qualify for UI benefits. One study found that of those working in the summer of 1998, 30 percent were unemployed by January 1999. Another study covering several cities found that the average wage of former welfare recipients is $7.00 an hour and that jobs lasted only an average seven months. These individuals will also be ineligible to return to welfare because of state and federal time limits set on benefits.

What qualifies as quitting a job for “good cause” has been severally limited over the years. While in 1948 only 16 states limited “good cause” to job related reasons, by 1995 the number had grown to 38, excluding such conditions as the temporary loss of child care.

A survey of UI directors in all 50 states found that a retail worker who is currently employed, but quit work because child care was temporarily unavailable, would not qualify for benefits in 32 states. The same employee who quit work to care for a seriously ill child would not qualify for benefits in 26 states.

Not only do low-wage and part-time workers have a harder time qualifying for UI benefits, when they do receive them they are lower and for a shorter length of time. For example, in Georgia the maximum benefit for a worker earning above $28,500 is $274 a week for 26 weeks. For a part-time worker making $10.00 an hour this falls to just $108 a week. If the worker works half the year and is making the minimum wage this falls to just $56 a week for only 13 weeks, or a total of just $672.

In California a part-time worker who has worked 26 weeks at the minimum wage would receive $58 a week for 23 weeks. In Texas this same unemployed part-time worker would qualify for $54 a week for 13 weeks; in New York the benefit would be $54 a week for 26 weeks. The same laid-off worker would receive nothing in Florida.

Employers have a direct monetary interest in keeping unemployed workers from receiving UI benefits. UI taxes are paid as a percentage of the wages paid out by an employer, however tax rates increase for employers who have large numbers of employees collecting UI benefits.

Many states have responded to the record-low unemployment rates of the past decade by granting massive tax cuts for businesses. During the past four years 15 states have cut their UI tax rates. Georgia has cut it by 73 percent and in 2000 granted almost all businesses a complete moratorium on paying into the fund. For Georgia alone, the tax cuts represented a $700 million savings for business and the moratorium will amount to a $1 billion savings over four years. It has been estimated that if they had not been granted the tax cuts, funds for extended UI benefits would have been available for laid-off workers in Georgia for two years, even during a prolonged recession.

Social consequences of the changes in UI benefits

The fact that a majority of workers who are facing unemployment during the present growing economic downturn will be ineligible for UI benefits has vast social implications. In the 1970s and 1980s UI compensation was the major social program available for workers hit by major layoffs.

Unemployment insurance was first established, along with welfare, as a national program in 1935 during the Depression as part of the Social Security Act. Both programs were aimed at providing relief to those not working. The welfare program was primarily directed towards support for widows and their children, while UI was directed toward workers who had lost their jobs. The base length of UI was 26 weeks, which would be extended automatically when unemployment levels in states passed certain thresholds.

During the 1960s and 1970s, welfare was expanded to include the growing number of single women with children. Welfare eventually became an entitlement program, whereas UI benefits never did. In the 1990s, states increasingly began applying work requirements to those receiving welfare benefits. In 1996, under President Bill Clinton, welfare reform was enacted, ending its entitlement status and imposing work requirements as well as strict time limits on the collection of benefits.

The gutting of the welfare program has left the UI system as the major safety net for unemployed workers. Changes in UI benefits, along with the growth in low-wage and part-time jobs, mean that the vast majority of these workers will have no benefits to rely upon when they lose their jobs.

While on average only about 41 percent of unemployed workers during the 1970s received UI benefits, during the recession of 1974-75 this shot up to as much as 75 percent of workers. This was due to the fact that most of the layoffs affected higher paid workers in manufacturing. In addition, two supplemental unemployment programs extended benefit coverage for these workers to a total of 65 weeks.

In the late '70s and much of the '80s massive layoffs took place in the auto, steel, mining and rubber industries as manufacturers carried out plant closures and reorganizations to gear industry for globalized production.

In 1981, the Reagan administration made changes to the UI system that severely limited the extended benefits program and increased the threshold before these benefits would kick in. However, programs such as the Trade Adjustment Assistance program were passed to provide temporary benefits without reinstating the automatic triggers of the extended benefits program.

These programs supplemented UI benefits for workers in certain industries. In many cases workers received as much as 90 percent of their pay for one or, in some cases, two years. Many workers volunteered to be laid off, having been led to believe by their trade union leaderships that their layoffs were nothing more than extended paid vacation, and that they would be able to return to work after their benefits expired.

In the recession of 1991-92, a bill providing emergency unemployment compensation was passed, which basically replaced the extended benefits program until 1994. While providing substantially less benefits than those paid during either the 1974-75 or 1979-86 periods, it provided benefits to more unemployed workers than would have been available with extended benefits.

Today no such benefits exist for the millions who now potentially face the loss of their jobs. Most low-wage workers who are laid off will not qualify for any UI benefits, while those workers who do will receive less benefits for a shorter period of time. Many unemployed workers will find that the social safety net previously available to cushion the blow of joblessness has been gutted over the past decade.

See Also:

Job cuts continue as US economic growth slows to lowest rate in five years
[31 March 2001]
Reports document the impact of US welfare reform
[14 March 2001]
US executive compensation rose 16 percent in 2000
[28 February 2001]

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact