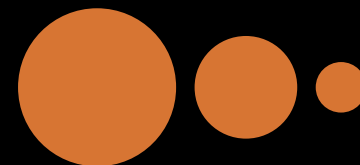


Policy Brief

CENTER FOR POVERTY RESEARCH

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Unemployment Insurance Reduced Child Poverty during the Great Recession

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Unemployment Insurance is generally considered an individual benefit for a displaced worker. Yet that income makes a difference for a displaced worker's family as well, especially for children.

In a new study, Center for Poverty Research 2012 Visiting Graduate Student Scholar Caren Arbeit finds that Unemployment Insurance was associated with lower rates of child poverty during the recent U.S. economic recession. The study also finds that the most vulnerable families are the least likely to receive unemployment benefits.

Key Findings

- Of all children who live with an unemployed parent, from 2008-12 the number in families at or below the poverty line increased by 6 percentage points to almost 35%.
- Families living near or below the poverty line are half as likely to receive unemployment benefits as non-poor households.
- Of children who have had an unemployed parent since 2009 unemployment benefits is associated with 25% fewer living in poverty.

During the Great Recession, approximately 16 percent of workers lost their jobs as the economy contracted. The national unemployment rate peaked at ten percent in 2010, and recovery over the last two years has been slow.

This recession differs from prior recessions in terms of the large numbers of people impacted, but also the length of time spent out of work. In December 2012, 40 percent of unemployed individuals were considered long-term unemployed when they could not find work for six months or more.

The loss of a job changes the lives of individual workers, but also the lives of their families. Among other challenges, families in which a parent has lost a job have fewer financial resources and increased stress. Job loss, and the loss

of income that comes with it, directly impact parents' abilities to pay for their children's needs.

For some families, the lost income means that family income falls to near or below the poverty line. Academic research on poverty has identified losses in family earnings as a major reason why families become poor.

Since unemployment and poverty are linked, it is important to understand the way unemployment policies affect the poverty status of families. Specifically, how does Unemployment Insurance (UI) for out-of-work parents impact child poverty? And which parents are most likely to receive UI? These questions help identify the ways a social policy aimed at an individual can impact entire families.

About the Visiting Graduate Student Scholar Program

The Center hosts Ph.D. students from across the disciplines selected from a nation-wide search to expand their understanding of poverty. Each scholar is matched with a faculty affiliate and current graduate student to help them engage and develop poverty research.

The Center for Poverty Research at UC Davis is one of three federally designated National Poverty Centers whose mission is to facilitate non-partisan academic research on poverty in the U.S., to disseminate this research, and to train the next generation of poverty scholars. Our research agenda spans four themed areas of focus:

- Labor Markets and Poverty
- Children and the Intergenerational Transmission of Poverty
- The Non-traditional Safety Net, focusing on health and education
- The Relationship Between Poverty and Immigration

The Center was founded in the fall of 2011 with core funding from the Office of the Assistant Secretary for Planning and Evaluation in the U.S. Department of Health and Human Services.

For more information, email us at povertycenter@ucdavis.edu or visit us online at: poverty.ucdavis.edu

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The Data on Child Poverty

To understand how UI impacts child poverty, this study uses data from the 2003-12 March Supplements of the Current Population Survey (IPUMS-CPS) distributed by the Minnesota Population Center. The data are nationally representative and from a single point in time from year to year, which means that respondents from 2005 and 2008, for example, are different individuals. The study includes only those who were potentially eligible to receive UI benefits (because they were in the labor force and looking for work).

Unemployment Insurance and Child Poverty

Figure 1 shows the percentage of children who live in poverty depending on whether a parent is unemployed, and whether or not that unemployed parent receives UI income. The orange line represents a “counterfactual” poverty rate, showing what the poverty rate would have been if not for the income provided by UI, assuming no changes in job-search behavior.

From 2003-12, at least a quarter of children with an unemployed parent lived in poverty. From 2008-12, the number living with an unemployed parent and incomes at or below the poverty line increased by nine percentage points to almost 35 percent. Even since the recession ended, children with an unemployed parent are still more likely to live in a poor household than prior to the recession.

It is important to note that only half of children with an unemployed parent receive UI. A parent who did not meet state requirements for UI benefits, or did not claim benefits, would not receive UI. Congress and some states extended UI benefits during the recession, but some unemployed workers still exhausted their benefits. Others no longer qualified for benefits because they stopped looking for work.

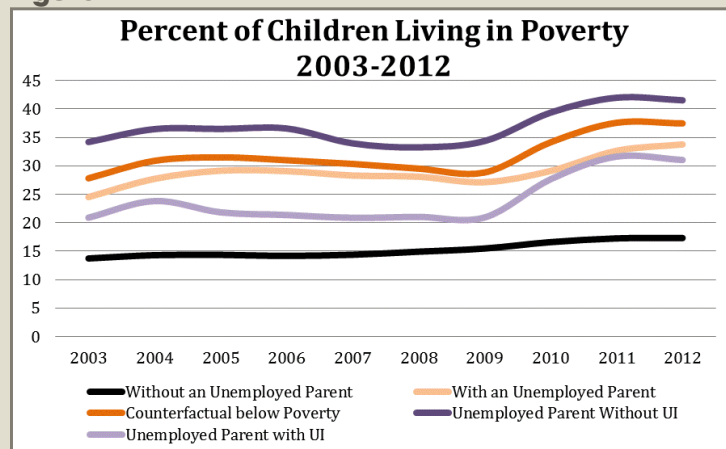
This study finds that poverty status is related to the probability of receiving UI benefits. From 2003-12, approximately 64 percent of families living below the poverty line who had an unemployed parent received no UI benefits.

Table 1

	Unemployed	No UI	Has UI
Below Poverty Line	21,461	65.6%	34.4%
100-124 percent	5875	49.8%	50.2%
125-149 percent	5665	46.7%	53.3%
150-199 percent	9795	42.9%	57.1%
200 percent or more	37,030	38.2%	61.8%
Total	79,826	37,991	41,835
	100%	47.6%	52.4%

This table shows the percentage of children with an unemployed parent whose family reports receiving UI. Children in poor households are half as likely to live in a home where an unemployed parent receives unemployment income.

Figure 1



This graph shows the percentage of children who live in poverty depending on whether a parent is unemployed, and whether or not that unemployed parent receives unemployment insurance (UI) income.

Since 2010, over 40 percent of children in households with an unemployed parent who does not receive UI have lived in poverty. This is five percentage points higher than in 2003, prior to the recession. This poverty rate is over 10 percentage points higher than for children living in households where an unemployed parent receives UI.

Policy Implications

Unemployment Insurance and other forms of unemployment-related income make a small, yet important difference in preventing child poverty. This study suggests that during the recession, the income from unemployment insurance benefitted children by lowering the likelihood a family’s income would slip below the poverty line, or even within 125 percent of it.

Yet, Unemployment Insurance provides an uneven benefit. Children with unemployed parents living near or below the poverty line are nearly half as likely to live in a home receiving unemployment benefits than children who live in non-poor homes.

It is important to acknowledge Unemployment Insurance’s unintended beneficiaries beyond the individual displaced worker. In discussions of unemployment in the post-recession economy we must acknowledge the potential consequences to children of discontinuing or limiting unemployment benefits.

Meet the Researcher

Caren Arbeit is a Ph.D. candidate in Sociology at the University of Minnesota, and a Graduate Research Assistant at the Minnesota Population Center. Her dissertation research examines the long-term educational consequences of parental unemployment, with a focus on children in poor and near-poor families.