

Too many jobless workers are falling through the cracks and not receiving the support needed to sustain themselves and their families. Unemployment Insurance (UI) provides critical support for jobless, able-bodied workers, but has not kept pace with changes to the modern workforce. In order to understand how we can best care for jobless workers, we have to know who is not receiving the help they need. Factors such as race, ethnicity, gender, education and industry influence whether or not a worker receives assistance while unemployed. Because the damage done to families when a worker loses their job is immense, we must ensure our support systems are effective.

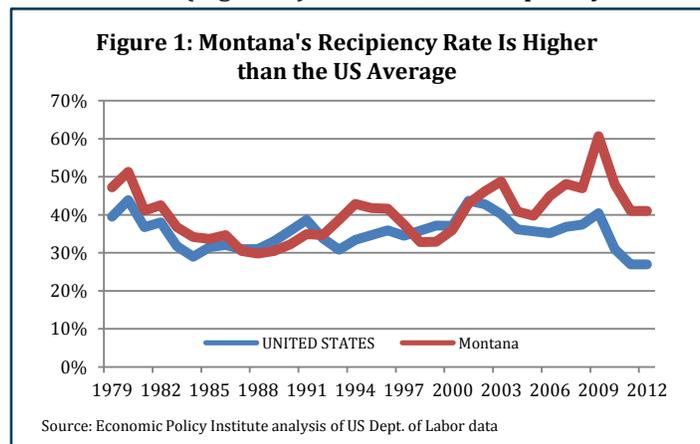
This program works well for those who get it. Designed to address the needs of the 1930's labor market, UI is meant to help workers who become jobless through **no fault of their own**. However, as the nature of the current labor market and families evolve, many people encounter barriers to work not recognized by UI. Despite Montana's relatively strong UI program, less than half of jobless workers in Montana receive UI.

Reciprocity rates, the number of people receiving UI divided by the number of considered unemployed, are a measure of utilization of UI. However, only those who are actively seeking work within the past four weeks are considered unemployed in this calculation.¹ Reciprocity rates are a useful measure, however they do not capture those who would like to work, but for various reasons are not currently seeking work.

Montana has a reciprocity rate higher than in the rest of the U.S. (Figure 1). In 2012, the reciprocity rate was 41%.² Montana's reciprocity rate peaked at 61% during the last recession in 2009.

Reciprocity rates are usually higher during recessions, as more workers lose jobs due to no fault of their own. The reciprocity rate in Montana is higher than the US average, despite the rest of the western region having low reciprocity rates.

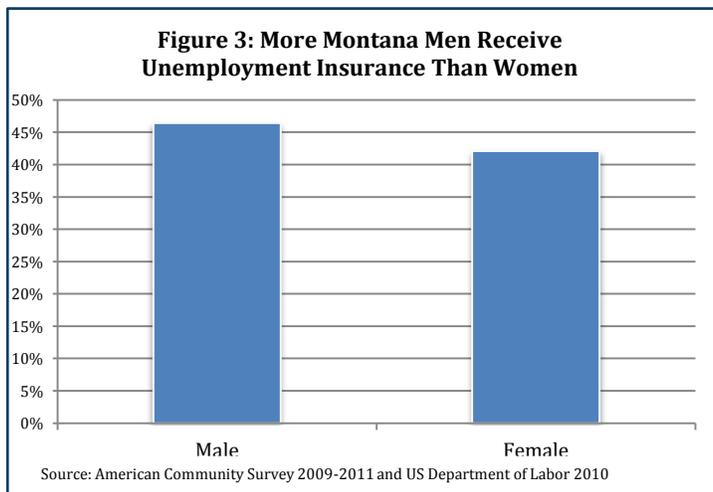
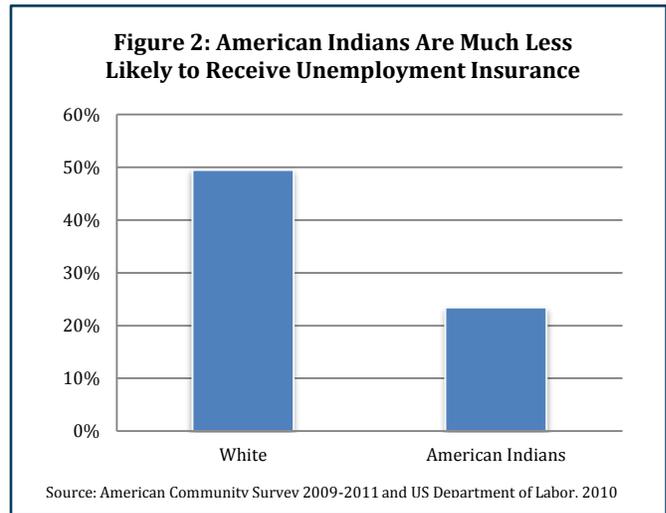
Despite an overall high UI reciprocity rate, many Montanans are not receiving the help they need. Montana's reciprocity rates vary substantially depending on sex, race and industry of employment.



Native Americans are twice as likely not to receive UI as whites (Figure 2). This represents a huge disparity by race, and indicates systemic problems with utilization of UI for American Indians. In addition, the reciprocity rate for Native Americans is likely overestimated. With few employers on Indian reservations besides tribal and federal governments, many of those who are out of work do not continually look for employment in a small labor market.³ Thus jobless workers on Indian Reservations are less likely to fit into the technical definition of unemployed, due to the structure of the labor market they are in.

Differences of reciprocity by sex are also apparent. Men in Montana have a much higher unemployment rate (7.2%) than women (4.8%).⁴ Yet unemployed men are more likely than unemployed women to receive UI (Figure 3). This indicates that there are systemic barriers to women receiving UI.

In addition to gender and racial differences, a worker's industry also influences the likelihood of receiving UI. Because work conditions vary from industry to industry, the range of reciprocity rates also vary greatly by industry in Montana. For example, workers in retail, food, and accommodation industries have lower wages and less stable work hours and schedules. Thus the characteristics of the industry make it less likely that workers will meet the minimum hour and wage requirements necessary to qualify for UI. These workers are slightly less likely than the state average to receive UI if they become unemployed. Manufacturing on the other hand has a very high reciprocity rate, with over 80% of unemployed workers receiving UI.



In addition to work conditions, changes in the labor force also influence a jobless worker's ability to receive UI. Currently the UI reciprocity rate for construction workers is higher than average. However, changes in the construction industry have led to more self-employed subcontractors, who are not eligible for UI. Thus the reciprocity rate for construction workers may fall over time.

Workers Who Do Not Receive Unemployment Insurance

Jobless workers who are not receiving UI fall into two camps: those who applied for assistance and did not qualify, and those who did not apply.

Workers Who Do Not Apply for Unemployment Insurance

Individuals who do not apply are, of course, not receiving UI. Nationally, racial and ethnic minorities are less likely to apply for UI.⁵ In addition, those with lower levels of education are less likely to apply for UI. However, the likelihood of applying increases with age and length of unemployment spell.

Some jobless workers do not apply because they believe they are ineligible (Figure 6). UI rules are fairly complicated and workers may not apply because they do not understand the program. Employers pay into the UI system based on the number of their former employees who receive UI and thus, have an incentive to lie to workers about eligibility. Unions traditionally helped inform workers; however, union membership is declining.

Workers Who Are Ineligible for Unemployment Insurance

For those that applied, but did not receive UI, there are two main reasons, monetary and nonmonetary. The monetary requirement can be met in Montana by working 25 hours per week at a minimum wage job consistently for the last 12-16 months. Maintaining consistent work history is the part of the monetary requirement that tends to lead to disqualification. This consistent work requirement is particularly onerous for those that work in industries with high turnover rates, such as retail, food, and accommodations. The

number of work separations for all non-farm workers was 37% in 2012, whereas retail was 45% and for leisure and hospitality, including food and accommodations, was 63%.⁶

Workers must also meet the non-monetary requirements for UI, which involves the reason they became jobless. UI is designed to protect workers who lose their job “through no fault of their own,” for example, when a factory must lay-off workers during a recession. However, many workers leave jobs due to circumstances outside of their control, such as a lack of childcare or transportation to and from work.

These requirements also include whether part-time and temporary workers qualify. While Montana’s rules allow for part-time and temporary workers to be eligible, many states do not. These nonmonetary requirements can have an effect on workers who are in industries that are more likely to employ part-time workers.

Other Individuals Not Receiving Unemployment Insurance

People not seeking or not available for work are not considered unemployed and thus are ineligible for UI. Many would like to work, have given up looking due to a lack of available jobs.

Also many are not seeking work due to circumstances beyond their control. They may have family care responsibilities that would make it difficult to find a job that would fit their schedule. Many students face similar constraints and do not look for work. So while they may not be seeking work, it may be through no fault of their own. Although these workers are unemployed, they are not protected by the UI system.

Improving Montana’s Unemployment Insurance System

There are many proposals that would improve UI systems across the country. Policy-makers in Montana should consider changes that consider:

- Expanding the definition of “through no fault of their own,”
- Expanding the eligibility to those with less regular work histories, and/ or to
- Change incentives for employers.

These changes may shrink the differences in UI for women, American Indians and workers in industries with high turnover rates.

Montana’s UI program is better designed than many other programs around the country. Montana has made some adjustments to address the changing work and family arrangements over the last several decades. However, there is more work to do. Like workers in other states, Montanans are still systemically excluded from UI benefits based on race, sex and industry. Our UI system must continue to evolve and improve in order to be available to all Montanans.

¹ US Bureau of Labor Statistics. How the Government Measures Unemployment Retrieved November 4, 2013, from http://www.bls.gov/cps/cps_htgm.htm#unemployed

² Economic Policy Institute analysis of US Department of Labor data. On file with author.

³ Norm DeWeaver, “Sources of Labor Market Information for the On-Reservation Indian Population,” on file with author.

⁴ US Bureau of Labor Statistics (2012). States: Employment status of the civilian noninstitutional population by sex, race, Hispanic or Latino ethnicity, marital status, and detailed age, 2012 annual averages: Current Population Survey

⁵ US Bureau of Labor Statistics (2012). States: Employment status of the civilian noninstitutional population by sex, race, Hispanic or Latino ethnicity, marital status, and detailed age, 2012 annual averages: Current Population Survey.

⁶ US Bureau of Labor Statistics (2012) Job Openings and Labor Turnover Survey. <http://www.bls.gov/jlt/>.