



Improving Access to Unemployment Insurance

In a time when more low-income families are relying on their work efforts to make ends meet, the Unemployment Insurance (UI) system should provide a temporary means of assistance for persons out of work. Unfortunately, many low-income families are excluded from the UI system in Minnesota, despite the fact that their employers are paying into the system on their behalf.

In 1998, only 47% of unemployed Minnesotans received unemployment benefits.¹ This is in part because eligibility is based on the conditions of job loss, the length of work history, and the level of earnings.

Features of Unemployment Insurance

- The Unemployment Insurance system is jointly administered by the federal and state government. Within certain restrictions set by the federal government, states have the authority to determine who is eligible and how much and how long benefits can be received.
- The Unemployment Insurance system is funded by state and federal taxes levied on employers. The federal government collects a 0.8% tax from employers on up to \$7,000 of each employee's wages. This tax funds UI program administration and other federal costs.² Employers in Minnesota pay between 0.1% and 9% of up to \$19,000 of each worker's wages into the Minnesota Unemployment Compensation Trust Fund. Generally, the more past UI claims against an employer, the higher the tax rate will be.³ UI benefits are paid out of the Trust Fund.
- Eligibility is limited to persons who leave work for good cause, are actively looking for and are available for work, and have met the minimum earnings required for UI. A worker must have earned at least \$1,000 during the three-month period in which the highest wages were earned (the "high quarter") and an additional \$250 during the rest of the "base period." The base period is the first four of the last five completed quarters before the quarter when the UI claim is filed. The base period can exclude as much as six months of recent employment.
- Benefits vary depending on the UI recipient's earnings during the base period. Benefits are generally limited to 26 weeks, although they may be extended in times of high unemployment or large layoffs.
- UI recipients have access to Minnesota's Workforce Centers, which provide workshops in job hunting and job-seeking skills, computers and printers to create resumes, job listings, and a library of employment and job search materials.

Barriers to Unemployment Insurance

- Individuals with shorter work histories are ineligible for UI, since only individuals who have sufficient earnings during the base period are eligible. This makes it difficult for those with only a recent work history or who work intermittently to be eligible.
- UI is available to persons seeking part-time work only when that person has a history of part-time work, excluding persons who recently worked full-time but seek part-time employment in order to balance work and child rearing responsibilities.

¹Bureau of Labor Statistics, 1998

² California Budget Project, *Making the Unemployment Insurance System Work For California's Low Wage Workers*, August 1997.

³ Except where otherwise noted, information about the Unemployment Insurance system in Minnesota comes from the Department of Economic Security (www.des.state.mn.us).

- UI eligibility requires a “good cause connected to employment” for leaving the job, such as a serious illness or sexual harassment on the job. Family illness or transportation problems are generally not considered good cause. Under Minnesota law, child care problems can be considered good cause if an employer’s changes to an employee’s work hours causes child care problems. Child care issues can also be considered good cause in circumstances where an employer dismisses an employee who could not report to work because of child care problems called the employer to indicate he/she would be in as soon as possible.
- UI benefit levels may be insufficient to support a family. In Minnesota, the minimum weekly benefit amount is \$38 and the maximum is \$410. The low level of benefits means that few families can subsist on UI alone.

Policy Options

At the end of 1999, the Department of Economic Security reported a \$688 million positive balance in the UI Trust Fund. A total of \$366 million was collected in taxes and \$357 million were paid in benefits that year. The Trust Fund also earned \$41 million in interest. This indicates that some expansion of eligibility and benefits is affordable within the current funding system. Advocates for working families suggest the following improvements:⁴

- **Consider more recent employment:** Eleven states have a “movable base period” that considers a more recent period of employment to determine the eligibility and benefit levels of unemployed workers.
- **Provide allowances for dependents:** Thirteen states provide additional benefits to families with dependent children to supplement low benefit levels and reduce the number of families who might otherwise turn to welfare after a job loss.⁵
- **Expand the definition of “good cause” for voluntarily leaving work:** The definition of “good cause” could recognize transportation problems or family illness as legitimate reasons for leaving employment.
- **Allow those seeking part-time work to be eligible,** if family obligations limit the feasibility of full-time work.
- **Use UI to cover family leave:** In 1999, states were given the flexibility to expand UI to include parents of newborn or newly adopted children (given that the parent meets all other conditions for collecting UI).

⁴ Center on Budget and Policy Priorities and Economic Policy Institute, *Pulling Apart*, 2000.

⁵ California Budget Project, *Making the Unemployment Insurance System Work for Low Wage Workers*.