

EXECUTIVE SUMMARY

# RECESSION



# AND 9/11

*Economic Hardship and the Failure of the Safety Net  
for Unemployed Workers in New York City*

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## **The Failed Promise of Unemployment Insurance**

Workers in New York City have been traumatized during the past two years – by the horrific attacks of September 11<sup>th</sup>, by a stubborn recession that even now refuses to let up, and by a wave of unemployment that has reached deep into every community.

The unemployment insurance (UI) program was created to be the first line of defense for these workers. Its goal is to provide temporary income to the unemployed, tiding them over until they find a new job, and preventing the downward spiral into poverty. Almost all workers pay into the UI fund through their payroll taxes. But as this report documents, shortcomings in the UI program mean that less than half of unemployed workers actually receive benefits – especially those who need help the most.

In this report, we use an innovative survey of 2,557 unemployed workers in New York City to answer the following questions:

- How well did the unemployment insurance program meet the needs of working families?
- Did outreach increase the ability of workers to get unemployment benefits?
- And most important, how were working families affected by the chronic unemployment of the past two years?

The results indicate a serious failure of our safety net. But they also provide a clear road map for what policy makers can do to respond. The good news is that the solutions are right in front of us: more effective outreach, reform of eligibility rules, and deepening the level of support.

## **The Survey**

Between August and November 2002, we conducted a unique community-based survey of 2,557 workers in New York City who became unemployed at some point in 2001 or 2002. Our goal was to interview a broad range of workers – including low-income and immigrant workers often missed by phone interviews – and to fill in the knowledge gap left by official government statistics. We distributed the survey through 39 community organizations and 32 street sites across the five boroughs. While the resulting sample is not strictly representative, it captures a broad spectrum of the city's unemployed workforce and their experiences during the last two years (see last page for more details).

## **Widespread Economic Hardship**

**The large majority of workers and their families in our sample experienced substantial hardships and had to resort to a range of coping strategies.**

- 60% experienced economic stress – such as having to cut down on meal sizes, going to a soup kitchen, having utilities cut off, being evicted, or having to drop health insurance.
- 79% had trouble paying their bills – such as rent and utilities, phone and cable and credit card bills, loans, or health insurance and childcare.
- 86% had to withdraw savings, borrow money from friends or banks, sell property, or charge on credit cards.
- 74% lost their employer-provided health insurance and 70% lost all or part of their employer-provided pension. (Note, though, that less than half of the sample had either to begin with).

**At the same time, while unemployment hurt everyone, it hurt some more than others.**

- Low-wage workers were 48% more likely to have had their utilities cut off than higher-wage workers. And they were more than twice as likely to be evicted or forced to move in with friends or relatives.

# An Unequal System

**More than half of New Yorkers who lost their jobs never received unemployment benefits.**

- Government data for New York State show that only 44% of unemployed workers collected UI benefits in 2002. Both nationally and in New York, that percentage has been steadily declining over time.

**Those who needed income support the most were the least likely to get benefits.**

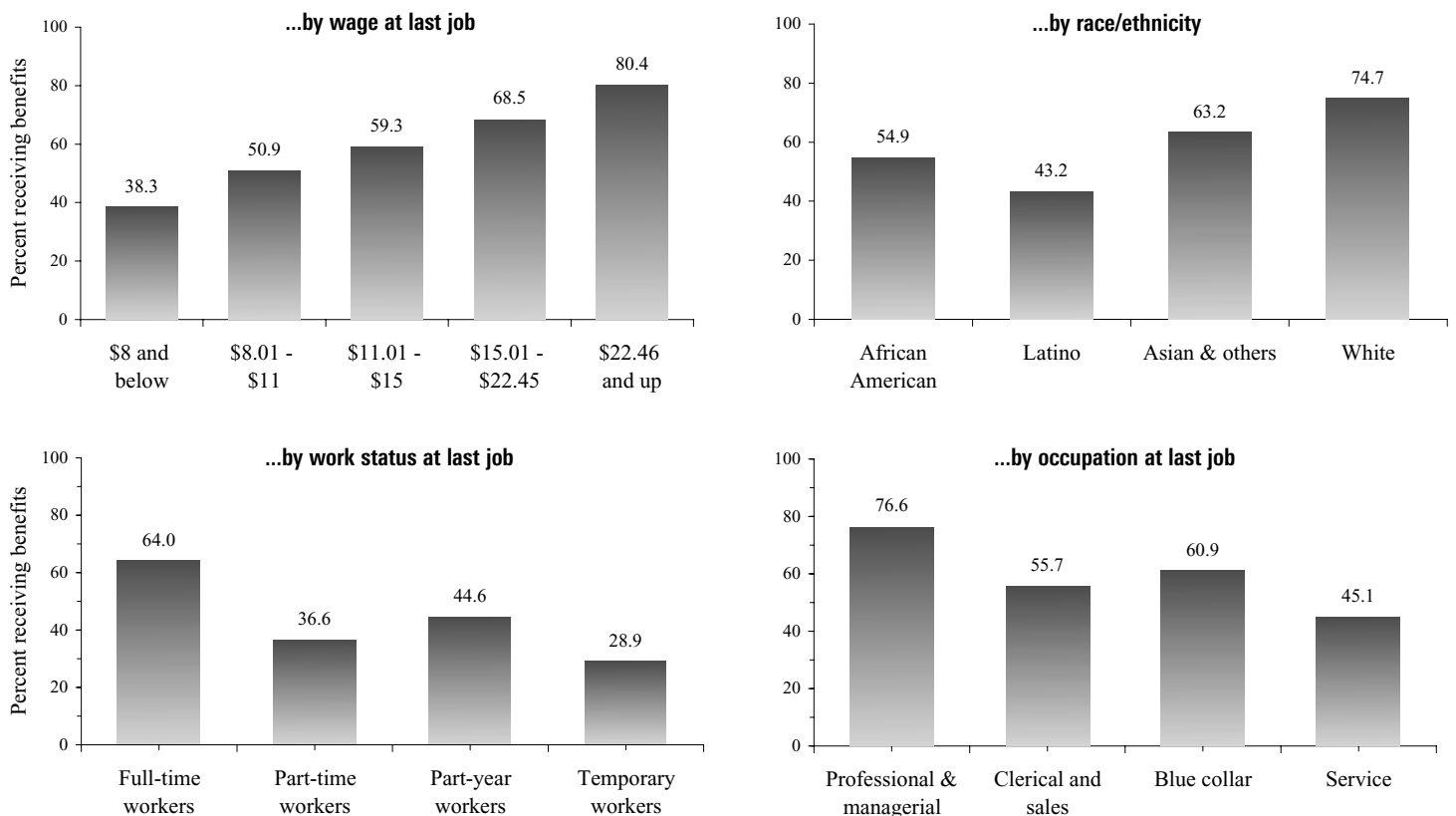
- Higher-wage workers who lost their jobs were twice as likely to receive benefits as low-wage workers (80% vs. 38%), regardless of education level (see Figure 1).
- Workers who had held full-time jobs were much more likely to receive benefits than workers who had held part-time, seasonal, and temporary jobs.
- White workers were 73% more likely to receive benefits than Latino workers, 36% more likely than African American workers, and 18% more likely than Asian and “other” workers – regardless of education or income level.

Why are there such strong differences across different groups of workers? Part of the problem is that substantial numbers of the unemployed did not apply for benefits. For example, low-wage and temporary workers in our sample were less likely to apply for benefits, thinking that they had not earned enough or worked enough to qualify.

To a significant degree, these preconceptions reflect the fact that UI eligibility rules tend to screen out low-wage workers, workers in contingent jobs, ex-welfare recipients, and cases in which there was not a clear-cut “involuntary” job loss (for example, quitting a job in order to care for a sick family member).

But even among those who did apply for benefits, some workers were more likely to be rejected than others. In 2001, government data for New York State show that 29.5% of new applications were denied, and almost one-third were denied because of insufficient earnings.

**FIGURE 1: The percent of unemployed workers receiving benefits...**



## Inadequate Benefits

Unemployment benefits are temporary, and especially during recessions, significant numbers of workers exhaust their benefits before finding a new job.

- Government data for New York State show that in 2002, nearly 100,000 workers per quarter exhausted their regular unemployment benefits. By the end of 2002, the percent of workers exhausting their regular benefits stood at 58%.
- Lack of effort in job search and skill development has not been the problem. Virtually all the workers we interviewed were still searching for work, and 51% had enrolled in a training or education class. The problem was simply the lack of jobs: 71% said that they could not find any job at all, or a job that offered enough hours and earnings.

Unemployment benefits are not meant to fully replace workers' lost earnings.

- The average weekly wage in New York State was \$885 in the fourth quarter of 2002. But the average weekly unemployment benefit was only \$275 per week.
- Moreover, the size of benefits depends on the worker's previous earnings. In our sample, the typical higher-wage worker received \$405 a week in benefits (the maximum possible), whereas the typical low-wage worker received just \$156 a week.

The upshot is that unemployment benefits only partially reduce economic hardship (for low-wage workers, barely at all) and especially during recessions, do not last long enough.

## Outreach Works

Outreach significantly increased the number of unemployed workers receiving benefits.

- In the months immediately following September 2001, the percent of unemployed workers in our sample receiving benefits jumped by 24%. This is a clear effect of the extraordinary outreach response after the World Trade Center attacks (see Table 1).
- Workers who had been union members at their last jobs were 38% more likely to receive unemployment benefits than those who had not been union members – not surprisingly, since unions provide their members with information and assistance during the application process.
- Workers whom we found at outreach organizations – nonprofits and service providers – had high reciprocity rates. By contrast, workers whom we found by canvassing the streets or lines at job fairs were much less likely to receive benefits.

**TABLE 1: The effect of outreach**

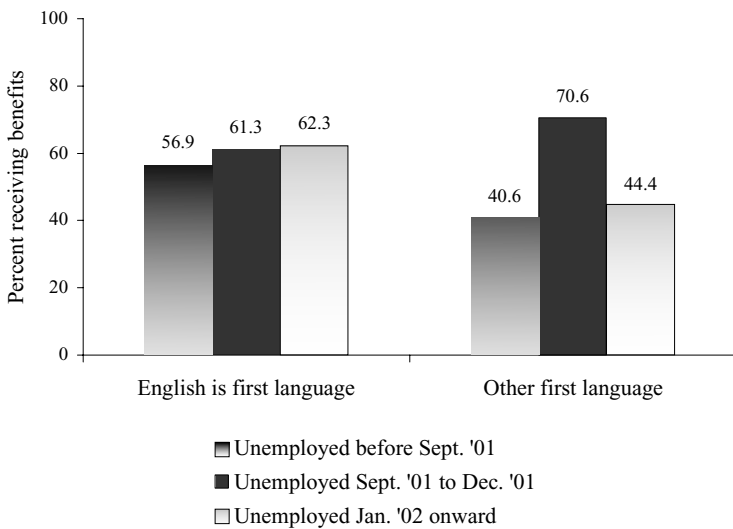
	Percent of workers who received benefits
When the worker became unemployed	
Before September '01	51.9
September '01 to December '01	64.6
January '02 onward	56.5
Whether worker was union member at last job	
Not union member	53.5
Union member	73.9
Where the worker received the survey	
Through a membership organization	70.5
Through a nonprofit organization	62.7
At a community college class	44.9
On the street	38.6

**In addition, outreach significantly reduced the inequality in who received unemployment benefits.**

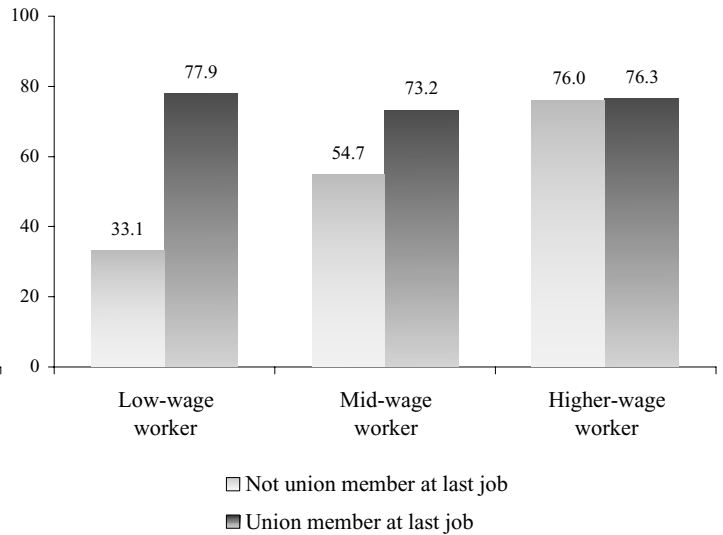
- In our sample, differences based on language, race, or ethnicity were fully erased between September and December 2001 (see Figure 2).
- Among union members, the usual gap between low-wage and higher-wage workers, and between white workers and workers of color, was completely erased (see Figure 3).

A powerful case study shows that targeted outreach works: Two walk-in application centers in Queens and Brooklyn are specifically targeted at Chinese speakers who have only limited English proficiency. The Chinese speakers in our sample who used these centers had significantly higher reciprocity rates than those who did not.

**FIGURE 2: The effect of outreach after September 11<sup>th</sup> on percent receiving unemployment benefits**



**FIGURE 3: The effect of union membership on percent receiving unemployment benefits**



## How Public Policy Can Help: Reform on Three Fronts

The findings in this report provide a clear road map for policy makers: Fix the unemployment insurance program so that it truly is the first line of defense for millions of working families after job loss.

**Outreach:** Outreach strategies such as those used to boost applications for the Earned Income Tax Credit (EITC) should be adopted for unemployment insurance. Employers must also be pulled into the effort, since they are the most immediate point of contact for workers when they lose their jobs.

**Eligibility:** Reforming eligibility rules is a basic question of fairness. If workers pay into the UI fund, they should be able to draw on it when they lose their jobs – regardless of whether they had a low-wage or high-wage job, or worked part-time or full-time.

**Depth of support:** The amount and duration of unemployment benefits need to be increased – first, by making sure that benefits keep pace with the growth in workers’ wages, and second, by instituting an automatic trigger for the extension of benefits during recession.

These reforms are a simple matter of political will. Our neighboring states – Pennsylvania, New Jersey, and Connecticut – do a much better job of supporting their unemployed residents. If other states have figured out the politics of providing a solid safety net, then so can New York. The workers who endured and prevailed through September 11<sup>th</sup>, and who continue to struggle through the ongoing recession, deserve nothing less.

**Details about the survey**

Between August and November of 2002, the Brennan Center conducted a community-based survey of unemployed workers in the five boroughs of New York City. We gathered a total of 2,557 surveys, which were administered face-to-face at sites across the city. In order to qualify for the survey, a worker had to be a resident of New York City and have become unemployed at some point in 2001 or 2002. The survey was available in English, Spanish, and Chinese.

Almost half of the sample (46.7%) was contacted with the assistance of community-based groups, 9/11 relief and social service organizations, training providers, and non-profit temp agencies. Another 21.3% of the sample was contacted on street corners and outside of for-profit temp agencies and job fairs; 11.8% was found through membership organizations; 11.2% was contacted at community colleges; and 9.1% of the sample filled out the survey on the Web.

This was not a traditional phone survey of a random sample of households. We made this choice because phone surveys tend to systematically miss low-wage, recently displaced, contingent, immigrant, and undocumented workers, and because administrative payroll data already provide official estimates of the number of workers in New York City who are unemployed. It made no sense to reinvent the wheel.

So how should our survey be used? It should be used as a rich source of information that is complementary to official statistics and that fills in many of the gaps left by those statistics. More precisely, our sample should not be used to estimate population characteristics. But what it can do, especially given its large size, is speak to the problems surrounding job loss and the unemployment insurance system. As a validity check, we have confirmed all of our findings with statistical models that control for a range of worker and job characteristics.

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**About the Brennan Center's Economic Justice Project:** Good jobs are essential to the long-term viability of our communities and our economy. The Economic Justice Project works with coalitions of stakeholders to create regional solutions to problems of job quality and economic competitiveness. We also work at a broader level to help rebuild the core job and safety-net standards that have been dismantled over the past three decades. We support these efforts to combat growing inequality with a unique combination of research, legal assistance, and policy analysis.

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