

# UI BENEFITS STUDY

## Repeat Use of Unemployment Insurance

Marios Michaelides  
IMPAQ International

# Repeat Use of Unemployment Insurance

- Scope of Paper
  - Examine the prevalence and cost of repeat use of UI benefits
  
- Questions of Interest
  - Do substantial proportions of UI recipients return to the UI program soon after their current claim expires?
  - What is the cost of repeat use to the UI trust fund?
  - How can we identify repeat users, among displaced workers, early in their tenure with UI?

# Repeat Use of Unemployment Insurance

## ■ Paper Outline

- We use 2003 UI administrative data from PA, IA, NH, and MT
- In these four states, between 28 and 43 percent of 2003 UI recipients returned to UI within a year of the end of their 2003 UI claim
- Repeat users imposed substantial additional costs to the UI trust fund under their subsequent claim
- Certain recipient characteristics help identify potential repeat users, among displaced workers, early in their tenure with UI

# Repeat Use of Unemployment Insurance

- Repeat user is defined as a 2003 UI recipient who started a new UI claim within a year after the end of the 2003 claim
- We examine two groups of repeat users separately
  - Temporary Layoff Workers
  - Displaced Workers

# Temporary Layoff Workers

- Recipients who at the start of their 2003 UI claim were expecting to be recalled by their prior employers:
  - Mostly employed in cyclical industries, which have frequent changes in demand for labor (e.g. construction)
  - Experience unemployment frequently
  - Are not required to look for a job to qualify for UI benefits

# Displaced Workers

- Recipients who at the start of their 2003 UI claim were not expecting to return to their prior employers:
  - Required to look for a job to qualify for UI benefits
  - Likely to be more active in looking for a new job

# Repeat Use Proportions

Repeat use rates are significantly higher for temp layoff workers

	Total 2003 UI Claims	Repeat Use Proportions		
		Overall (% of recipients)	Displaced Workers (% of displaced)	Temporary Layoff (% of temp layoff)
Pennsylvania	542,779	39 %	31 %	56 %
Iowa	89,374	43 %	24 %	56 %
New Hampshire	24,938	28 %	17 %	51 %
Montana	28,406	40 %	20 %	54 %

Repeat use of UI was quite prevalent in all four states

Substantial proportions of displaced recipients return to the UI program

# Cost of Repeat Use

## Amount of Benefits Received on Subsequent Claims

	All Repeat Users	Displaced Workers	Temporary Layoff Workers
Pennsylvania	\$943 million (\$4,427)	\$491 million (\$4,527)	\$452 million (\$4,324)
Iowa	\$112 million (\$2,907)	\$30 million (\$3,456)	\$82 million (\$2,748)
New Hampshire	\$18 million (\$2,549)	\$9 million (\$3,075)	\$9 million (\$2,162)
Montana	\$30 million (\$2,654)	\$6 million (\$2,522)	\$24 million (\$2,698)

Repeat users received a substantial amount of benefits on their subsequent UI claims

Displaced repeat users were, on average, more costly to the PA, IA, and NH than temporary layoff repeat users

# Repeat Use of Unemployment Insurance

- Repeat users impose substantial additional costs on the UI trust fund
- Can we identify potential repeat users once they enter the program?
- Provide them with reemployment services to help them stay employed longer and reduce UI trust fund costs
- Services would be more effective for displaced workers who actively look for a job during their UI claim

# Can Repeat Users be Identified Early?

- Goal: Predict which displaced workers are potential repeat users using recipient characteristics that are available at the start of the current claim
- Regress probability of repeat use on available recipient characteristics
  - Employment history
  - Prior use of UI benefits
  - Demographics characteristics

# Predictors of Repeat Use

- Prior use of UI benefits
  - Between 19 – 36% more likely to become repeat users
  - More familiar with program's provisions (eligibility, etc)
  - Relatively unsteady employment history
- Unstable work history
  - Recipients not eligible for 26 weeks of UI benefits are between 2 – 10% more likely to become repeat users
- Union members
  - Between 33 – 35 % more likely to return to UI
  - Unions serve as good sources of information on UI availability for displaced workers

# Predictors of Repeat Use (continued)

- Blue-collar workers
  - Montana: 4% more likely to become repeat users
  - Higher unemployment rates, employed in cyclical sectors
  
- Cyclical, high unemployment industries (e.g. construction)
  - Montana construction workers 4% more likely to return to UI
  
- No College Education
  - Pennsylvania recipients with no college degree are 6-10% more likely to become repeat users
  - High unemployment rates, more likely to experience unemployment twice within a 2-year period

# Conclusions

- Substantial proportions of UI recipients become repeat users
- Repeat users impose substantial costs on the UI trust fund
- Using available recipient characteristics, potential repeat users can be identified once they enter the program

# Policy Implications

- What kinds of reemployment services would help repeat users stay employed longer, and help reduce overall program costs?
- Even WPRS services - designed to reduce the current UI spell - are effective (e.g. reduce repeat use by 1/3 in PA)
- Enhance these services to target repeat users
  - Encourage workers to seek jobs in sectors where their skills are most valued
  - Follow-up counseling sessions with newly employed recipients to ensure recipients will sustain their newfound jobs