

**GAO**

Report to the Chairman, Subcommittee  
on Human Resources, Committee on  
Ways and Means, House of  
Representatives

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March 2005

# UNEMPLOYMENT INSURANCE

## Information on Benefit Receipt



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## Abbreviations

NLSY79	National Longitudinal Survey of Youth 1979
UI	Unemployment Insurance

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United States Government Accountability Office  
Washington, DC 20548

March 17, 2005

The Honorable Wally Herger  
Chairman  
Subcommittee on Human Resources  
Committee on Ways and Means  
House of Representatives

Dear Mr. Chairman:

The Unemployment Insurance (UI) program, administered by the U.S. Department of Labor in partnership with states, plays a critical role in ensuring the financial security of America's workforce. Established in 1935, UI serves two primary objectives: (1) to temporarily replace a portion of earnings for workers who become unemployed through no fault of their own and (2) to help stabilize the economy during recessions by providing unemployed workers money for basic needs, which helps boost demand for goods and services. In fiscal year 2004, approximately 8.8 million workers received UI benefits, totaling \$41.3 billion across all UI programs.

To gain a better understanding of the UI program, we agreed with your office to provide information on the following questions:

1. How many people ever receive UI benefits during their early working lives, and how many receive UI benefits more than once?
2. Does UI benefit receipt change over time, and does receipt vary by industry or occupation?

To answer these questions, we analyzed data from the National Longitudinal Survey of Youth 1979 (NLSY79).<sup>1</sup> This survey information offers a perspective that is not typically available from other data sources. Spanning more than two decades (1979-2002), it includes information from periodic interviews with a nationally representative sample of individuals

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<sup>1</sup>U.S. Department of Labor's Bureau of Labor Statistics directs and sponsors this survey. (For more information on the NLSY79, go to <http://www.bls.gov/nls/nlsy79.htm>.) Much of the analysis was performed under our direction through a contract with Dr. Brian McCall of the University of Minnesota.

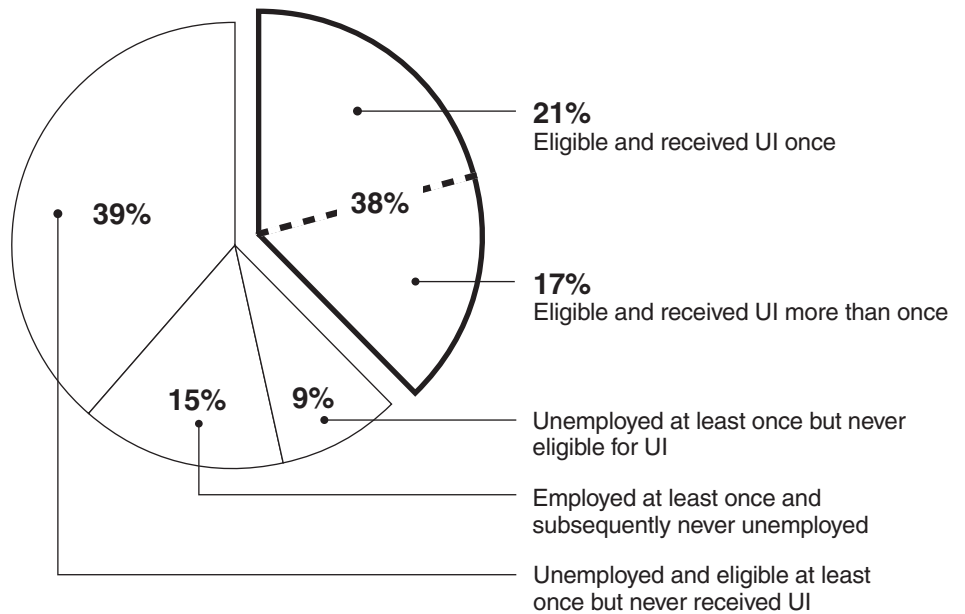
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who were born between 1957 and 1964—a group we refer to as late baby boomers. Additionally, it provides detailed information about these individuals' experiences, including work history, UI benefit receipt, family background, and education. This dataset allowed us to analyze a single birth cohort over time; therefore, it does not represent the experiences of all workers during this time period. Using the survey information, combined with information on state UI program eligibility rules, we estimated whether individuals were likely to have been eligible for UI benefits following a job separation. This work was conducted from December 2003 to February 2005 in accordance with generally accepted government auditing standards.

On February 24, 2005, we briefed your staff on the results of our work. This report conveys the information provided during that briefing, which is contained in appendix I.

In summary, we estimate that about 38 percent of workers born between 1957 and 1964 received UI at least once between 1979 and 2002, with almost half of these individuals receiving UI benefits more than once (see fig. 1). Another 39 percent of this age group of workers were eligible to receive UI benefits at least once but never did so. Nine percent of all workers in this age group are estimated to have been unemployed at least once but never eligible for UI benefits, mostly because of the conditions under which they separated from their jobs, such as leaving a job to look for other employment. The remaining 15 percent were employed at least once and subsequently never unemployed.

**Figure 1: UI Benefit Receipt and Estimated UI Eligibility among Workers Born between 1957 and 1964 (1979-2002)**



Source: GAO analysis of NLSY79 data.

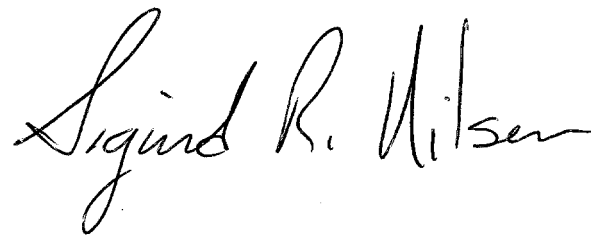
As this baby boom group aged, its members experienced fewer UI-eligible unemployment spells but were more likely to receive UI benefits during these spells. Late baby boom workers had the greatest number of UI-eligible unemployment spells around the time of the recessions of the early 1980s, when most were beginning their working careers. Over time, the number of UI-eligible unemployment spells declined. This is not surprising, given changes in the overall economy and age-related changes for individuals, such as increasing levels of education, training, work experience, and job tenure, that made their employment more stable and made them less likely to become unemployed. Although these workers had more unemployment when they were younger, higher proportions of those who became unemployed when they were older (up to age 45) received UI benefits. More specifically, at ages 18 to 20, 15 percent of those eligible received UI benefits; at ages 36 to 45, the rate of receipt was 30 percent. Regarding UI receipt by industries and occupations, we found that rates varied.

We provided a draft of this report to officials at the Department of Labor for their technical review and incorporated their comments where appropriate.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 30 days from its date. At that time, we will send copies of this report to relevant congressional committees, the Secretary of Labor, and other interested parties. We will also make copies available to others upon request. The report will be available at no charge on GAO's Web site at <http://www.gao.gov>. If you or members of your staff have any questions about this report, please contact me at (202) 512-7215 or Gale Harris at (202) 512-7235. Other major contributors are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink that reads "Sigurd R. Nilsen". The signature is written in a cursive style with a large, prominent "S" at the beginning.

Sigurd R. Nilsen, Director  
Education, Workforce, and  
Income Security Issues



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## **Unemployment Insurance: Information on Benefit Receipt**

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**Briefing for Staff of the  
House Subcommittee on Human Resources  
Committee on Ways and Means**

**February 24, 2005**

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## Key Questions

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- How many people ever receive unemployment insurance (UI) benefits during their early working lives, and how many receive UI benefits more than once?
  - Does UI benefit receipt change over time, and does receipt vary by industry or occupation?
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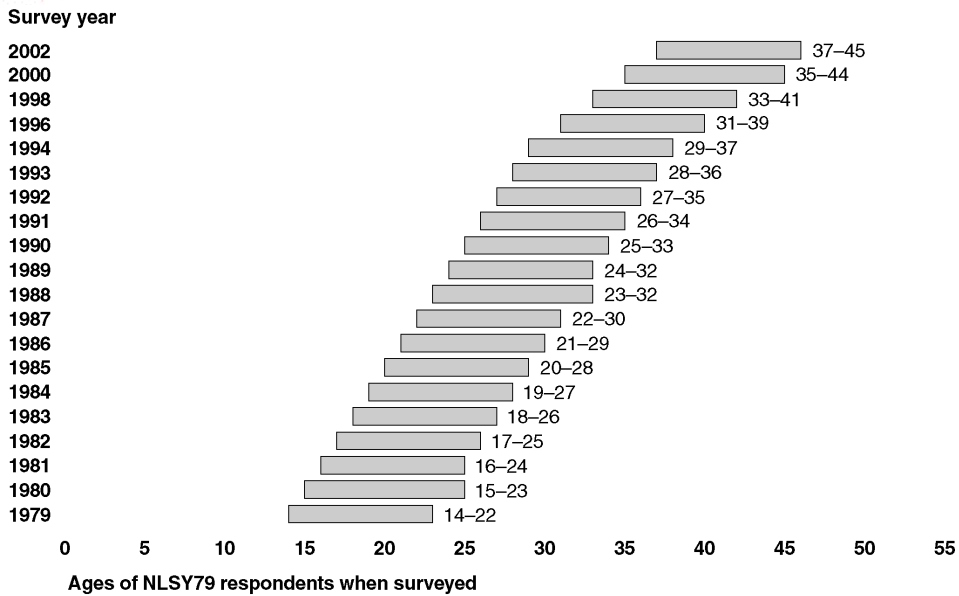
## Scope and Methodology: Longitudinal Survey Offers Unique Perspective

- We analyzed data from the National Longitudinal Survey of Youth of 1979 (NLSY79),<sup>1</sup> which
  - includes regular interviews with people from the same nationally representative sample of 12,686, beginning in 1979 (at ages 14–22), through 2002 (ages 37–45);
  - provides detailed data on people’s experiences over time, including work history, family background, and education, offering perspective typically not available in other data sources;
  - allows for analysis over time for a single birth cohort but is not representative of all workers during this time period.

<sup>1</sup>U.S. Department of Labor’s Bureau of Labor Statistics directs and sponsors this survey. For more information, go to <http://www.bls.gov/nls/nlsy79.htm>.



## Scope and Methodology: Over Time, Respondents Approach Middle Age



Source: NLSY79 User's Guide and GAO analysis.



## Scope and Methodology: Estimating Eligibility for UI Benefits

- We also estimated whether individuals in this sample who were unemployed would likely have been eligible for UI benefits.
  - For each unemployment spell reported, we compared the relevant survey data for that individual with the eligibility criteria for their state in the year they were unemployed, as reported in the Department of Labor’s “Significant Provisions of State Unemployment Insurance Laws.”
  - We took steps to ensure that our estimates were reasonable, given available data. However, because the NLSY79 did not provide all information that would typically be available to state officials who evaluate claims, our estimates may over- or understate who is eligible.
- Unless noted, estimated percentages have sampling errors of +/-1 percentage point at the 95 percent confidence interval.



## Scope and Methodology: Definitions

- *Late baby boomers*: NLSY79 survey respondents, all of whom were born between 1957 and 1964, the later years of the baby boom that occurred from 1946 to 1964.
- *Employed*: A respondent who reported at least 1 week of employment between 1979 and 2002.
- *Job separation*: Any change in employment, whether voluntary, involuntary, temporary or permanent.
- *Unemployed*: A respondent who reported a period of at least 1 week of unemployment, following a job separation, and who is still in the labor force.
- *UI-eligible unemployment spell*: A period of unemployment that met state eligibility criteria for the relevant state and time, based on our estimates.





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## Scope and Methodology: Additional Information

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- We assessed the reliability of the NLSY79 dataset and found it to be sufficiently reliable for this analysis. In doing so, we
    - reviewed existing documentation and critiques of the dataset by other researchers,
    - performed electronic testing of the data, and
    - interviewed the survey coordinator at Ohio State University, which is contracted to maintain the data.
  - Much of this analysis was performed under contract with Dr. Brian McCall of the University of Minnesota.
  - Our work was performed from December 2003 to February 2005 in accordance with generally accepted government auditing standards.
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## Summary of Results

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- Over one-third (38 percent) of workers born between 1957 and 1964 have received UI benefits at least once. Of those who received UI benefits, 44 percent received them more than once. This represents about 17 percent of all of the workers in this age group.
  - Although these workers had more unemployment when they were younger, higher proportions of those who became unemployed when they were older (up to age 45) received UI benefits. Rates of benefit receipt varied across industries and occupations.
-

Background



## UI Program Goals and Coverage

- UI was established in 1935 to serve two primary objectives:
  - to provide temporary wage replacement for eligible workers when they are involuntarily unemployed, and
  - to promote a stable economy by providing an infusion of consumer dollars during times of recession.
- Since the program began, coverage has expanded to include most wage and salary workers.
- About 8.8 million workers received UI benefits totaling \$41.3 billion across all UI programs in fiscal year 2004.





## Background

# UI Is a State-Administered Program Subject to Federal Oversight

- UI is a system of 53 state-administered programs that are subject to federal guidelines and oversight.<sup>1</sup>
- Federal law establishes the requirements for approval of state programs, and authorizes grants to states for program administration; the federal government monitors state UI revenues and spending.
- States design their own programs within the guidelines of federal law, and determine key program characteristics:
  - conditions for eligibility,
  - benefit levels and duration, and
  - employer tax rates and exemptions.

<sup>1</sup>This includes programs in the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands.



## Background

# Unemployed Workers Must Meet Several Requirements to Be Eligible for Benefits

- *Nonmonetary eligibility:*
  - experienced a job loss through no fault of their own, and
  - are able, available, and actively looking for work.
- *Monetary eligibility :*
  - had wages of a particular amount and/or work over a specified time (base period), and
  - have not exhausted maximum benefit within a particular benefit period.
- In addition to meeting all applicable state-defined eligibility criteria, an eligible person must apply for benefits to receive them; UI benefits are not provided automatically.

Background



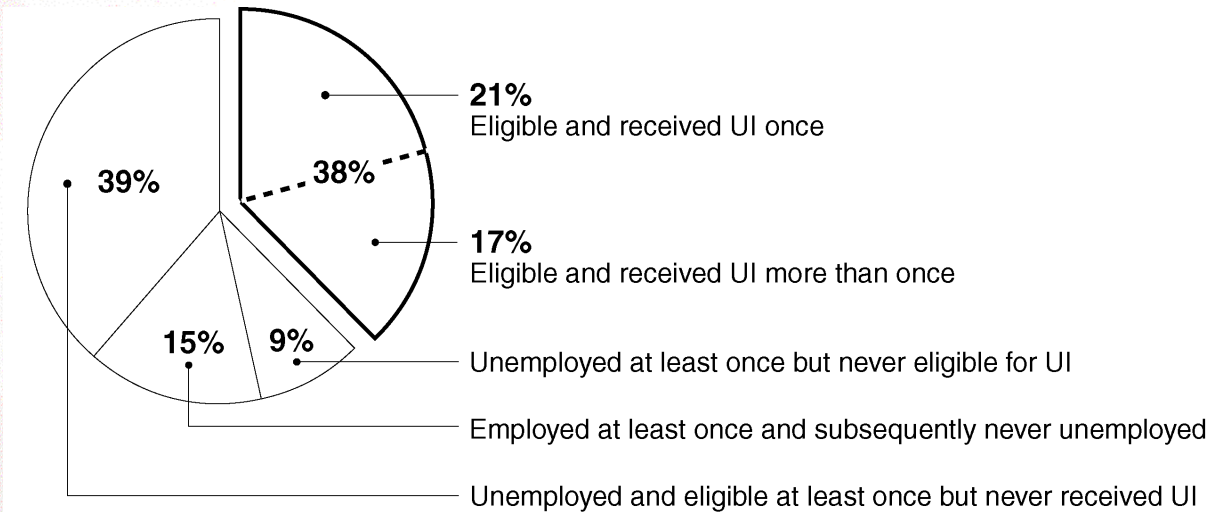
## State Taxes on Employers Fund Most Regular UI Program Benefits

- *Regular UI benefits* are funded primarily by state taxes on nonexempt employers.
- *Basic UI Extended Benefits*, triggered by levels of very high unemployment in individual states, are funded jointly with federal and state taxes.
- *Temporary extended unemployment compensation* benefits are paid for with federal revenues.
- *Federal and state administrative costs* are funded, in part, by federal appropriations and grants to states. Some states supplement federal grants with state funds.



Question 1

# Over a Third of Workers Born between 1957 and 1964 Received UI at Least Once (1979–2002)

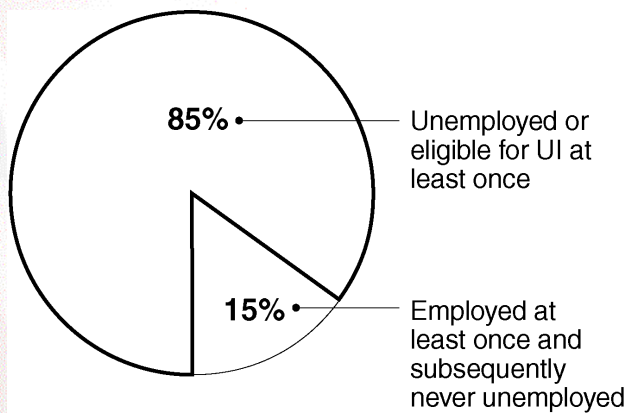


Source: GAO analysis of NLSY79 data.

Note: Sampling errors for these estimates were within plus or minus 1.1 percentage points at the 95 percent confidence interval.

Question 1

## Most of These Late Baby Boom Workers Had at Least One Week of Unemployment

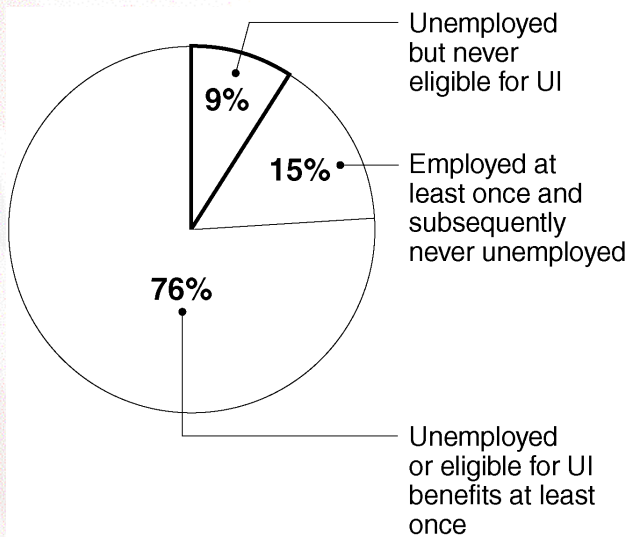


- **Most (85 percent) workers born between 1957 and 1964 experienced unemployment, whether voluntary or involuntary, at least once between 1979 and 2002.**

Source: GAO analysis of NLSY79 data.

Question 1

## About One-Tenth of Late Baby Boom Workers Were Never Eligible for UI



- About one-tenth (9 percent) of workers born between 1957 and 1964 were unemployed at least once between 1979 and 2002 but are estimated to have never been eligible for UI benefits.
- The job separations that this 9 percent experienced would not have made them eligible for UI, such as those where workers left jobs, whether for better jobs or for personal reasons.

Source: GAO analysis of NLSY79 data.

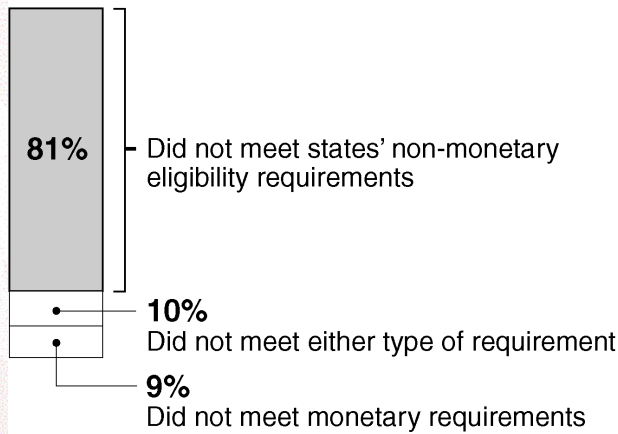




Question 1

# Ineligibility for UI Was Mostly for Nonmonetary Reasons, Such as Voluntarily Quitting a Job

**All ineligible unemployment spells**



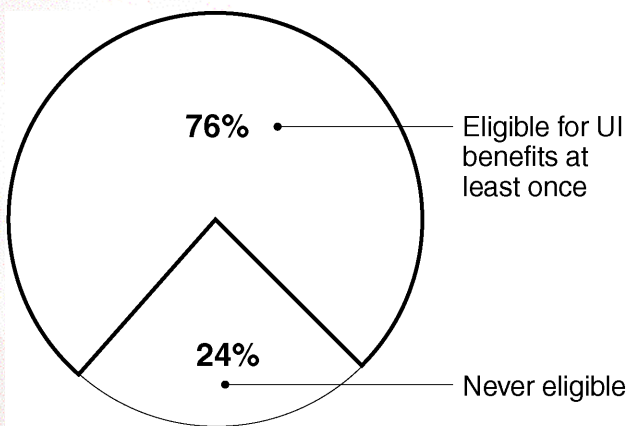
- **Most (81 percent) of the unemployment spells that late baby boom workers had between 1979 and 2002 are estimated to have been ineligible solely for nonmonetary reasons, such as voluntarily quitting a job.**
- **Few (9 percent) were estimated to be ineligible solely for monetary reasons, such as not having enough earnings.**

Source: GAO analysis of NLSY79 data.

Note: This analysis includes only the 45 percent of unemployment spells occurring between 1979 and 2002 that are estimated to have not met states' eligibility criteria in the year the unemployment spell occurred. Percentages apply only to unemployment spells and not to workers, who may have had more than one unemployment spell.

Question 1

## About Three-Quarters of Late Baby Boom Workers Were Eligible for UI at Least Once



- About three-quarters (76 percent) of workers born between 1957 and 1964 are estimated to have been eligible for UI benefits at least once between 1979 and 2002.

Source: GAO analysis of NLSY79 data.

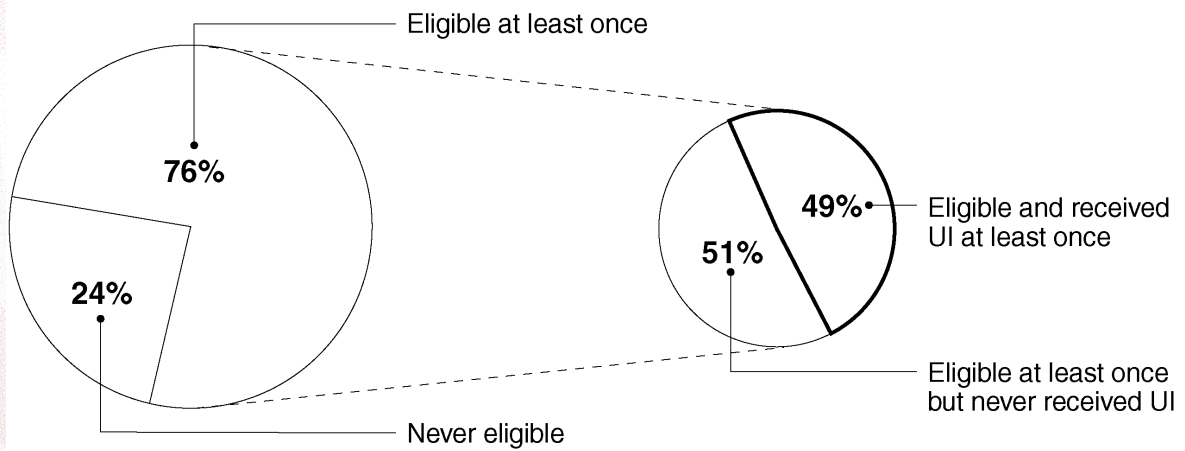




Question 1

# About Half of Late Baby Boom Workers Who Were Eligible for UI Benefits Collected Them

Estimated UI eligibility and actual receipt from 1979 through 2002, for workers born between 1957 and 1964



Source: GAO analysis of NLSY79 data.



**Question 1**

## **Many Unemployed Workers Do Not Apply for UI Benefits Because of Perceived Ineligibility**

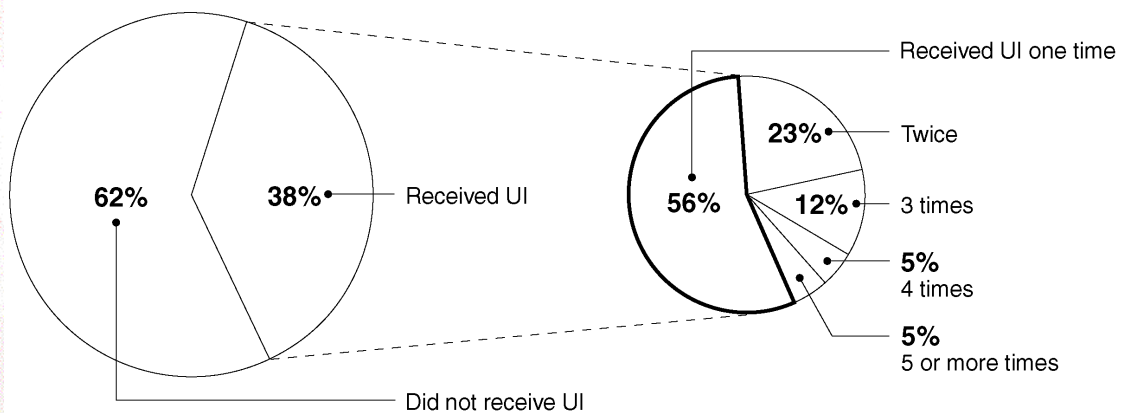
- The Employment and Training Administration and the Bureau of Labor Statistics collaborated on two supplements to the Current Population Survey in the late 1980s and early 1990s to explore why some unemployed workers did not file for UI benefits and found that the most cited reasons for not applying for benefits were:
  - perceived ineligibility (over half of nonfilers) and
  - optimism about becoming employed again quickly (under 15 percent of nonfilers).

Source: Stephen Wandner and Andrew Stettner, "Why Are Many Jobless Workers Not Applying for Benefits?" *Monthly Labor Review*, June 2000, pp. 21-33.

Question 1

# Over Half of the Late Baby Boom Workers Who Received UI Benefits Did So Only Once

Incidence of UI benefit receipt from 1979 through 2002, for workers born between 1957 and 1964



Source: GAO analysis of NLSY79 data.

Note: Sampling errors were within plus or minus 2 percentage points at the 95 percent confidence interval.



**Question 2**

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## **UI Experiences Have Changed as Workers Age and Also Varied by Industry and Occupation**

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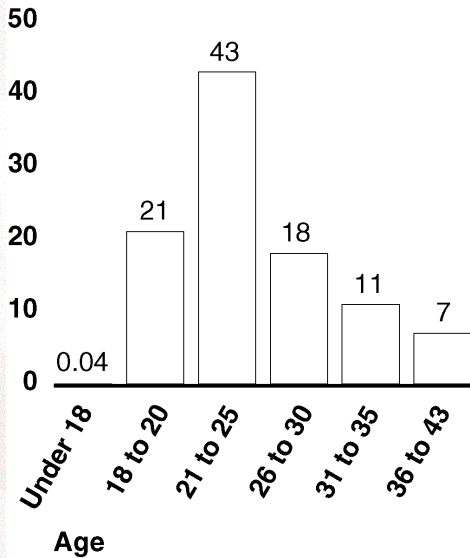
- As this baby boom group aged, its members experienced fewer UI-eligible unemployment spells but were more likely to receive UI benefits during these spells.
- The percentage of UI-eligible unemployment spells resulting in receipt of UI benefits varied by industry and occupation.



Question 2

# First-Time UI Receipt for Late Baby Boom Workers Was Most Common at Ages 21–25

Percent of first-time UI receipt, by age



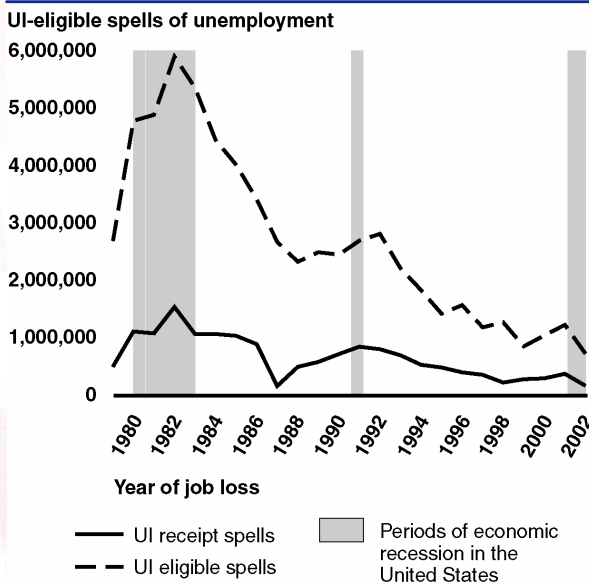
Source: GAO analysis of NLSY79 data.

- Workers born between 1957 and 1964 who received UI benefits between 1979 and 2002 were most likely to receive benefits for the first time when they were in their early 20s.



Question 2

# As They Aged, Late Baby Boom Workers Had Fewer UI-Eligible Spells of Unemployment



- Late baby boom workers had the greatest number of UI-eligible spells of unemployment around the time of the recession of the early 1980s, when most were beginning their working careers.
- Over time, the number of job losses declined. This is not surprising, given changes in the overall economy and age-related changes for individuals, such as increasing levels of education, work experience, and job tenure.

Source: GAO analysis of NLSY79 data. See app. II for confidence intervals for estimated numbers of spells in each year.

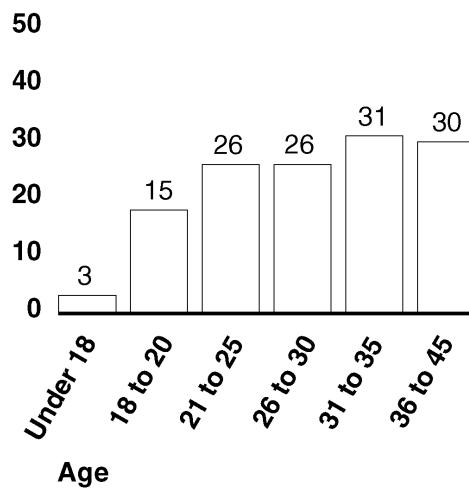
Note: Shaded bands indicate periods of recession as determined by the National Bureau of Economic Research.



Question 2

# Distribution of UI Receipt for Unemployed Late Baby Boom Workers, by Age (1979 – 2002)

Percentage of UI-eligible unemployment spells with UI receipt



Source: GAO analysis of NLSY79 data.

Note: Sampling errors for these estimates were within plus or minus 2.5 percentage points at the 95 percent confidence interval.



Question 2



## Employment Patterns for Late Baby Boom Workers Have Changed over Time

- The types of jobs that workers born between 1957 and 1964 have had has changed over the last two decades:
  - Initially, higher proportions were employed in blue-collar occupations; over time, more have become employed as professional and technical workers and as managers.
  - Initially, more were employed in the retail trade and manufacturing sectors; now, more are in the professional and business services sectors.
- Some of this change may be related to age-related changes for individuals, such as increasing levels of education, training, and work experience or to changes in the overall economy.

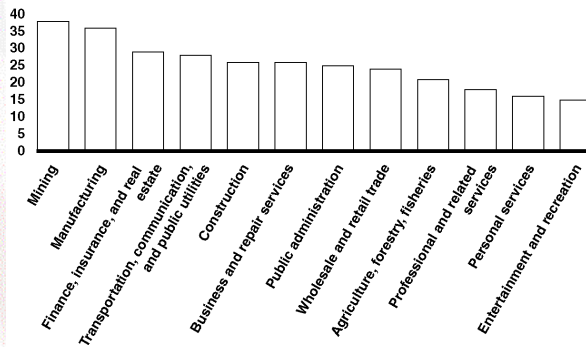




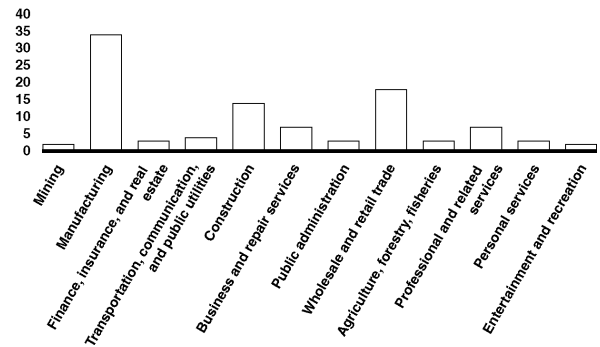
## Rates of UI Receipt and Relative Shares of UI Receipt Spells Vary by Industry

- The percentages of UI-eligible spells of unemployment resulting in UI benefit receipt between 1979 and 2002 varied by industry.
- However, the distribution of all receipt spells across industries shows that more UI spells occurred in manufacturing, wholesale and retail trade, and construction than in other industries.

Percentage of UI receipt spells within an industry



Percentage of all UI receipt spells



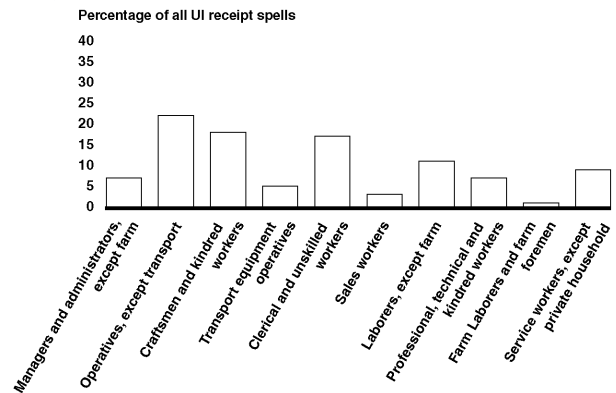
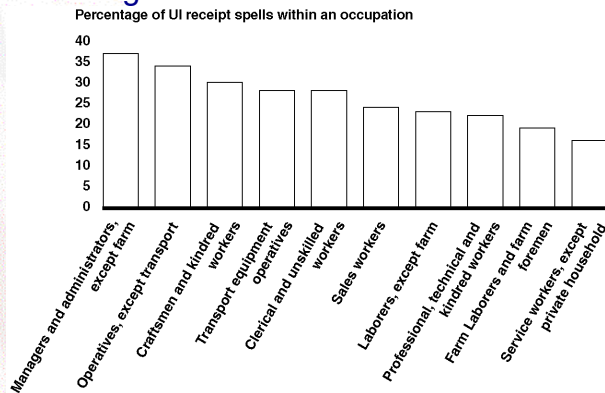
Source: GAO analysis of NLSY79 data.

Note: Sampling errors for these estimates were within plus or minus 4.5 percentage points at the 95 percent confidence interval, except mining, which had a confidence interval of -6.2 to 6.4 percentage points.



## Rates of UI Receipt and Relative Shares of UI Receipt Spells Also Vary by Occupation

- The percentages of UI-eligible spells of unemployment resulting in UI benefit receipt between 1979 and 2002 were highest for machine operators and managers.
- The distribution of all receipt spells across occupations shows that more UI spells occurred for machine operators, craftsmen, and clerical and unskilled workers than for other occupational groups.



Source: GAO analysis of NLSY79 data.

Note: Sampling errors for these estimates were within plus or minus 4 percentage points at the 95 percent confidence interval.

# Appendix II: Confidence Intervals for Estimated Numbers of UI-Eligible Spells of Unemployment and UI Receipt Spells

**Table 1: Estimates and 95 Percent Confidence Intervals for UI-Eligible Spells of Unemployment among Workers Born between 1957 and 1964 (1979-2002)**

Number in thousands			
Year	Estimated UI-eligible spells of unemployment	Lower bound for confidence interval	Upper bound for confidence interval
1979	2,697	2,368	3,026
1980	4,809	4,363	5,255
1981	4,912	4,476	5,349
1982	5,930	5,458	6,403
1983	5,385	4,923	5,848
1984	4,476	4,061	4,891
1985	4,043	3,639	4,446
1986	3,442	3,066	3,818
1987	2,699	2,357	3,041
1988	2,351	2,048	2,653
1989	2,517	2,199	2,835
1990	2,475	2,152	2,798
1991	2,719	2,365	3,073
1992	2,839	2,462	3,215
1993	2,238	1,909	2,568
1994	1,857	1,554	2,161
1995	1,444	1,171	1,718
1996	1,594	1,301	1,887
1997	1,208	945	1,471
1998	1,295	1,023	1,568
1999	876	646	1,105
2000	1,066	816	1,316
2001	1,251	971	1,532
2002	750	547	954

Source: GAO analysis of NLSY79 data.

**Appendix II: Confidence Intervals for  
Estimated Numbers of UI-Eligible Spells of  
Unemployment and UI Receipt Spells**

**Table 2: Estimates and 95 Percent Confidence Intervals for UI Benefit Receipt of UI among Workers Born between 1957 and 1964 (1979-2002)**

<b>Number in thousands</b>			
<b>Year</b>	<b>Estimated UI receipt spells</b>	<b>Lower bound for confidence interval</b>	<b>Upper bound for confidence interval</b>
1979	520	368	672
1980	1,135	905	1,365
1981	1,103	883	1,323
1982	1,563	1,299	1,826
1983	1,091	865	1,316
1984	1,091	869	1,312
1985	1,060	834	1,285
1986	915	709	1,121
1987	184	93	275
1988	518	358	678
1989	605	427	782
1990	741	526	956
1991	870	646	1,094
1992	826	597	1,054
1993	720	510	931
1994	555	364	746
1995	507	322	693
1996	423	253	593
1997	380	210	550
1998	245	121	368
1999	303	150	456
2000	318	166	470
2001	397	232	563
2002	190	81	299

Source: GAO analysis of NLSY79 data.

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Gale Harris, Assistant Director (202) 512-7235  
Regina Santucci, Analyst in Charge (202) 512-6317

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## GAO Acknowledgments

In addition to the individuals mentioned above, the following staff members made major contributions to this report: Karyn Angulo, William Bates, Cheri Harrington, Gene Kuehneman, Lise Levie, Edward Nannenhorn, James Pearce, Dan Schwimer, and Shana Wallace.

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## Other Acknowledgments

We contracted with Dr. Brian McCall from the University of Minnesota for analysis of the NLSY and other technical assistance.

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# Related GAO Products

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*Unemployment Insurance: Survey of State Administrators and Contacts with Companies Promoting Tax Avoidance Practices.* [GAO-03-819T](#). Washington, D.C.: June 19, 2003.

*Unemployment Insurance: States' Use of the 2002 Reed Act Distribution.* [GAO-03-496](#). Washington, D.C.: March 6, 2003.

*Unemployment Insurance: Enhanced Focus on Program Integrity Could Reduce Overpayments.* [GAO-02-820T](#). Washington, D.C.: June 11, 2002.

*Unemployment Insurance: Increased Focus on Program Integrity Could Reduce Billions in Overpayments.* [GAO-02-697](#). Washington, D.C.: July 12, 2002.

*Unemployment Insurance: Role as Safety Net for Low-Wage Workers Is Limited.* [GAO-01-181](#). Washington, D.C.: December 29, 2000.

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## Public Affairs

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