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January 6, 2012

## **HUNDREDS OF THOUSANDS OF LOWER-WAGE WORKERS, MANY OF WHOM WORKED FOR DECADES, WOULD BE DENIED UNEMPLOYMENT INSURANCE UNDER PROVISION NOW UNDER CONSIDERATION**

By Robert Greenstein, Hannah Shaw, and Chad Stone

A provision that congressional negotiators will consider for legislation to extend the payroll tax cut through the end of 2012 would deny unemployment insurance (UI) to hundreds of thousands of lower-wage workers who worked for years or even decades, effectively paid UI taxes while they worked, and then were laid off.

The provision, part of the full-year payroll-tax bill that the House passed in December, would deny UI benefits to any worker who lacks a high school diploma or GED and is not enrolled in classes to get one or the other — regardless of how long the person worked or whether he or she has access to adult education, which itself has been subject to significant budget cuts in the past few years and is heavily oversubscribed.

The provision would hit large numbers of *older* laid-off workers. Nearly half (47 percent) of UI recipients with less than a high school education or the equivalent are over age 45, and 35 percent are age 50 or over, Census data show.<sup>1</sup> In 2010, *half a million* workers age 50 or over who received unemployment insurance lacked a high school diploma.<sup>2</sup> By contrast, less than one-fifth of UI recipients without a high school diploma or the equivalent are under age 30.

For most of these individuals, who may have worked for 30 years or more, returning to high school makes little sense. And adult education, even when it might be useful because the workers are younger, very often isn't available due in part to federal and state budget cuts.

- 50 of the 51 states and the District of Columbia had waiting lists in local adult education programs in 2009-2010, according to the most recent survey.<sup>3</sup> Some 72 percent of the local programs reporting had waiting lists.
- In the local programs responding to the survey, the number of people on waiting lists *doubled* just between 2008 and 2009/2010, from 80,000 to 160,000.

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<sup>1</sup> CBPP analysis of 2010 Census data.

<sup>2</sup> Because Census data tend to undercount the number of UI recipients, the true number is likely somewhat higher.

<sup>3</sup> National Council of State Directors of Adult Education, "Adult Student Waiting List Survey, 2009-2010," <http://www.naepdc.org/publications/2010%20Adult%20Education%20Waiting%20List%20Report.pdf>.

- The number of months that an individual must remain on a waiting list to get a slot in an adult education program also doubled between 2008 and 2009/2010, when 81 percent of the local programs with wait lists reported waiting times of two months or longer. In Arizona, for example, nearly 7,000 people remained on the waiting list year round.

Furthermore, the shortage of adult education slots has almost certainly grown significantly since 2009-2010 because of substantial budget cuts in adult education since then.

- Federal funding for career, technical, and adult education in fiscal year 2012 is 15 percent below the fiscal year 2008 level, after adjusting for inflation, and 23 percent below the 2006 level — largely as a result of cuts made by the current Congress.<sup>4</sup> In other words, while need has burgeoned due to the economic downturn, funding for adult education — and hence the number of adult education slots — has dropped substantially.
- State budget cuts have exacerbated this problem. A number of states have either cut funding for adult education significantly or eliminated it altogether.<sup>5</sup>
- Federal funding for adult education will almost certainly decline further in the years ahead as a result of the Budget Control Act's austere caps on discretionary funding and the additional, automatic cuts (or “sequestration”) that will occur starting in January 2013.

As a result, under the House UI provision, many workers who worked for decades and lost their jobs due to no fault of their own would be denied unemployment insurance benefits — unless they enrolled in classes for which there often would be no slots available. And in some instances, those fortunate enough to find a slot would have to pay significant sums to enroll in the classes, even though they no longer have wages from a job.<sup>6</sup>

Unemployment insurance already is more difficult to receive than many people realize. Applicants must have a substantial work history and meet other requirements to qualify. This is why fewer than 40 percent of the unemployed receive UI benefits in a normal labor market.<sup>7</sup> The House provision would deny UI benefits to even more laid-off workers.

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<sup>4</sup> The appropriation level for career, technical, and adult education (budget account 91-0400) was \$1.992 billion in FY 2006 and 2007. It then declined to \$1.941 billion in FY 2008 and \$1.945 billion in 2009, before rising modestly to \$2.016 billion in FY 2010. It was cut, however, to \$1.742 billion in 2011 and \$1.739 billion in 2012. These are the nominal numbers, before adjusting for inflation.

<sup>5</sup> Marcie Foster, “Cuts to Adult Education Would Harm More Than Just Students,” Center for Law and Social Policy, July 14, 2011, [http://www.clasp.org/issues/in\\_focus?type=basic\\_skills\\_and\\_workforce\\_training&id=0021](http://www.clasp.org/issues/in_focus?type=basic_skills_and_workforce_training&id=0021).

<sup>6</sup> See for example, Denise-Marie Balona, “Adult-education classes in Florida now come with fees,” *Orlando Sentinel*, July 5, 2011, <http://www.palmbeachpost.com/news/adult-education-classes-in-florida-now-come-with-1582644.html?printArticle=y>.

<sup>7</sup> In 2007, 37 percent of the unemployed received UI. This percentage rises in a recession.

## Provision Would Primarily Affect Lower-Wage Workers

The provision would affect a large number of people. Nearly 1.5 million UI recipients lacked a high school diploma or the equivalent in 2010, according to Census data.<sup>8</sup>

It would primarily affect workers who were paid low or modest wages (since people with less education tend to be paid less) and who consequently are unlikely to have much in the way of assets to help them weather their period of unemployment.<sup>9</sup>

Moreover, the people affected would, in many cases, have paid significant UI taxes over the years. UI taxes are generally levied on the first \$7,000 of a worker's wages (this figure is somewhat higher in some states). Although *employers* pay the tax, economists agree that *employees* largely bear the burden of the tax in the form of lower wages than they would otherwise receive. And since the tax is levied on only the first \$7,000 (or a similar figure) in annual wages, it constitutes a larger share of the wages of lower-wage workers than of higher-wage ones.

The bottom line is that the House provision would deny UI benefits to hundreds of thousands of workers — many of them middle-aged — who have worked hard, played by the rules, and effectively paid UI taxes for years and who then were laid off due to no fault of their own. This would violate the basic compact that the UI system has embodied since its creation under President Roosevelt in 1935 — that people who have amassed a sufficient record of work, and on whose behalf UI taxes have faithfully been paid, may receive UI benefits for a temporary period if they are laid off and are searching for a new job.

To add insult to injury, it would allow people without a high school diploma or GED to receive benefits only if they enroll in classes for which there often would be no slots available — in part because of budget cuts approved by some of the same policymakers who now embrace this new requirement.<sup>10</sup>

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<sup>8</sup> Because Census data tend to undercount the number of UI recipients, the true number likely is somewhat higher.

<sup>9</sup> Census data show two-thirds of UI recipients without a high school diploma or the equivalent are in the bottom two income quintiles. We use income quintiles adjusted for household size, following a standard CBO practice here.

<sup>10</sup> The provision includes vague language to allow states to grant waivers where the requirement would be unduly burdensome, but it includes no standards for such waivers, and there is no assurance states would make significant use of them.