



The Demographics of Unemployment Insurance Claimants

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Most people know Unemployment Insurance (UI) as the program that sends payments to people who have lost their jobs to help them make ends meet while they search for new employment. The lesser-known benefit of UI is the wealth of employment data it provides.

UI data can reveal when people are losing jobs, and how long it takes them to find employment. It also provides useful information about the people who are looking for jobs. Knowing who is out of work, and when, is useful to recruiters seeking available workers and government agencies that help people find new jobs.

Among the insights gained from UI data:

- Only 35 to 40% of unemployed Montanans claim UI benefits.
- UI claimants skew older. Workers under 25 years of age make up 23% of total unemployment, but only account for 4% of UI claims.
- Men use UI at much greater rates than women throughout the year, *except* in the summer, when claims are more even.

This article explores the demographics of Montana's UI claimants to identify who is using Unemployment Insurance and to gain insights about labor market, industry, and seasonal employment trends.

¹While administration of the UI system relies on payroll taxes paid by employers, research has largely shown that the economic incidence (where the cost is truly borne) primarily falls on workers through lower wages. See: Anderson, Patricia M and Meyer, Bruce D. (2000). The effects of the unemployment insurance payroll tax on wages, employment, claims, and denials. *Journal of Public Economics*, 78, 81-106.

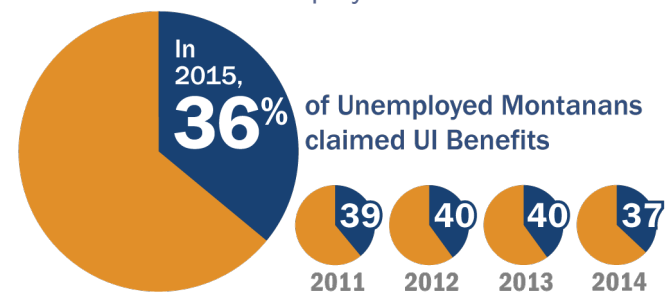
ABOUT UNEMPLOYMENT INSURANCE

Unemployment Insurance is a social insurance program that aims to ease the financial strain of losing a job. In concept, people contribute a portion of their paychecks to the UI system¹ so that if they lose work, they can apply for benefits that provide income while they search for a new job.

UI benefits the overall economy by easing the shock of spending reductions from laid off workers, and by giving workers the time to seek jobs appropriate to their skill sets, which improves overall job-matching. Administration of the UI program provides valuable data used to count payroll employment and estimate the unemployment rate, along with demographic information about the types of workers who are unemployed and when.

Not all unemployed people can collect UI benefits. Generally, a UI claimant must be someone who was recently employed and lost their job due to circumstances beyond their control, such as layoffs for economic reasons. In most cases, workers who

FIGURE 1: Total Unemployment vs UI Claimants



This percentage is consistent with those of recent years.

voluntarily leave a job and those who are terminated due to misconduct do not qualify. There is also a minimum threshold of wages earned over the previous five quarters that needs to be met. Common examples of people who may not qualify for UI benefits include unemployed recent graduates, self-employed persons, and people voluntarily transitioning between jobs.

Historical data shows that only 35-40% of all unemployed people actually claim UI benefits (see Figure 1), although this varies depending on economic conditions. Because the program is voluntary, a small portion of unemployed workers who would qualify for UI benefits don't claim them, either because they don't know they qualify, or other unknown reasons.

IMPORTANT FEATURES OF UI CLAIM DATA

Claim counts vary year by year. In 2015, an average of approximately 7,800 people collected UI benefits every week, while the average was over 17,000 just after the recession in 2010. Claim numbers also vary seasonally, rising significantly in the winter. In 2015, claims peaked close to 14,000 in January but fell below 6,000 during the summer.

How long people continue collecting UI benefits also changes over time. In 2015, the average claim duration was about eleven weeks, down significantly from the 2010 average of fifteen weeks. Average claim duration also changes seasonally, although in a pattern opposite that of claim counts. The average duration of claims gets longer in the summer and shorter in the winter (see Figure 2).

This reverse seasonality exists because fewer claims are filed in the summer, leading to fewer new claims pulling the average down. In times of low unemployment, those who are unemployed are more likely to be people who have barriers to employment, such as a problematic work history or a criminal record. It takes longer for these job seekers to find work, which increases the average duration of their UI claims.

INDUSTRY CHARACTERISTICS DRIVE UI USAGE RATES

Different industries have different rates of UI use, and certain characteristics specific to each industry can drive up its UI claims. Construction, for instance, has both high turnover and seasonality. It is Montana's largest user of UI by far, making up about 25% of claims in 2015.

Figure 3 ranks Montana's industries by employment size and compares each industry's share of total UI claims. Montana's largest employing industries, Health Care, Retail Trade, and Accommodations and Food Service, make up a relatively low share of UI. Even though the three industries combined account for nearly half of all employment in the state, their combined UI usage is about equal to that of Construction alone.

Construction accounts for so large a portion of claimants that it has an outsized influence on UI's demographic makeup. Specifically, it skews UI's statistics toward the Construction industry's high proportion of male workers.

FIGURE 2: Claim Totals vs. Durations

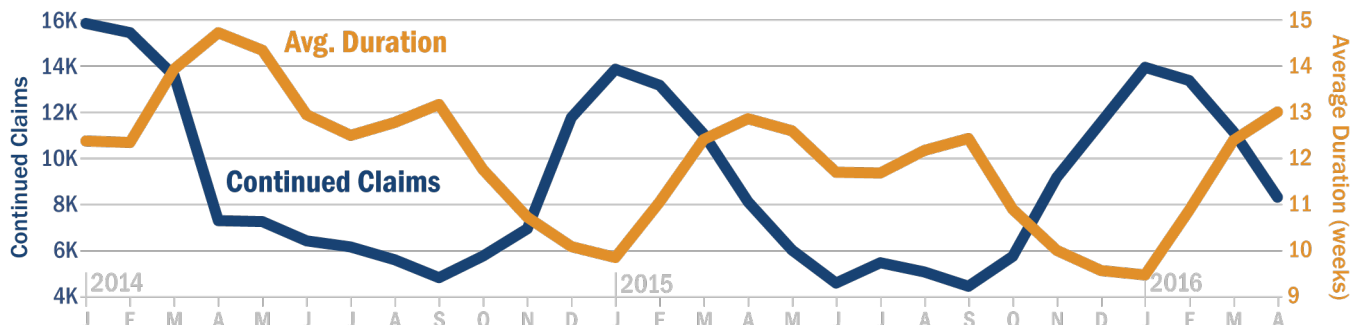


FIGURE 3: Industry Shares of Employment & UI Claims, 2015

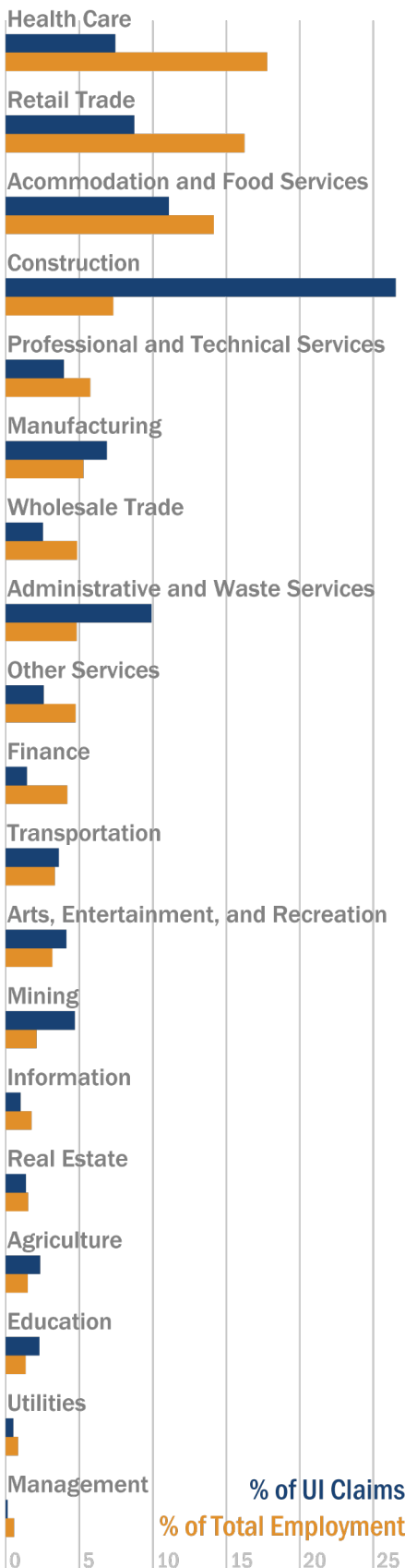
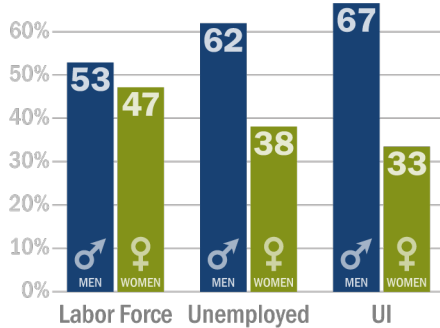


Figure 4 presents each gender’s share of the labor force, total unemployment, and UI claims. While men and women make up a relatively even share of the workforce with 53% male and 47% female, men represent a much larger portion of both unemployment (at 62%) and UI claims (at 66%).

FIGURE 4: Gender Share of the Labor Force, Total Unemployment, and UI Claims



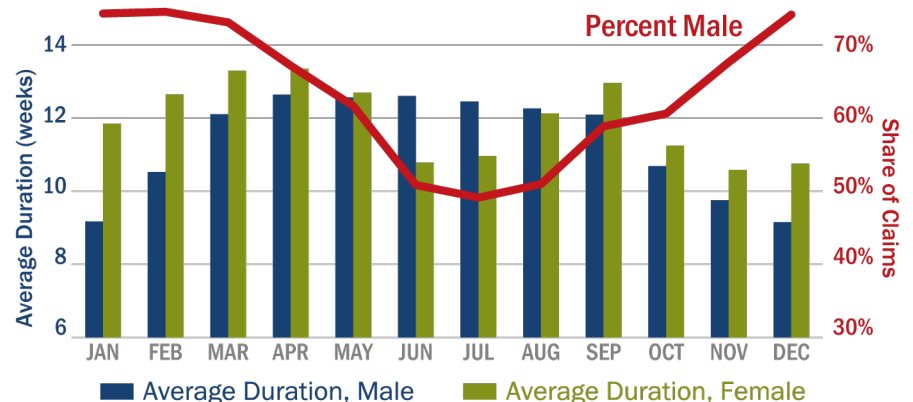
Construction and other industries have seasonal patterns, however, and the share of claims by men changes depending on the time of year. Figure 5 shows the share by gender of UI claimants, as well as the average claim duration of male and female workers throughout the year. The share of male claimants changes seasonally, with a significantly

lower proportion in the summer. In the winter, when construction activities slow down, men make up nearly 75% of all claims, while in the summer the number drops to 49%. Average claim duration also climbs for men in the summer, rising to 12 weeks from about 8.5 weeks in the winter. The rising claim duration suggests that fewer men are losing work during the summer and those who remain unemployed are taking longer to find work.

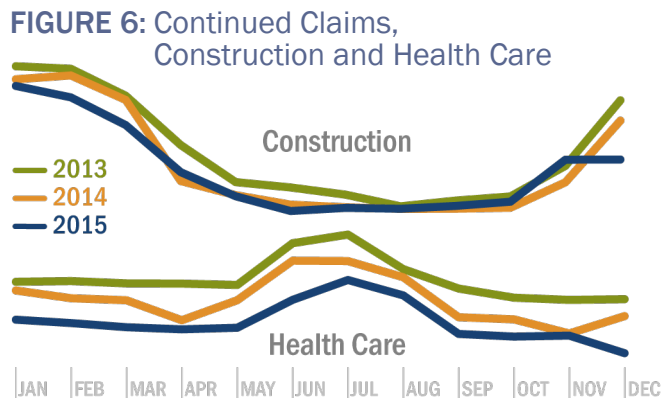
Construction, however, isn’t the only industry where seasonality influences UI use among genders. The Health Care industry, which is 75% women, contributes to a reverse seasonality effect.

For women, the average UI claim duration shortens in the summer, shrinking to ten weeks from as high as thirteen in the winter. This decline indicates an influx of new claims. Such a rise in new claims makes sense in the context of Health Care demand, which declines in the summer and peaks in the winter months, perhaps when cold weather

FIGURE 5: Seasonality of Claims by Gender



leads to more illness. Figure 6 displays the opposite seasonal trends of the Health Care and Construction industries.

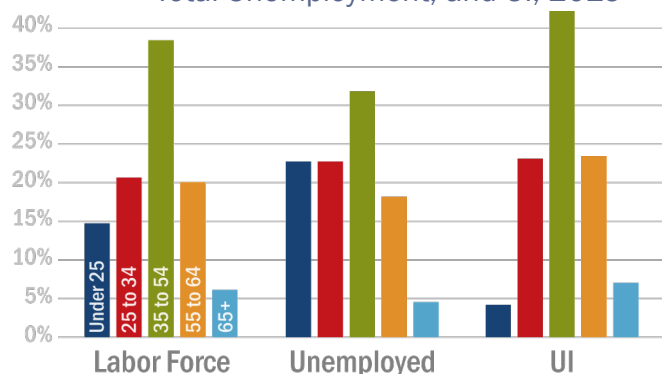


AGE CHARACTERISTICS OF UI CLAIMANTS

There are also differences in the age and education composition of the labor force, unemployed, and UI claimant populations. People who claim unemployment insurance are, on average, much older than the unemployed population (see Figure 7). Only 4% of UI claims are made by workers under 25, a stark contrast considering they make up 23% of total unemployment. Meanwhile, people aged 35 to 54 represent 32% of all unemployed people, but make up 42% of UI claimants.

The likely explanation is that younger workers often lack the required employment history to qualify for UI. They are more likely to be employed part-time or seasonally in low-wage jobs which are less likely to provide sufficient wages to qualify for UI benefits.

FIGURE 7: Age Share of the Labor Force, Total Unemployment, and UI, 2015

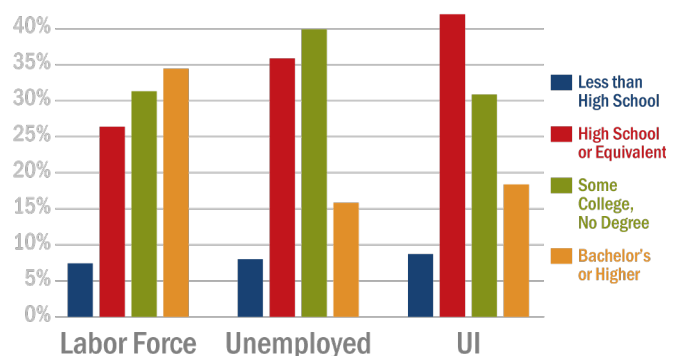


However, the share of UI claimants under age 25 has increased since 2010 from less than 1% to nearly 5%, reflecting the improving job prospects for young workers as Montana’s economy moves away from the recession.

EDUCATION LEVEL OF UI CLAIMANTS

People who claim UI benefits tend to have lower levels of education than the rest of the unemployed and the labor force as a whole (see Figure 8). The differences in education likely reflects the high usage of UI by the construction industry, which tends to have lower education requirements for many of its occupations. In total, 49% of UI claimants have attained education beyond a high school diploma or equivalency, compared to 66% of the total labor force.

FIGURE 8: Education of the Labor Force, Unemployed, and UI Claimants, 2015



CONCLUSION

In general, the UI population is more male, older, and less educated than Montana’s labor force as a whole, suggesting a group of people whom employers could target for providing new training. The population of UI claimants also varies seasonally, with a large pool of out-of-work construction workers potentially available to employers in the winter, and a higher number of healthcare workers seeking new employment in the summer. With an upcoming labor shortage, data like this can be a useful tool to assist employers having trouble finding job applicants, and to help improve job matching in Montana.