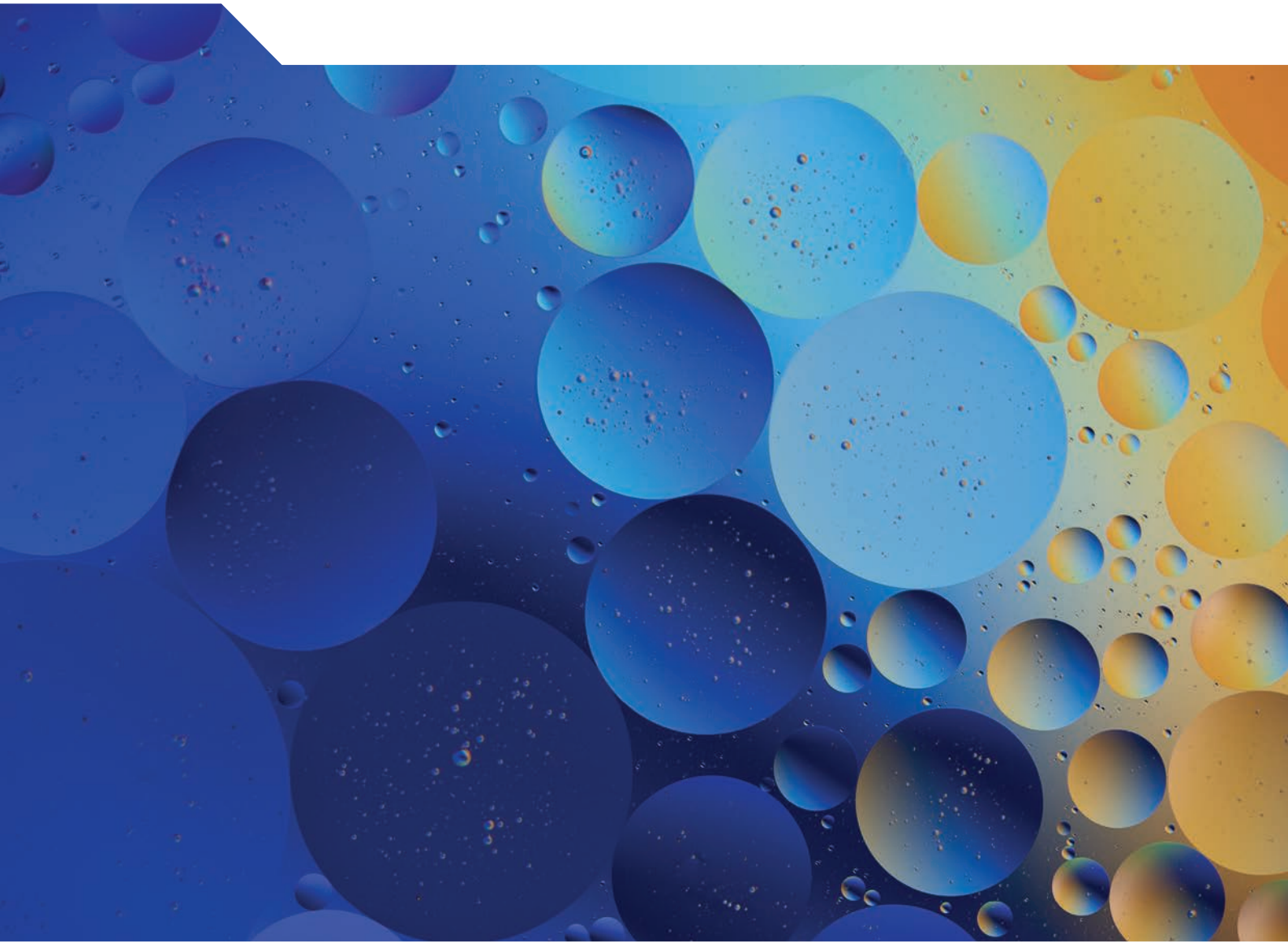
Benefit Reforms for Inclusive Societies in the United States

INCOME SECURITY DURING JOBLESSNESS



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Foreword

Multiple recent crises, including the COVID-19 pandemic and rising living costs, have highlighted the crucial role of income transfers and associated employment support for jobseekers. Benefit systems help individuals and families to manage labour-market risks, and they play a key stabilising role for the overall economy. Effective income support is particularly relevant in the current context of heightened economic uncertainties, and the acceleration of hires and layoffs that is likely to accompany the green transition and the adoption of new technologies.

In the United States, the COVID-19 pandemic highlighted the crucial role of the Unemployment Insurance (UI) programme for cushioning earnings losses. It also revived the debate on unequal access to income support, with potentially sizeable coverage gaps for some labour market groups, including women and workers of colour. Early in the pandemic, the US Government expanded access to Unemployment Compensation to self-employed workers, to those looking for part-time jobs, as well as to workers with a short employment history and/or low past earnings. The resulting extensions of entitlements to previously uncovered groups made the programme more inclusive and may have lessened the extent to which UI coverage reinforces existing labour-market inequities.

In this context, the US Department of Labor has asked the OECD to examine how the United States compares with other countries in terms of benefit entitlements and provisions for jobseekers. This report first assesses the accessibility of income support for jobless individuals with past "standard" employment (full-time continuous wage or salaried work), for different groups of "non-standard" workers (self-employed, part-time, and workers with short employment histories or unstable earnings), and workers with different racial and ethnic backgrounds, as well as men and women. In a second step, the report considers to what extent coverage gaps for disadvantaged labour market groups could be alleviated if some of the UI extensions adopted during the pandemic would remain in place, by quantifying the effects of extensions on income security in a non-pandemic labour market.

The report concludes that, given the low levels of out-of-work support in the United States in the international comparison, as well as robust in-work tax credits, there is space for carefully expanding out-of-work supports without unduly weakening work incentives. Building on the analysis and reform experiences in other OECD countries, it presents reform options for strengthening support for jobseekers, including extending UI to self-employed workers, softening the requirement of involuntary unemployment, "levelling up" benefit amounts and maximum durations across states, and considering the introduction of an unemployment assistance benefit for jobseekers without a recent history of employment.

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The project was co-funded by the US Department of Labor. A technical companion paper (*Impacts of the Pandemic Unemployment Assistance extensions on work incentives and benefit generosity during joblessness)* will be published concurrently. This material does not necessarily reflect the views or policies of the United States Department of Labor, nor does the mention of trade names, commercial products, or organizations imply endorsement by the United States Government.

The OECD team would like to thank experts from the US Department of Labor for their continuous support, the provision of relevant data and policy information, and their comments on earlier versions of the report. We would also like to thank the US Census Bureau for their timely and competent advice on the survey micro-data this report is based on. We also thank Stéphane Carcillo (Head of the Jobs and Income Division), Stefano Scarpetta and Mark Pearson (Director and Deputy Director of ELS) for their guidance and comments.

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Race and Ethnicity: This report uses data from the 2014 Panel Survey on Income and Program Participation (SIPP). There are two variables that identify race and ethnicity in the SIPP: race, that groups individuals into the categories "White alone", "Black alone", "Asian alone" and "Residual", with the residual containing those considering themselves to be mixed race as well as other racial or ethnic minorities; and origin, that identifies "Spanish, Hispanic or Latino" individuals.

In line with the Census Bureau convention, the report uses the following classification scheme for race and ethnicity.

- *White, not Spanish, Hispanic or Latino.* Individuals who identify their race as "White alone" and do not indicate being "Spanish, Hispanic or Latino". *Non-Latino white* is used throughout the report.
- *African American.* Individuals who identify their race as "Black alone" irrespective of whether they indicate being "Spanish, Hispanic or Latino". That is, both Latino and non-Latino individuals belong to this category.
- *Latino.* Individuals who identify their race as "White alone" and indicate being "Spanish, Hispanic or Latino".
- *Asian.* Individuals who identify their race as "Asian alone" irrespective of whether they indicate being "Spanish, Hispanic or Latino". That is, both Latino and non-Latino individuals belong to this category.
- *Other.* Individuals who identify their race as "Residual" irrespective of whether they indicate being "Spanish, Hispanic or Latino". That is, both Latino and non-Latino individuals belong to this category. The "Residual" race category includes "American Indian or Alaska Native (AIAN)", "Native Hawaiian or other Pacific Islander", "White-Black", "White-AIAN", "White-Asian", "Black-Asian", and "Other two or more races" as detailed answer categories.

The above definitions subsume individuals identifying as either African American or Asian and "Spanish, Hispanic or Latino" under the Black and Asian racial categories. This classification is largely pragmatic, as Black/Asian "Spanish, Hispanic or Latino" represent only a very minor part of the sample (only 5.5% of African Americans and 3.1% of Asian Americans are also of Spanish, Hispanic or Latino origin) and statistics on these groups cannot be displayed because of sample constraints.

Abbreviations

ALMP	Active Labour Market Policy.
ARPA	American Rescue Plan Act.
CARES	Coronavirus Aid, Relief, and Economic Security Act.
CTC	Child Tax Credit.
DoL	Department of Labor.
DUA	Disaster Unemployment Assistance.
EB	Extended Benefits.
EITC	Earned Income Tax Credit.
EU-SILC	European Union – Survey of Income and Living Conditions.
FPUC	Federal Pandemic Unemployment Compensation.
FUTA	Federal Unemployment Tax Act.
GA	General Assistance.
ILO	International Labour Organization.
IRS	Internal Revenue Service.
MEUC	Mixed Earner Unemployment Compensation.
MIB	Minimum Income Benefits.
PUA	Pandemic Unemployment Assistance.
PES	Public Employment Service.
PEUC	Pandemic Emergency Unemployment Compensation.
SA	Social Assistance.
SEA	Self-Employment Assistance.
SIPP	Survey of Income and Program Participation.
SNAP	Supplemental Nutrition Assistance Program.
SOCR	OECD Social Benefit Recipients database (http://oe.cd/socr).
SSA	Social Security Act.
SSI	Supplemental Security Income.
STC	Short Time Compensation.

TANF	Temporary Assistance for Needy Families.
TaxBEN	OECD Tax-Benefit simulation model (http://oe.cd/TaxBEN).
TRA	Trade Readjustment Allowances.
UA	Unemployment assistance.
UB	Unemployment benefit.
UC	Universal credit.
UCFE	Unemployment Compensation for Federal Employees.
UCX	Unemployment Compensation for Ex-Service members.
UI	Unemployment insurance/Unemployment compensation.
UK	United Kingdom.
WIC	Special Supplemental Nutrition Program for Women, Infants and Children.
VA	Veterans' Affairs.

Executive summary

This report examines income support gaps in the United States in a "non-pandemic" labour market. It also considers the effects of COVID-related extensions to unemployment insurance, and their suitability for strengthening income security for jobseekers beyond the pandemic.

Income support in the United States is tightly targeted, with comparatively low coverage for both "standard" and "non-standard" workers

Overall spending on working-age benefits in the United States is comparatively low – about 2% of total household income, compared to 8% or more in the United Kingdom, France, and Belgium – and more tightly means-tested. Only about 40% of low-income individuals who are long-term jobless (six months+) receive any transfers, even with a history of continuous wage or salary employment. This share is similar to Korea or Greece, and much lower than Belgium and France (about 95%), or the United Kingdom, Spain, Germany or Hungary (about 80%).

Because of comparatively short durations of Unemployment Insurance (UI) payments, income-support entitlements for longer-term jobless people are similar for standard and non-standard workers (those with past part-time or self-employment). During the initial months of a jobless spell, however, non-standard workers are about 20% less likely to receive any benefits than otherwise similar jobseekers with a history of full-time wage or salaried work. Social protection gaps between racial and ethnic groups, as well as between and men and women, seem to be entirely driven by differences in work and earnings history.

Unemployment Insurance entitlements expire quickly, and payment levels vary significantly across states

Prior to the onset of the COVID-19 pandemic, 12% of all US jobseekers received unemployment benefits. This ratio is very low compared to other OECD countries, e.g. about 30% in the United Kingdom, Spain or Australia, and 60% or more in Austria and Germany.

- Entitlement rules, including benefit durations and levels, are set at the state level. During the initial phase of unemployment, UI benefits are comparatively accessible across all US states. For jobseekers with low to average earnings, six months of continuous wage or salaried employment is sufficient to qualify. Most OECD countries require one year or more.
- Benefit durations are short by international comparison: they vary across states but typically do not exceed 26 weeks. On average across 33 OECD countries, the maximum benefit receipt duration is 17 months.
- Differences in *statutory coverage* mostly reflect the composition of states' workforces, rather than different contribution or earnings requirements across states.

- Statutory rules determining *benefit levels* do vary significantly across states, however. Southern states, with larger population shares of African Americans, offer comparatively modest benefit levels. Effective entitlements range from below 30% of the average wage in Washington D.C., Arizona and Louisiana to 70% in North Dakota. The OECD average is 45%.

Long out-of-work durations, which are more common among African Americans, are the main reason for non-entitlement

Almost two in three jobseekers do not qualify for UI payments because they have been out of work for over 26 weeks. Other reasons for non-entitlement include voluntary quits (15%), past self-employment (2%), and insufficient work/earnings histories (3%).

Long-term unemployment is particularly prevalent among African Americans, and this is the main reason for their significantly lower coverage. Only 8% of African American jobseekers are entitled to UI, compared to 16-17% of non-Latino whites and Latinos.

In a non-pandemic labour market, Pandemic Unemployment Assistance would double UI coverage

Pandemic Unemployment Assistance (PUA) significantly increased receipt durations to 79 weeks in all states, extended benefits to self-employed workers, and reduced minimum contribution requirements to one week's work at the minimum wage. In a non-pandemic labour market, this increases UI entitlement from 14% to 29%.

- Most of this increase is driven by longer maximum receipt durations. Those with short work histories or low earnings, and those who were self-employed would also benefit. Yet, nearly half of all jobseekers have been out of work for 80 weeks or longer and would therefore remain without UI benefits.
- Coverage gains would be bigger for Asian (high incidence of past self-employment) and African American (high incidence of long-term unemployment) jobseekers, than for Latinos and non-Latino whites.
- Roughly half of all jobseekers live in relative poverty, and this share is highest among African Americans (two out of three). PUA-type extensions would mechanically lower poverty by 5% (7% for African Americans), but a majority of jobseekers would remain in poverty.

Policy options for more inclusive unemployment support in the United States

Given robust in-work tax credits in the United States, there is space for carefully expanding out-of-work supports without unduly weakening work incentives. Building on the analysis and reform experiences in other OECD countries, this report presents four reform options:

1. **An extension of UI to the evolving and potentially growing group of self-employed workers**. Although the overall incidence of self-employment in the United States remains comparatively low, independent contractors, including platform workers, may become more numerous. Careful policy design, including job-search monitoring and other activation measures, can provide a degree of income security while preserving work incentives for this group.
2. **A softening of the requirement of involuntary unemployment as a pre-condition of UI receipt**.

Most OECD countries reduce or delay payments instead of disqualifying voluntary quits outright. Expanding “good personal cause” exceptions across all states would particularly benefit women.

3. **The “levelling up” of benefit amounts and maximum durations across states.**

   UI payment levels vary widely across states, with low benefit levels often coinciding with large population shares of African Americans.

4. **Consideration of an unemployment assistance benefit for jobseekers without a recent history of employment.**

   A large share of US jobseekers have been out-of-work for long periods, or they (re-)start their job search after a period of inactivity. Almost half of all jobseekers live in relative poverty, with African Americans especially at risk. An unemployment assistance programme for the able-bodied, tied to active job-search and activation measures, has the potential to strengthen both income security and re-employment.

1 De facto benefit receipt of standard and non-standard workers

This chapter sets out by comparing the size and structure of income support for working-age individuals and their families in the United States to other OECD countries. It then assesses the accessibility of social benefits for jobless individuals with past “standard” employment (continuous wage and salaried work) and “non-standard” work (self-employed, part-time, and unstable work) in the international perspective, before zooming in on the benefit coverage of US workers with similar work histories, but different racial and ethnic backgrounds.

Main findings of the report

Social protection plays a key stabilising role for individuals and societies alike. The recent prominence of social protection in governments' reform agendas can be seen in the context of unprecedented shocks during the COVID-19 pandemic, heightened uncertainties about the paths of labour-market recoveries and the cost of living, as well as structural transformations driven by digitalisation and other "mega trends", such as globalisation and climate change.

This report examines support gaps for jobseekers in the United States in a "non-pandemic" labour market before the onset of COVID-19. It also considers the effects of COVID-related extensions to unemployment insurance, and their suitability for strengthening income security for jobseekers beyond the pandemic.

The first chapter compares the total support package available to out-of-work individuals in the United States to other OECD countries. It looks at the de facto benefit receipt of "standard" full-time wage and salaried- workers, "non-standard" workers (part-time workers, those on temporary contracts, and self-employed including own-account workers), as well as of workers from different racial and ethnic groups as well as men and women. Main findings include:

- Spending on working-age benefits in the United States is comparatively low (2% of total household income, compared to 8% and more in the United Kingdom, France, and Belgium) and more tightly means-tested – more than half of all working age benefits are received by the poorest 20% of the population.
- Longer-term jobless individuals (six months +) are unlikely to receive any transfers, even when they have a history of standard employment and a clear need for support. Only about 40% of them receive any support, similar to Korea or Greece, and much lower than Belgium and France (about 95%), or the United Kingdom, Spain, Germany or Hungary (about 80%).
- Because of the comparatively short duration of Unemployment Insurance payments, the accessibility and levels of income support are similar (and similarly low) for standard and non-standard workers (e.g. those with past part-time or self-employment). Support is, however, significantly less accessible for non-standard workers during the early stages of a jobless spell (under six months). They are about 20% less likely to receive any benefits than otherwise similar jobseekers with a history of full-time wage or salaried work.
- For a given employment history, there are no significant social protection gaps across racial and ethnic groups, or between men and women. However, labour market patterns do vary systematically across racial and ethnic groups, and drive observed differences benefit coverage, as documented in the second chapter of the report.

The second chapter focuses on unemployment benefits specifically. Prior to the onset of the COVID-19 pandemic, unemployment-benefit coverage in the United States was lower than in most other OECD countries: 12% of all US jobseekers received unemployment benefits, compared to about 30% in the United Kingdom, Spain or Australia, and around 60% and over in Austria and Germany. The chapter examines the statutory reach and generosity of unemployment compensation for US workers and jobseekers, with a particular focus on disadvantaged labour market groups, such as racial and ethnic minorities, women, and non-standard workers. Main findings include:

- UI benefits are initially comparatively accessible across all US states. For jobseekers with low to average earnings, six months of continuous wage or salaried employment is sufficient to qualify. Most OECD countries require one year or more.

- Cross-state differences in statutory UI *coverage* are not principally a result of different statutory entitlement rules, but mostly due to differences in workforce composition across states, reflecting diverging patterns of employment form, earnings levels, and employment stability.
- But cross-state differences in support *generosity* are significant: effective benefit amounts range from below 30% of the state-wide average wage in Washington D.C., Arizona and Louisiana to 70% in North Dakota. Southern states, where larger shares of the population are African American, offer comparatively modest benefit ceilings. Benefit replacement rates for full-time average-wage workers are significantly below the OECD average.
- Benefit durations are short in the international comparison: they vary across states but mostly do not exceed 26 weeks. On average across 33 OECD countries, the maximum benefit duration is 17 months.
- For working individuals, UI would be accessible in the event of job loss: almost all current full-time and most part-time workers would be entitled to UI if they lost their job. Self-employed earnings do not give rise to UI entitlements in their own right, but those becoming jobless after self-employment can receive UI if they also had wage and salaried income in the past, and 13% of self-employed workers would qualify for UI on this basis.
- Among jobseekers, long-term unemployment is the primary reason for non-entitlement to UI. Prior to the pandemic, 63% of jobseekers have been out of work more than 26 weeks (the maximum UI duration in most states). Other reasons for non-coverage include voluntary job quits (about 15% of all jobseekers), past self-employment (2%), or insufficient work/earnings history from past employment (3%).
- Long-term unemployment is more prevalent among African American jobseekers than among other jobseeker groups, and this is the main reason for the significant differences in UI coverage among ethnic and racial groups. Only 8% of African American jobseekers are entitled to UI, compared to 16-17% of non-Latino whites and Latinos.

Chapter 2 of the report also examines how the pandemic-related extensions to UI, which were phased out in late 2021, would affect statutory entitlements if kept in place – and whether such extensions would succeed at diminishing support gaps for jobseekers in a non-pandemic labour market.

- Pandemic Unemployment Assistance (PUA) significantly increased receipt durations to a flat 79 weeks in all states, extended benefits to self-employed workers, and reduced minimum contribution requirements to one week's work at the minimum wage. Given patterns of unemployment in a non-pandemic labour market (2016), these extensions would double UI coverage.
- About two-thirds of this increase is driven by longer maximum receipt durations. Jobseekers with a short work history or low earnings, and those who were self-employed before becoming jobless also benefit. Yet, nearly half of all jobseekers have been out of work for 80 weeks or longer and would therefore remain without benefits even with PUA-type UI extensions in place.
- Coverage gains from a PUA-type extension are bigger for Asian and African American jobseekers, compared to Latinos and non-Latino whites. Asian jobseekers have the highest incidence of past self-employment among all racial and ethnic groups, while long-term unemployment is particularly prevalent among African Americans.
- Prior to any UI extensions, roughly half of all jobseekers live in relative poverty. Among African Americans, the share is two out of three, compared to one out of three among Asian and non-Latino white jobseekers. PUA-type extensions would mechanically lower poverty by 5%. The reduction would be largest for African American jobseekers (-7%), but a large majority of them would remain in poverty even with PUA-type extensions in place.

- Building on the analysis and current reform efforts and experiences in other OECD countries, this report presents four reform options: (i) an extension of UI to the evolving and potentially growing group of self-employed workers, (ii) a softening of the requirement of involuntary unemployment as a pre-condition of UI receipt, (iii) the harmonisation of benefit amounts and maximum durations across states, with a view to increasing them in the most restrictive states, and (iv) the introduction of an unemployment assistance benefit for job-ready jobseekers without a recent history of employment.
- Given robust in-work tax credits in the United States, there appears to be space for increasing out-of-work supports without undue weakening of work incentives. Participation tax-rates for jobseekers taking up low-wage employment currently range from 10% to 30% in California, Michigan and Texas, compared to 45% on average across OECD countries.

1.1. Introduction

Social protection plays a key stabilising role for individuals and societies alike. The recent prominence of social protection in governments' reform agendas can be seen in the context of unprecedented shocks during the COVID-19 pandemic, heightened uncertainties about the paths of labour-market recoveries and the cost of living, as well as structural transformations driven by digitalisation and other "mega trends", such as globalisation and climate change. While crises and uncertainties underscore the vital role of social protection, they also highlight the individual and social costs of protection that is ineffective or inaccessible. A future world of work, with less stable career patterns and an emergence of new forms of employment, presents one set of distinct challenges that may erode the prevention, protection or promotion capacities of present-day social protection systems (OECD, 2019[1]; European Commission, 2022[2]; Acemoglu and Restrepo, 2020[3]).

The COVID-19 pandemic has further accentuated structural challenges facing social protection policies (OECD, 2020[4]). Paid sick-leave schemes and unemployment insurance benefits have supported many who have lost their incomes early on during the health crisis. The United States, like many OECD countries quickly expanded benefits and eased access to short-time work schemes. Yet, many emergency measures mostly aided dependent employees. Even in countries with well-developed (or recently reinforced) social protection systems, many workers without standard employment contracts, or with short or unstable work histories, struggled to make ends meet when confronted with a job or earnings loss. Moreover, despite additional support for COVID-related job losses, those who were already out of work before the crisis often faced periods of extended hardship.

To examine the gaps in income support for different groups of workers, this chapter assesses the amount of support that individuals receive when experiencing out-of-work spells, either due to unemployment or to labour-market inactivity. It looks at differences in de facto benefit receipt between wage and salaried- and "non-standard" workers (part-time workers, those on temporary contracts, and self-employed including own-account workers), workers with different racial and ethnic backgrounds, as well as men and women. It compares results for the United States to other OECD countries using a methodology proposed in Immervoll et al. (2022[5]). The approach is based on information on actual (empirical or "de facto") benefit receipt. It therefore captures the interplay of (i) statutory entitlement rules, (ii) the implementation of these rules across different groups and (iii) the take-up of benefits, which may also vary across groups.

The approach consists of estimating statistical models of benefit receipt while controlling for the most important determinants of social benefit entitlements. The resulting models are then used to "predict" the income support that people receive in specific circumstances ("vignettes"), such as jobless workers with a history of wage and salaried or self-employment.[1]

This chapter relies on available longitudinal household surveys for 17 OECD countries containing rich information on individual incomes and employment patterns. Administrative records of the universe of workers and sufficiently detailed information on employment history and benefit receipt would have distinct advantages over survey data but are currently not available for most countries.[2]

In spite of the limitations inherent in available survey data, results are indicative of the approximate patterns of social protection gaps for standard and non-standard workers prior to the COVID-19 crisis. Results therefore point to structural social protection features and challenges that existed already prior to the COVID-19 crisis. The analysis presented here is intended as an illustration using readily available survey data, and as a template for possible future applications with statistically more powerful data sources that may become available for some countries.

This chapter is structured as follows. Section 1.2 provides an overview of the architecture of working-age income support in the United States compared to other OECD countries, to inform the interpretation of the estimates of social protection gaps. To the same end, Section 1.3 provides an overview of statutory access gaps for non-standard workers across the OECD. Section 1.4 provides a short description of the econometric model and the data used for the United States and presents internationally comparable results on social protection gaps between standard and non-standard workers. Section 1.5 presents more granular results on the United States using a model tailored to enable analysing social protection gaps for a larger group of out-of-work individuals, as well as social protection gaps between racial and ethnic groups, as well as between men and women.

1.2. Income support in the United States in a comparative perspective

Income-support strategies and policy setups differ significantly across countries. Workers in many OECD countries acquire entitlements to earnings-replacement benefits such as unemployment insurance, accident insurance, disability, and parental-leave benefits through contributions. Some groups, e.g. families with children, receive support regardless of income or past employment (universal benefits). In addition, households with limited resources may have access to minimum-income benefits (MIB). This reflects different policy institutions and traditions, but also different strategies for balancing the various objectives of social protection such as risk sharing, income smoothing over time, inequality reduction and poverty alleviation.

Differences in the mix of entitlement criteria across countries are important drivers of social protection gaps between standard and non-standard workers. In 2019, only 11 of 36 OECD countries with available information offered self-employed workers the same unemployment protection as dependent employees, and two of them (Australia and New Zealand) exclusively relied on means-tested income support for jobseekers (OECD, 2022[6]). Several factors make the provision of contribution-based benefits for self-employed workers in particular more complex than for wage and salaried workers (see section 1.3). In contrast, means-tested benefits may be *more* accessible to non-standard than to standard workers, because they often have lower, and more fluctuating incomes (OECD, 2020[4]). Understanding how the income support architecture in the United States compares to other countries is therefore key for understanding how it compares in terms of social protection gaps between standard and non-standard workers.

1.2.1. Countries employ a range of benefit entitlement criteria

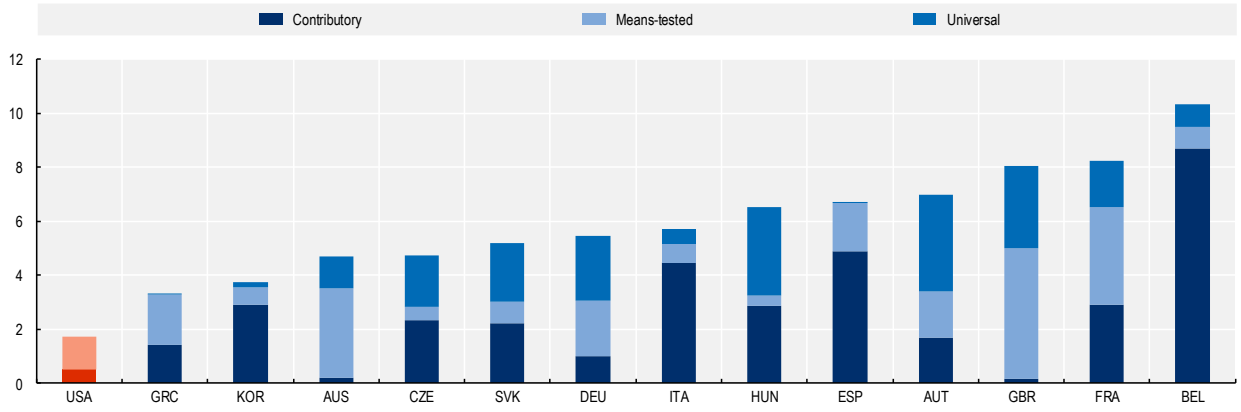
Some countries rely very strongly on means-tested benefits for working-age support (e.g. Australia or the United Kingdom, where means-tested or universal child benefits make up the bulk of spending on working-age benefits, see Figure 1.1). Others mainly rely on insurance-based transfers to cushion earnings-losses, with a limited role for means-tested transfers for those who do not have the required contribution history

(e.g. Belgium, Italy, Korea or Spain). A third group uses "layered" systems that combine insurance-based out-of-work benefits with universal support for families with children and means-tested benefits as a lower-level safety net (e.g. Austria, France, Germany, the Slovak Republic and to a lesser extent, Hungary). Especially in Austria, Germany and Hungary, universal child benefits account for a significant share of the incomes of working-age households.

This mix of benefits can differ at similar levels of spending. In both France and the United Kingdom, public benefits make up around 8% of the incomes of working-age households (before benefits), but with very different underlying targeting mechanisms (Figure 1.1). The support package in the United Kingdom consists almost entirely of universal and means-tested support, while contributory benefits account for one-third of the support package in France. Similar differences can be seen across Germany and Italy, or Hungary and Spain. In Belgium, where public benefits account for over 10% of the incomes of working-age households, over 80% of payments depend on previous earnings.

Figure 1.1. The importance of contributory benefits varies considerably across countries

Share of working-age benefits in total household incomes, by entitlement criterion, at or before 2018



Note: Working-age households, social benefits excluding pensions. Countries are ranked by the share of working-age benefits in total gross household incomes. Benefits that are both contributory and means-tested (e.g. unemployment assistance or *Notstandshilfe* in Austria) count as contributory. For the United States, disability benefits (Supplemental Social Security) and veteran benefits (both regular veterans' disability pension and service-related disability pension) are contributory.
Source: EU-SILC (EU statistics on income and living conditions, 2018), except for the United Kingdom (2016), GSOEP (German Socio-Economic Panel, 2018 wave), KLIPS (Korean Labour and Income Panel Study) (2019 wave), HILDA (The Household, Income and Labour Dynamics in Australia Survey) (2018 wave), Survey of Income and Program Participation (2014 wave, data refer to 2016).

StatLink https://stat.link/k6gs8n

In the United States, benefit spending makes up only 2% of the total income of working-age households. Less than one-third of these benefits are contribution based (mainly veterans' benefits and, to a lesser extent, unemployment compensation).

1.2.2. Tightly targeted benefits dominate in the United States, with Unemployment Compensation playing a minor role

Looking at the total benefit package for working-age households in the United States, Unemployment Compensation is a relatively minor programme in terms of spending, accounting for only nine percent of overall social spending on working-age households. This is consistent with low coverage and receipt durations of UI (see Chapter 2). With the exception of Veteran's benefits, which account for 12% of spending for working-age households, all other social spending is means-tested.

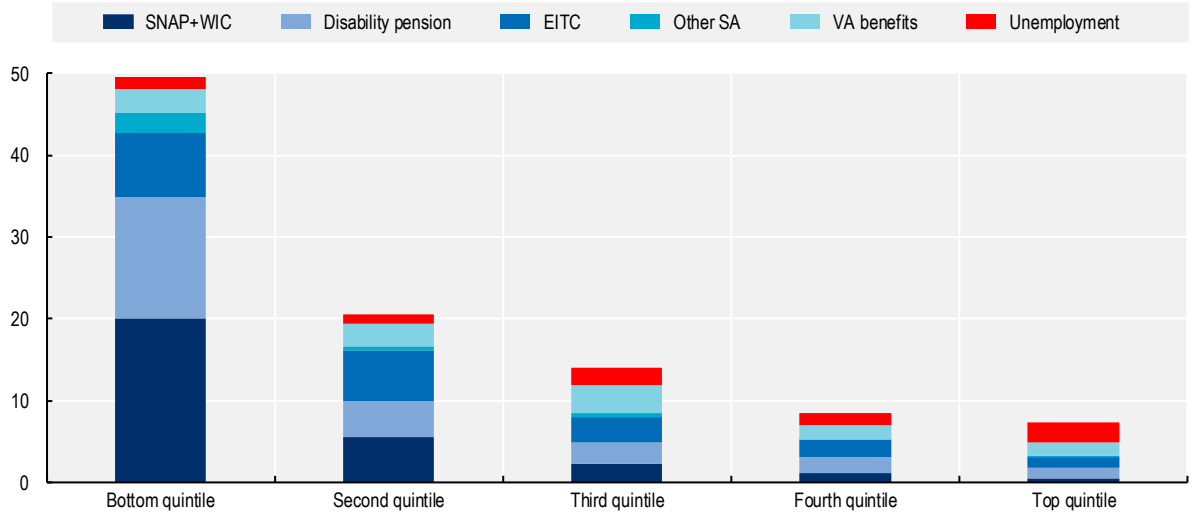
The bulk of spending is made up of means-tested programs targeting poor households. The nutritional assistance programmes Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Assistance Program for Women, Infants and Children (WIC) account for 30% of overall spending,[3] and the disability benefit Supplemental Security Income (SSI) for disabled, low-income adults for 25%, followed by the employment-related Earned Income Tax Credit (EITC, 20%). Other social assistance programmes (state-level General Assistance, GA, and Temporary Assistance for Needy Families, TANF) make up 4% of spending.

Consistent with the importance of means-tested benefits, more than half of all working-age social spending in the United States is targeted to poorest 20% of households (Figure 1.2). Unemployment Compensation makes up a negligible share of total benefits among the poorest households (3% of benefit spending in the first income quintile). Last resort benefits (SNAP, WIC, GA, and TANF) make up the bulk of benefit spending on the poorest households, implying that many do not have the contribution history to qualify for unemployment compensation. Disability benefits account for 30% of benefit expenditure in the first quintile, indicating that many in the poorest quintile are in fact unable to work because of ill-health. The receipt rate of disability benefits in the working-age population in the United States is, however, not exceptionally high in the international comparison (at 6%, the same as the average across OECD countries, (OECD, 2022[7])).

Unemployment Compensation payments increase with household income (Figure 1.2). This is consistent with the short maximum receipt duration (around five months) – UI recipients are more likely to have labour income during the year. The benefit is also not means-tested and can therefore be received by those living with other income earners.

Figure 1.2. Nutritional assistance and disability benefits dominate working-age income support

Shares of expenditure on working-age benefits across the income distribution, in percent, by programme, 2016



Note: Working-age individuals, social benefits excluding pensions. Quintiles of the income distribution before transfers. Benefit abbreviations refer to the following programmes: SNAP: Supplemental Nutrition Assistance Program (Food Stamps), WIC: Special Supplemental Nutrition Program for Women, Infants, and Children, Disability Pension: Supplemental Security Income (SSI), EITC: Earned Income Tax Credit, Other SA: General Assistance (GA) plus Temporary Assistance for Needy Families (TANF), VA Benefits: Veterans Disability Pension plus Veterans Service Pension, Unemployment: Unemployment Compensation.
Source: Survey of Income and Program Participation (2014 wave, data refer to 2016).

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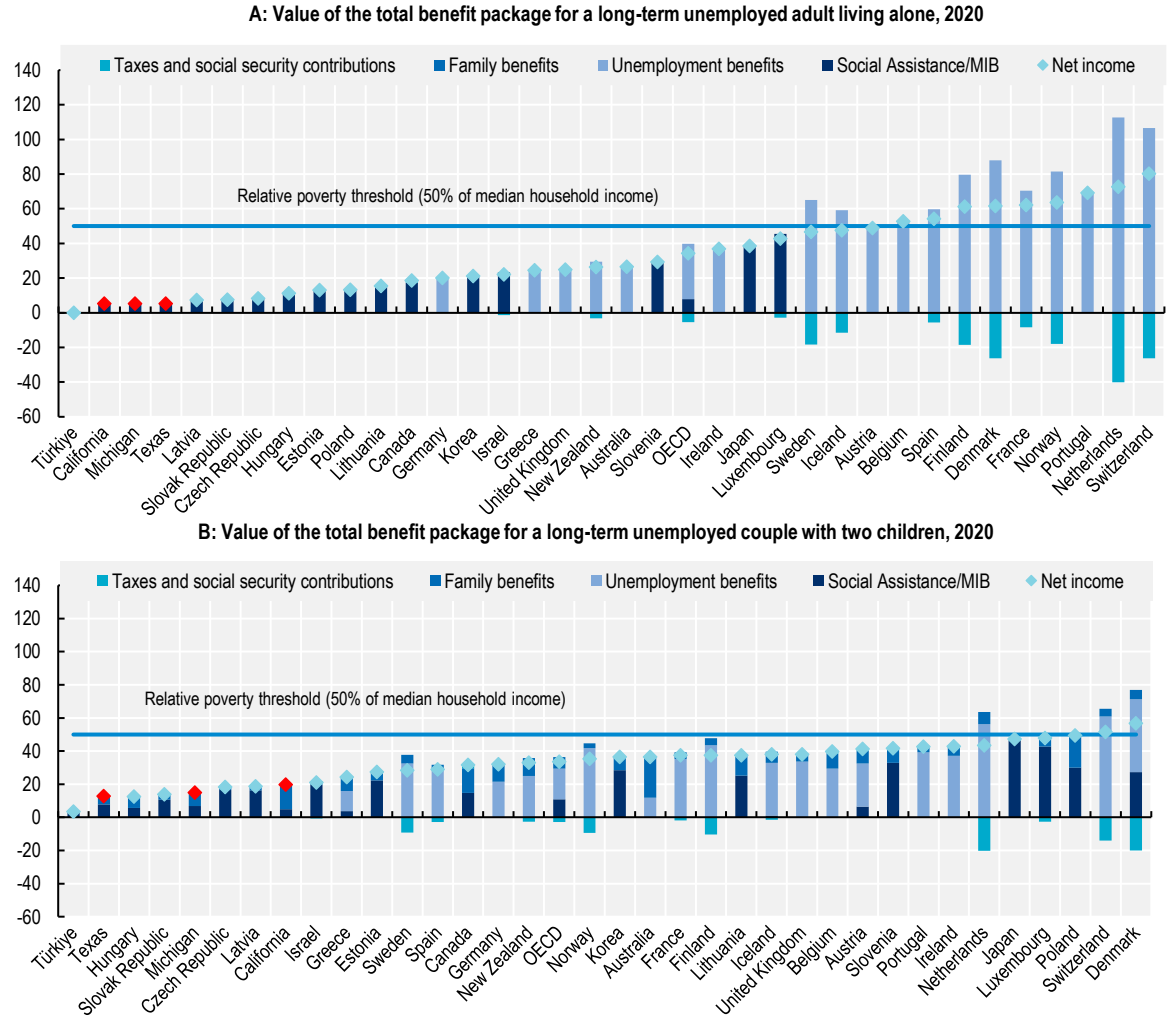
1.2.3. For able-bodied adults, statutory entitlements are less generous than in other countries

Coverage and receipt durations for unemployment benefits in the United States are low in comparison to other countries (see Chapter 2). In line with low overall spending on working-age benefits (see section 1.2.1), the United States also provides less generous non-contributory benefits for those who are not or no longer entitled to UI, through unemployment assistance, family benefits, minimum income benefits or through a combination of different measures. Figure 1.3 shows entitlements for a one-adult household, and a couple with two children, in the 13th month of unemployment, to abstract from short unemployment spells, and to show the effects of MIBs that often compensate once unemployment benefit entitlements run out. As many benefits in the United States vary at the state-level, Figure 1.3 shows results for three states with different labour markets and benefit rules: California, Texas and Michigan. It draws on the OECD TaxBEN model, that assesses statutory entitlements in specific policy-relevant, but hypothetical, household circumstances. For an in-depth analysis of work incentives and benefit levels in the United States in a comparative perspective, see the companion paper to this report, (Pearsall, Pacifico and Magalini, forthcoming[8]).

Across the OECD on average, long-term unemployed adults living alone receive benefits amounting to about a third of median household income, significantly below the relative poverty threshold (incomes below 50% of the median household income, following the standard OECD definition). Net incomes are above the poverty threshold in countries where maximum receipt durations of UI benefits exceed one year, including Switzerland, the Netherlands and Portugal, but benefits are close to the relative poverty threshold also in Luxembourg and Japan, where means-tested social assistance takes the place of unemployment benefits after one year of unemployment. In the United States, SNAP is the only benefit that can be received by a long-term jobseeker without children, leading to very low benefit levels in all three states with available data (Figure 1.3, Panel A). Families with children receive family benefits in many OECD countries, which increase household incomes for workless couples with two children, particularly in Australia, Poland and Canada. In the United States, the only family benefit for jobless families is TANF, that has very low coverage rates in practice (see Box 1.1). However, even for households receiving TANF, total benefit packages in the United States are significantly below the OECD average (Figure 1.3, Panel B).

Figure 1.3. Income support for jobseekers falls short of a relative poverty line in many countries



Note: Results for a jobless household. Children are aged 4 and 6. Unemployment benefits are calculated for a 40-year-old person with previous earnings equal to the median wage and a long and continuous previous employment record of 264 months, in the 13th month of unemployment. Results assume that the partner of the jobseeker has exhausted their rights to unemployment benefits. The family is assumed to meet any behavioural and maximum asset requirements for social assistance. Housing supplements are excluded. For the United States, Social Assistance is SNAP, General Assistance is not modelled in TaxBEN. Family benefits are TANF.

Source: OECD tax-benefit model version 2.5.1, (Pearsall, Pacifico and Magalini, forthcoming[8]), "Unemployment benefit reforms to support employment and inclusiveness in the United States".

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Box 1.1. Temporary Assistance for Needy Families

TANF, the main benefit for workless families with children in the United States, replaced its precursor, Aid to Families with Dependent Children (AFDC) with the welfare reform act of 1996. In contrast to AFDC, TANF is not an entitlement programme, but is financed by nominally fixed grants to states. The welfare reform act also introduced a maximum receipt duration of 60 months during any recipient's lifetime (although states can choose longer, or more often shorter maximum receipt durations) as well as stringent work requirements underpinned by sanctions (Aizer, Hoynes and Lleras-Muney, 2022[9]; Ziliak, 2016[10]). For instance, 40 states required single parents to work a minimum of 30 hours per week in 2019 – while education and training are generally allowed as part of the activity requirements, some paid work is required in most states and circumstances (The Urban Institute, 2021[11]). The programme is also tightly asset tested, e.g. in July 2019, allowable assets in Texas were USD 1 000, USD 2 250 in California, and USD 3 000 in Michigan.[1] Following the introduction of these stringent eligibility requirements, receipt numbers and spending fell, starting in 1996 and even through the great recession (Hoynes and Schanzenbach, 2018[12]). Research indicates that African American families in particular were negatively affected by these changes, as they are more likely to live in states with less generous and more restrictive TANF regulations and are more likely to be sanctioned (Shrivastava and Thompson, 2022[13]).

TANF is now a minor programme, serving around 1.5 million children (Aizer, Hoynes and Lleras-Muney, 2022[9]). In Texas, only four out of 100 families with children living in poverty receive TANF, and in Michigan it is around 10 in 100. California provides the highest benefit level and more generous income testing provisions, resulting in around 70% of households with children in poverty receiving support (Shrivastava and Thompson, 2022[13]).

1. California and Michigan have since increased allowable asset limits to USD 10 000 and USD 15 000 respectively. The assets which are assessed and/or excluded vary between states. See the online annex to this report's companion paper (Pearsall, Pacifico and Magalini, forthcoming[8]) for more detail on eligibility requirements for TANF in the selected states.

1.3. Statutory access to Social Protection for non-standard workers

Statutory access to income support varies by employment type and by programme/branch. Temporary and part-time workers are in principle covered in the same way as permanent full-time employees in most countries and for most risks, as long as they meet minimum contribution periods and earnings thresholds.

By contrast, statutory access for self-employed workers is very frequently restricted. Indeed, contributory social protection systems that were mostly set up with a steady employer-employee relationship in mind do not easily accommodate the self-employed (OECD, 2018[14]):

1. *Double contribution issue:* Who should be liable for employer contributions in the absence of an employer? Requiring the self-employed to pay the equivalent of both employer and employee contributions brings formal burdens in line with dependent employees. But effective burdens may be higher for the self-employed, especially those with lower earnings, because minimum wages typically do not apply to them and because they may lack the bargaining power to shift any contribution-related costs onto their clients by charging higher prices.
2. *Fluctuating earnings (and margins for avoiding contribution liabilities):* The self-employed are often paid at irregular intervals, either because of time lags between work and payment, or because demand for their services is erratic (ISSA, 2012[15]). This complicates the calculation of contributions (as well as the assessment of entitlements). In particular, self-employed workers may

be able to avoid or lower contributions by optimising their contribution base, e.g. through timing their work or earnings.

3. *Moral hazard:* Demand or price fluctuations affecting self-employed workers are difficult to distinguish from voluntary idleness and this complicates the provision of unemployment insurance. There is no employer to confirm a layoff and efforts to re-establish a business operation are more difficult to monitor than the search for dependent employment. In addition, earnings levels of the self-employed react with more volatility to market developments, e.g. because there are no minimum wages and downward wage rigidity does not apply to them. If entitled to unemployment benefits, those with poor earnings prospects may therefore have relatively strong financial incentives to wind down their business in order to claim benefits.

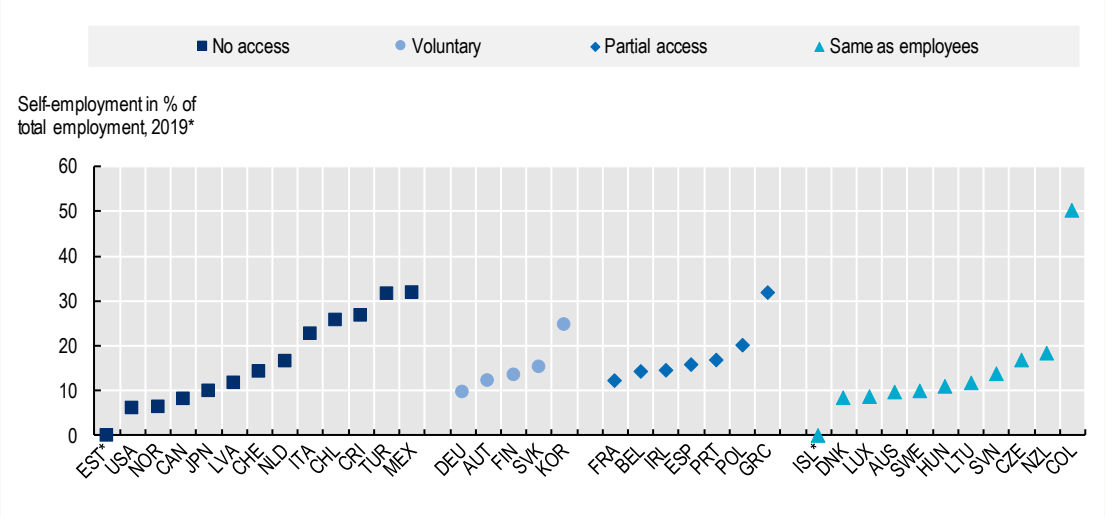
Box 1.2 describes statutory entitlements to unemployment and other working-age benefits for non-standard workers to aid the interpretation of the empirical support gaps presented in section 1.4.

Box 1.2. Statutory entitlements to social protection for non-standard workers

Unemployment benefits have been the least accessible branch of income support for non-standard workers. In 2020, 13 of the 36 countries shown in Figure 1.4 did no not offer any kind of unemployment protection for self-employed workers. Access is also restricted for some forms of dependent non-standard work, e.g. casual workers in the United States, or para-subordinate workers in Italy (SSA and ISSA, 2017[16]; Raitano, 2018[17]). OECD (2019[1]) provides equivalent graphical overviews for other social protection branches.

Figure 1.4. Access to unemployment benefits for self-employed workers was limited before the pandemic

Statutory access to unemployment benefits for self-employed workers compared to dependent employees ("employees") in 2020 by incidence of self-employment (2019)



Note: Gaps between dependent employees (full-time open-ended contract) and self-employed workers. If there are several legal forms of self-employment in a country, the chart refers to the most prevalent form of self-employment, excluding farming and liberal professions. For Italy, the chart refers to craftspeople, shopkeepers/traders and farmers, and not to para-subordinate workers, who are covered by a separate scheme. For Portugal, the chart refers to dependent self-employed workers. For Belgium, "partial access" refers to the *droit passerelle*, a separate non-contribution-based programme for self-employed workers. For Germany, "voluntary access" refers to the unemployment insurance benefit *Arbeitslosengeld I*, not to the needs-based unemployment assistance benefit *Arbeitslosengeld II* that self-employed

workers may also claim. In the Czech Republic, self-employed workers are statutorily insured at half of their taxable income, but may choose a higher contribution base. Partial access: self-employed workers are insured through a different scheme, receive lower benefit amounts and/or have more stringent entitlement criteria than dependent employees. "No access": compulsory for dependent employees but the self-employed are included.
* No data on the incidence of self-employment in Estonia and Iceland. Data on self-employment incidence refers to 2018 for Norway and 2015 for the Slovak Republic.
Source: (OECD, 2022[6]), *OECD Employment Outlook 2022: Building back more inclusive labour markets*, https://doi.org/10.1787/1bb305a6-en.

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The rules for accessing **incapacity benefits** – covering cash sickness benefits, work accidents and disability – vary across countries and type of non-standard work. Statutory access for non-standard *dependent* employees was mostly similar to standard employees in all three types of incapacity benefits. Exceptions include Australia, where casual workers are not entitled to cash sickness benefits (which are an employer-provided benefit), the United States, where casual workers do not have access to accidents-at-work insurance, and Italy, where some para-subordinate workers are not covered by short-term sickness insurance. Access for self-employed workers, however, is typically more difficult. Statutory access was weakest for benefits following work accidents: only ten of 38 OECD countries offered self-employed workers the same protection as dependent employees. Many self-employed workers indeed have considerable control over their working environment and, as in the case of unemployment benefits, insurance against work accidents can therefore be prone to moral hazard. But the exclusion of self-employed workers does create important social protection gaps for those with genuinely risky activities, including for workers who are wrongly classified as independent, or who are in the "grey zone" between self-employment and dependent employment (e.g. workers who have very few or even only a single client). Self-employed workers have more ready access to (long-term) disability benefits: 29 countries offered them the same access as dependent employees (OECD, 2022[18]).

When contingencies are independent of a specific job or past career, protection for non-standard workers tends to be more readily available. For instance, **social assistance or minimum income schemes** are typically financed through general tax revenue, and legal entitlement rules are based on need, regardless of past employment type, duration or stability. Because non-standard workers are often over-represented at the low end of the income distribution – part-time workers because of low-earnings, temporary and unstable workers because of periods of joblessness, and self-employed workers because of earnings-fluctuations and because their earnings are more dispersed in general – they may in fact be *more* likely to receive means-tested benefits (see (OECD, 2018[14])).

Family benefits, such as **child allowances**, are typically universal or means-tested, and statutory access to maternity benefits also tends to be similar for workers in standard and non-standard forms of *dependent* employment. An exception is Italy, where "workers on vouchers" and foreign seasonal workers do not have access to contributory family benefits (Jessoula M, Pavolini E and Strati F, 2017[19]). For the self-employed, **maternity benefits** are often part of contributory schemes that have separate provisions for independent workers. In all countries with compulsory maternity coverage for standard employees, self-employed workers can either opt into the main scheme voluntarily, or they have access to a separate benefit that is, however, less generous than for dependent employees (lower benefit amounts and/or shorter duration).

Source: (OECD, 2022[6]), *OECD Employment Outlook 2022*, https://doi.org/10.1787/1bb305a6-en (OECD, 2022[18]), *Disability, Work and Inclusion: Mainstreaming in All Policies and Practices*, https://doi.org/10.1787/1eaa5e9c-en, (Immervoll et al., 2022[5]), "De-facto gaps in social protection for standard and non-standard workers: An approach for monitoring the accessibility and levels of income support", https://doi.org/10.1787/48e282e7-en.

1.4. Effective support gaps between standard and non-standard workers in the United States and other OECD countries

This section presents new results on empirically observed income support gaps between standard and non-standard workers in the United States. De facto support gaps are the result of a statistical model of benefit entitlements for jobless individuals that controls for the most important determinants of social benefits. Results are intended as shorthand summaries of benefit accessibility and generosity in a comparative perspective. They also allow quantifying the accessibility and generosity of support packages across different population groups, including standard and non-standard workers.

The approach is detailed in a companion paper to this report, (Immervoll et al., 2022[5]), that presents de facto support gaps for 16 OECD countries. This section therefore only provides the main intuition for the model, focussing on the new results for the United States.

1.4.1. Statistical approach

The social protection gaps approach aims to estimate receipt probabilities and benefit levels for a specific set of circumstances, and seeks to control for the key characteristics that determine benefit receipt. As benefit access and amounts often depend on past events, the method relies on longitudinal household data that include information on current and past employment, earnings and other relevant individual and family characteristics. The drawback of using easily accessible survey data is comparatively small sample sizes, which can make the analysis of subgroups – such as the out-of-work population with a history of non-standard work – problematic. Data from administrative sources would be more appropriate for this type of analysis, but is currently not readily available for comparative work of the type proposed here.

The main variable of interest is the value of the *total* benefit package, rather than any individual category of social transfer, reflecting the fact that countries provide support through different channels and programmes. The policy scope comprises the most important social transfers to working-age individuals and their families: unemployment and disability benefits, (employer as well as publicly provided) sick pay,[4] family (including maternity) benefits, any benefits tied to education (such as public student aid), in-work and minimum income benefits (means-tested transfers aimed at reducing poverty, most importantly social assistance and housing benefits).[5] For the United States, the analysis furthermore includes Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Program for Women, Infants and Children (WIC).[6] For details on the benefits included for the United States, see Annex 1.A.

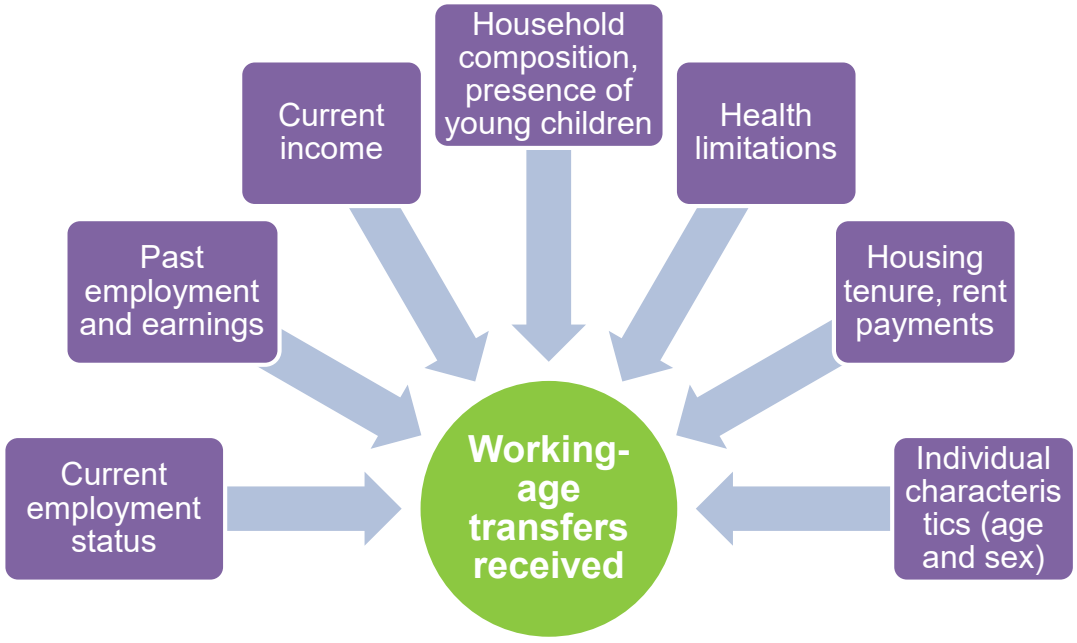
The variable of interest also encompasses support provided through the tax system that is akin to cash benefits (such as refundable child or in-work tax credits) when these are reported in the data.[7] For the United States, EITC amounts are imputed for individuals who report EITC receipt in the data; however EITC coverage is underestimated because of survey underreporting, as well as inconsistencies between reported EITC receipt and previous year's earnings, see Annex 1.B for details. Receipt of the Child Tax Credit is unfortunately not reported in the US data, and *the analysis therefore does not account for CTC receipt*. Estimated benefit receipt incidence and amounts will therefore underestimate the true extent of income support for households with children in the United States (see Annex 1.B).

Benefit receipt is measured over an entire year and therefore accounts for both *generosity in a given month*, any *benefit reductions* for longer out-of-work spells, and the effective *duration* of entitlements (including any waiting periods or other possible gaps between benefit entitlement and pay-out). For benefits that are observed/reported at the household rather than the individual level (family benefits, minimum income benefits), amounts are divided equally across all adult household members on a per-capita basis.

The empirical assessment of income support for different labour market groups proceeds in two steps. A first step estimates the relationship between individual benefit receipt and a number of key structural drivers

of support. The model specification includes the following independent variables, along with relevant interactions and higher-order terms: Main employment status and pre-transfer household income during the reference period (year 0), main employment status and earnings during the two years preceding the reference period (years -1 and -2), household composition in year 0, including the presence of dependent children (plus children under the age of six to capture maternity/paternity benefits), as well as health status, housing tenure and housing costs, sex and age (all year 0). See Figure 1.5 and Figure 1.6.

Figure 1.5. Total benefit package at the individual level: Determinants included in the model



Separate models are estimated for benefit receipt (yes/no) and benefit levels (benefit amounts), see (Immervoll et al., 2022[5]) for details. A second step uses the estimated relationships for inference on the benefit gaps between standard and non-standard workers in specific concrete circumstances ("vignettes") that are defined in a consistent way across countries. The use of a vignette-based analysis facilitates the communication of complex statistical results in a comparative setting, and the identification of possible policy mechanisms driving entitlement gaps.

Benefit "gaps" for non-standard workers are calculated relative to a baseline standard worker, who is likely to require out-of-work support. This baseline standard worker is an individual who was out of work (either unemployed or labour-market "inactive") for at least six months during the reference year, lives in a low-income household in the reference period (bottom 20% of the national distribution), and has neither significant health problems, nor young children under the age of six.[8] In the two years prior to the reference period, the baseline standard worker was a dependent full-time employee with earnings at or above the 40th percentile of the national distribution.[9] The comparator vignette is an otherwise similar individual, with a history of "non-standard" work, detailed in the notes to Figure 1.6, as well as the figures showing model results.

It is important to note that the analysis looks at a subset of out-of-work individuals who are both persistently out of work (for at least six months in year 0) and may not be actively seeking work, which is a requirement for receiving unemployment benefits in all countries barring special circumstances.[10] It also focuses on individuals who are in clear need of support (in the bottom 20% of the income distribution before benefits), and therefore likely to satisfy means-tests.

Figure 1.6. Comparison of the benefit package: "standard" vs "non-standard" worker

Note: The vignette for standard workers is defined as follows: Able-bodied working-age adult who was out of work for at least six months during the reference period (year 0), worked mostly full-time prior to the reference period (years -1 and -2), worked without interruption throughout year -1, and for at least 10 months in year -2. Earnings prior to the reference period were at or above the 40th percentile of the national earnings distribution, and current year 0 (equivalised) household income before any benefit payments is in the bottom 20% of the national distribution. No children under six years live in the household.
The vignette for non-standard workers is an otherwise similar individual whose past work history is "non-standard": in year -1 and year -2, they worked at least six months part-time or were self-employed, with at most two months out of work, or they were in "unstable/interrupted" employment: out of work at most five months during year -2, and otherwise transitioned between full- and/or part-time work and/or self-employment. Subject to sample sizes, social protection gaps can be shown separately for these three categories of non-standard workers, see Annex 1.D for detailed results. See (Immervoll et al., 2022[5]) for a detailed definition of the variables that enter the model. Note also that, while standard workers in the sample may be out of work for up to two months in both year -1 and year -2, and non-standard workers up to six months, the vignette is defined as having no out-of-work months at all in year -1.

1.4.2. Data

Model estimates for the United States[11] are based on the first three waves of the 2014 Panel of the Survey of Income and Programme Participation (SIPP), covering labour market histories and incomes in the years 2013, 2014 and 2015.[12] While more recent waves of SIPP data are available, a redesign of the survey means that it is difficult to obtain three consecutive waves of data.

While in principle it is possible to link the three waves of the 2018 SIPP survey (corresponding to the years 2018, 2019, and 2020), low response rates in 2019 and 2020 led the Census Bureau to issue a warning for researchers to use the data with caution. In 2019, a lapse in survey funding disrupted the data collection process, while the 2020 survey relies exclusively on telephone-based interviews due to the COVID-19 pandemic, making it difficult for survey administrators to follow up on non-responders. In addition to data collection issues, the COVID-19 emergency measures implemented in 2020 represent an extraordinary situation that was not the focus of the original cross-country analysis. This means that the data from the 2014 SIPP survey remains the most appropriate for use in the analysis.

The sub-sample of interest comprises all working-age individuals aged 18-64 who are potentially in need of working-age support: individuals who (i) have not worked for pay or profit during the majority (six months or more) of the observation/reference period (year 0: 2016[13] for the United States, 2018 for all European countries and Korea, 2019 for Australia), (ii) are not already retired,[14] and (iii) were not in education or military service in year -1 (and thus had the opportunity to accumulate entitlements to any insurance-based benefits). This is typically a small share of the working age population, with effective sample sizes for the 1st stage coverage model ranging from fewer than 2000 observations in Austria, Korea and the Baltic countries, to more than 6 000 observations in Australia, Greece, Italy, Spain. For the United States, the estimation sample comprises 3 430 unique individuals, representing a population of about 28 Million, see Annex Table 1.C.1.

The descriptive statistics in Annex Table 1.C.1 show that women are strongly over-represented in the out-of-work estimation sample, accounting for two-thirds of out-of-work individuals. This tendency is slightly more pronounced in the United States compared to the cross-country average. Furthermore, compared to other OECD countries, out-of-work individuals in the United States are less likely to be in the bottom 20% of the income distribution, and more likely to be in the top 20%. Only 14% of the sample population are unemployed, with the remainder being inactive, compared to 34% in the cross-country average (not

shown). The share of unemployed individuals in the sample is only significantly lower in Korea (4%). A high share of economically inactive women living in households in the middle and upper end of the income distribution is in line with the male-breadwinner model.

In line with the categorisation of the (partial) simulations of unemployment benefits in Chapter 2, part-time workers are wage and salaried workers working below 35 hours per week. Self-employed workers include workers in the residual category of "other work arrangement" according to guidance from the Census Bureau that these workers are mostly independent contractors or consultants. Workers who are wage and salaried workers as well as self-employed are categorised as self-employed if their earnings from self-employment in a given month are higher than their wage or salaried income (and vice-versa). For individuals with missing earnings the simulations use the number of hours worked as either a wage or salaried worker or as self-employed to determine the primary status (see also Box 2.1 in Chapter 2).

Raw receipt rates of social benefits are significantly lower than in other countries – 49% in the United States compared to 68% across countries on average. Previous standard workers – who worked mostly full-time as wage- and salaried employees during the two years before the income reference period – were *less* likely to receive benefits than the overall out-of-work sample, consistent with the prevalence of means-tested benefits in the United States (see section 1.2).

1.4.3. Results

The presentation of results starts out by discussing receipt patterns for the standard worker "baseline vignette": an able-bodied individual who has been out-of-work for six months or more, and who has a record of stable full-time wage or salaried employment, and whose income before benefits put them into the bottom 20% of the income distribution. The results therefore show benefit entitlements for individuals who are both in clear need of support as well as "deserving" in having made prior contributions. The support available for standard workers is indicative of cross-country differences in income support architectures, and useful for building intuition for the resulting drivers of support patterns.

Even for jobless individuals with a history of standard employment, and a clear need for income support, the likelihood of receiving support varies markedly across countries

In Belgium and France, the "baseline" standard worker's chance of receiving support is 95% or more, compared to less than 60% in Greece and Italy, and below 50% in Korea and the United States ("baseline: past standard work" in Panel A, Figure 1.7). In most other countries, the share is about 70%-80%.

The countries with the lowest estimated receipt probabilities, the United States, Korea and Greece, also have the lowest levels of spending on working-age transfers in the analysed countries (under 4%, see Figure 1.1). Working-age transfer spending is somewhat higher in Italy where the benefit receipt probability was also under 60%, but benefits are largely insurance based and thus less targeted to low-income groups (for instance, in Italy in 2018, 43% of all working age benefits went to the top income quintile according to the OECD Income Distribution Database). In contrast, in the countries with the highest receipt probabilities, Belgium and France, government transfers represent over 10% of the incomes of working-age households. In Belgium, unemployment benefit receipt durations are in principle not limited (see section 1.3), while France and Germany combine insurance-based unemployment benefits with means-tested unemployment and social assistance programmes.

For the United States, the fact that the vignette is defined to have no significant health problems may also contribute to the low receipt probability, given the importance of (means-tested) disability benefits for low-income households (see Figure 1.2).

Yet, the low benefit receipt probability for a long-term out-of-work individual with a recent history of employment is likely connected to the overall low coverage rates for unemployment benefits in the United States (see Chapter 2). Unlike in many other OECD countries, standard workers who are

"voluntarily" unemployed, are not entitled to unemployment benefits. Statutory benefit receipt durations are also comparatively short (up to 26 weeks, depending on the state of residence, see Chapter 2). Last-resort benefits, in the case of the United States mainly SNAP, General Assistance and TANF, are therefore the only benefit that many jobless workers may claim. These benefits can be associated with social stigma, and may have strict means- and asset tests, leading to low take-up (see Box 1.1 and (Hyee et al., 2022[20])).

Estimated benefit amounts depend on the duration of out-of-work spells and the type of benefits received

The predicted average sizes of overall benefit packages also vary enormously across countries. They range from under 20% of the national median household income in Korea, the United States and Greece, to around 30% or less in parts of Central and Eastern Europe (Lithuania, Estonia, Latvia, and Hungary), Germany and Australia, 35 to 40% in Poland and the United Kingdom, and 40 to 50% in Spain, Portugal, Italy, and France. At 60% of median income, estimated benefit levels are highest in Belgium (Panel B of Figure 1.7).

In terms of country rankings, these benefit levels are broadly in line with "theoretical" benefit entitlements, as calculated with policy simulation models (e.g. http://oe.cd/TaxBEN). For a number of reasons, however, actual values as estimated here differ from – and are generally lower than – theoretical levels implied by headline indicators for "typical workers", such as replacement rates at the beginning of an unemployment spell:

1. De facto estimates are based on actually observed spells of joblessness. Unlike "typical worker" replacement rates, the resulting entitlements reflect the characteristics of those experiencing job loss, such as past earnings histories. Since those with lower earnings or shorter career histories tend to be over-represented among job losers, the resulting entitlements to any earnings-related insurance benefits can be noticeably lower than those of an "average" worker.
2. Results refer to support received over an entire calendar year. They therefore capture differences in benefit amounts in a given month, in benefit duration limits, and in the average duration of out-of-work spells. The latter varies across countries, even among the selected sample with jobless spells of six months or longer. For instance, the average spell duration for previous standard workers who have been jobless for six months or longer in the United States is almost two months shorter than in Italy (see Annex Table 1.C.1 for the United States and Table B-1 in the online Annex[15] of (Immervoll et al., 2022[5]) for other OECD countries with available information).

Estimates of de facto benefit levels refer to recent job losers receiving any type of cash support. This can include people who do not receive out-of-work benefits, but transfers of a lower value, such as housing benefits or nutritional support in the case of the United States or "universal" benefits (e.g. jobless people with children may receive universal child benefits in Austria and Germany). In the case of the United States, unemployment compensation plays a minor role for the selected vignette (who is in the bottom income quintile), as the majority of payments are received by households further up the income distribution (Figure 1.2).

With that in mind, the (comparatively small) group of out-of-work Italians with past standard employment who do qualify for benefits receive significantly more generous support on average (over 40% of median household income) than, for example, an equivalent individual in Australia, where (flat-rate and means-tested) benefits amount to about 20% of median household income. In both cases (and in most other countries), those relying on benefit income alone would typically have income below commonly used relative poverty cut-offs, but poverty *gaps* would be significantly bigger for benefit recipients in Australia.

Across countries, there is no obvious general link between accessibility and generosity. As noted, benefit access in Italy is comparatively difficult, but benefit levels for recipients are higher than in the majority of other countries. Hungary, Germany and the Baltic countries follow the opposite pattern, with implied

coverage above 80%, but with comparatively low benefit levels around 30% of median household incomes. Accessibility and generosity scores are both high in Belgium.

In the United States, Korea and Greece, accessibility and generosity scores are both low. In the United States and Korea, low annual support levels are partly driven by short durations of (unemployment) benefits as noted above. In addition, effective minimum-income entitlements also tend to be lower than in many other countries (http://oe.cd/TaxBEN).

Accessible support for non-standard workers is achievable with different targeting mechanisms

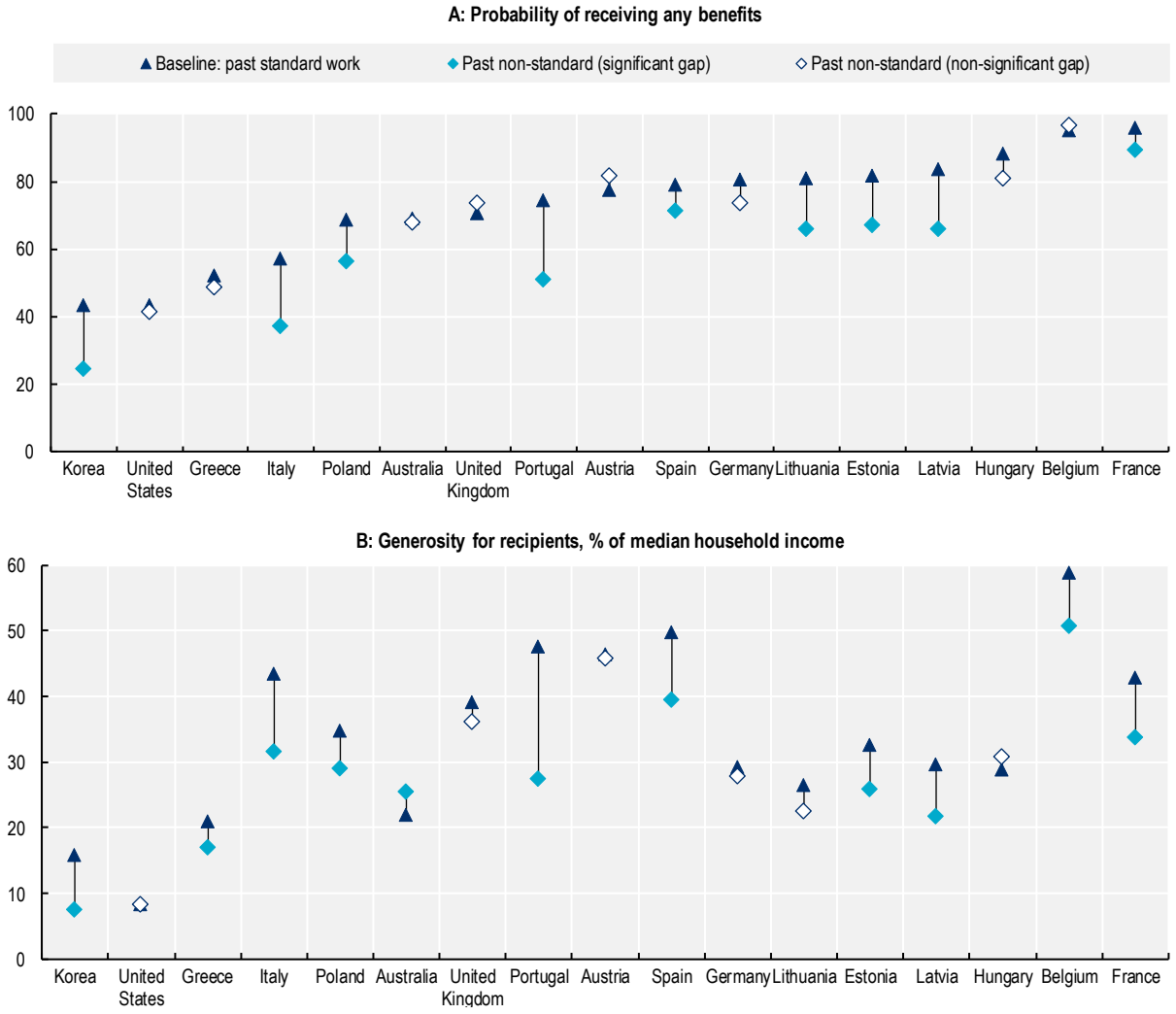
In the United States, as well as four other countries (Austria, Germany, Hungary and the United Kingdom) both coverage and generosity gaps between standard and non-standard workers are statistically insignificant. In Australia and Belgium, access gaps are statistically insignificant, and receipt probabilities are at around 70% or above for both the standard and non-standard vignettes. While results for France and Spain point to statistically significant gaps, with somewhat lower point estimates for the implied coverage for non-standard workers, receipt probabilities for both types of worker are also above 70%. As these eight countries follow very different social protection strategies, these results suggest that accessible support for non-standard workers is achievable with different targeting mechanisms.

Out-of-work support in the United States, Australia and the United Kingdom is largely means-tested (and therefore unrelated to previous employment and earnings, see section 1.2); in the case of the United States, support is almost entirely means-tested for low-income households (Figure 1.2). By contrast, Hungary and Belgium offer earnings-related unemployment protection to both standard and non-standard workers.

A finding of small or insignificant gaps in the protection afforded to standard and non-standard workers in such a diverse set of countries is notable. For instance, it raises questions about recent prominent calls for a strong reliance on means-tested safety-net benefits, or for a universal basic income, that are sometimes motivated by concerns that insurance-based systems cannot provide effective protection for non-standard workers (World Bank, 2018[21]; Gentilini et al., 2019[22]; Browne and Immervoll, 2017[23]).

Figure 1.7. Out-of-work support in the United States is equally patchy for standard and non-standard workers

Overall support package for working-age individuals, at or before 2018/19



Note: Data refer to 2018 (Germany), 2016-18 (pooled waves, other European countries), 2019 (Australia and Korea) and 2016 (United States). Statistical significance refers to the gaps between baseline and comparator cases (90% confidence interval). (Early) retirees and those who were in education or military service during the year before the reference period are excluded from the sample.

Standard worker: Able-bodied working-age adult who was out of work for at least six months during the reference period (year 0), worked mostly full-time prior to the reference period (years -1 and -2), was dependently employed without interruption throughout year -1, and for at least 10 months in year -2. Earnings prior to the reference period were at or above the 40th percentile of the national earnings distribution, and year 0 (equivalised) household income before any benefit payments is in the bottom 20% of the national distribution. No children under six years live in the household.

Non-standard worker: An otherwise similar individual whose past work history is "non-standard": in year -1 and year -2, they worked at least six months part-time or were self-employed, with no months out of work in year -1 and at most two months out of work in year -2, or they were in "unstable/interrupted" employment: working uninterrupted in year -1, and out of work at most five months during year -2, and otherwise transitioned between full- and/or part-time work and/or self-employment).

Source: United States: OECD calculations based on SIPP panel data. All other countries: (Immervoll et al., 2022[5]), "De-facto gaps in social protection for standard and non-standard workers: An approach for monitoring the accessibility and levels of income support", https://doi.org/10.1787/48e282e7-en.

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In Hungary, non-standard workers, including the self-employed, are entitled to unemployment benefits (Albert, Gáspár and Gal, 2017[24]). In Belgium, non-standard workers can qualify for unemployment insurance support though benefit amounts are much more generous than in Hungary, and benefits for self-employed workers in Belgium account also for household needs (De Wispelaere and Pacolet, 2017[25]). In both countries, means-tested support provides further layers of protection for those not entitled to insurance benefits. Austria and Germany also combine a first-tier unemployment insurance system with a second layer of means-tested support. In France, a key explanation for the insignificant coverage gaps is the very short qualification period for unemployment benefits, paired with the possibility to retain unused benefit entitlements for future out-of-work periods, and to cumulate benefit rights across successive out-of-work spells for the (large and growing number) of workers with short-duration employment contracts.[16] Like Austria, Belgium and Germany, France also provides multi-layered income support that benefits workers across different types of non-standard employment (as well as others who may not qualify for first-tier insurance benefits).

Implied access gaps are largest in Korea, Portugal and Italy, where standard workers were between 50% (Italy, Portugal) and 100% (Korea) more likely than non-standard workers to receive income support following a job loss (Figure 1.7, “past non-standard work”). Gaps are also large in Latvia, Lithuania and Estonia.

The example of Portugal, in particular, illustrates the need to consider effective access in addition to statutory entitlements: Portugal has one of the biggest access gaps of all considered countries, mostly driven by the low coverage of self-employed workers (see Annex 1.D). This is despite unemployment benefits being open to owners of businesses and independent contractors with only one client (Perista and Baptista, 2017[26]). But not all self-employed workers have access (e.g. unincorporated self-employed workers, or those working for more than one client), and the required contribution period for self-employed workers is twice as long as for employees. Self-employed workers also have legal access to cash sickness benefits, but the maximum entitlement period is one-third of the duration for employees. These factors result in limited effective access to cash support for self-employed workers in Portugal, even though they do have better statutory protection than in other countries.

Statutory entitlement rules vary significantly across different types of non-standard work (section 1.3). Self-employed workers for example may not be covered at all for certain types of risks, while part-time workers and those with interrupted/unstable work histories may suffer reduced effective access, because they fail to meet the required earnings or contribution histories. Results on the gaps between standard workers and a heterogeneous group of all non-standard workers may therefore mask significant differences between different types of non-standard employment. Understanding these differences is necessary for designing tailored policy strategies for tackling unintended gaps.

1.4.4. De facto support gaps can vary across different types of non-standard workers

The analysis for granular employment types is only possible for a sub-group of countries where sample sizes allow such disaggregation (see Annex Table 1.C.1 for the United States and Table B-1 in the online Annex[17] of (Immervoll et al., 2022[5]) for other OECD countries with available information). For the United States, sample sizes are sufficient to estimate gaps for all granular employment types.

Results highlight that self-employed workers (including independent contractors) are typically least likely to receive support, while gaps are less common, and tend to be smaller, for part-time and unstable workers (see Annex 1.D). Accessibility gaps for those with past self-employment are sizeable in three of the six countries considered: In Portugal, Spain and Italy, implied coverage gaps (the difference of estimated receipt probabilities between previous standard and self-employed workers) are around 50 percent. In Italy and Spain, self-employed workers do not have access to unemployment benefits, and in Portugal, access is incomplete. Self-employed workers thus have to rely on lower-tier income support such as social assistance and housing benefits, which typically feature strict eligibility requirements including income and

asset tests, and are subject to significant non-take-up, lowering their effective reach. For instance, receipt of means-tested support is particularly low in a number of southern European countries. Minimum-income benefits also tend to be less generous than social insurance transfers.

In Poland, self-employed workers can receive unemployment benefits, but only after a 90-day waiting period (compared to seven days for dependent employees). The benefit is not linked to previous earnings, which explains the small and insignificant gap between self-employed and standard workers in access, and the comparatively small gap in generosity.

Access gaps for part-time workers are less common, in line with the statutory entitlement results, affecting only three out of 11 countries (see Annex Figure 1.D.2, Panel A). Benefit levels for part-time workers were significantly lower than for (full-time) standard workers in six of the 11 countries considered, in line with the strong previous earnings link that shapes entitlements in many unemployment benefit programmes (Annex Figure 1.D.2, Panel B). Gaps in levels were largest in Southern European countries where insurance-related benefits dominate. In Australia, somewhat higher benefit payments to those with previous part-time work likely reflect the importance of means-testing in combination with lower household incomes of households with (past) part-time work.

In Italy and Poland, those with interrupted work histories are less likely to receive out-of-work support than standard employees (Annex Figure 1.D.3, Panel A). In some countries, workers can qualify for unemployment insurance support after comparatively short periods in work, e.g. three months in France. In Austria, qualification periods are shorter for workers with repeated unemployment spells (such as seasonal workers). And in some countries, jobseekers are able to keep unused unemployment benefit entitlements for future claims if they found work prior to benefit expiration, among them Australia, Austria, France, Spain and the United Kingdom. This is, however not the case in Latvia and Poland. In France, a recent reform in 2021 has reduced entitlements of workers with short contracts and repeated unemployment spells by taking out-of-work spells into account when assessing the earnings base for benefit entitlements.

For the United States, effective protection gaps are insignificant for all granular employment types. This is connected to the specific mix of benefits in the United States and the choice of vignette – a low-income individual who has been persistently out of work (at least six months over the reference year) and is therefore in clear need of support:

- Means-tested benefits make up the bulk of payments to working-age households in the United States, in particular at the bottom end of the income distribution (see section 1.2).There are typically no access gaps to means-tested benefits for non-standard workers; in fact, means-tested benefits may be more accessible and generous for non-standard workers (see Box 1.2).
- The only benefit that depends on past employment – unemployment compensation – has a maximum receipt duration of 26 weeks depending on the state (see Chapter 2).

Because of data limitations, it is not possible to perform the above analysis for jobless individuals with shorter out-of-work durations for European countries.[18] Looking at shorter unemployment durations is, however, possible with the SIPP. Section 1.5 presents an adaption of the econometric model that allows also looking at shorter episodes of joblessness.

1.5. Granular results on social protection gaps for the United States

Because benefit receipt is reported in the SIPP on a monthly basis, it is possible to adjust the model described in section 1.4 to include shorter out-of-work spells (below six months). Since the maximum duration of unemployment compensation is 26 weeks (depending on the state, see section 2.3), this approach is more suitable to detecting differences in unemployment compensation receipt. Including

shorter out-of-work spells also increases the size of the sample of out-of-work individuals, which enables a more granular look at de facto access gaps for racial and ethnic groups as well as women and men.

As for the econometric model described in section 1.4 and in more detail in (Immervoll et al., 2022[5]), the sample consists of working-age, non-retired individuals with a complete employment history over the years 2014 – 2016.[19] To guarantee that the model captures all relevant work and earnings history that determines eligibility to unemployment compensation, the model contains two groups of jobless individuals:

- Individuals who have been out-of-work for the entire duration of the panel – 2014-16, either unemployed or labour-market inactive. These individuals are persistently out-of-work.
- Individuals who have worked for the first 12 months of the panel and became jobless – either unemployed or labour-market inactive – at some point between month 13 and month 36 of the panel. The 12-month observation period is chosen to coincide with the assessment period for unemployment compensation (the period that is used to calculate unemployment compensation amounts, see section 2.3). The model categorises these workers as full-time, part-time, or self-employed if, out of the 12 months directly preceding the out-of-work spell, they were full-time or part-time wage and salaried workers, or self-employed, for at least nine months. Workers who combined full-time/part-time/self-employed work and were in neither status for more than eight months are classified as hybrid workers.

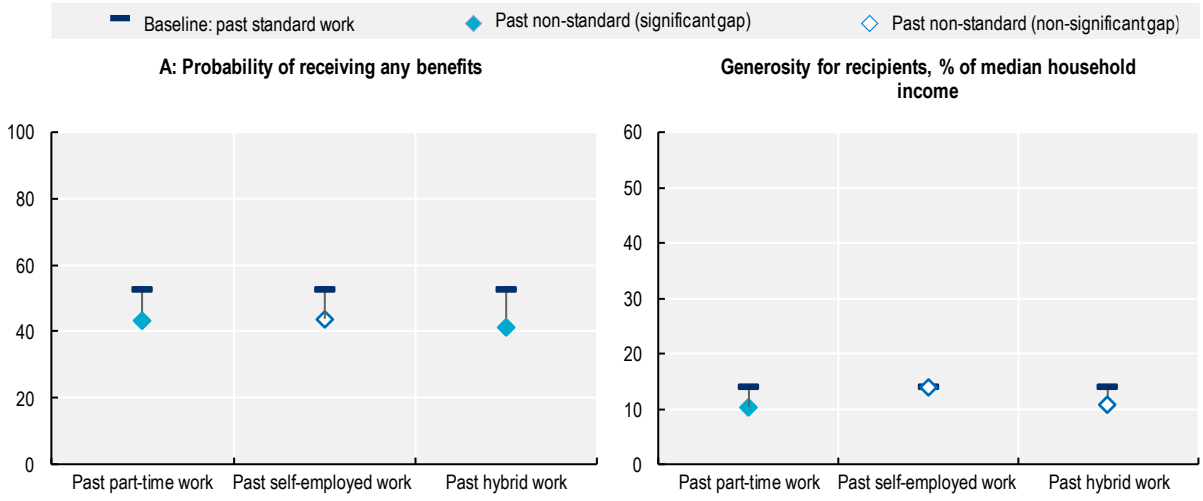
The left-hand-side variable of interest is the monthly average of the total package of working-age benefits as in the model described in section 1.4, calculated over the entire spell.[20] The regression models determining benefit receipt (yes/no) and benefit amounts are equally similar to the comparative model, but only control for earnings over the 12 months preceding the start of the out-of-work spell, in-line with the short assessment period for unemployment compensation in the United States compared to other countries (see section 2.3). Deciles of current household incomes are similarly calculated on a monthly basis over the entire spell, see Annex Table 1.D.1 for descriptive statistics, and the table notes for details on the calculation of explanatory variables of the econometric model.

1.5.1. Including shorter unemployment spells reveals social protection gaps between standard and non-standard workers

In line with the comparatively short duration of UI benefits in the United States, differences between standard and non-standard workers appear in the US-specific model that includes individuals with shorter (one to six months) spells of joblessness. Previous part-time, self-employed or hybrid workers are about 10 percentage points, or around 20%, less likely to receive any benefits during an out-of-work spell than previous full-time, wage or salaried workers Figure 1.8.[21] The gap for self-employed workers is not significant, likely because point estimates are less precise because of the lower number of self-employed workers in the sample, see Annex Table 1.D.1. Estimated generosity gaps are significant for part-time workers, in line with lower earnings, and therefore lower entitlements to UI.[22]

Figure 1.8. Social protection gaps become apparent when looking at shorter out-of-work spells

Overall support package for working-age individuals, 2016



Note: the sample includes individuals who were *either* out-of-work for the entire panel duration (three years) *or* worked for at least the first 12 months of the panel duration and subsequently experienced a spell of joblessness of one month or longer.
Standard worker: Able-bodied working-age adult who worked for at least 12 months before becoming jobless, at least nine of these months as a full-time wage and salaried worker. Average monthly earnings over the 12 months prior to the start of the out-of-work spell were at or above the 40th percentile of the national earnings distribution, and the (equivalised) household income before any benefit payments over the spell were in the bottom 20% of the national distribution. No children under six years of age live in the household.
Past part-time or self-employed worker: An otherwise similar individual who also worked for at least 12 months before becoming jobless, but worked part-time/as a self-employed worker for at least nine of these months. Hybrid worker: a similar individual who also worked 12 months before becoming jobless, but was neither full-time/part-time/self-employed for more than eight months.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

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1.5.2. For a given employment history, there are no significant social protection gaps across racial and ethnic groups

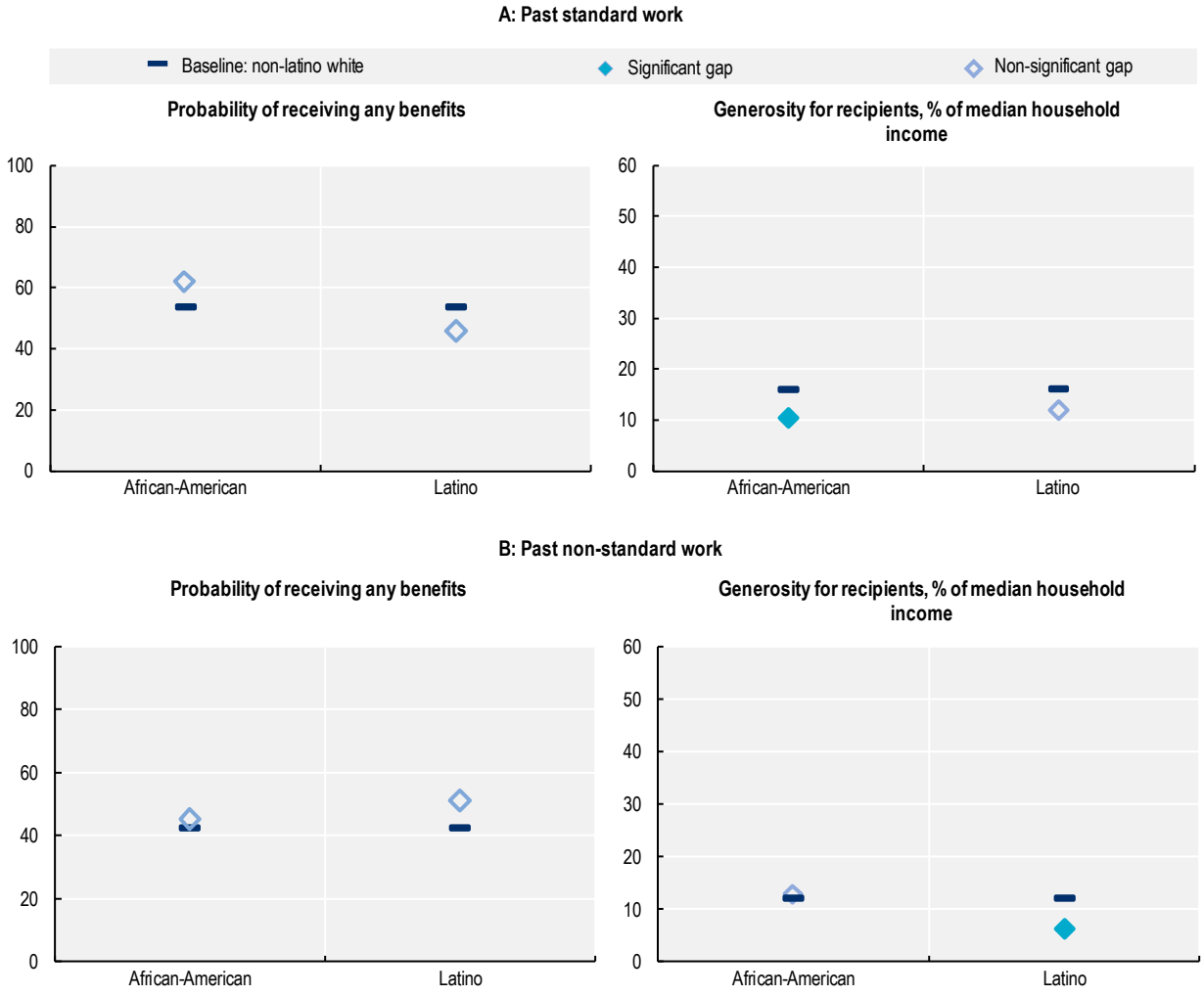
Larger sample sizes in the US-specific model also enable an analysis of social protection gaps for non-Latino whites,[23] African Americans (including Latino African Americans) and Latinos. Sample sizes are insufficient to analyse social protection gaps for Asian Americans and other racial or ethnic minority groups (including mixed-race individuals).

For a given employment history (at least 12 months of standard or non-standard work immediately preceding the start of the out-of-work spell with earnings at or above the 40th percentile of the earnings distribution), there are no statistically significant differences in the de facto probability of receiving any benefits between non-Latino white and African American or Latino previous standard and non-standard workers (Figure 1.9, Panel A and B, left hand side). African American previous standard workers have significantly lower estimated benefit entitlements than white standard workers (10% compared to 15% of median household income, Figure 1.9, Panel A, right hand side) whereas Latino previous non-standard workers have significantly lower entitlements than white previous non-standard workers (6% compared to 11% of median household income, Figure 1.9, Panel B, right hand side). This is most likely due to lower previous earnings of African American and Latino previous standard and non-standard Latino workers (see descriptive statistics in Annex Table 1.D.1).

These results however only indicate that, for workers with similar employment histories, benefit receipt patterns are comparable among racial and ethnic groups. They do not inform about differences in employment patterns between groups: for instance, Latino jobseekers are more likely than non-Latino whites to have worked part-time before becoming unemployed, and African American jobseekers are more likely to have been self-employed (see Figure 2.11). Thus, as previously non-standard workers, they are less likely to be covered by benefits in the first place (Figure 1.8 and Figure 1.9). African Americans are also over-represented in the group of long-term unemployed workers, who do not have access to more generous unemployment compensation (see Chapter 2).

Holding previous work status constant may therefore mask larger labour market inequalities, with knock-on effects on benefit access and poverty. Chapter 2 looks in more detail at racial and ethnic differences in previous employment patterns for current jobseekers. There are no significant gender differences in benefit receipt patterns (not shown).

Figure 1.9. When controlling for labour market history, there are no sizeable racial coverage gaps



Note: the sample includes individuals who were either out-of-work for the entire panel duration (three years) or worked for at least the first 12 months of the panel duration and subsequently experienced a spell of joblessness of one month or longer.
Standard worker: Able-bodied working-age adult who worked for at least 12 months before becoming jobless, at least nine of these months as a full-time wage and salaried worker. Earnings over the 12 months prior to the start of the out-of-work spell were at or above the 40th percentile of the national earnings distribution, and the (equivalised) household income before any benefit payments over the spell were in the bottom 20% of the national distribution. No children under six years live in the household.
Non-standard worker: An otherwise similar individual who also worked for at least 12 months before becoming jobless, but who did not work more than three months as a full-time wage and salaried worker (that is, worked part-time, self-employed or a mixture for more than nine months before the beginning of the jobless spell. For details on the definition of racial and ethnic categories see the Reader's Guide.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

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Annex 1.A. Benefit receipt in the SIPP

The analysis is restricted to the working age population, and considers the following government transfers:

- Unemployment Compensation benefits,
- Sickness benefits,
- Disability benefits (Supplemental Security Income SSI and veterans' benefits),
- Earned Income Tax Credit (EITC), partially imputed for the analysis (see below),
- Supplemental Nutrition Assistance Program (SNAP),
- State-level General Assistance (GA) benefits,
- Temporary Assistance to needy Families (TANF), and
- Special Supplemental Nutrition Program for Women, Infants and Children (WIC).

With the exception of the EITC (see Annex 1.B), all benefit receipt information is taken directly from (self-reported) benefit receipt information in the SIPP (see Annex 1.C).

SNAP, GA, TANF and WIC are household-level benefits. In the SIPP, they can be received by an individual person, subset of the household or the entire household. As such, it is possible for multiple programme units (and received benefit amounts) to exist within one household (U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, 2019[27]).

The SPgaps approach assumes that the entire household benefits from these payments. Household level benefits are therefore summed up over the entire household and assigned to the adult members of the household in equal shares. This leads to higher benefit receipt rates compared to the United States Census Bureau Statistics (see Annex Table 1.A.1). Differences are especially large for TANF and WIC, family benefits that are likely to be received by those living in larger households. In contrast, receipt rates for individual benefits such as Unemployment Compensation or disability benefits are virtually identical to Census Bureau calculation based on the entire SIPP. It is reassuring that the sample exclusions necessary for the analysis do not lead to a distortion of overall benefit receipt rates.

Annex Table 1.A.1. Benefit Coverage Validation

Comparison of benefit receipt rates in the OECD sample and the United States Census Bureau calculations based on the SIPP, by benefit type, 2016.

Benefit classification	Coverage in the OECD sample (%)	Coverage in in the SIPP according to the Census Bureau (%)
Unemployment Compensation	2.0	2.0
SSI Disability benefits	4.0	3.7
VA disability pension*	0.3	0.4
VA service-related disability pension*	1.1	1.4
EITC	7.7	N/A
SNAP	16.8	11
State-level General Assistance	0.9	0.3
TANF	1.2	0.3
WIC	6.2	1.2
Any social protection payments	27.9	N/A

*SIPP official statistics refer to the total US population aged 18-64 except for VA disability and service-related disability pensions, which refer to all persons aged 15+, and unemployment compensation, which refers to persons aged 15-59.
Note: Individual components do not sum to total as some individuals receive benefits from multiple sources. To ensure comparability with other countries, coverage for household-level benefits (SNAP, GA, TANF, WIC) is defined on the household rather than the family level, resulting in higher coverage rates.
The OECD sample refers to the working age population in 2016 (aged 18-64) who were not in military service or students, equalling to a (weighted) sample of 180 503 443 individuals.
Source: OECD calculations based on 2014 SIPP Panel data (reference year is 2016), the United States Census Bureau: Survey of Income and Program Participation (SIPP): detailed programme receipt tables (2016), https://www.census.gov/data/tables/2016/demo/public-assistance/sipp-receipts.html, (last accessed 25 March 2022).

Annex 1.B. Earned income and child tax credits

A particularity of the income support architecture in the United States is its comparatively heavy reliance on tax credits as a tool for working age income support. As the Social protection gaps analysis aims to compare the *effective reach of income support* across countries, including tax credits in the total package of income support as far as possible was a priority.

As a tax credit, the EITC amounts are not directly reported in the SIPP. However, the SIPP does include a question on whether an individual received an Earned Income Tax Credit (EITC) on their tax form. Because de facto receipt of the EITC is recorded in the SIPP, and amounts are deterministic, the Secretariat decided to impute EITC amounts based on self-reported recipients' previous year's income and the number of dependent children in a given household. As the income reference year for this analysis covers receipt during the calendar year 2016, the EITC amounts were imputed using policy rules as of the 1 January 2015.

While the imputation was straightforward, there were some discrepancies between self-reported incidence of EITC receipt and entitlement based on past income and household composition. About a third of all individuals who reported receiving the EITC had imputed amounts of zero because their previous year's earnings were either too low or too high to be entitled to the tax credit. Self-reported EITC receipt was also lower than according to tax records (Annex Table 1.B.1).

The volume of EITC payments was somewhat lower in the imputation than in administrative statistics, with the average imputed value 13% lower than according to IRS tax returns data (Annex Table 1.B.1). Underreporting of the EITC is therefore likely to contribute to the overall low receipt rate of income support in the United States as compared to other countries.

Annex Table 1.B.1. EITC receipt in the SIPP, OECD imputation and administrative data, 2016

	Number of Recipients (in millions)	Average annual amount for recipients, in USD
SIPP self-reported recipients, full sample	21.2	n.a
OECD imputation, SIPP full sample	13.7	2 111
OECD imputation, working-age sample*	9.5	2 332
OECD imputation, out-of-work estimation sample **	1.7	1 747
Internal Revenue Service, Tax Returns Statistics	27.4	2 434

*The OECD sample refers to the working age population in 2016 (aged 18-64) who were not in military service or students.
** The out-of-work estimation sample is the subset of the working-age sample, comprising individuals who were out-of-work for at least six months in 2016.
Source: OECD calculations based on the SIPP (2016), Internal Revenue Service, Statistics for Tax Returns with the Earned Income Tax Credit (EITC), https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-tax-credit-statistics (last accessed 25 March 2022).

Similarly, the Child Tax Credit (CTC) is an important programme for working parents: in 2017, 28.2 million recipients received USD 998 on average.[24] CTC receipt is not recorded in in the SIPP either, but unlike the EITC, the SIPP does not contain information on whether the CTC was claimed. While it would have been possible to impute the CTC from statutory entitlement rules, this would be against the purpose of the social protection gaps approach, as the goal is to measure and compare de facto benefit receipt, taking into account differences in actual programme implementation as well as non-take-up. *The analysis therefore does not account for CTC receipt*, and estimated benefit receipt incidence and amounts will therefore underestimate the true extent of income support for households with children in the United States.

Annex 1.C. Descriptive statistics

Annex Table 1.C.1. Comparison of the US estimation sample to the cross-country* average

Results for the United States in blue, country average* in orange.

		Working-age population**, 2015		Out of work = 6 months in 2015						
					By previous work status, *years 2014 and 2013*					
							Mostly non-standard work (NSW)			
		All	With complete calendar info	Estimation *sample* ***	Mostly out of work	Mostly standard work (SW)	Total	Self-employed	Part-time	Unstable
Number of observations		23 131	13 223	3 430	2 531	354	545	72	177	296
		27 450	23 441	3 371	2 632	271	467	71	102	293
Population (weighted, in thousands)		190 017 866	113 349 006	27 827 973	19 794 433	3 155 967	4 877 574	596 098	1 646 020	2 635 456
		786 172	654 378	100	75	10	15	2	4	10
Number of individuals (% of out-of-work estimation sample)		-	-	100	71	11	18	2	6	9
		-	-	100	75	10	15	2	4	10
Women (%)		51	51	69	73	53	62	57	71	57
		50	50.9	64.3	65.3	56.9	62.5	53.6	70.0	61.6
Strong health limitations (%)		9	11	20	23	11	15	10	10	19
		5	5	14	17	7	8	8	7	9
Adults receiving benefits (%) †	Total	18	22	49	50	42	46	38	48	47
		48	48.5	68.3	68.1	72.1	67.6	50.4	69.5	70.2

		Working-age population**, 2015		Out of work = 6 months in 2015						
					By previous work status, *years 2014 and 2013*					
							Mostly non-standard work (NSW)			
		All	With complete calendar info	Estimation *sample* ***	Mostly out of work	Mostly standard work (SW)	Total	Self-employed	Part-time	Unstable
	average amount (% of median income)	11	11	9	10	7	7	9	7	7
		17	17.8	24.3	24.0	26.0	23.3	16.5	20.2	25.1
	Without children	16	18	44	49	35	31	26	28	34
		28	29	59	60	61	55	34	60	58
	average amount (% of median income)	11	11	11	12	8	6	6	5	7
		25	25	28	29	28	25	23	22	27
	With children	19	25	52	50	53	58	49	63	57
		69	69	79	79	83	80	70	79	81
	average amount (% of median income)	10	11	7	7	7	7	11	7	7
		14	15	21	20	25	22	13	19	24
	With children under the age of 6	20	26	62	61	54	73	79	67	75
		80	81	86	85	89	85	78	90	85
	average amount (% of median income)	11	11	7	7	7	7	8	8	7
		18	18	22	20	26	23	14	20	24
Household composition	Adult living alone	13	15	10	10	9	8	10	9	7
		12	12	12	13	11	11	12	10	11

		Working-age population**, 2015		Out of work = 6 months in 2015						
					By previous work status, *years 2014 and 2013*					
							Mostly non-standard work (NSW)			
		All	With complete calendar info	Estimation *sample* ***	Mostly out of work	Mostly standard work (SW)	Total	Self-employed	Part-time	Unstable
	Couple without children	25	27	22	21	26	22	25	19	24
		22	22	22	23	20	19	23	19	20
	Three adults or more without children	16	15	19	19	22	18	16	19	18
		18	18	20	20	18	19	20	20	18
	Couple with children	27	27	25	26	20	25	26	25	26
		32	33	29	27	34	33	32	32	34
	Three adults or more with children	15	13	20	20	19	22	21	24	21
		13	12	14	14	14	14	12	14	13
	Lone parent	5	4	4	3	3	4	2	4	5
		3	3	4	4	3	4	2	4	4
Annual earnings during 2014 (%) ††	No earnings	22	22	70	92	0	23	30	2	35
		20	19	68	84	4	28	17	4	39
	Quintiles 1-2	26	25	22	7	52	63	51	91	49
		30	31	22	12	56	52	62	87	37
	Quintiles 3-5	52	53	9	1	48	13	19	7	16
		48	49	12	5	40	25	25	13	28
Annual earnings	No earnings	27	22	68	91	6	15	43	10	11
		23	21	65	83	9	13	27	14	10

		Working-age population**, 2015		Out of work = 6 months in 2015						
					By previous work status, *years 2014 and 2013*					
							Mostly non-standard work (NSW)			
		All	With complete calendar info	Estimation *sample* ***	Mostly out of work	Mostly standard work (SW)	Total	Self-employed	Part-time	Unstable
during 2013 (%) ††	Quintiles 1-2	25	26	23	8	51	66	43	78	64
		29	30	23	12	50	62	48	73	61
	Quintiles 3-5	47	52	9	1	43	19	14	12	25
		48	49	12	5	40	25	25	13	28
Disposable household income before social transfers in 2015 †††	Quintile 1	16	8	41	42	37	38	39	35	39
		19	18	47	51	34	41	42	38	43
	Quintile 2	13	13	20	21	20	18	12	18	19
		17	17	22	22	24	22	18	23	22
	Quintile 3	23	24	15	15	12	16	15	15	16
		20	20	14	13	18	16	14	18	15
	Quintile 4	23	26	12	11	14	16	23	17	14
		22	22	10	8	14	11	10	9	11
	Quintile 5	25	30	13	12	17	13	11	14	13
		23	24	7	6	11	10	16	12	8
Number of months spent out-of-work	reference year (t)	3.0	2.8	11.2	11.6	9.4	10.4	9.7	9.9	10.9
		3.0	2.8	11.3	11.6	9.9	10.7	10.5	10.3	10.9
	t-*1*	2.9	2.8	9.3	11.7	0.8	4.9	0.3	1.0	8.3
		3.0	2.8	9.8	11.7	0.8	6.1	0.3	0.8	9.1
	t-2	3.1	2.9	8.8	11.6	1.4	2.4	2.5	3.2	1.8
		3.3	3.1	9.2	11.6	2.1	2.2	2.3	3.5	1.7
		6.4	7.5	0.4	0.1	1.6	0.5	0.2	0.5	0.5

		Working-age population**, 2015		Out of work = 6 months in 2015						
					By previous work status, *years 2014 and 2013*					
							Mostly non-standard work (NSW)			
		All	With complete calendar info	Estimation *sample* ***	Mostly out of work	Mostly standard work (SW)	Total	Self-employed	Part-time	Unstable
Number of months worked in 2015	Standard work	6.4	6.8	0.5	0.2	1.8	0.6	0.4	0.4	0.7
	Self-employment	0.7	0.9	0.1	0.0	0.1	0.3	1.9	0.1	0.1
		1.2	1.3	0.0	0.0	0.0	0.2	1.0	0.0	0.1
	Part-time work	1.5	1.6	0.4	0.2	0.9	0.8	0.2	1.4	0.6
		1.1	1.2	0.2	0.1	0.3	0.5	0.1	1.2	0.2
Household composition	With children aged < 6	4	3	24	24	23	26	18	25	28
		3.5	3.1	21.1	18.9	27.5	26.2	21.0	20.7	28.8

* Unweighted average values for the following countries: Australia, Austria, Belgium, Estonia, France, Germany, Greece Hungary, Italy, Korea, Latvia, Lithuania, Portugal, Poland, Spain, the United Kingdom, the United States.

** Working-age population refers to age 18-64 not in early retirement, and who were not in education or compulsory military service in the year before the reference period.

*** Estimation sample: Working-age individuals who have been out of work for six months or more during the reference year (t), and who were not in education or military service in year t-1 (i.e. they could in principle acquire rights to any contributory benefits). The following observations were excluded: Those with incomplete labour-market calendar and earnings information, those without positive longitudinal sample weights, and those with reported transfers in the top percentile (to reduce the effects of outliers).

† Average amounts refer to benefit recipients.

†† Earnings quintiles based on pooled samples in years t-1 and t-2, excluding those with incomplete information (see notes on Estimation sample).

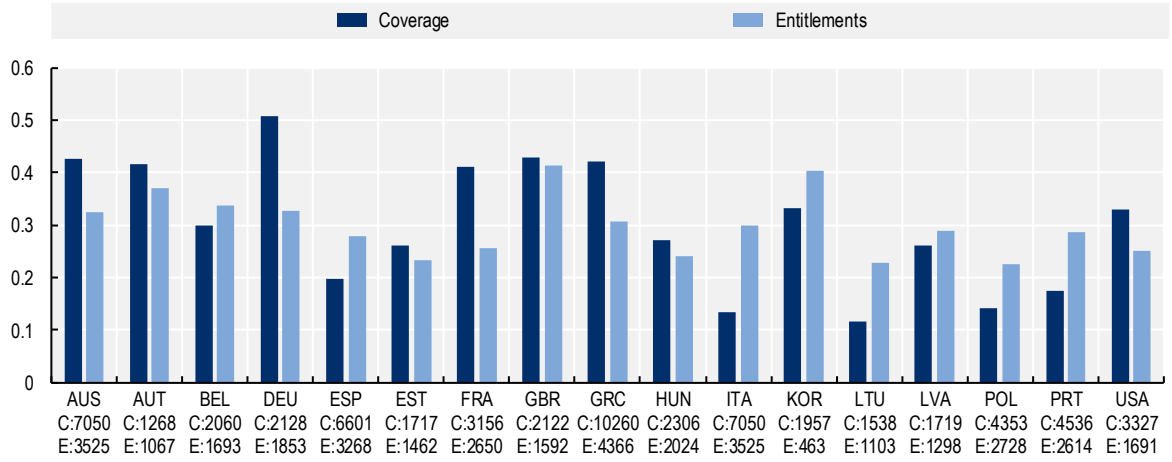
††† Disposable household income before social transfers is calculated over the entire population, including retirees.

Note: 18% of working age adults in the United States working age population sample have received benefits at some point in the income reference year, compared to 48% across countries with relevant information on average. For recipients, on average, the amount was 11% of median national household income in the United States, compared to 17% across countries on average. Among households with children in the United States, the benefit receipt rate was 16%, compared to 69% across countries on average.

"Children" are under the age of 18 or aged 18 to 24 who are economically inactive and live with their parents (EUROSTAT definition of dependent children). Breakdowns with the number of observations lower than 50 are not shown.

Source: EU Statistics of Income and Living Conditions for EU countries and the United Kingdom (EU-SILC, with observations pooled across the 2018, 2017 and 2016 waves to increase sample size), the German Socio-economic Panel GSOEP (wave 2018), the Household, Income and Labour Dynamics Australia survey (HILDA, wave 2019) and the Korean Labour and Income panel study (KLIPS, wave 2019), and the US Survey of Income and Program Participation (SIPP 2014 wave).

Annex Figure 1.C.1 Goodness of fit

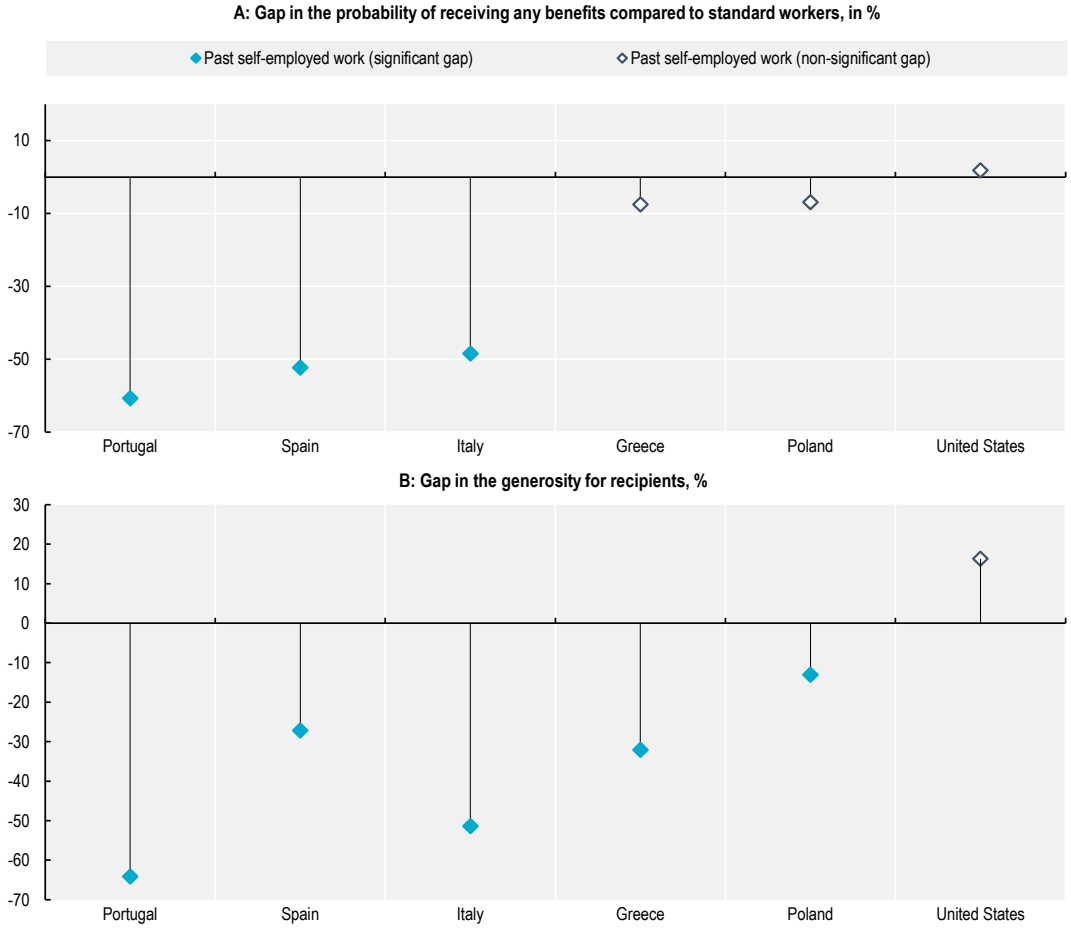


Notes: Histograms show the values of the McFadden's pseudo R2 for the two regression models ("Coverage" and "Entitlements") by country. Values next to country names refer to the size of the estimation sample for the coverage ("C") and entitlements ("E") models. The McFadden's pseudo R2 can be interpreted as a goodness of fit measure for maximum likelihood models. It ranges between 0 and 1 (1 means perfect fit). The formula for this measure is R2 = 1 – L1/L0, where L1 is the log likelihood value for the fitted model and L0 is the log likelihood for the "null" model (fitted with only an intercept). With poor explanatory power, L0 and L1 are similar and the pseudo-R2 tends to zero.
Source: EU Statistics of Income and Living Conditions for EU countries and the United Kingdom (EU-SILC, with observations pooled across the 2018, 2017 and 2016 waves to increase sample size), the German Socio-economic Panel GSOEP (wave 2018), the Household, Income and Labour Dynamics Australia survey (HILDA, wave 2019) and the Korean Labour and Income panel study (KLIPS, wave 2019), and the US Survey of Income and Program Participation (SIPP 2014 wave).

Annex 1.D. Social Protection Gaps: granular results

Annex Figure 1.D.1. Self-employed workers receive little out-of-work support in some countries

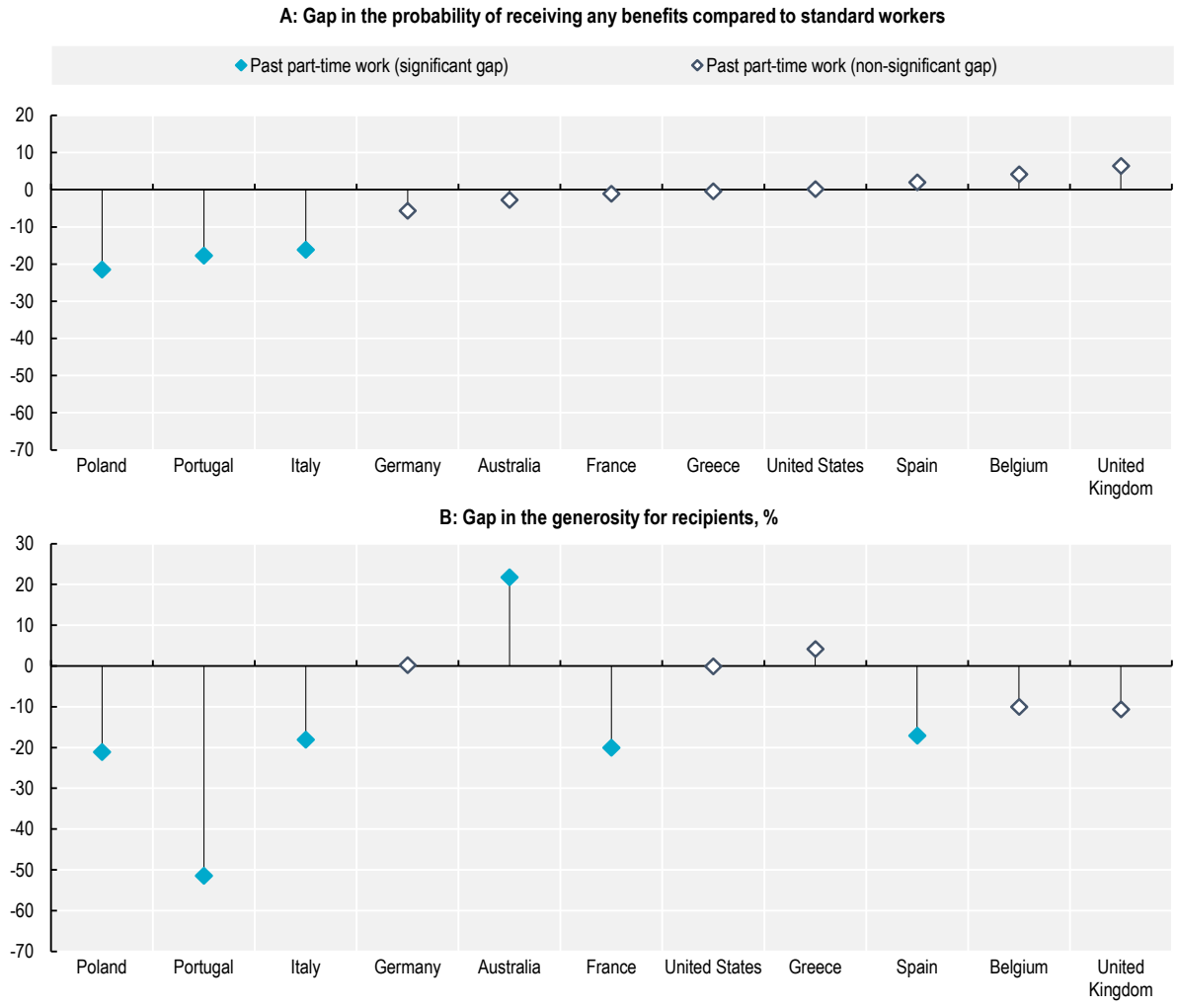
Difference in the overall support package: Standard vs self-employed workers, at or before 2018/2019



Note: Data refer to 2018 (Germany), 2016-18 (pooled waves, other European countries), 2019 (Australia and Korea) and 2016 (United States). Statistical significance refers to the gaps between baseline and comparator cases (90% confidence interval). (Early) retirees and those who were in education or military service during the year before the reference period are excluded from the sample.
Panel A: Difference in the probability of receiving any benefit payments between standard and self-employed workers, in percentage of the receipt probability of standard workers.
Panel B: Difference in the generosity of payments, measured in percent of amounts received by standard workers.
Standard worker: Able-bodied working-age adult who was out of work for at least six months during the reference period (year 0), worked mostly full-time prior to the reference period (years -1 and -2), was working without interruption throughout year -1, and for at least 10 months in year -2. Earnings prior to the reference period were at or above the 40th percentile of the national earnings distribution, and year 0 (equivalised) household income before any benefit payments is in the bottom 20% of the national distribution. No children under six years live in the household.
Self-employed workers: an otherwise similar individual who, in year -1 and year -2, was self-employed for at least six months, with no out-of-work spell in year -1 and at most two months out of work in year -2.
Source: United States: OECD calculations based on SIPP panel data. All other countries: (Immervoll et al., 2022[5]), "De-facto gaps in social protection for standard and non-standard workers", https://doi.org/10.1787/48e282e7-en.

Annex Figure 1.D.2. Part-time dependent employment: Comparatively good accessibility of out-of-work support, but lower entitlements than full-time employees

Difference in the overall support package: Standard vs part-time workers, at or before 2018/2019



Note: Data refer to 2018 (Germany), 2016-18 (other European countries), 2019 (Australia and Korea) and 2016 (United States). Statistical significance refers to the gaps between baseline and comparator cases (90% confidence interval). (Early) retirees and those who were in education or military service during the year before the reference period are excluded from the sample. Panel A: difference in the probability of receiving any benefit payments between standard and part-time workers, in percentage of the receipt probability of standard workers. Panel B: difference in the generosity of payments, in percent of percent of the amounts received by standard workers.

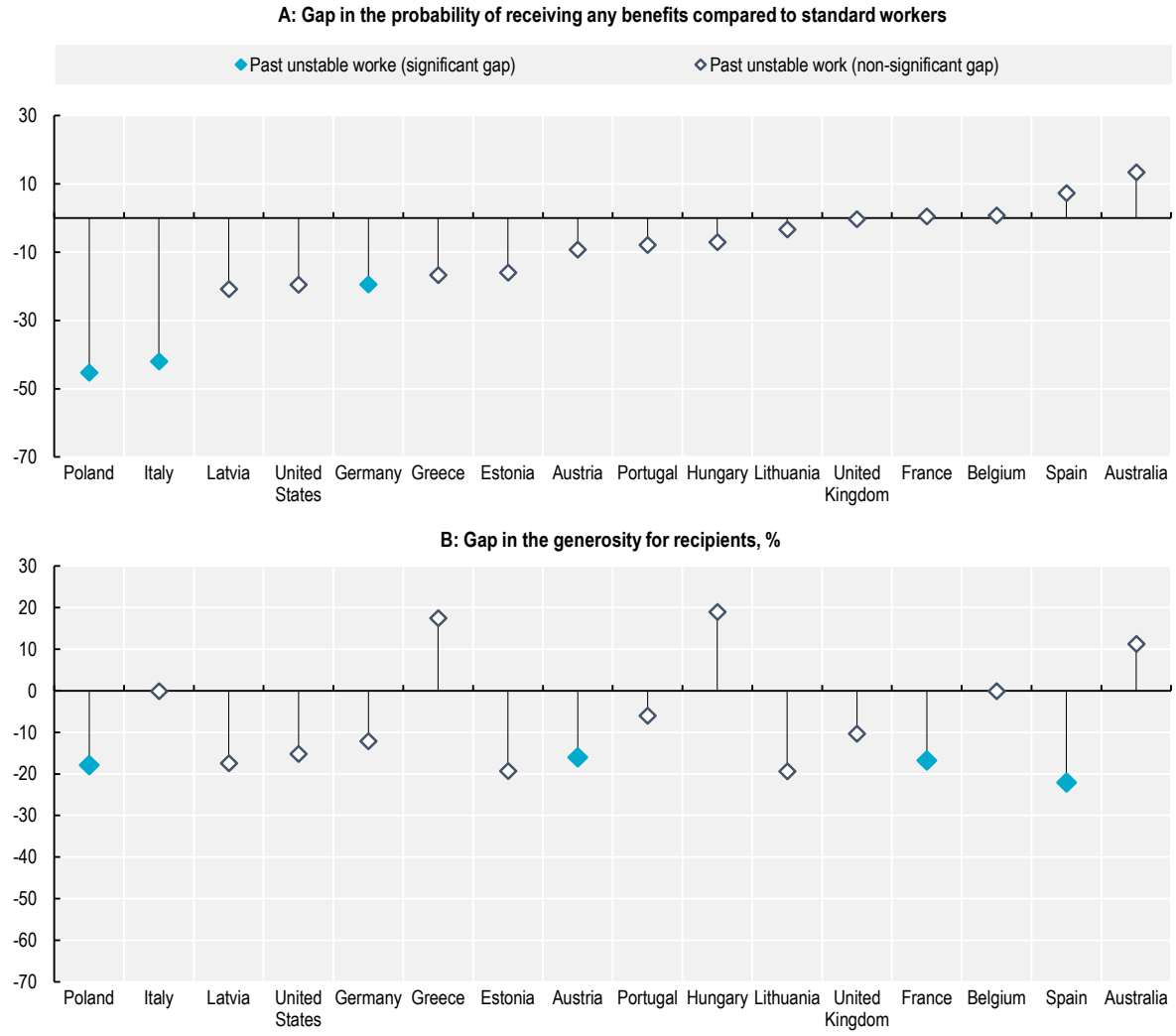
Standard worker: Able-bodied working-age adult who was out of work for at least six months during the reference period (year 0), worked mostly full-time prior to the reference period (years -1 and -2), was working without interruption throughout *year -1*, and for at least 10 months in year -2. Earnings prior to the reference period were at or above the 40th percentile of the national earnings distribution, and year 0 (equivalised) household income before any benefit payments is in the bottom 20% of the national distribution. No children under six years live in the household.

Part-time worker: An otherwise similar individual who, in year -1 worked at least six months part-time with no out-of-work spell and, in year -2, with at most two months out of work.

Source: United States: OECD calculations based on SIPP panel data. All other countries: (Immervoll et al., 2022[5]), "De-facto gaps in social protection for standard and non-standard workers: An approach for monitoring the accessibility and levels of income support", https://doi.org/10.1787/48e282e7-en.

Annex Figure 1.D.3. Unstable dependent employment: Comparatively good out-of-work income protection in most countries

Difference in the overall support package: Standard vs unstable workers, at or before 2018/2019



Note: Data refer to 2018 (Germany), 2016-18 (other European countries), 2019 (Australia and Korea) and 2016 (United States). Statistical significance refers to the gaps between baseline and comparator cases (90% confidence interval). (Early) retirees and those who were in education or military service during the year before the reference period are excluded from the sample.
Panel A: difference in the probability of receiving any benefit payments between standard and unstable workers, in percentage of the receipt probability of standard workers.
Panel B: difference in the generosity of payments, measured in percent of the amounts received by standard workers.
Standard worker: Able-bodied working-age adult who was out of work for at least six months during the reference period (year 0), worked mostly full-time prior to the reference period (years -1 and -2), was working without interruption throughout year -1, and for at least 10 months in year -2. Earnings prior to the reference period were at or above the 40th percentile of the national earnings distribution, and year 0 (equivalised) household income before any benefit payments is in the bottom 20% of the national distribution. No children under six years live in the household.
"Unstable/interrupted work patterns": An otherwise similar individual who worked the entire year -1, but not more than five months either as full-time or part-time employee or as self-employed, and in year -2, was out of work at most five months, and otherwise transitioned between full- and/or part-time work and/or self-employment.
Source: United States: OECD calculations based on SIPP panel data. All other countries: (Immervoll et al., 2022[5]), "De-facto gaps in social protection for standard and non-standard workers", https://doi.org/10.1787/48e282e7-en.

Annex Table 1.D.1. Descriptive Statistics, US specific analysis

In percent of the estimation sample, 2016

		Non-Latino white	African American	Latino	Asian/Other
Number of observations		**1874**	**517**	**665**	**280**
Previous work status*	Full-time	26%	27%	22%	21%
	Part-time	9%	8%	8%	9%
	Self-employed	4%	3%	5%	3%
	Hybrid	4%	4%	3%	4%
	Out-of-work	56%	59%	63%	64%
Duration of out-of-work spell	One to six months	25%	23%	17%	18%
	Seven to 12 months	11%	14%	14%	11%
	More than 12 months	64%	64%	69%	70%
Previous earnings quintile**	Zero earnings	56%	59%	63%	64%
	First quintile	11%	15%	14%	8%
	Second quintile	12%	14%	13%	13%
	Third quintile	8%	6%	6%	5%
	Fourth quintile	6%	5%	2%	5%
	Fifth quintile	6%	2%	1%	5%
Current income quintile***	First quintile	39%	67%	48%	43
	Second quintile	20%	20%	28%	22
	Third quintile	16%	8%	16%	10
	Fourth quintile	12%	4%	6%	15
	Fifth quintile	13%	2%	3%	11

* Full-time/part-time/self-employed worker: worked at least 12 months before the start of the out-of-work spell, at least nine months of which as a full-time/part-time wage or salaried or self-employed worker.
Hybrid worker: worked for at least 12 months before the start of the spell, transitioning between full-time and/or part-time and/or self-employment, but fewer than six months in either status.
Out-of-work: was out-of-work for the entire panel duration (2013 – 2015).
** Average monthly earnings over the previous 12 months, in the monthly earnings distribution over all workers with non-zero earnings.
*** Average monthly income before benefits over the entire spell, in the monthly income distribution over all households in the year of the start of the spell.
Note: The sample includes individuals who were either out-of-work for the entire panel duration (three years) or worked for at least the first 12 months of the panel duration and subsequently experienced a spell of joblessness of one month or longer.
Source: OECD calculations based on the SIPP (2014 panel).

Notes

[1] Self-employed workers are all non-wage or salaried workers including independent contractors, see section 1.4.2 for details on the data used.

[2] National and international open-data and digital government initiatives seek to facilitate the preparation and accessibility of such data sources for research purposes, including in the social policy domain (OECD, 2021[28]; OECD, 2018[29]; European Commission, 2022[30]). Yet, no comparative cross-country database of individual-level administrative data is currently available.

[3] The Supplemental Nutrition Assistance Program SNAP makes up the bulk of spending on nutritional assistance; the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) for pregnant, breastfeeding, or post-partum mothers and children under the age of five is much smaller.

[4] Information on sickness benefits is not available for Germany, while data for other European countries as well as Australia include employer provided sick pay whenever available. Receipt information on employer-paid sickness benefits is not available in the KLIPS.

[5] The unemployment benefit variable includes severance payments for all countries except the United States; they are quantitatively important in Korea and in some Southern and Eastern European countries. The SIPP does not contain any information on severance payments.

[6] The Social Protection Gaps analysis generally excludes in-kind benefits (such as free school-meals or subsidised housing) because cross-country comparisons between benefits in-kind are difficult to impossible. However, it considers SNAP and WIC to be close enough to cash to include it in the analysis.

[7] Note that the package of working-age benefits in the United Kingdom and Korea includes refundable, income-related child and in-work tax credits, whereas related programmes are not recorded as social transfers in some other countries. Receipt of means-tested tax credits in Korea may be somewhat under-reported (both the Earned Income Tax Credit, and also the Childcare Tax Credit, though the latter is not relevant for adults living alone).

[8] The statistical model controls for age (including a higher order term), gender, education, household composition such as household size, presence of a partner and dependent children (under the age of 18) and young children (under the age of 6), as well as housing tenure and rent paid. The “vignette” only specifies the presence of children under the age of six, previous work status and earnings, income, health status, and that the worker worked for 12 months in the year before the reference period. This reflects the trade-off between the sample size and good comparisons across countries.

[9] In year -1, the baseline standard worker worked for the entire 12 months (this is to ensure recent contribution periods for contributory unemployment benefits), with at least six of them in full-time dependent employment, or five months in full-time dependent employment and three months in part-time dependent employment. In year -2, the baseline standard worker was in full-time dependent employment for at least six months, and out of work during at most two months.

[10] E.g. in Austria, pregnant women are sometimes not required to actively seek work.

[11] For details on the data sources for the other countries, see (Immervoll et al., 2022[5]).

[12] The activity calendar and income in the SIPP always refers to activities and income in the year prior to the interview. Thus, the SIPP 2014 interviewed households in the years 2014 – 2017, and therefore holds labour market and income history for 2013-16. The first three waves therefore indeed cover the period 2013 – 2015, with interviews one year later. This report however follows the convention of using the interview, not the income reference year used by other publications to facilitate comparisons.

[13] Income and labour-market information pertain to 2015, but interviews were conducted in 2016, see endnote 12.

[14] Individuals are defined as retired if they receive an old-age pension during the reference year. This can lead to imprecisions in countries where pensions are provided as a lump sum and therefore a pension income stream cannot be observed. In the country sample for the present study, this is only the case for Australia. Any means-tested old-age pension payments, veteran's pensions etc. can however be identified in the Australian data source (HILDA).

[15] https://www.oecd.org/els/soc/SEM271_Online Annexe Table B.xlsx

[16] Responding to a steep increase in the number of "micro contracts" in France over the past 10 years, a 2021 reform reduced benefit generosity for those alternating repeatedly between short-duration employment and unemployment.

[17] https://www.oecd.org/els/soc/SEM271_Online Annexe Table B.xlsx

[18] The EU-SILC records benefit receipt amounts only at the annual basis, it is therefore not possible to link benefit receipt to short periods of joblessness.

[19] Restricting the sample to individuals with complete observations for the entire three-year panel duration does not lead to a change in the distribution of individuals over the categories race and income. Put differently, restricting the sample in this way does not lead to a disproportionate "loss" of disadvantaged labour market groups (as captured by the dimensions race and income).

[20] A different specification looking exclusively at unemployment compensation receipt yields very similar results.

[21] Alternative model specifications for vignettes with household disposable incomes in the middle of the distribution (between the 41st and the 70th percentile), as well as specifying that the vignette be unemployed at the beginning of the spell and not labour-market inactive, yield very similar gaps. Of course, the overall coverage rate is lower for the higher-income vignette (20% for previous standard workers, compared to around 50% for the low-income vignette).

[22] Note that the vignette fixes previous earnings at or above the 40th percentile of the earnings distribution – part-time workers are expected to have lower earnings within this range.

[23] There are two variables that identify race and ethnicity in the SIPP: race, that groups individuals into the categories "White alone", "Black alone", "Asian alone" and "Residual", with the residual containing those considering themselves to be mixed race as well as other racial or ethnic minorities; and origin, that identifies "Spanish, Hispanic or Latino" individuals. In the 2016 SIPP, only 5.5% of African Americans and 3.1% of Asian Americans are also of Spanish/Hispanic or Latino origin. They are grouped with African Americans and Asian Americans, respectively.

[24] Tax foundation (2020): "The Child Tax Credit: Primer", published online under https://files.taxfoundation.org/20200413132740/Child-Tax-Credit-A-Primer.pdf

2 Accessibility of unemployment insurance in the context of recent extensions

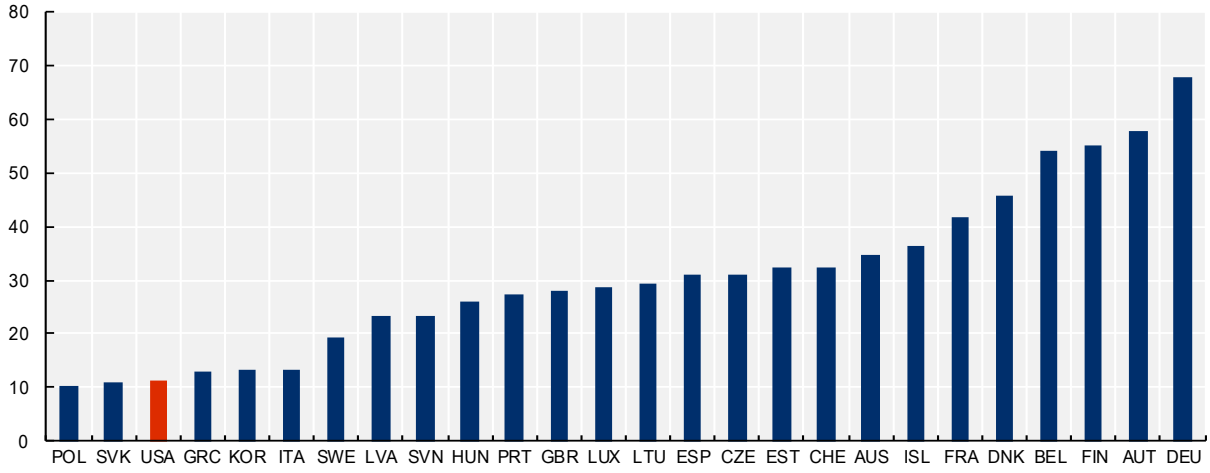
This chapter first compares the statutory accessibility and generosity of Unemployment Insurance in the United States to other OECD countries, taking state-level differences in design into account. It then looks at the statutory entitlement to Unemployment Insurance for current workers, and jobseekers, in the United States. It analyses the reasons for non-entitlement, and how they influence statutory access to Unemployment Insurance for workers and jobseekers of different socio-economic, including racial and ethnic, groups, as well as men and women. It then examines how the pandemic-related extensions to UI would affect statutory entitlements if kept in place in a non-pandemic labour market, and how they would affect household incomes and poverty.

2.1. Introduction

Prior to the onset at the COVID-19 pandemic, the coverage of unemployment insurance (UI)[1] benefits in the United States was lower than in most other OECD countries: 11% of all US jobseekers received benefits in 2016, compared to about 30% in the United Kingdom, Spain or Australia, and around 60% and over in Austria and Germany (Figure 2.1).

Figure 2.1. About one in eight unemployed workers receives unemployment benefits in the United States

Share of unemployed workers receiving unemployment benefits, 2019 or latest available year



Notes: "Unemployed" refers to the standard ILO definition, i.e. out of work, actively looking for work, and available to start work. Some European countries are excluded due to missing information in EU Labour Force Survey data. 2015 figures for Australia, 2018 for the United States. LFS data for Sweden do not include a series of benefits that are accessible to jobless individuals who: i) are not in receipt of core unemployment benefits, and who ii) satisfy other conditions such as active participation in employment-support measures.
Source: KLIPS for Korea; Household, Income and Labour Dynamics in Australia (HILDA) for Australia; European Union Labour Force Survey (EU-LFS) for European countries, CPS for the United States.

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A number of factors contribute to these cross-country patterns. Statutory benefit durations in the United States are comparatively short in "normal" times, though they may be extended during downturns. Between 2011 and 2016, nine states cut the maximum duration of unemployment benefit receipt. Partly as a result, US coverage rates fell by a quarter between 2007 and 2016 (Wentworth, 2017[1]). Other possible reasons for a downward trend include an increase in the number of discontinued claims, with a rising number of recipients who had their benefits stopped because they fail to comply with behavioural requirements such as active job-search. It might also be connected to increased funding pressures and new IT-based claims administration systems in some states, that may be difficult to navigate for some claimants (Vroman, 2018[2]; Congdon and Vroman, 2021[3]; Wentworth, 2017[1]). Another reason for comparatively low coverage in the United States is that voluntary quits generally do not confer entitlement to UI.[2] Although entitlements in other countries can also be restricted in the case of voluntary quits, a majority of countries do not disqualify jobseekers outright but instead reduce or delay payments.

This chapter first examines the *statutory reach and generosity* of unemployment compensation for US workers and jobseekers, with a particular focus on disadvantaged labour market groups, such as racial and ethnic minorities, women, and non-standard workers. It then simulates how the pandemic-related extensions to UI (phased out in late 2021), if kept in place, would affect statutory eligibility and generosity

in a non-pandemic labour market. The assessment of statutory entitlement seeks to identify aspects of the current UI design that translate into low UI receipt rates. It does so by looking at employment circumstances that may drive non-eligibility (e.g. past self-employment, low earnings, or short employment histories), and at jobseeker characteristics that may be associated with these employment and earnings patterns (e.g. gender, race or ethnicity). The chapter's results on statutory entitlement can be seen as an upper bound of de facto coverage, as those entitled to receive UI might not receive it in practice due to non-take up, cross-group differences in the administration of benefits (e.g. due to discrimination), or non-compliance with behavioural requirements. Patterns of de facto UI receipt are analysed in Chapter 1.

As most OECD countries, the United States significantly shored up income support following the initial shock of the COVID-19 pandemic. The substantial extensions, in particular the US Pandemic Unemployment Assistance (PUA), allowed unemployment compensation to absorb the bulk of pandemic-related income losses. At the hight of the pandemic, 16% of working-age Americans were in receipt of unemployment benefits (see section 2.5). Emergency measures greatly increased both coverage and the generosity of payments. Their direct effects were largely progressive as job-losses were concentrated in low-wage service industries (Ganong, Noel and Vavra, 2020[4]). These changes took place in the context of pandemic-related job losses whose scale and pace were unprecedented. They were also highly concentrated in sectors, workplaces and jobs that were contact-intensive and deemed non-essential. The effects of the extensions therefore do not carry over to a non-pandemic labour market, with a very different level and distribution of unemployment risks. The second part of this chapter therefore employs a simulation approach to quantify the potential of PUA-type extensions to strengthen the reach of UI, alter its generosity, and tackle income insecurity and poverty, in a labour market that is less exceptional, and not impacted by a pandemic.

Both parts of the analysis use representative micro-data from the Survey of Income and Programme Participation (SIPP), with individual-level information on employment histories and earnings. It employs a (partial) simulation approach that applies detailed, state-level policy rules to determine entitlements to unemployment compensation, both before the pandemic extensions (policy rules of 2016) and after it (policy rules of 2021). The simulations account for individuals' work and earnings histories as well as their state of residence. The simulation approach permits determining not only who is or is not eligible for UI, but also the reasons for non-entitlement.

The chapter is structured as follows: Section 2.2 describes the simulation method. Section 2.3 summarises the principal institutional design features of the UI system at the state level, and benchmarks it against the designs used in other OECD countries. Section 2.4 analyses drivers of differences in UI entitlement between socio-economic and ethnic groups. Finally, section 2.5 simulates the consequences of the PUA extensions for UI accessibility and poverty in a pre-pandemic labour market.

2.2. Simulating entitlement to unemployment compensation

The (partial) UI simulations used for this analysis determine the statutory coverage (who would be entitled?) and the generosity (how much would they receive?) of unemployment compensation in the United States at the individual level, using information on individual labour market history and previous earnings, as well as state of residence, from microdata. The methodology is similar to (Kuka and Stuart, 2021[5]), but does not limit the scope to recent job separations – instead, the simulation sample includes those currently in employment, as well as jobseekers without a recent labour market history.

The simulations combine policy rules for 50 states and the District of Columbia with individual-level survey microdata to determine workers' legal entitlement to UI: receipt (yes/no) and amount. The simulations consider individuals' labour market history, earnings and state of residence. They therefore account for key factors driving people's UI benefit receipt. They do, however, disregard factors affecting unemployment compensation payments in practice, such as sanctions following non-compliance with behavioural

requirements after entitlement was established (e.g. active job search or participation in training programmes). Individuals who would be legally entitled to receive support might also not claim it for a number of reasons, such as information gaps, the (perceived) complexity of the claims process, real or perceived discrimination in the administration of claims, or social stigma associated with benefit receipt. Indeed, international empirical evidence has found take-up rates for UI ranging between 60% and 80%, see (Hernanz, Malherbet and Pellizzari, 2004[6]) and (Blasco and Fontaine, 2021[7]) for evidence on Canada, the United Kingdom and the United States and (Kuka and Stuart, 2021[5]) for the United States. Thus, while legal entitlement is a key condition for access to UI, simulations of statutory UI entitlement constitute an upper-bound estimate of UI coverage in practice (see section 2.4.1). They can be complemented by indicators of de facto receipt, as described in Chapter 1.

The simulations look, in turn, at two distinct populations, leading to two different sets of questions and answers:

1. *Working individuals.* What UI benefits would current workers be entitled to *if they became unemployed* during the observation period? This approach assesses the general capacity of the system to provide income protection for all groups of workers, regardless of their actual risk of facing joblessness. For instance, it includes those with a low unemployment risk in "normal times", but who might be affected by future crises.
2. *Unemployed individuals*. This approach examines the accessibility of UI, and the values of UI entitlements, for those workers who actually were unemployed during the observation period. It therefore accounts for the specific unemployment risks of different population groups, e.g. distinguishing by race/ethnicity, gender, previous standard/non-standard work and educational attainment.

This two-pronged strategy therefore probes two different aspects of the UI system: 1) its ability to insure all workers in the event of job loss, and 2) the actual level of support it provides to those actually experiencing unemployment. Looking at entitlement at the individual level allows zooming in on disadvantaged labour market groups, including women, racial minorities, low-educated workers, those with a history of self-employment, etc.

The analysis is based on a representative sample for the US labour force in the year 2016 (the fourth wave of the 2014 Survey of Income and Program Participation, SIPP, see Annex 2.A for descriptive statistics). The SIPP, designed for monitoring programme participation, provides detailed information on incomes and benefit receipt, and the 2014 panel tracks participants over four years, allowing the simulation of long benefit extensions such as PUA.

Calculations rely on state unemployment insurance laws published by the Department of Labor (US Department of Labor, 2016[8]), supplemented by state legal codes and administrative documentation when additional information was required. The simulations comprise statutory eligibility and benefit rules for each of the 50 US states plus the District of Columbia. They assume that benefit receipt starts in the first month of unemployment, and continues until either the maximum entitlement period ends, a new job starts, or the jobseeker discontinues looking for a job (e.g. to pursue further education/training).

Simulation (i) for *working individuals* assesses statutory entitlements for all individuals who are currently working (at least one hour per week for pay or profit, that is including self-employed workers, following the ILO definition) if they were to involuntarily lose their job. Simulation (ii) for *unemployed individuals* assesses statutory entitlements for all individuals who are currently unemployed (out of work, actively looking for work, and available to start work, again following the ILO definition). Box 2.1 summarises the key steps of the simulation.

Box 2.1. Individual-level simulations of (statutory) UI entitlement: methodological choices

Simulations are based on the 2014-16 panel of the Survey of Income and Programme Participation. The sample includes all working-age individuals (aged 18 to 64) in the year 2016 with a complete labour market history (three years of monthly employment status information and non-missing earnings) who have not taken early retirement.[1] To correct for seasonality, the simulations determine eligibility to UI for each month in 2016 and average across months.[2.]

Part-time workers are wage and salaried workers working below 35 hours per week. Self-employed workers include workers in the residual category of "other work arrangement" according to guidance from the Census Bureau that these workers are mostly independent contractors or consultants. Workers who are wage and salaried workers as well as self-employed are categorised as self-employed if their earnings from self-employment in a given month are higher than their wage or salaried income (and vice-versa). For individuals with missing earnings the simulations use the number of hours worked as either a wage or salaried worker or as self-employed to determine the primary status. Because some workers combine self-employment with wage and salary income (2% of working individuals, or 20% of all self-employed individuals, in the SIPP 2016 sample), some (mainly) self-employed workers fulfil the eligibility requirements for UI.

Sample 1: Working individuals

The working individuals approach looks at statutory eligibility for UI for all individuals who are currently working according to the International Labour Organization (ILO) definition of at least one hour work per week for pay or profit (this includes self-employed workers) if they lost their job *involuntarily* (since voluntary job separations do not give rise to UI entitlement). For simplicity, the simulation assumes that multiple jobholders lost all of their jobs.[3.]

Sample 2: Unemployed individuals

The unemployed individuals approach looks at UI eligibility for all individuals who are currently unemployed according to the ILO definition of not working and actively looking for work and being available for work in a given week.

The simulations assume that individuals are eligible for UI (if they fulfil the relevant state-level eligibility conditions) from the moment of job loss until the maximum duration of unemployment compensation is exhausted. For example, individuals losing their job involuntarily in May 2016 with a maximum UI duration of up to five months would be defined as eligible for UI for the months June-October 2016. For simplicity, the simulations assume that eligible individuals receive UI payments starting in the month after they separated from their job without any interruptions. They are eligible up until they exhaust their maximum benefit duration or start another job. While some individuals may only start claiming benefits at a later point in time, this cannot be identified in the data.

The SIPP contains survey information on whether a job separation was voluntary or involuntary – workers who left their jobs voluntarily are assumed to not be entitled to UI. Note that there are cases where voluntary job-leavers are also entitled to UI, however, these cannot be identified from the survey data.[4.]

The simulations do not restrict eligibility to individuals who have been continuously looking for work since they quit their last job. Individuals who leave the labour force for a period of time (i.e. are not actively looking for a job) and later starting to actively look for work are considered as potentially eligible for UI. Again, the simulations use the date of separation from their last job as a reference to determine eligibility. That is, if a worker loses her job in January, but only starts actively looking for work in March,

she is not in the sample in the month of February, as she is not ILO unemployed. She re-joins the sample in March, but her (simulated) maximum receipt period still starts in February.

Some states exclude individuals with positive earnings from UI receipt. As the simulation sample is restricted to unemployed workers who by definition do not work for pay or profit, this does not influence the simulations. Only one percent of unemployed individuals in the sample report positive earnings, and 80% of them do so only in the first month of their unemployment, indicating that these are related to their previous job (back payments, leftover annual leave etc.).

1. Early retirees are those who have received any retirement income within the past year.
2. The sample also excludes a small number of observations that report negative annual income.
3. See Annex 2.B for details on voluntary separations.
4. E.g. workers who leave their jobs because they face discrimination or sexual harassment at work are entitled to UI in most states, see also section 3.2.

2.3. Unemployment insurance: Accessibility and generosity in US states and internationally

The UI system in the United States is decentralised – states determine minimum earnings thresholds, maximum durations and benefit levels, and administer payments. While each state is free to design its own programme, the federal government provides tax incentives to employers in states whose systems fulfil certain minimum requirements set out in federal legislation (US Department of Labor, 2019[9]). Unemployment compensation is funded by employer contributions. Some States use a system of experience rating, with employers with a history of more frequent dismissals paying higher contributions. Contribution rates vary widely across states, with rates between 0.1 to 5.4 percent of the first USD 7 000 of an employee's earnings. In periods of high unemployment, when contributions are insufficient to cover benefits, states usually increase rates (US Department of Labor, 2021[10]).

State-level UI programmes cover most wage and salaried workers,[3] including railroad workers, federal employees, and recently active military service members. Self-employed workers are not covered by UI (with the exception of PUA extensions).

2.3.1. Minimum earnings requirements differ across states …

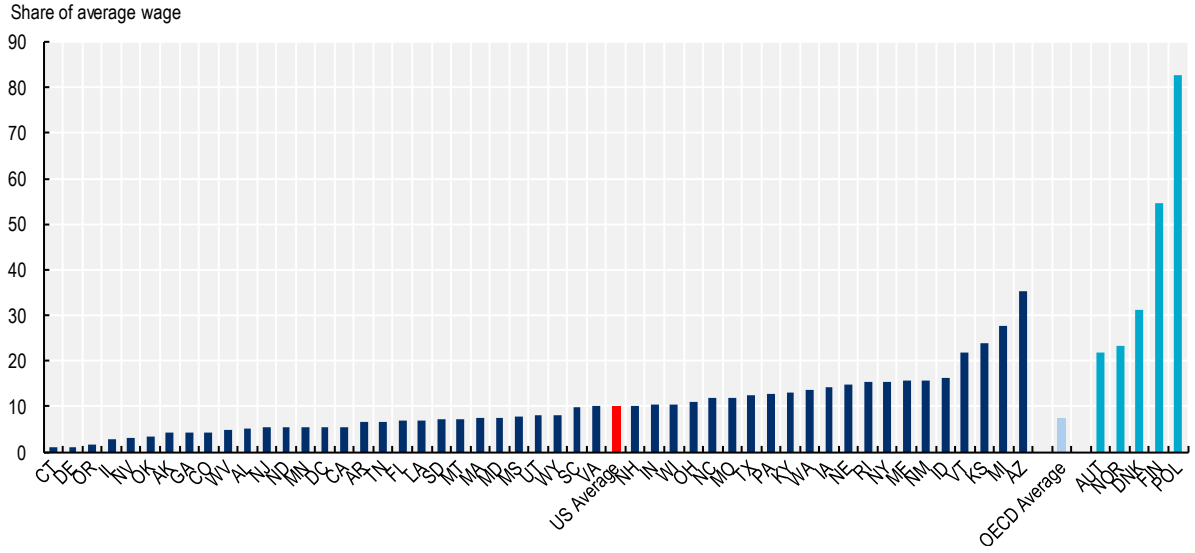
All states establish entitlement by assessing previous earnings over the five quarters preceding a job loss (the so-called *base period*). However, actual minimum earnings requirements differ quite substantially across states. Many state rules stipulate minimum earnings conditions for either the highest-earnings quarter, or for the base period as a whole.[4] In addition, states often require earnings to be at least somewhat evenly distributed across the base period and/or to exceed a certain multiple of the minimum unemployment benefit. Some states require claimants to have worked a certain minimum number of weeks or hours.

For claimants with a continuous work history over the entire base period, minimum earnings requirements vary enormously, ranging from 1% of the state-level average wage in Connecticut to 35% in Arizona (Figure 2.2). In contrast, most OECD countries do not operate minimum earnings requirements at all, either because workers qualify if they satisfy the minimum contribution periods (regardless of earnings) or because their out-of-work support programmes are entirely means-tested and therefore independent of past employment and earnings (e.g. Australia or New Zealand, see (Hyee, Fernández and Immervoll, 2020[11]). Indeed, in 2020, and in addition to the United States, only 5 of 33 OECD countries with available information had a minimum earnings threshold for UI in place. For countries that do have minimum

earnings requirements, thresholds tend to be higher than in most US states, e.g. 22% of the average wage in Austria, or 54% in Finland (Figure 2.2).

Figure 2.2. Minimum earnings thresholds differ across states

US states and selected OECD countries, 2020



Notes: Minimum earnings that give rise to UI entitlement, as a share of the state- or country-level average wage. US states: jobseeker living alone with constant earnings over the base period. Other OECD countries: 40-year-old jobseeker living alone with a stable and "long" contribution history at the average wage. OECD average includes countries with zero minimum earnings requirements.
Source: OECD calculations based on the US Department of Labor's comparison of state UI laws: https://oui.doleta.gov/unemploy/pdf/uilawcompar/2020/complete.pdf, OECD tax-benefit model (version 2.4.0) for other OECD countries: http://oe.cd/TaxBEN.

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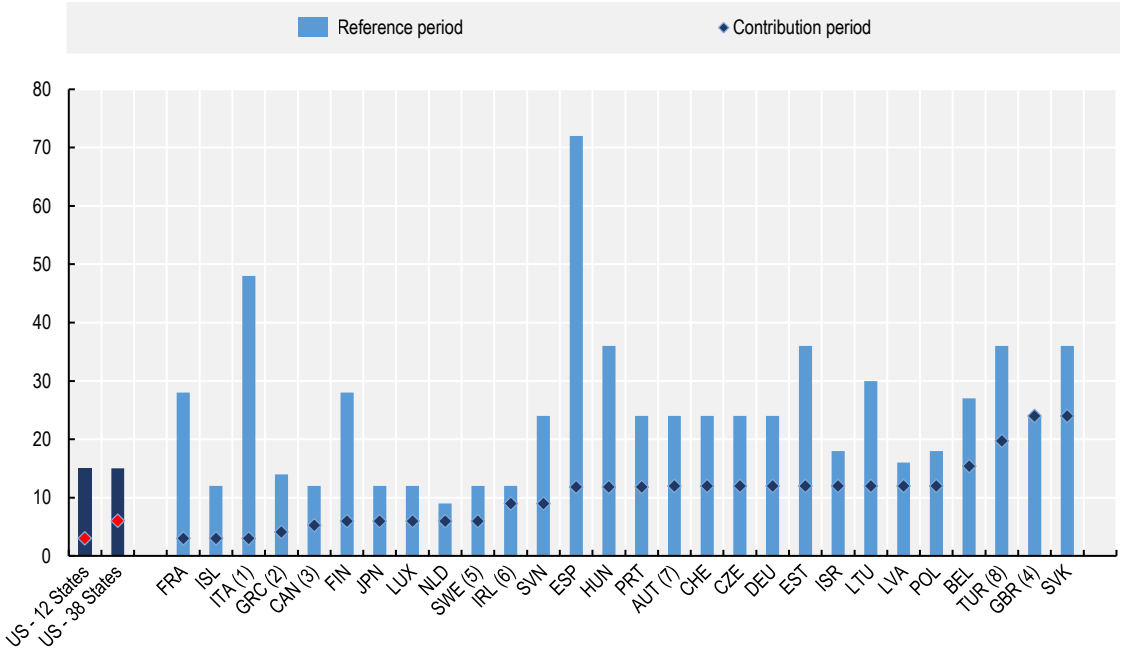
2.3.2. … but minimum contribution periods are similar across states, and short when compared to other countries

For jobseekers with low to average earnings, three months of continuous wage or salaried employment is sufficient to qualify for unemployment compensation in 12 US states, and six months in all states (Figure 2.3). This is a relatively short contribution period compared to other countries – in the United Kingdom, at least two years of contributions are required to receive the contribution-based new-style jobseeker's allowance, although jobseekers who do not fulfil this requirement may claim (means-tested) Universal Credit (see Box 3.3). Similarly, in Germany, the minimum contribution period for the first-tier "unemployment benefit I" (*Arbeitslosengeld I)* is 12 months, but jobseekers who do not meet this requirement may access the means-tested unemployment assistance "unemployment benefit II" (*Arbeitslosengeld II, see* Box 3.4).

Figure 2.3. Two quarters of earnings are enough to receive benefits in all states

Minimum contribution period for UI eligibility in US states and other OECD countries in months, 2020



Notes: (1) And at least 30 days of employment in the 12 months prior to the start of the unemployment spell; (2) Or 200 days in last two years; (3) Assuming 40 hour work week; (4) 6 months in any one of the past two years. (5) Must also have been a member of the insurance fund for at least 12 months; (6) or 26 weekly contributions in each of previous two years. Must also have made 104 weekly contributions in whole career; (7) 28 weeks in the case of repeated unemployment; (8) Must also have been continuously with the employer for last 120 days. The 12 US states with only three months (one-quarter) of required minimum contributions are: CA, CO, CT, DE, GA, MN, MA, NJ, OK, RI, WA, VA. While the reference period is 15 months for all US states, some US states provide for alternate base period calculation which can result in a reduced reference period of 12 months if that is more beneficial to the individual.

Source: OECD calculations based on the US Department of Labor's comparison of state UI laws: https://oui.doleta.gov/unemploy/pdf/uilawcompar/2020/complete.pdf; other OECD countries: OECD TaxBEN model (version 2.4.0) http://oe.cd/TaxBEN.

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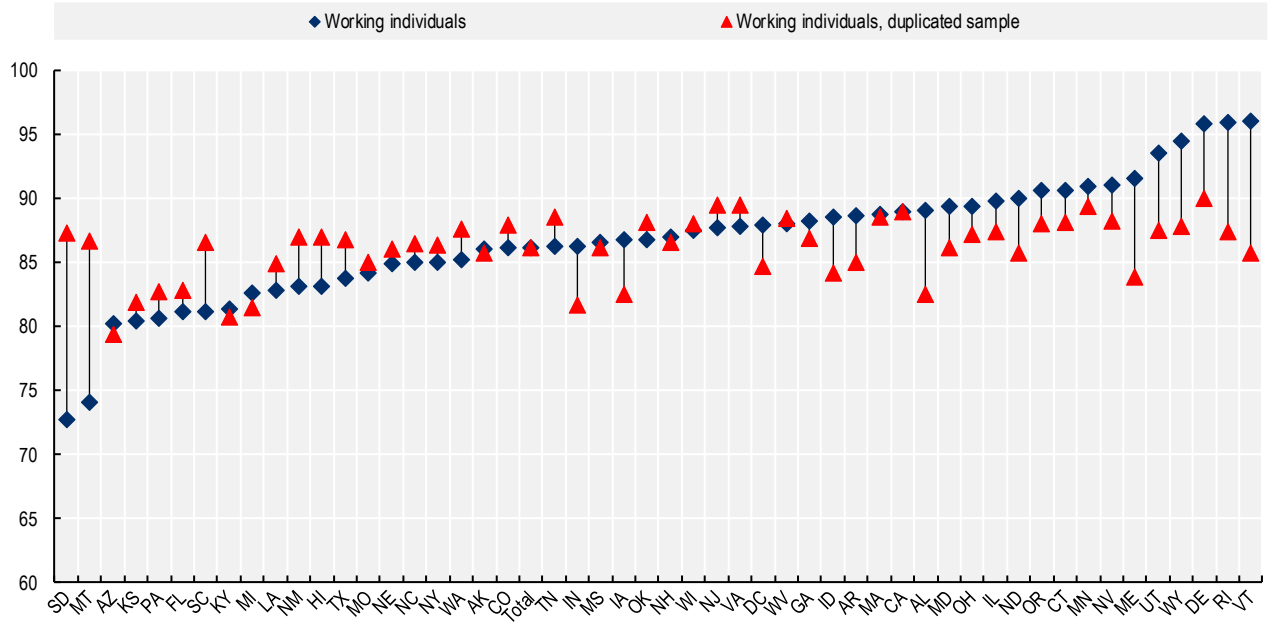
2.3.3. State-level differences in statutory rules do not lead to big differences in UI accessibility …

The share of current workers who would be entitled to UI in the event of an involuntary job loss ranges from 73% in South Dakota to 96% in Vermont (Figure 2.4, blue series).[5] These differences are mostly due to differences in the composition of workforces across states, in terms of employment form, earnings levels and employment stability, as opposed to statutory rules. To see this, and following (Kuka and Stuart, 2021[5]), an alternative simulation strategy applies the UI statutory rules of each state to the entire US workforce – that is, it simulates statutory coverage *as if* the UI system of each state applied to all US workers. This controls for differences in workforce characteristics and enables a focus on state-level statutory rules. Using this "duplicated sample" simulation approach, cross-state differences diminish significantly: statutory coverage under this scenario ranges from 79% in Arizona to 90% in Delaware (Figure 2.4, red series). Overall, only about a quarter of the variance in statutory coverage across states are directly due to states' different entitlement rules, while 73% can be explained by cross-state differences in workforce composition. For instance, high statutory coverage in Vermont is mostly due to the low incidence of self-employment in the state, whereas 20% of current workers are self-employed in South Dakota.

Figure 2.4. Labour force composition accounts for most of the cross-state variation in UI coverage upon job loss

Share of working individuals eligible for unemployment compensation by state (2016), in percent



Note: Simulated statutory UI coverage among all workers in each state if they were to lose their job during the observation period. "Total": unweighted average across shown states. "Duplicated sample": simulated statutory UI coverage applying each states' statutory policy rules to the entire working-population across the United States, after adjusting for differences in average earnings by state. The approach isolates the effect of policy rules on coverage abstracts from differences in workforce composition by state.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

StatLink https://stat.link/gbispa

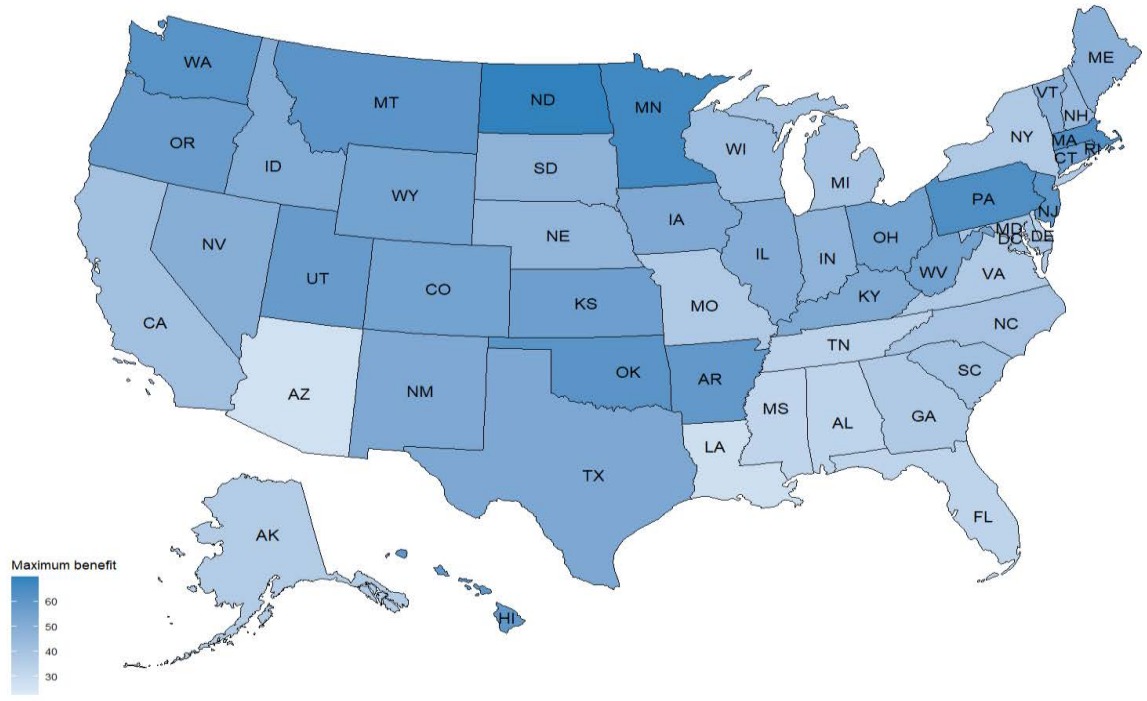
2.3.4. … but cross-state differences in generosity are significant

Most states employ the so-called "high-quarter" method to determine benefit amounts as a function of claimants' earnings in their highest-earning quarter during the base period. Some states instead calculate benefit amounts relative to total earnings over multiple quarters, relative to annual wages or relative to average weekly wages.

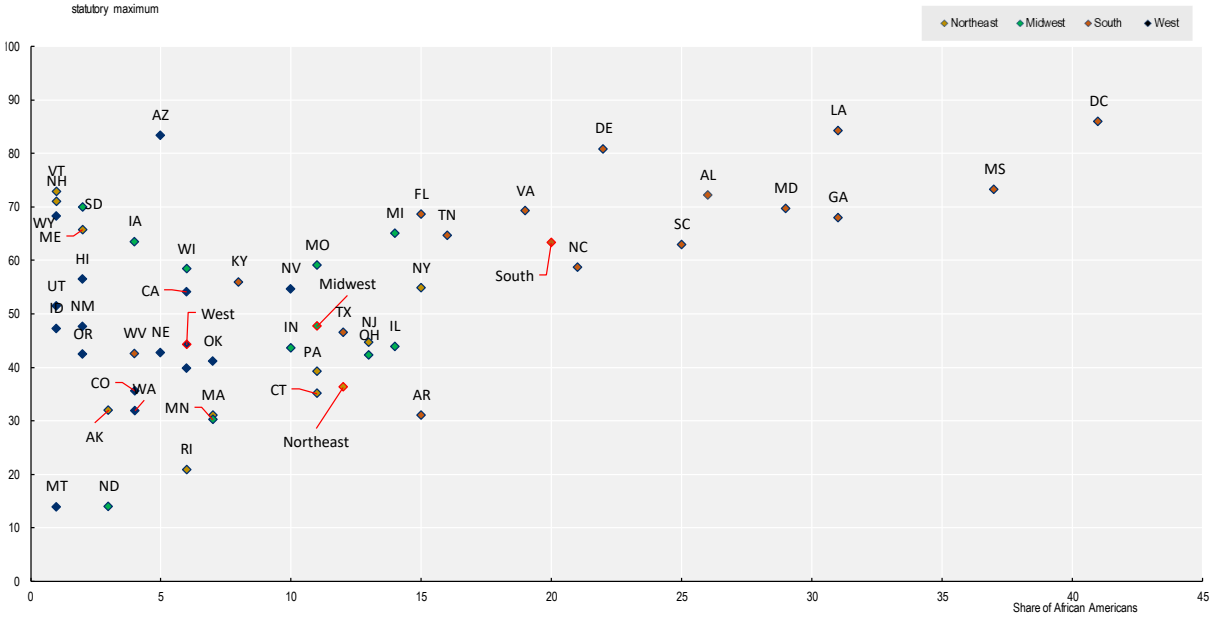
Effective maximum benefit amounts vary widely across states, from below 30% of the state-wide average wage in Washington D.C., Arizona and Louisiana to 70% in North Dakota. (Figure 2.5, Panel A). Southern states, where the population share of African Americans is higher, offer comparatively modest benefit ceilings. Indeed, the share of workers for whom the maximum benefit would be binding ranges from under 15% in Montana and North Dakota to over 80% in Louisiana and Washington, DC (Figure 2.5, Panel B). Lower potential entitlement amounts in Southern states could be one factor behind the lower take-up of unemployment compensation among African Americans (Kuka and Stuart, 2021[5]).

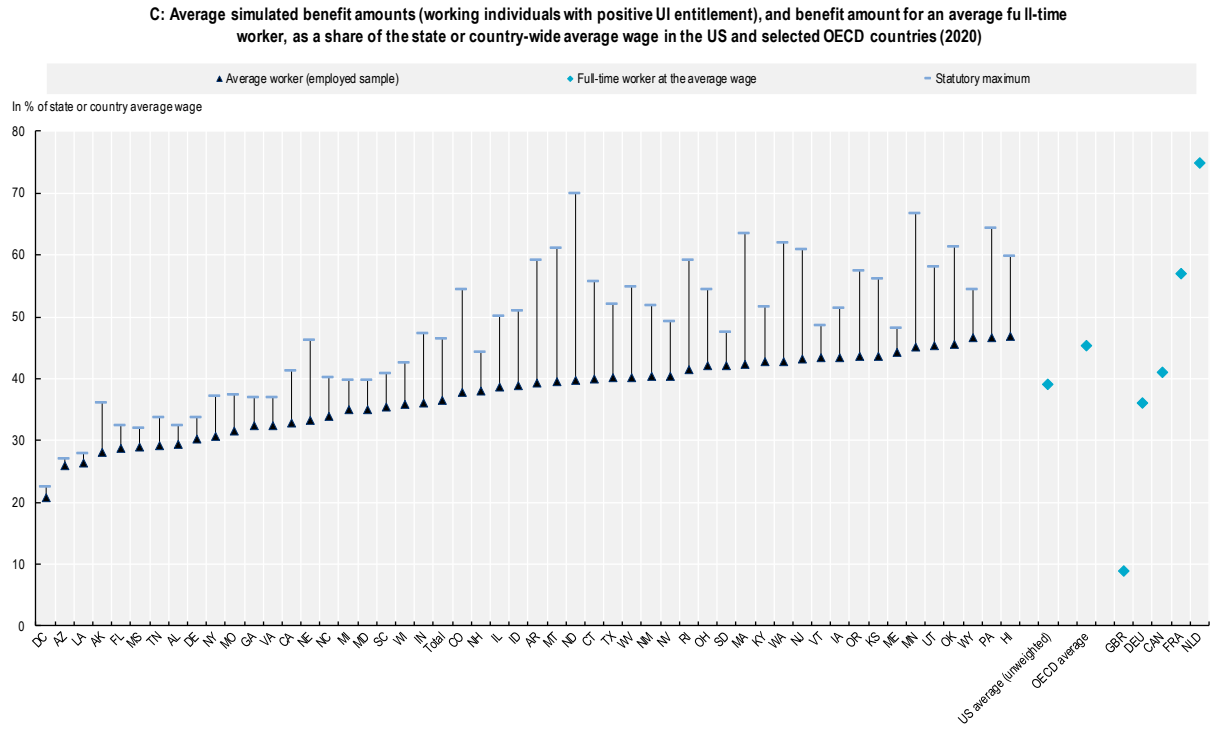
Figure 2.5. UI benefits are more generous in the northern states

A: Maximum benefit amounts as a share of the state-wide average wage (2016)



B: Share of individuals (working individuals) whose simulated benefits are at the statutory maximum in their state, and share of African Americans in the state's population, in percent, 2016





Notes: Panel C: Average worker, working individuals: average benefit amount calculated over all full-time workers (working individuals). US and OECD average are unweighted. OECD countries: full-time worker at the average wage without dependents.
Source: Panel A: (US Department of Labor, 2016[8]), Comparison of State Unemployment Laws 2016, http://www.oui.doleta.gov/unemploy/statelaws.asp#Statelaw.Other.
Panel B: OECD calculations based on SIPP 2014 and Census Bureau 2020 data (share of African Americans in State population, https://www.census.gov/quickfacts/fact/table/US/IPE120221).
Panel C: United States: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP). Other countries: OECD Tax-Benefit Policy Database, http://oe.cd/TaxBEN

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On average across the US, gross replacement rates for full-time workers at the average wage are 39%, compared to 45% for the OECD average (Figure 2.5, Panel B).[6] Several high-income countries such as France and the Netherlands have gross replacement rates of 50% and higher. This implies comparatively low income security for workers with average to high incomes in many states.

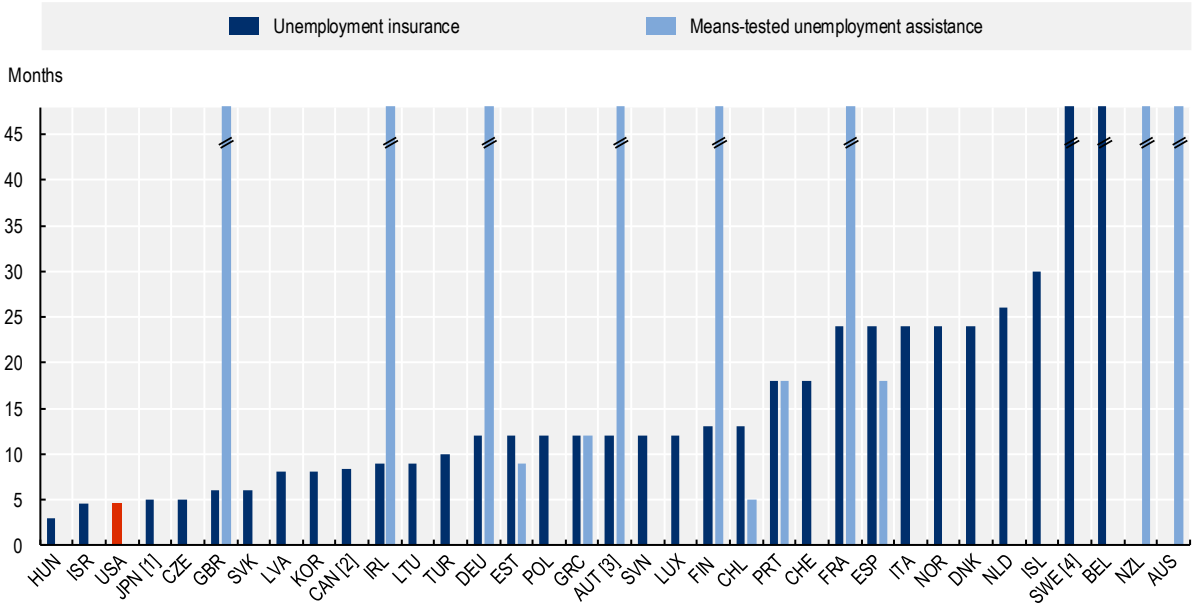
2.3.5. Benefit receipt durations are short in international comparison

Maximum benefit durations vary by state. Some states have flat duration limits for all claimants (in 2021, ten states provided benefits for a flat 26 weeks and North Carolina offered a maximum of 12 to 20 weeks depending on the state's unemployment rate). Others tie receipt durations to claimants' work and earnings history, sometimes in combination with the state's unemployment rate. For claimants with the lowest past contributions, maximum durations are shortest in Washington (one week) and Oregon (three weeks), with most states providing a minimum of eight to 14 weeks. However, even for claimants with the most contributions, maximum receipt durations only exceed 26 weeks in Massachusetts (30 weeks in periods of high unemployment) and Montana (28 weeks for individuals with the highest past contributions). In 2021, 44 states provided benefits for a maximum of 26 weeks (US Department of Labor, 2021[10]). In addition to the regular UI benefit there is an Extended Benefits (EB) programme which extends benefit eligibility by 13 weeks when a state experiences high unemployment.[7] In 2016, the reference year for the simulations, benefits were not extended in any state.[8]

Compared to other OECD countries, maximum benefit durations in the United States are low. On average across 33 OECD countries operating contribution-based unemployment benefits, the maximum benefit duration is 17 months (Figure 2.6). In addition to unemployment insurance benefits, 12 countries have unemployment assistance programs in place that provide means-tested payments to unemployed individuals who have exhausted their UI benefits and, sometimes, to those who were not entitled to UI (where it exists) in the first place.[9]

Figure 2.6. Benefit duration limits are amongst the lowest in the OECD

Maximum duration of unemployment benefits, 2020



[1] Claimants deemed to be difficult to re-employ may receive up to 360 days of unemployment benefits. [2] The maximum benefit duration is determined by the regional unemployment rate. The estimated maximum duration shown here is based on the national unemployment rate for December 2019. [3] The unemployment assistance programme in Austria is contribution-based and not means-tested. [4] After 300 days of UI benefit receipt, recipients are referred to the "Job and Development Guarantee" programme, which combines activation measures and income support without pre-defined duration.

Note: Unemployment benefits as of 1 January 2020, 40-year-old with a "long" employment record with past earnings of 2/3 of national average wage. Benefit durations in the United States vary by State and unemployment rate. For example, the maximum benefit duration in California varies between 14 and 26 weeks depending on wages earned during the base period. Higher wages generally result in longer maximum durations. The 20-week benefit duration shown for the United States refers to Michigan.

Source: OECD Tax-Benefit Policy Database, http://oe.cd/TaxBEN

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2.4. Accessibility gaps and their drivers

As discussed in section 2.2, this chapter analyses statutory UI coverage, as opposed to de facto (empirical) coverage. In other words, it focuses on the effect of state-level policy rules, abstracting from the implementation of these rules or the propensity of otherwise eligible jobseekers to apply for benefits. Before turning to the chapter's main results, section 2.4.1 discusses other factors influencing benefit receipt.

2.4.1. Take-up, benefit sanctions and the claims process

Estimates of the share of eligible jobseekers who actually claim unemployment benefits range between 30% and 70% depending on the country and data source (Blasco and Fontaine, 2021[7]). Non-take-up of benefits can be caused by information gaps, language- and other barriers to putting in a claim, real or perceived discrimination in the claims process,[10] and social stigma associated with benefit receipt.

But non-take-up can also be connected to a low expected value of benefits (caused by low weekly payments, jobseekers expecting to find a new job quickly, or a low maximum benefit duration). Indeed, (Anderson and Meyer, 1997[12]) show for the United States that a 10% increase in the weekly amount of unemployment benefits would increase the take-up rate by 2-2.5 percentage points, whereas a 10% increase in benefit receipt duration would increase take-up by 0.5 to 1 percentage point. Increasing the value of unemployment benefits may therefore not only increase benefit payments mechanically but may also increase the rate at which they are claimed.

In the United States, take-up seems to be an important driver of racial differences in UI receipt rates. Examining UI receipt between 1986 and 2015, Kuka and Stuart (2020[13]; 2021[5]) find that only 42% of eligible African Americans take up UI, compared to 55% of white jobseekers. About 30% of this gap is explained by African American jobseekers' lower pre-unemployment earnings (leading to lower benefit amounts). The fact that African Americans are much more likely to live in the South where benefits are a lot less generous (see section 2.3) explains a further 20% of this racial gap. Similarly, (Skandalis, Marinescu and Massenkoff, 2022[14]), using administrative data on UI claims, find that African American jobseekers have an 18% lower replacement rate than their white peers, with 10% of this gap explained by differences in work history, and the remainder by differences in state-specific entitlement rules. This implies that raising benefit entitlements in the South to levels comparable to the rest of the country would not only increase benefit payments, but also strengthen coverage, as well as job-search, training and other activation measures that are tied to benefit receipt. Such changes would disproportionally benefit African American jobseekers.

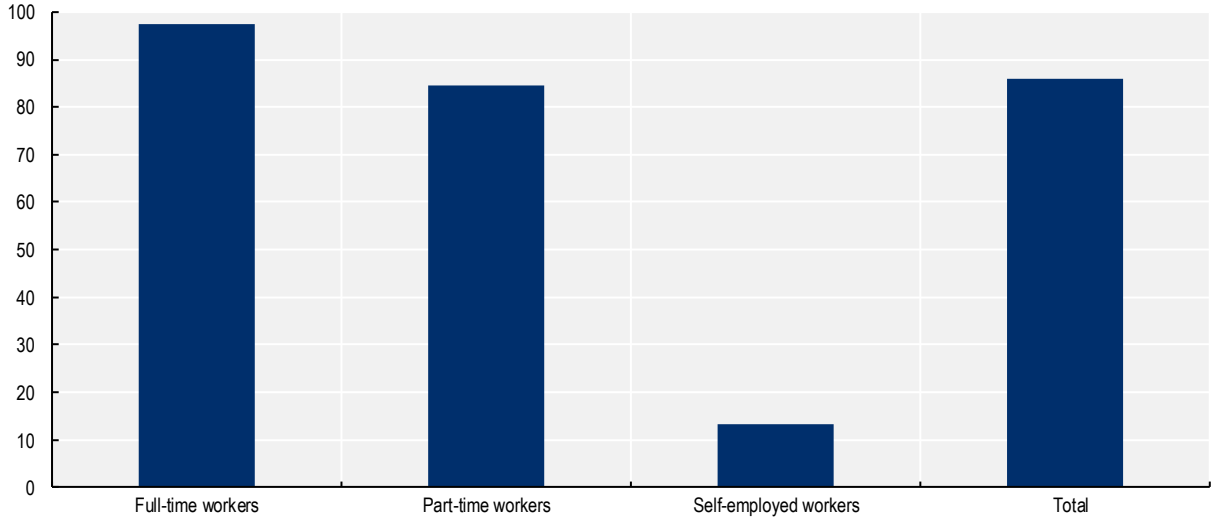
Otherwise eligible benefit claimants may also be denied benefits for non-compliance with behavioural requirements, such as active job-search. Such sanctions are a design feature of many UI systems across the OECD, and they are often partial, e.g. reducing or delaying entitlements rather than precluding or stopping them completely (see http://oe.cd/ActivationStrictness). In practice, benefit denials can also be unintended, e.g. if they are connected to specific aspects of the administration of benefit claims or a transition to new assessment processes. For instance, Oklahoma introduced a new online system in 2014 as part of a state effort to reduce unemployment durations, requiring jobseekers to register online and upload a CV within seven days of putting in a claim for benefits. While the requirement to register with the PES had been in place before, it was not stringently enforced until the introduction of the new online system. Many claimants struggled with the new system and sought assistance in PES offices. In the year after the system's introduction, claims denied for not satisfying reporting requirements increased more than three-fold (Wentworth, 2017[1]).

2.4.2. Coverage of those currently in work is high, and varies little between groups

Compared to other countries, unemployment compensation in the United States is comparatively accessible in terms of minimum contribution periods and earnings requirments (see section 2.4). Consequently, among *currently working individuals*, almost all (98%) full-time workers and most (84%) part-time workers would be entitled to UI if they lost their job (Figure 2.7). Self-employed earnings do not give raise to UI entitlements in their own right, but those becoming jobless after self-employment can receive UI if they also had wage and salaried income in the past (13% of self-employed workers).

Figure 2.7. For current workers, employment status is a principal driver of access to UI

Share of working individuals meeting UI entitlement conditions, by employment status (2016), in percent



Note: Share of all working individuals who would meet the entitlement conditions to UI in their state if they lost their job involuntarily, given their past earnings history, averaged over 2016.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

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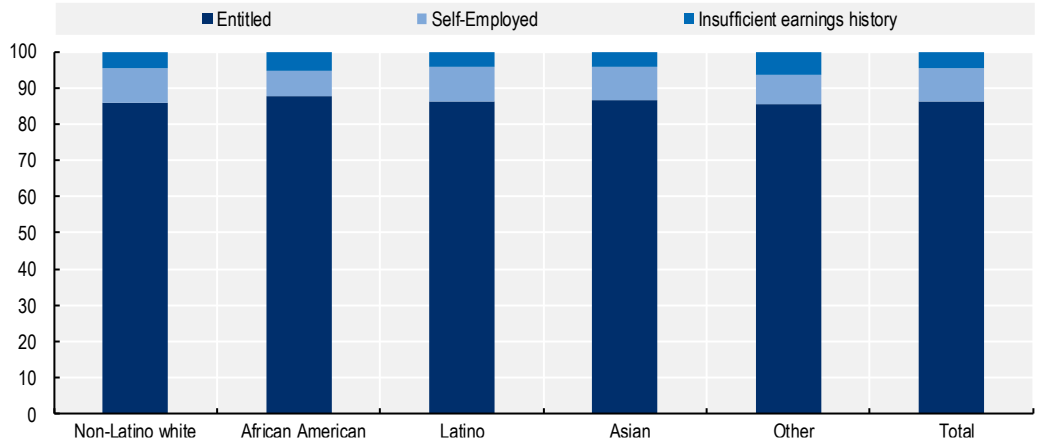
There are only marginal differences by race: African Americans have the lowest incidence of self-employment of all racial groups and are therefore most likely to meet UI entitlement requirements (88%, Figure 2.8). But the difference to non-Latino white workers (86%) is small. There are no notable differences in UI entitlements of current workers by gender. Differences by region are equally minor, in line with the fact that minimum earnings and contribution periods do not vary significantly by state and are only binding for very low earners (see Annex 2.C). Young (19-29) and Prime-age (30-49) workers (88%) are more likely to qualify than older workers (82%), with the difference again due to a higher incidence of self-employment among older workers. Access to UI does differ somewhat by education: workers without a high school degree are most likely to be self-employed, whereas very few highly educated workers (tertiary degree) do not fulfil the necessary earnings requirements.

Figure 2.8. In the working individuals, UI eligibility does not significantly vary by race

Share of working individuals meeting UI entitlement conditions, by race, (2016), in percent



Note: The simulated eligibility is the eligibility of all workers theoretically eligible for unemployment compensation if they lose their job. For details on the definition of racial and ethnic categories see the Reader's Guide.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

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2.4.3. Long-term unemployment is a primary reason for low coverage among jobseekers …

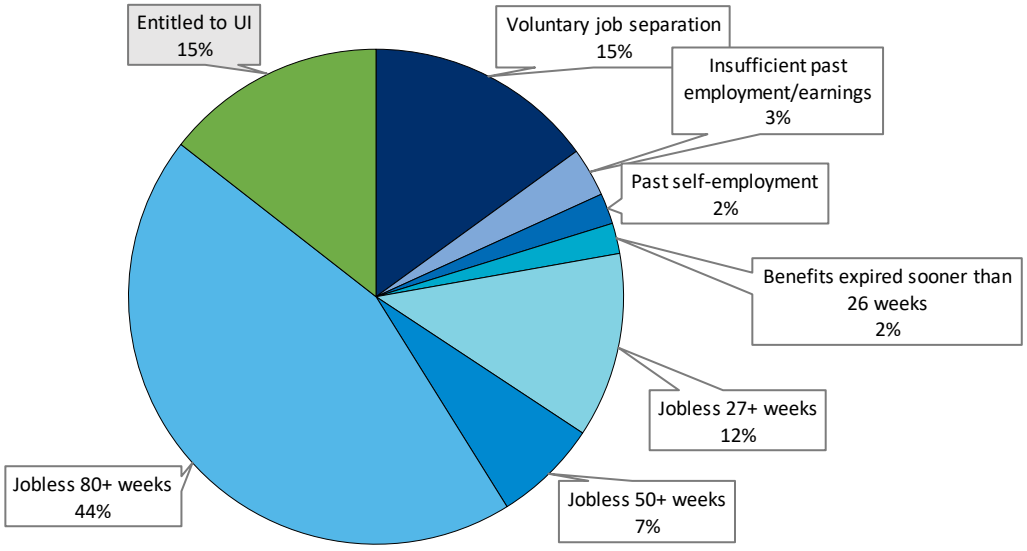
The *unemployed sample* consists of individuals who reported being unemployed in the SIPP data. This includes individuals who do not have a job during the reference week *and* are available for and actively looking for work (ILO definition). This sample therefore excludes the *underemployed* (part-time workers looking for more hours or self-employed workers looking for wage or salary employment) as well as *those marginally attached to the labour force* (open to work and have looked in the past, but not actively searching). As in other countries, some individuals may receive unemployment compensation while not actively looking for work, e.g. because of care responsibilities.

Only 15% of current jobseekers are entitled to unemployment benefits (Figure 2.9). The main reason for non-coverage is long-lasting joblessness: 63% of jobseekers have been out of work for longer than 26 weeks, the maximum unemployment duration in most states. 51% have been without work for 50 weeks or more, and 43% for 80 weeks or more. Even if they were entitled to UI when they became unemployed, they would have exhausted their entitlements during the observation period. An additional 2% were entitled to fewer than 25 weeks, because they live in a state that has a shorter maximum receipt duration,[11] or that determines maximum benefit duration based on past work history ("benefits exhausted after less than 26 weeks" in Figure 2.9).

Other factors leading to non-entitlement include voluntary job quits (about 15% of all unemployed), past self-employment (2%), or insufficient work/earnings history from past employment (3%).

Figure 2.9. Most unemployed are not entitled due to long out-of-work durations

Breakdown by reason of non-entitlement, 2016



Note: "Benefits expired sooner than 26 weeks": was entitled to fewer than 25 weeks of benefits because of a short work history/low earnings and the statutory rules of their state.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

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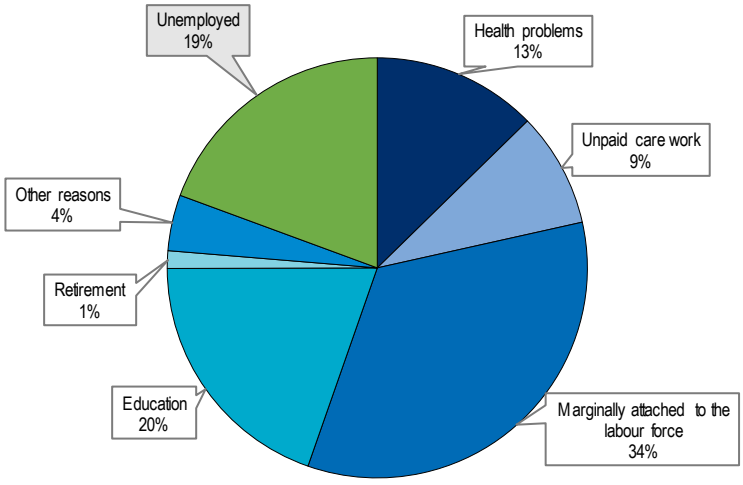
It is worth highlighting that the share of unemployed workers who have been out-of-work for 12 months or longer (about 50%) is much higher than the commonly reported incidence of long-term unemployment (the share of all unemployed with unemployment durations of 12 months or longer), which stood at about 16% to 17% in 2016, depending on the data source.[12] The reason for the discrepancy is that the simulations must consider the entire out-of-work spell prior to the reference month in order to establish entitlement.[13] By contrast, the long-term unemployment rate considers jobseekers who have been continuously unemployed (jobless, available for work and actively looking for a job) for 12 months or longer.

In practice, longer out-of-work spells very often include periods of labour-market inactivity. Figure 2.10 shows a breakdown of all months spent out of work prior to the current reference month, for all unemployed individuals in the sample, calculated on average over the year 2016.[14] Only 19% of the total sum of out-of-work months were unemployment spells according to the ILO definition. One-third was spent jobless, but not actively looking for work ("marginally attached to the labour force" – open to finding a job, and with a history of past job search, but not actively looking for work), and 20% were time spent in education (reflecting often difficult school-to-work transitions). Another 13% were spent unable to work because of health problems, and 9% doing unpaid care work. Thus, the majority of unemployed workers do not start their job search immediately after a losing a job. They are therefore difficult to reach by an unemployment insurance system designed for displaced workers.

Figure 2.10. Many unemployed workers were labour-market inactive before starting to look for a job

Breakdown of the sum of all months spent out of work for currently unemployed individuals, spells extending to 2016



Note: The graph shows the sum of all months unemployed individuals have spent out of work during their current unemployment spell, calculated prior to the reference month, looking back until the beginning of the panel (January 2013). That is, on average over all ILO-unemployment-months in 2016, 20% of all out-of-work spells extending into 2016 were spent in education, 13% were spent unable to work because of health reasons, etc. "Marginally attached to the labour force" means open to finding a job, and with a history of past job search, but not actively looking for work.
Source: OECD calculations based on 2014 SIPP data.

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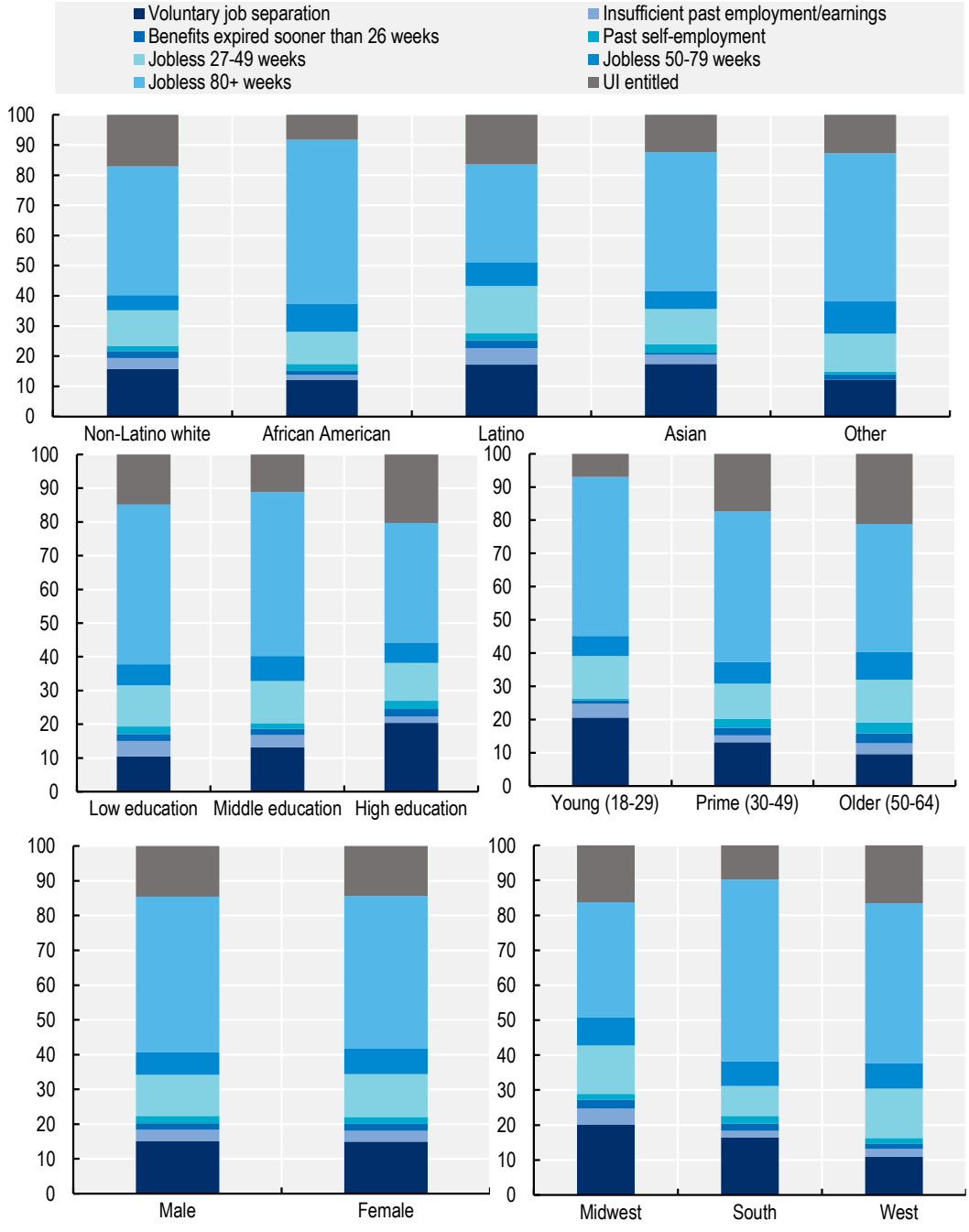
2.4.4. … and African Americans are most likely to be long-term unemployed

There are significant differences in UI coverage among demographic groups and regions, and much of this is driven by differences in the incidence of long-term unemployment (50+ weeks[15]). African Americans are least likely to be entitled to UI, at only 8% of the unemployed, compared to 16-17% among non-Latino whites and Latinos. African Americans are also much more likely to have been out of work for 50 weeks or longer (64%) compared to non-Latino whites (48%), Latinos (40%) and Asians (52%, Figure 2.11)

Figure 2.11. Incidence of long-term unemployment drives patterns of coverage gaps

Jobseekers by reason of non-entitlement and socio-demographic characteristics, 2016



Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP). For details on the definition of racial and ethnic categories see the Reader's Guide.

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Only 7% of young unemployed individuals (18-29) are entitled to UI, compared to 17% for prime-age (30-49 years) and 21% for older jobseekers (50-64 years). Young jobseekers are more likely than prime-age and older unemployed workers to have voluntarily left their previous job or to be out of work for over 50 weeks. Highly educated workers are the group most likely to be covered by UI (20%), and those with high school, but no college degree are least likely to be covered (11%). There are no significant gender differences (as was also the case for the working sample in section 2.4.2, Figure 2.11).

Statutory UI entitlement rates are significantly lower in the South (10%) than in other regions (17-18%, Figure 2.11). This is related to the higher incidence of long-term unemployment in the South (50%), compared to 41% in the Northeast and 32% in the Midwest. Both white and African American jobseekers are more likely to be long-term unemployed in the South than in other regions.[16] African American jobseekers are more likely to be long-term unemployed than Latino and non-Latino white jobseekers in all regions, but, the *difference* in the shares of long-term unemployment between African American and white jobseekers is greater in the South than in other regions. Thus, African Americans are not only more likely to live in the South (see Figure 2.5, Panel B) where long-term unemployment is higher for all racial and ethnic groups, but they are even more likely to be long-term unemployed if they live in the South.

2.5. Would the COVID-19 emergency extensions close coverage gaps?

This section simulates the impact of key COVID-related UI extensions in a non-crisis labour market. The assessment is intended as a thought experiment, rather than a statement about the parameters of future reforms that are desirable or realistic. The aim of the simulations is to inform the debate on whether extensions that are related to those undertaken in response to COVID-19 could also help to address the structural coverage gaps that were documented in the sections above, or whether other or additional measures would be needed.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC), and Pandemic Unemployment Assistance (PUA) dramatically increased coverage and generosity of unemployment compensation. The FPUC topped-up unemployment benefit amounts, whereas the PEUC increased the duration of payments and the PUA extended eligibility to many previously non-eligible individuals. Box 2.2 provides a detailed description of these programmes. The main measures are:

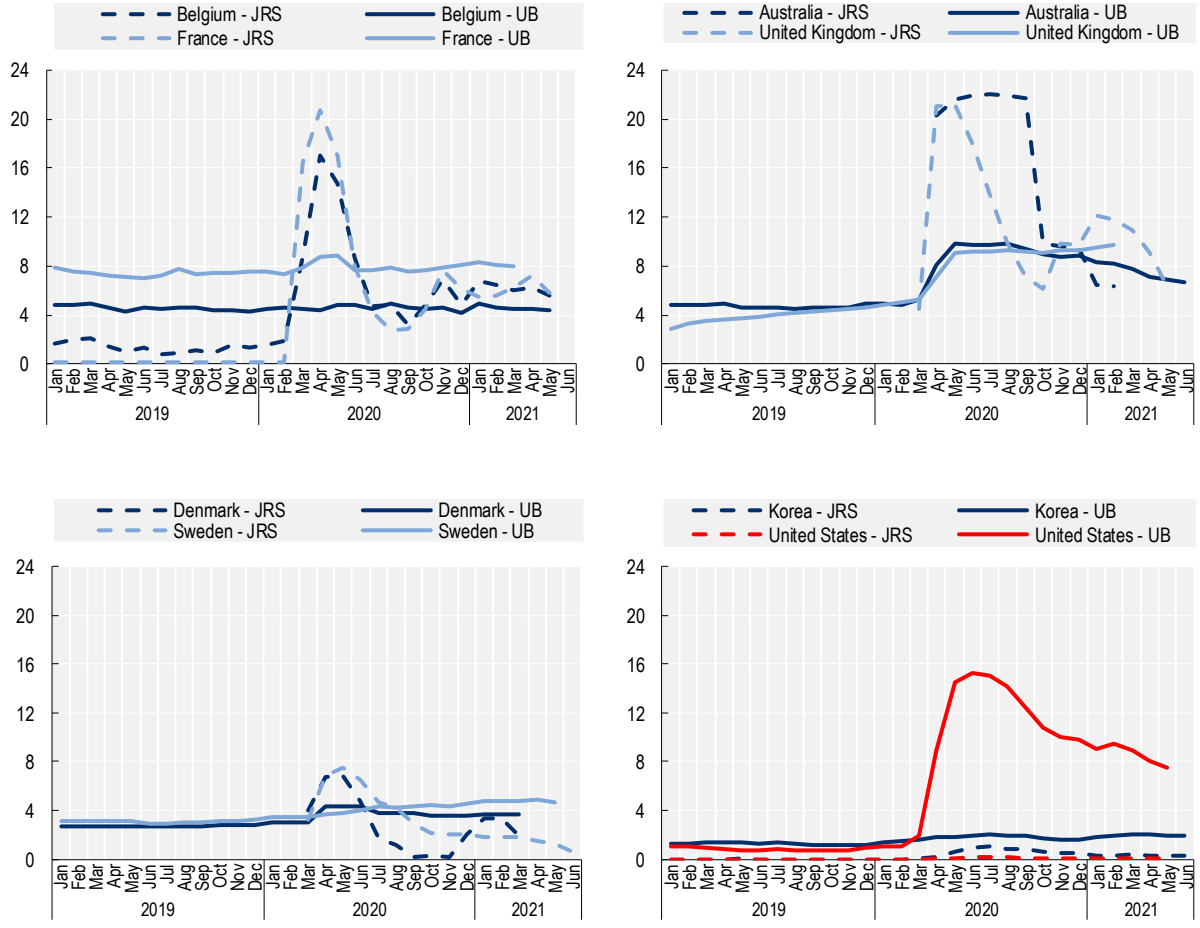
- Extension of unemployment compensation to self-employed workers *(modelled in the simulations reported below)*;
- Extension of the maximum receipt duration to a flat 50/79 weeks for all recipients *(modelled)*;
- Extension of UI entitlements to all workers who worked for at least one week at the state's minimum wage during the calendar year preceding unemployment *(modelled)*;
- Increase of the minimum benefit amount in all states *(modelled)*;
- Top-up of weekly benefit amounts by USD 300 to USD 600 (varying over time) (*not modelled)*.

As a result of both pandemic-related layoffs and the increased coverage resulting from the emergency measures, unemployment benefit receipt increased dramatically during the COVID-19 pandemic. In contrast to most other OECD countries, the labour market shock caused by the initial COVID-19 outbreak in the United States was largely absorbed by UI payments. By contrast, the job-retention scheme in the United States (Short-time Compensation) remained marginal throughout the crisis. At the height of the pandemic-related labour-market shock, the number of unemployment benefit claimants, including workers on temporary lay-off, reached nearly 16% of the US working-age population (Figure 2.12). Spending jumped from less than USD 4 billion per month before the pandemic to USD 120 billion per month in June 2020. It gradually declined afterwards but remained at elevated levels throughout 2021 (US Department of Labor, 2022[15]).

In addition to the increase in coverage, the top-ups of weekly benefit amounts by USD 300 to USD 600 (varying over time, and not modelled in this chapter) significantly increased benefit payments, and replaced more than 100% of pre-pandemic earnings for more than 75% of beneficiaries (Ganong, Noel and Vavra, 2020[4]). In spite of these very generous benefit levels, the effect of the top-ups on employment was smaller than expected in a non-pandemic labour market. (Marinescu, Skandalis and Zhao, 2021[16]) show that, while online job applications did decrease, the number of vacancies was so low that this depressed search behaviour did not affect employment. Firms recalling former workers likely played a role in the dampening of the disincentive effect of weekly top-ups (Ganong et al., 2022[17]). See (Whittaker and Isaacs, 2022[18]) for a succinct overview of the literature.

Figure 2.12. In the United States, Unemployment benefits absorbed the bulk of the COVID-19 employment shock

Recipients of unemployment insurance and job retention scheme support as a percentage of the working-age population



Note: The figures reported are claimant not recipient numbers, and aggregate over different programmes, including Unemployment Compensation, and PUA. For details on the programmes included and methodological notes, please consult the SOCR-HF database.
Source: OECD Social Benefit Recipients – High-Frequency database (SOCR-HF), https://www.oecd.org/fr/social/soc/recipients-socr-hf.htm

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Box 2.2. COVID-19 related extensions to unemployment compensation

The United States introduced the Coronavirus Aid, Relief, and Economic Security (CARES) Act on the 27 March 2020[1]. The CARES Act introduced three measures for newly unemployed workers: the Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC), and Pandemic Unemployment Assistance (PUA).

On the 27 December 2020, the federal government extended these programmes and added another, the Mixed Earner Unemployment Compensation (MEUC). The federal government again extended these programs on the 11 March 2021 with the American Rescue Plan Act (ARPA).

Federal Pandemic Unemployment Compensation (FPUC)

The FPUC provided a supplemental payment to individuals who were receiving regular unemployment benefits or other related unemployment compensation programs who had not exhausted the maximum benefit duration[2]. From the 4 April 2020 to its initial expiry on the 25 July 2020, the FPUC topped-up unemployment benefits by a flat rate of USD 600 per week. After the initial expiry of the FPUC, a similar benefit, the Lost Wages Assistance programme, provided a flat rate federal top up of USD 300 per week to unemployed workers eligible for UI payments between the 1 August 2020 and the 5 September 2020. The government then reauthorised the FPUC from the 1 January 2021 to the 13 March 2021, with the same flat rate benefit of USD 300. The American Rescue Plan Act again extended the USD 300 top-up until the 6 September 2021, at which time it expired.

Pandemic Emergency Unemployment Compensation (PEUC)

The PEUC programme initially provided up to 13 additional weeks of unemployment benefits to individuals who had exhausted their regular state benefits (which typically last between eight and 28 weeks). Claimants were required to continue to fulfil the requirements of unemployment compensation (i.e. able to work, available for work, seeking work) and not be receiving regular compensation from any other state or federal programme. The Continuing Assistance Act further increased the number of additional weeks to 24, and the ARPA further extended this to 53 weeks. The PEUC programme expired on the 6 September 2021.

Pandemic Unemployment Assistance (PUA)

The PUA programme was a new unemployment assistance programme introduced with the CARES Act of 2020. The programme provided benefits to individuals with some attachment to the labour market who were not otherwise eligible for regular unemployment compensation. This included the self-employed and gig-workers and individuals with insufficient work history or earnings. Individuals qualified if they were unemployed, partially unemployed, or unable to work because of COVID-19. An inability to work included having COVID-19, living with someone who has COVID-19, being a primary caregiver for a child or other dependent, a need to quarantine, a drop in demand due to COVID-19, and other COVID-19 related reasons.

The programme paid retroactive benefits from 27 January 2020 until the programme expired on 5 September 2021.[3] Minimum benefits were raised to half of each state's average weekly benefit payments prior to the crisis (see Annex 2.D, (US Department of Labor, 2020[19])). The programme initially provided up to 39 weeks of benefits (less any weeks of state-provided extended benefits for regular unemployment compensation). The Continuing Assistance Act (CAA) increased the duration to 50 weeks, and ARPA increased it to 79 weeks. The simulations consider both the original 50 weeks extension as well as the overall 79 weeks.[4]

1. Two smaller support measures, signed on 6 March and 18 March 2020, preceded the CARES Act, providing increased medical testing capacity and provided paid sick leave and unemployment assistance for some families affected by COVID-19.
2. Two smaller support measures, signed on 6 March and 18 March 2020, preceded the CARES Act, providing increased medical testing capacity and provided paid sick leave and unemployment assistance for some families affected by COVID-19.
3. Benefits briefly lapsed during the end of 2020 while lawmakers negotiated legislative extensions.
4. In addition, the MEUC programme, which is small in size and not covered in detail, allowed states to provide an optional top-up of USD 100 to recipients of some types of unemployment insurance benefits (notably excluding PUA benefits). By September 2021, USD 46.8 million had been disbursed across 20 States.
Source: (US Department of Labor, 2021[20]), Continued Assistance for Unemployed Workers (Continued Assistance) Act of 2020, https://wdr.doleta.gov/directives/attach/UIPL/UIPL_15-20_Change_3.pdf

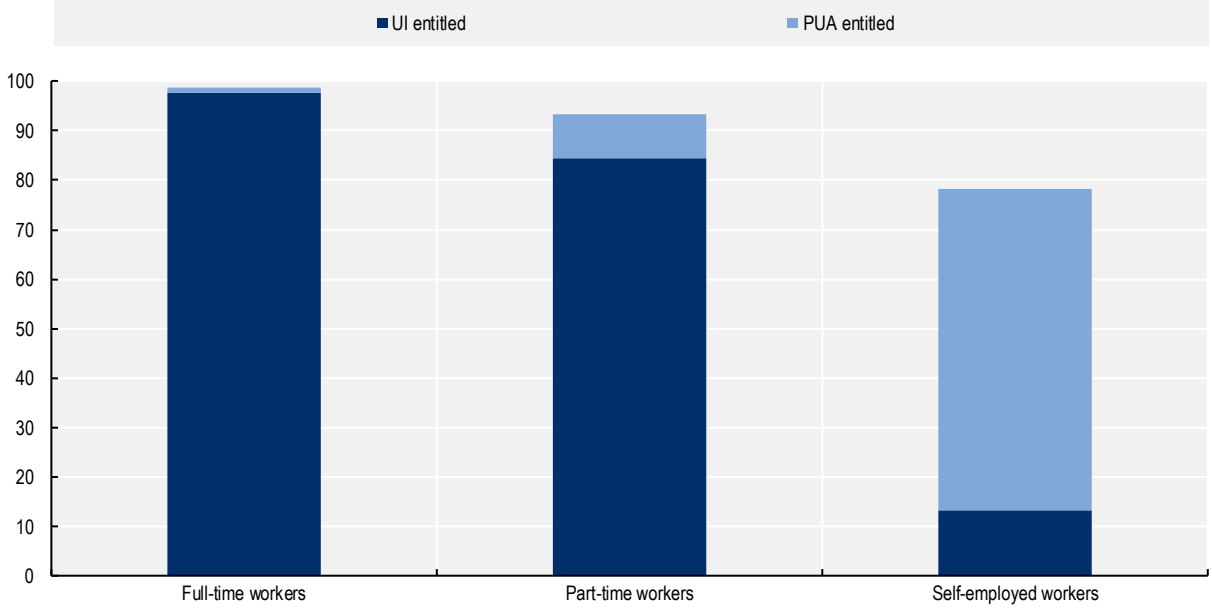
2.5.1. For working individuals, the extension of UI to the self-employed almost closes coverage gaps

For the sample of currently working individuals, that had a high base-line level of entitlement among wage and salaried employees (see section 2.4.2), the expansion of unemployment compensation to self-employed individuals was the most significant.

Overall, the share of current workers entitled to UI in the event of a job loss increases from 86% to 95%. As 98% of full-time workers were already entitled to UI under the pre-pandemic system (Figure 2.7), PUA leads to a marginal increase for them (+1 percentage points), while the increase is sizeable for part-time workers (from 84 to 93%). For self-employed workers, the share with UI entitlement jumps from 13 to 77% (Figure 2.13). Coverage for self-employed workers is still incomplete since, under PUA, statutory entitlement is based on the previous calendar year's earnings, while a sizeable share of self-employed workers started their business only in the current year.

Figure 2.13. The PUA extended eligibility mainly for self-employed workers

Share of working individuals eligible for unemployment compensation by main status (2016), in percent



Note: Share of the working sample with statutory entitlement to unemployment compensation if they lost their job involuntarily.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

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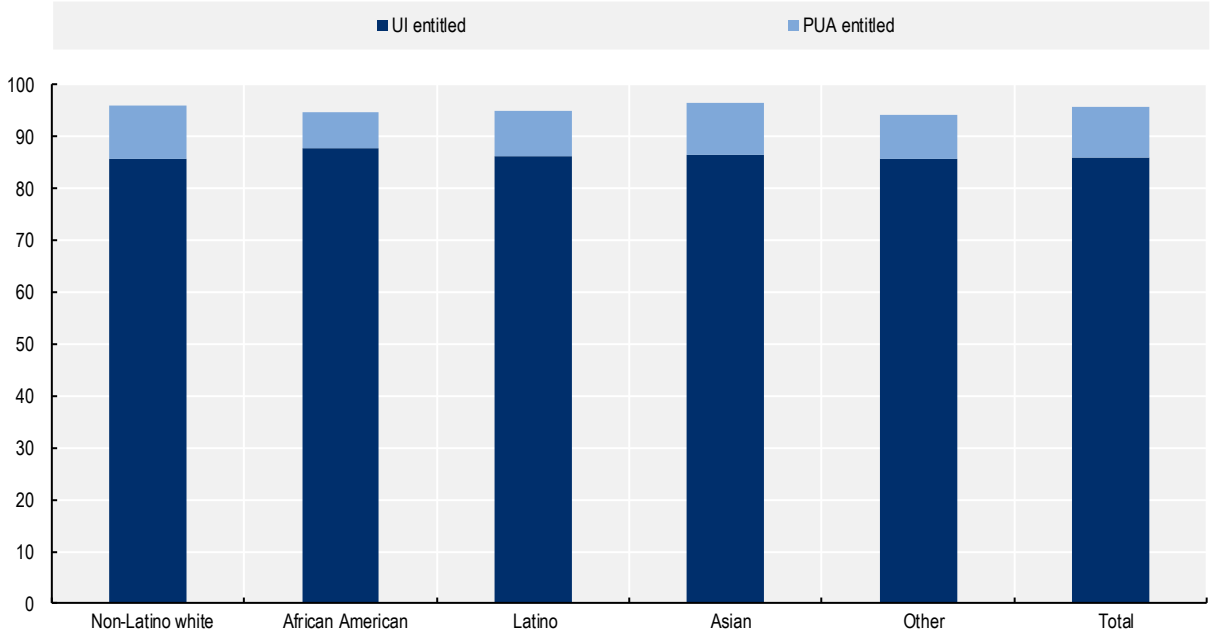
All racial groups benefit from the PUA extensions (Figure 2.14). Coverage gains are greater for Non-Latino whites (10 percentage points) than for African Americans (7 percentage points), owing to the higher incidence of self-employment among non-Latino whites. Because statutory coverage is already high for all groups of the working sample to start with, these changes do not result in major gradients across race and gender, however. Coverage gains are also broadly balanced across regions (between 9 and 10 percentage points). Differences are more pronounced across age groups, as coverage increases by 7 percentage points for young and 13 percentage points for older workers, again driven by a higher share of self-employed workers among older age groups. Self-employment is also more prevalent among low educated workers, leading to stronger increases in statutory coverage in this group (see Annex 2.E).

Figure 2.14. A PUA-type extension would raise statutory entitlements for workers across all racial and ethnic groups

Share of working individuals entitled to UI, with and without PUA, by race, 2016 in percent



Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP). For details on the definition of racial and ethnic categories see the Reader's Guide.

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2.5.2. PUA extensions would be insufficient to ensure coverage for the long-term unemployed

The main reason for large coverage gaps among jobseekers is the high incidence of long-term unemployment (section 2.4). PUA did result in significantly longer maximum benefit receipt durations – from between 12 to 26 weeks depending on the state prior to emergency extensions, to a flat 50 weeks initially, and then to 79 weeks in March 2021. The simulations follow the stepwise PUA extension to 50 and 79 weeks.

With a maximum duration of 50 weeks and given the patterns of unemployment in the 2016 SIPP data, the share of jobseekers with entitlements to UI increases by 8.5 percentage points (Figure 2.15). This concerns mainly jobseekers with an unemployment duration between 27 and 49 weeks (accounting for 3.8 percentage points), and jobseekers whose entitlements were shorter than 26 weeks before the

extension (+1.9 percentage points, “benefits expired sooner than 26 weeks”). A PUA-type extension would also increase coverage for some with a short work history or low earnings (+1.6 percentage points, “insufficient past employment/earnings for UI”) and for those with past self-employment (+1.2 percentage points). The sizeable group (about a quarter) of unemployed who quit their jobs voluntarily would remain unaffected by the extensions.

With a 79-week PUA extension, statutory coverage increases by a further 6 percentage points (Figure 2.15). Yet, since nearly half of all jobseekers have been out of work for 80 weeks or longer in 2016 (Figure 2.9), more than half of the jobseekers who are not entitled under the current system would also remain uncovered.

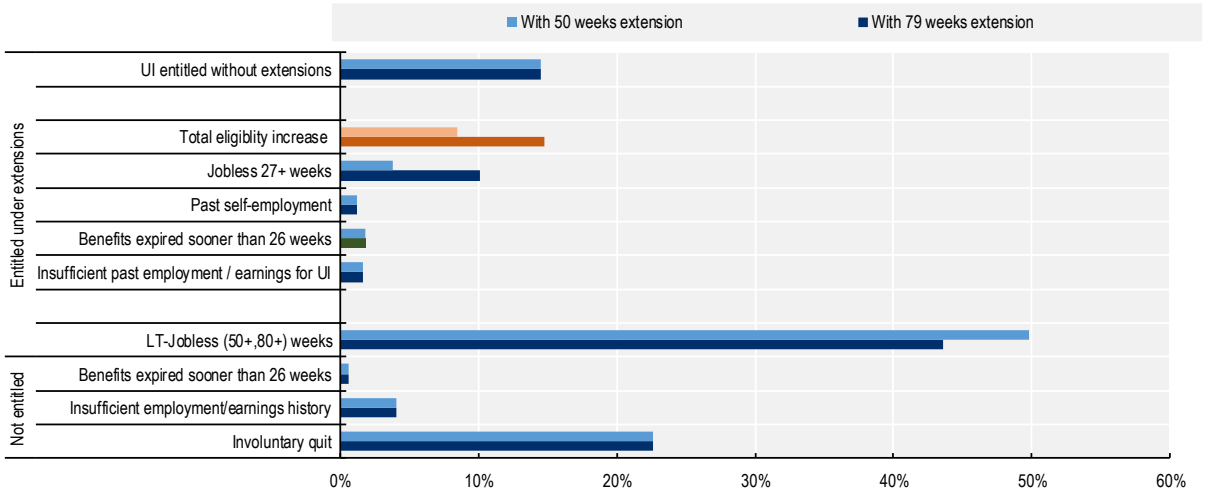
Coverage gains from a PUA-type extension are higher for Asians, African Americans and other racial and ethnic groups (+16-18 percentage points), compared to Latinos (+11 percentage points) and non-Latino whites (+15 percentage points, Figure 2.16). Unemployed Asian Americans have the highest incidence of past self-employment, while long-term unemployment is more prevalent among African Americans (Figure 2.11). Latinos and non-Latino whites are less likely to be long-term unemployed, and therefore benefit less from extended receipt durations. Small sample sizes hinder further cross-tabulations and more granular assessments of the specific drivers behind the patterns across racial and ethnic groups. Older jobseekers benefit significantly more from the PUA extensions (+23 percentage points) than young (+9 percentage points) and prime aged individuals (+15 percentage points). The higher incidence of voluntary quits among younger workers is one factor behind this result.

A 79-week PUA-type extension would place maximum benefit durations in the United States among the longest in the OECD; only nine OECD countries provide unemployment insurance for longer than 18 months (Figure 2.6). Yet, even with such substantial extensions, fewer than one in three jobseekers would receive unemployment benefits according to the simulations. This is because a large share of jobseekers have either been unemployed for longer than 79 weeks, or their unemployment follows other out-of-work periods, i.e. their job search was preceded by education, caring for a household member, recovering from illness, or other labour-market inactivity, rather than coming directly after job loss (Figure 2.10).

Jobseekers who have returned to the labour force after a period of inactivity are difficult to reach for contribution-based unemployment benefits, which are primarily designed to provide consumption smoothing after a job loss. Countries where more than half of all unemployed workers receive unemployment benefits often combine contribution-based unemployment insurance with needs-based and means-tested unemployment assistance programmes. These programmes are support measures that, like unemployment insurance, are geared towards re-employment, through activation measures and employment support. They can nevertheless be open to jobseekers without a (recent) employment history, e.g. in Finland, Germany, the United Kingdom, Ireland (Figure 2.1), providing a degree of income security regardless of people’s pathways into unemployment (see Box 3.3 and Box 3.4 on unemployment assistance benefits in the United Kingdom and Germany).

Figure 2.15. PUA-type extensions would not be sufficient to cover the long-term unemployed

Breakdown of unemployed workers by UI/PUA entitlement and reasons for (non)entitlement, 2016



Reading note: 50% of jobseekers are not eligible for either UI or Pandemic Unemployment Assistance (PUA)because of their long unemployment duration under the 50-week PUA extension ("Long-term jobless"). This share decreases to 44% under a PUA duration of 79 weeks as more individuals become entitled to PUA.

Among the individuals entitled under extensions:

- Jobless 27+ weeks refers to individuals who were out of work for more than 2 weeks and therefore not eligible for UI payments but became eligible under the PUA duration extensions.
- Past self-employment are jobless individuals who were previously self-employed and therefore did not qualify for UI payments. As self-employment earnings were counted for eligibility under PUA rules they became eligible.
- Benefits expired sooner than 26 weeks refers to individuals who were eligible for UI but have since exhausted their payments (fewer than 26 weeks, either because of the maximum duration in their state or because of their contribution history).
- Insufficient past employment/ earnings for UI refers to jobseekers whose reported earnings were not sufficient to qualify them for UI but qualified them for PUA.

Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

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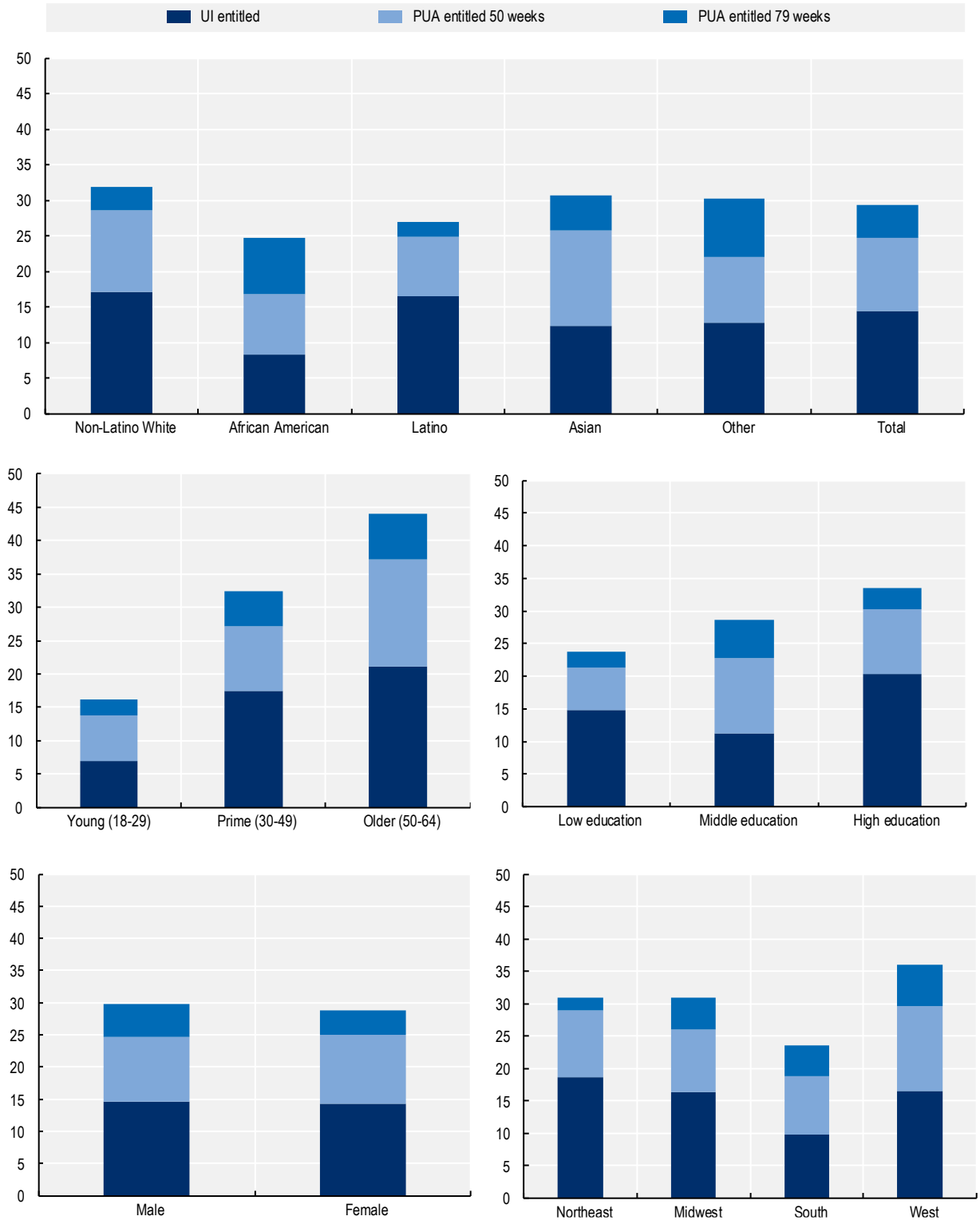
Figure 2.16. Asian and African Americans would benefit most from PUA-type extensions

Share of jobseekers entitled to unemployment compensation, by race, age, education, gender, and region, 2016, in percent



Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP). For details on the definition of racial and ethnic categories see the Reader's Guide.

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2.5.3. Impact of UI extensions on household incomes and poverty

This section looks at the effect of PUA extensions on household incomes, focusing on the final PUA provisions, with an extension of benefit durations to 79 weeks.

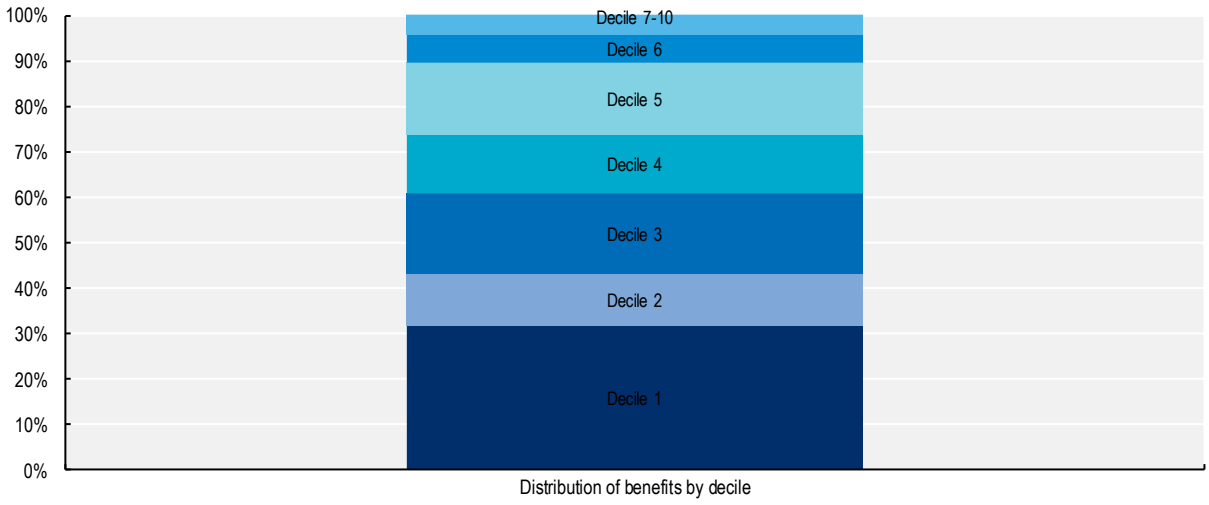
The extensions can affect jobseekers' incomes directly through three channels:[17] (i) by making UI more accessible and thus raising initial coverage, (ii) by making benefits available for longer, and (iii) by increasing benefit amounts, here through the higher benefit floors that PUA provides for.[18]

In the non-crisis labour market of 2016 – that is, even without the unprecedented levels of unemployment during the COVID-19 pandemic – PUA-type extensions would increase aggregate expenditure on unemployment compensation by 89%. The majority of this increase is due to longer receipt durations (89%). Greater accessibility – the inclusion of self-employed workers and all workers who worked for at least one week at the state's minimum wage during the calendar year preceding unemployment – would increase total expenditure by 11%. Although PUA also increased minimum weekly benefits in almost all states (see Annex 2.D), these minima remained too low to make a substantial difference for a significant number of jobseekers: only 1% of working individuals would receive their state's minimum benefit before the PUA extensions, and 9% after the extension.[19]

Over the entire year 2016, the extensions increase benefits received by around USD 4 400, which equates to a plus of 11% of the median household income. The incidence of additional benefit payments is fairly progressive: about a third is received by jobseekers living in households in the bottom 10% of the income distribution, and 60% by those in the bottom 30% (Figure 2.17).

Figure 2.17. PUA-type extensions would mostly benefit households at the bottom of the income distribution

Breakdown of additional PUA benefit payments* by deciles of equivalised household income, 2016, in percent



Note: *Benefit increase for jobseekers over an entire year, with a 79-week extension scenario. Decile groups refer to equivalised household income (before transfers) in the entire population.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

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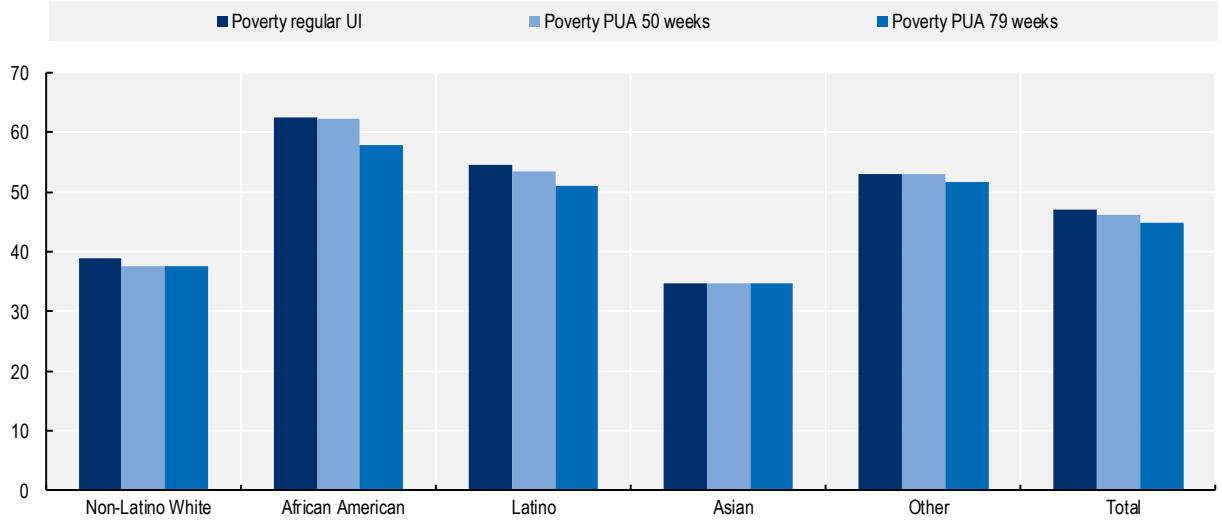
Prior to any UI extensions, roughly half (47%) of all jobseekers live in relative poverty (incomes below 50% of the median household income, following the standard OECD definition).[20] Poverty risks are highest among African American jobseekers (62%) and lowest among Asian and non-Latino white jobseekers

(between 35% and 39%). A 50 weeks PUA extension lowers poverty rate among jobseekers by 1 percentage point; and the full 79 week extension by a further 2 percentage points. The reduction is largest for African Americans and other racial and ethnic minority groups (-5 percentage points for the full 79 week extension) but almost zero for Asians (Figure 2.18). Poverty among children living in households with jobseekers also falls by 1 percentage point, to 48% but remains much higher than overall child poverty (27%, not shown).

Figure 2.18. Poverty reductions due to PUA-type extensions are modest overall, but significant for African Americans

Share of jobseekers living below a relative poverty threshold (50% of median equivalised disposable household income), 2016



Note: Median equivalised household incomes, excluding receipt of unemployment benefits as reported in the SIPP, plus simulated UI payments.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

StatLink https://stat.link/hoy2et

Although effects on poverty headcounts are limited overall, PUA-type extensions do significantly reduce the depth of poverty. In comparative perspective across the OECD in 2021, the poverty gap, which is a measure of the depth of poverty, was 0.40 on average for income-poor working-age households.[21] It was lowest in Ireland (0.19) and highest in Italy (0.42); the gap in the United States was above the country average at 0.36. The poverty gap among income-poor jobseekers is 0.44 before any extensions. It falls to 0.37 after the full 72-weeks extension, indicating that the poorest households gain most from a PUA-type extension. The reduction is sizeable, roughly equivalent to the difference in the poverty gap between the United States and Germany (OECD, 2023[21]).

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Annex 2.A. SIPP sample statistics

The 2014 SIPP panel contains 194 764 observations pertaining to 16 232 working-age (18 to 64) individuals for the year 2016 with complete labour market information, see Annex Table 2.A.1 for sample descriptive statistics and average earnings by key socio-economic characteristics.[22] The share of full-time workers was highest among non-Latino whites (54%) compared to other racial/ethnic groups having a lower share (49%). Self-employment was more common among whites and Asians than among Latinos and African Americans.

Annex Table 2.A.1. Work status and race/ethnicity

	Share of sample (%)	Annual employment earnings (USD)	Annual self-employment earnings (USD)
Work status			
Full-time worker	52.13	62 985	336
Part-time	13.58	20 383	105
Self-employed	7.81	1916	50 515
Unemployed	2.78	7 943	205
Out of labour force	23.70	1692	127
Educational attainment			
Less than high school	10.82	12 570	1 786
High school	47.54	24 160	2 751
Post-secondary	41.64	56 505	6 407
Gender			
Male	48.73	44 788	6 211
Female	51.27	28 377	2 228
Race/Ethnicity			
Non-Latino white	60.98	40 479	5 209
African American	13.27	27 339	1 556
Latino	15.81	26 001	2 195
Asian	6.11	47 952	5 382
Other	3.83	26 654	2 879
Age			
Young (18 to 29)	25.05	19 064	498
Prime-aged (30-49)	42.09	45 372	4 608
Older (50-64)	32.86	38 045	6 404

Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP), observation year 2016.

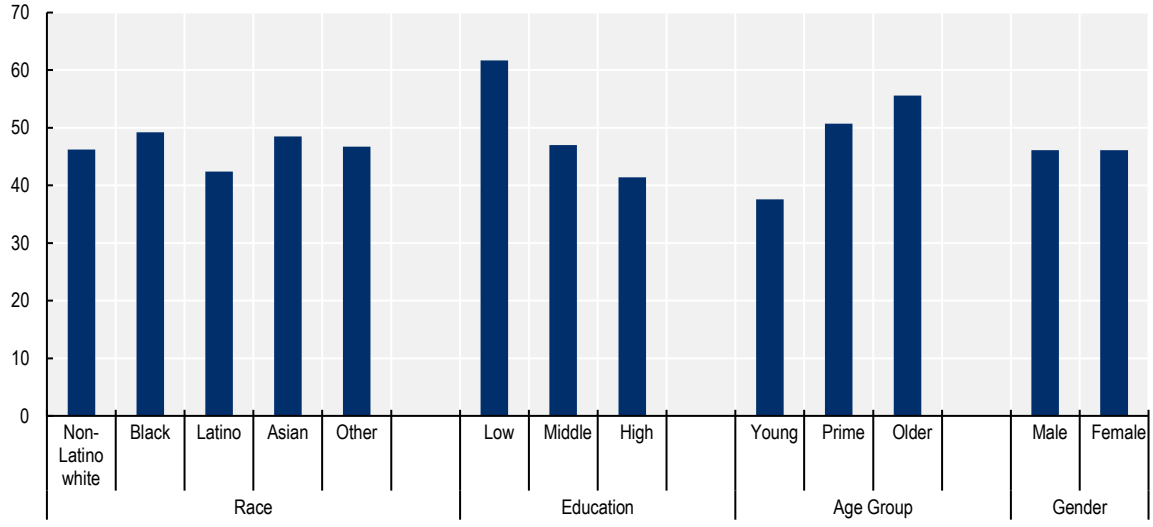
Annex 2.B. Voluntary separations

In 2016, approximately 51% of all separations observed in the SIPP were voluntary. African American and Latino workers were slightly more likely to experience a job separation in 2016 (1.46% of all workers) than non-Latino white workers (1.37%). While differences in the rate of voluntary separations across racial and ethnic groups are minor, and there are no differences between men and women, workers with a college degree are significantly more likely to voluntarily separate from a job than those without a high-school degree, and younger workers are more likely to voluntarily separate than older workers (Annex Figure 2.B.1).

Low educated workers are more likely to lose their jobs due to slack work or the ending of a temporary or seasonal job, whereas older workers are more likely to lose their jobs when a company closed down, because of their position being abolished, or due to slack work conditions. In contrast, younger workers are more likely to separate from a job to pursue further education or training (not shown).

Annex Figure 2.B.1. Young and highly educated workers are more likely to involuntarily separate from their job

Involuntary separations as a share of all separations (%), the United States, 2016

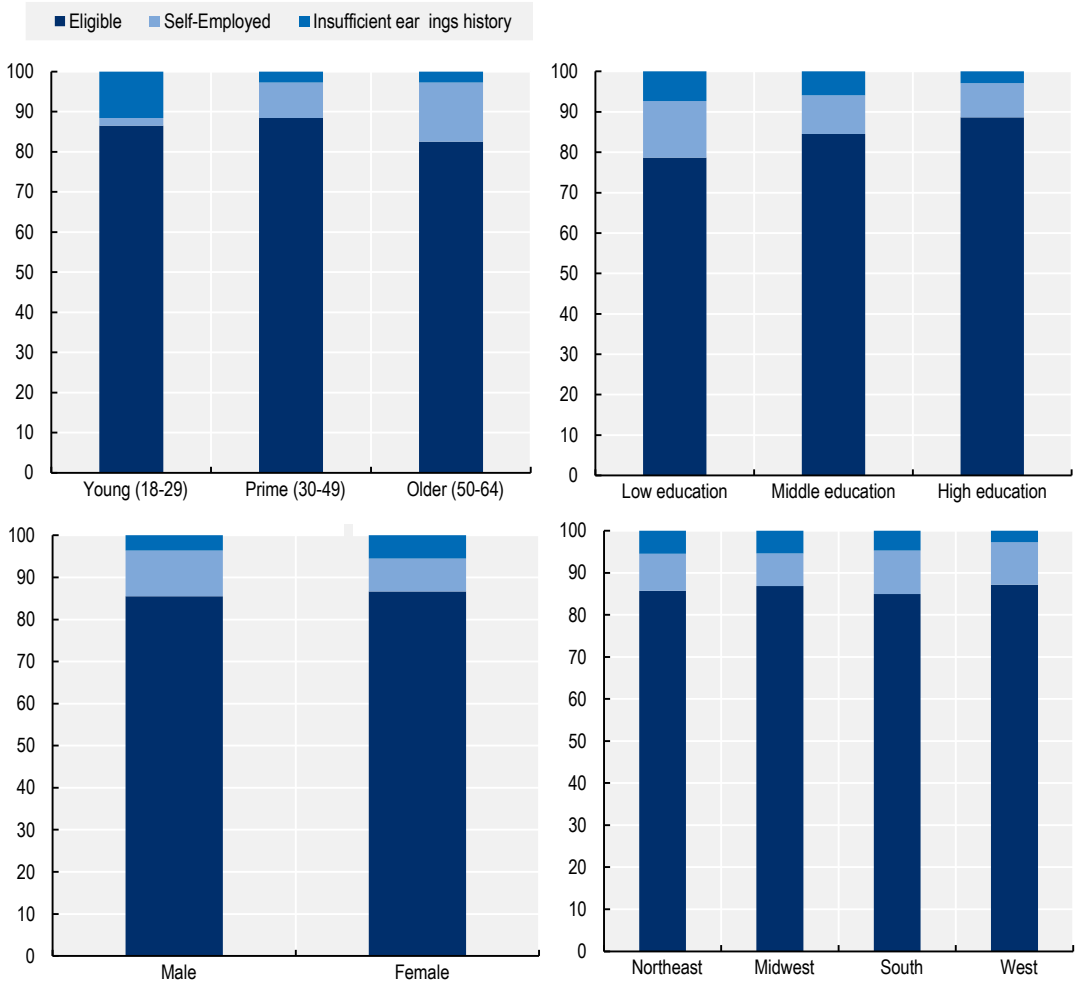


Note: Young workers are aged 18 to 29, prime-aged workers are aged 30 to 49, and older workers are aged 50 to 64. Low education is below high school, middle education includes high-school and some college, and high education is at least a two-year college degree.
Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

Annex 2.C. UI eligibility by demographic group

Annex Figure 2.C.1. UI eligibility varies somewhat by education and age

Share of working individuals eligible for unemployment compensation by (a) age group, (b) education, (c) gender, and (d) region (2016), in percent

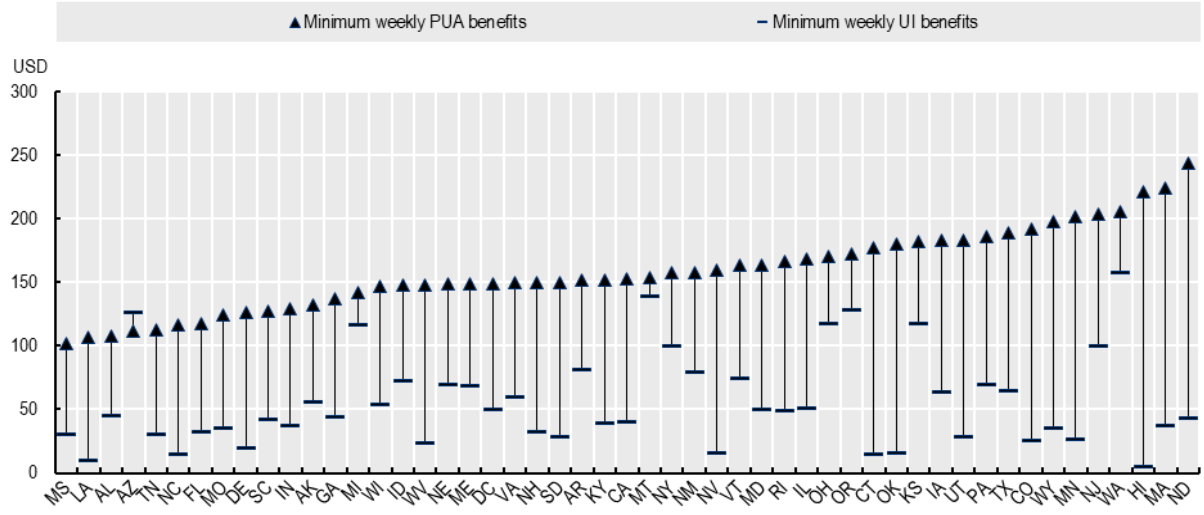


Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

Annex 2.D. Minimum PUA benefits

Annex Figure 2.D.1. PUA increased minimum weekly UI benefits

Minimum weekly UI and PUA benefits, in USD, 2016

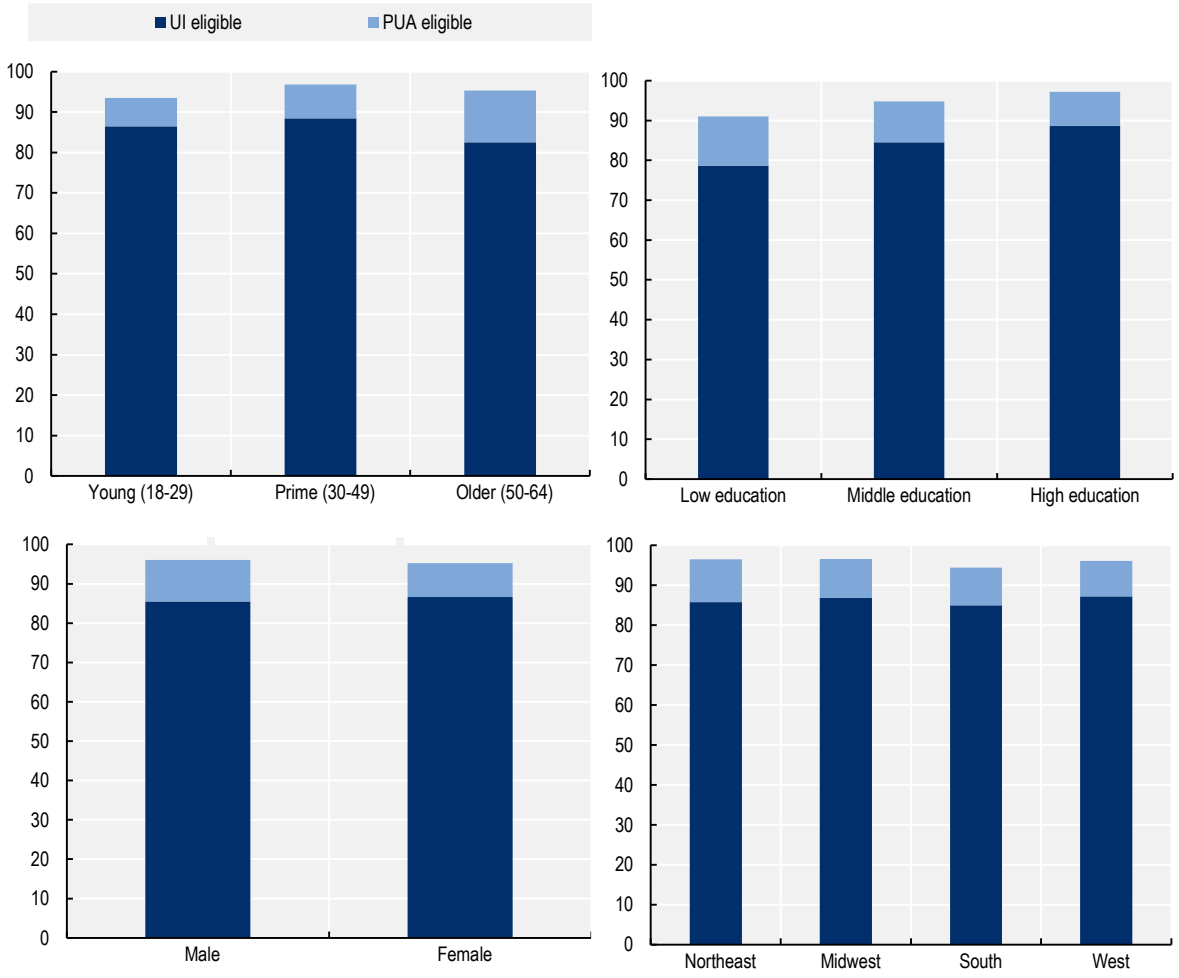


Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

Annex 2.E. PUA eligibility by demographic group

Annex Figure 2.E.1. PUA extended eligibility across demographic groups and regions

Share of working individuals eligible for UI and PUA by (a) age, (b) education, (c) gender, and (d) region (2016), in percent



Source: OECD calculations based on the 2014 Survey of Income and Program Participation (SIPP).

Notes

[1] This report uses the terms unemployment compensation and unemployment insurance (UI) interchangeably in the context of the United States.

[2] As in other parts of the OECD, some states provide exceptions to this rule, with UI entitlements for quits that are due to factors such as illness, workplace harassment, or childcare obligations. See (US Department of Labor, 2021[10]) for the United States, and the OECD database on the strictness of eligibility conditions for other countries (https://oe.cd/ActivationStrictness).

[3] Exceptions include workers employed by their spouses or parents, hospital patients working for the hospital, real-estate agents (in most states), and some student workers.

[4] E.g. Washington State operated a flat minimum threshold of USD 9 180 over the entire base period in 2016.

[5] State-level breakdowns of UI entitlements for unemployed workers cannot be shown because of small sample sizes.

[6] Gross replacement rates in the United States and other OECD countries are not fully comparable: for the United States, the average is calculated as the average gross replacement rate for full-time workers (working individuals), thus, bigger states contribute more to the average figure. For OECD countries, this is the gross replacement rate of a full-time worker at the average wage.

[7] An unemployment rate above 6.5%. Some states also have an additional programme in place that provides an extra seven weeks of benefit eligibility during extremely high unemployment.

[8] https://www.ssa.gov/policy/docs/statcomps/supplement/2016/unemployment.html

[9] See comparative policy summary tables at https://taxben.oecd.org/policy-tables/TaxBEN-Policy-tables-2020.xlsx. Australia and New Zealand operate unemployment assistance as the only form of unemployment support, i.e. they do not have a UI programme in place.

[10] In their analysis of administrative data from audits on UI claims in the United States, (Skandalis, Marinescu and Massenkoff, 2022[14]) do not find evidence of discrimination against African American claimants in the implementation of UI rules.

[11] 26 weeks is the maximum receipt duration in all states in years without extended benefits due to high unemployment. Some states have lower duration limits, e.g. North Carolina had a maximum duration of 20 weeks in 2020.

[12] 16% refers to the SIPP panel used throughout this report. The Current Population Survey (CPS) is the more common source of data for labour-force statistics and indicates a 2016 value of 17% (OECD, 2023[22]).

[13] The unemployment duration is calculated as the total number of months out of work in the reference month. For example, a labour market entrant who has been looking for work for three months in September after graduating in June, but was in education for two years before that, would be counted as long-term

unemployed because their benefits would have run out even if they had been entitled prior to starting their educational programme.

[14] It considers out-of-work spells observed in 2016 and includes all out-of-work months in the same spells going back to the year 2013 (the first year in the panel).

[15] The standard definition of long-term unemployment is unemployment for 12 months or more (OECD, 2023[22]). This chapter uses 50 weeks or more to align up with the Continued Assistance Act (CAA) extensions under PUA, that increased the maximum receipt duration of UI to 50 weeks, see Box 3.3.

[16] Cross-tabulations by demographic characteristics (such as by race and region) cannot be shown for unemployed individuals because of sample size constraints.

[17] The effects of the increase of benefit generosity are only discussed for the unemployed sample as it is less straightforward to simulate household incomes in the case of job loss for working individuals: They might be entitled to other means-tested benefits, their partners could take up employment or increase their working hours, etc.

[18] Recall that the top-up of the weekly benefit amount by USD 300 to USD 600 (varying over time) is not modelled.

[19] This statistic cannot be meaningfully reported for the unemployed sample because of low observation counts.

[20] In contrast, poverty among the sample of working individuals is 19%.

[21] The poverty gap is the ratio by which the average income of households living in poverty falls below the poverty line (defined as 50% of the median household income across the entire population). Lower values indicate that on average, poor households have incomes close to the poverty line, whereas high values indicate that many poor households live in deep poverty. See OECD IDD database: https://stats.oecd.org/Index.aspx?DataSetCode=IDD

[22] These shares are calculated using monthly data. An individual can therefore have more than one labour market status throughout the year.

3 Policy options

Building on the analysis in this report as well as current reform efforts and experiences in other OECD countries, this chapter presents four reform options for stronger and more inclusive income support in the United States: extending Unemployment Insurance to self-employed workers, softening the requirement of involuntary unemployment, harmonising benefit amounts and durations across states, and considering the introduction of an unemployment assistance benefit for jobseekers without a recent history of employment.

Since the Great Recession, many US states have contracted their Unemployment Insurance benefits in terms of duration and benefit levels because of increasing funding pressure. As a result, the percentage of jobseekers receiving UI has fallen, raising concerns about the ability of the UI system to cope with future recessions (Wandner, 2018[1]). During the COVID-19 crisis, the UI system provided unprecedented levels of support, both in terms of recipient numbers and aggregate payments, supporting labour market groups it had not served before. But the crisis also highlighted weaknesses of the system that had to be adjusted quickly to the surge in recipient numbers, leading to backlogs and irregularities in the processing of payments in some states (Dube, 2021[2]). Building on the analysis in chapters and current reform efforts and experiences in other OECD countries, this chapter presents four reform proposals: an extension to the changing and potentially growing group of self-employed workers, particularly independent contractors, a softening of the involuntary unemployment requirement as a condition of UI receipt, the harmonisation of benefit entitlements upwards across states, both in terms of payment levels and durations, and the introduction of an unemployment assistance benefit for job-ready jobseekers without a recent history of employment.

3.1. Consider extending unemployment support to self-employed workers

In the United States, jobseekers with a history of self-employment account for only 2% of all unemployment in a non-pandemic labour market (see section 2.4). Indeed, the incidence of self-employment is comparatively low in the United States (7% of total employment in 2021, compared to 16% across the OECD on average). Self-employment in the United States has also been on a slow decline since the 1990s according to data from household surveys (OECD, 2023[3]).

There are nonetheless concerns that the number of independent contractors or freelancers, including those whose work is mediated by online platforms (so-called platform or gig-workers), is rising (e.g. (Abraham et al., 2021[4])). According to administrative data, the number of independent contractors hired by firms as a share of all paid employment indeed increased from about 10 to 11% between 2014 and 2018. Most of this rise is attributable to online platforms (Garin, Jackson and Koustas, 2022[5]).

Many countries had been exploring how to shore up access to out-of-work benefits for self-employed and other non-standard workers already before the COVID-19 crisis. The pandemic made the need for equal access to out-of-work support for all labour market groups even more apparent. In 2021, 23 of 36 OECD countries with available information provided some access to unemployment benefits for self-employed workers, although support was often voluntary, or not as generous as for wage or salaried employees (see Figure 1.4).[1]

One argument against unemployment protection for the self-employed is that running a business does – and should – imply risk, because self-employed workers control the success of their businesses in ways that employees do not. Providing them with unemployment insurance can therefore be prone to significant moral hazard (see section 1.3 for a discussion of the complications arising when providing contributory benefits to self-employed workers).

However, not all self-employed activity is equally entrepreneurial. Independent contractors often operate without significant business capital and rely on one or very few clients. This can generate a relationship of dependence akin to an employment relationship, but without protections such as minimum wages, the right to collective bargaining, employer-provided benefits, or social protection. Moreover, moral hazard can also be a challenge for dependent employees. Careful policy design and complementary measures can mitigate moral hazard, e.g. making benefit receipt conditional on active job search and other activation measures, including training (OECD, 2019[6]). In practice, countries are using two key strategies to limit moral hazard (see Table 3.1):

- **Establishing that unemployment is genuine**: With no employer to confirm layoff, it is difficult to establish whether a loss of income is caused by a (prior) lack of effort, or external circumstances leading to business failure. In 19 of 23 countries with some unemployment benefit provision for self-employed workers, **termination of the self-employment activity** was a **condition for benefit receipt**. In five countries, bankruptcy of the business is a precondition for access to unemployment benefits, precluding benefit receipt in the event of a slow-down. Sweden furthermore limits unemployment benefit receipt to one claim period every five years, to prevent recurring claims. The new unemployment benefit for independent contractors in Italy does not require complete cessation of activities, but benefits can be claimed only once every three years, and recipients must participate in professional training courses related to their industry (see Box 3.1)
- **Monitoring active job search and related employment efforts**: efforts to re-establish a business are more difficult to monitor than the search for wage or salaried employment. Therefore, almost all countries with available information **require self-employed workers to seek and accept wage or salaried employment**. Indeed, Denmark recently introduced a "job-search period" of six months, during which previously self-employed benefit recipients may not start or join a business.[2] By contrast, in the Netherlands, municipalities assess the viability of the business and advise on any improvement or closure. There are currently no job-search requirements at all for previously self-employed workers in Greece.

One pragmatic way to circumvent moral hazard problems would be to insure self-employed workers only for income losses following larger economic shocks (in their sector, or in the economy as a whole), as opposed to idiosyncratic ones (Franzini and Raitano, 2020[7]). This would limit moral hazard (although seasonality needs careful consideration), and provide protection in future crises, along with links to activation, training and employment support services. Such a partial insurance also lowers contribution burdens relative to wage or salaried workers. This can be an advantage since self-employed workers typically cannot share contribution burdens with employers (section 1.3), although Korea has recently introduced contribution mandates for clients of some independent contractors, and for platforms placing "gig" workers. (OECD, 2023[8]).

3.2. Consider softening the "involuntary unemployment" requirement

Just under one in six US jobseekers is not entitled to UI because they are considered to have quit voluntarily. Among workers under the age of 30, one in five jobseekers is not covered for this reason (section 2.4.3). While other countries also restrict access in the case of voluntary quits, only 11 out of 33 OECD countries with available information disqualify jobseekers outright. Others reduce or delay payments.[3]

All US states have "good cause" exceptions to voluntary quits, although regulations vary, and many limit exceptions to those connected to the employer or workplace, e.g. sexual or other harassment or illness caused by or related to work. Common "good personal cause" exceptions that confer UI entitlement include domestic violence (42 states in 2021) and obligations to care for sick family members (32 states), as well as relocation to follow a spouse, or leaving a job for another offer of employment, but then having this offer fall through (US Department of Labor, 2021[9]). During the great recession, many states expanded their good-cause provisions, particularly to allow quits to care for ill family members, domestic violence, and relocation with a spouse (Cogdon and Vroman, 2022[10]). Using SIPP data from 1996 to 2013, (Callan and Linder, 2015[11]) estimate that introducing these good causes in all states would expand UI eligibility by about 3 percentage points and would particularly benefit women. They also note that jobseekers who quit their job because of one of these reasons were both comparatively well-attached to the labour market before leaving their job and have low re-employment probabilities after four months of unemployment, making them good candidates for job-search assistance and other activation measures.

3.3. Harmonise benefit amounts and maximum durations across states, with a view to increasing them in the most restrictive states

Entitlement rules and benefit durations are decided at the state level. The generosity of UI payments varies widely, with southern states in particular offering comparatively modest benefits. The average worker in the "most generous" US states (such as Pennsylvania, Wyoming, or Minnesota) is entitled to benefits amounting to about 45% of the average wage, similar to the average across OECD countries. In some southern states, including Arizona and Louisiana, average-wage workers becoming unemployed receive less than 30% of their previous earnings (section 2.3.4). Very low benefit payments cannot offer meaningful income smoothing for recipients, can limit their ability to devote the time necessary for finding suitable employment, and can put jobseekers and their families at risk of poverty. They may also not suffice to stabilise aggregate consumption during downturns – targeting transfers to UI recipients is particularly effective as they channel a higher share of additional funds back into the economy through spending (see (Ganong et al., 2022[12]) on evidence on the marginal propensity to consume from pandemic UI top-ups vs. stimulus checks).

Because African Americans are more likely than other ethnic groups to live in southern states with less generous UI systems, their income security and ability to make ends meet following job loss is particularly impacted by cross-state disparities in UI generosity. This is compounded by the fact that on average, African Americans own less in liquid assets than Latino or non-Latino white households: 55% of black households say that they do not have sufficient savings to cushion negative income shocks, compared to 38% of white households, a consequence of the well-documented wealth gap between African American and non-Latino white households (Ganong et al., 2020[13]). Thus, African American households have a lower capacity to smooth income shocks with private savings, implying a higher value of income insurance through UI benefits (Kolsrud et al., 2018[14]).

Higher benefit levels can also increase the take-up of transfer programmes (section 2.4.1). In the United States, take-up seems to be a significant driver of racial differences in UI receipt rates (Kuka and Stuart (2020[15]; 2021[16])). Hence, raising benefit entitlements in the South to levels comparable to the rest of the country would not only increase benefit payments for existing recipients, but could also strengthen coverage. More accessible benefits, in turn, would connect more jobseekers to employment services such as job-search assistance, training and other activation measures that are tied to benefit receipt, and which tend to be especially effective in facilitating re-employment when labour demand is strong and unemployment low (OECD, 2023[17]).

Benefit durations also vary across states, and in the past, cuts in state-level maximum receipt duration below 25 weeks have been associated with a fall in UI coverage (Wentworth, 2017[18]). In 2021, maximum durations for workers with "long" employment records were shorter than seven months across the United States, and shorter than six months in six states and the District of Columbia, although there is a federal Extended Benefits programme that prolongs maximum receipt durations in periods of high unemployment (US Department of Labor, 2021[9]). These durations are short relative to other parts of the OECD: across 33 countries operating contribution-based unemployment benefits, the maximum benefit duration for workers with "long" employment histories is 17 months on average (section 2.3.5) and only one country (Hungary) has shorter duration limits than the United States.

Longer maximum durations can enable jobseekers to spend more time looking for suitable employment, and thus increase the quality of the employer-employee match. But they can also decrease the incentive to search for a job, thus prolonging the duration of unemployment. Overly long unemployment durations can, in turn, lower the chances of finding a new job, as employers may interpret long jobless periods as a signal for low skills or motivation (Kroft, Lange and Notowidigdo, 2013[19]). See Box 3.2 on recent empirical evidence on the effects of UI durations.

Increasing the maximum receipt duration to 26 weeks in states that currently provide shorter durations is unlikely to significantly delay re-employment, given that job-search does take time. Any negative employment effects of increasing the duration is likely to be balanced by the insurance value to jobseekers, especially given the modest value and/or limited reach of other income safety nets for low-income households (see section 1.2).

3.4. Consider introducing an unemployment assistance benefit to complement the insurance programme

A large share of US jobseekers either have been out of work for long periods, or they enter unemployment not after losing a job, but after leaving education, caring for a household member or recovering from illness (section 2.4.3). These jobseekers are difficult to reach for contribution-based unemployment insurance programmes that are primarily designed to provide consumption smoothing after sudden job separations.

Means-tested benefits, including SNAP, TANF and state-level General Assistance programmes are currently not well equipped to support the incomes of these jobseekers: the nutritional support programme SNAP, the main income support programme for able-bodied adults, is not sufficient to alleviate poverty risks among low-income job seekers, and the main family benefit TANF is time-limited, and coverage is low (see section 1.2 and Box 1.1). As a result, fewer than half of low-income working-age adults who have been out-of-work for at least six months receive any income support benefits at all, compared to 80% and more in Belgium, France, or Hungary, and about 70% in Australia and the United Kingdom (see section 1.4). With the limited reach of UI and the lack of robust and accessible safety-net supports, almost half of all jobseekers in the United States live in relative poverty. This share reaches over 60% among African American jobseekers, who are more likely to be long-term jobless (section 2.4).

Several OECD countries including Germany, Finland, Ireland and the United Kingdom operate means-tested unemployment assistance programmes that are open to low-income jobseekers without a (recent) employment history (see Box 3.3 and Box 3.4 on the unemployment assistance programmes in the United Kingdom and in Germany).

An unemployment assistance programme for fit-for-work jobseekers could provide targeted income support while ensuring that job-ready recipients are available and actively looking for work. Both SNAP and TANF are subject to strict activation requirements, but they are last-resort benefits for a very diverse group of poor households, including those that are not job ready. If requirements are too demanding, and insufficiently adjusted to claimant circumstances, they may depress take-up as vulnerable recipients find it difficult to comply. For instance, (Gray et al., 2023[20]) look at the effect of the re-introduction of work requirements (80 hours of work, job training or approved community service per month) for able-bodied SNAP recipients without dependents in Virginia. They show that, for those subject to work requirements, SNAP receipt declined by over half, but that there was no significant increase in paid employment. Homeless recipients were particularly likely to exit the programme. An income targeted programme for ready-to-work jobseekers could be well placed to tailor activation measures to the circumstances of jobseekers, while reducing burdens on other safety-net transfers.

For jobseekers who are job-ready, active labour market measures such as job-search monitoring and support as well as training can directly increase the chance of re-employment. They are particularly effective in tight labour markets. For instance, (Chan et al., 2023[21]) show that introducing job-search requirements (a minimum number of job applications per week, typically ten a fortnight) for female partners of unemployment assistance recipients in Australia decreased their benefit receipt rate by about half. Most of the programme exits were into employment.

Monetary work incentives as measured by the Participation Tax Rate (PTR) – the share of earnings that are “taxed away” by the combined effects of benefit withdrawals, income taxes and social security

contributions – are comparatively strong in the United States, particularly for jobseekers not entitled to unemployment benefits (see Figure 3.1, the companion paper to this report, (Pearsall, Pacifico and Magalini, forthcoming[22]) gives a comprehensive assessment of work incentives in the United States in a comparative, international perspective). Across the OECD on average, jobseekers living alone have about 45% of their earnings "taxed away" when taking up a low-paid job, and for jobseekers with children this rate reaches 60%. In the United States, PTRs are much lower, at 10 to 30% in California, Michigan and Texas. This is partly because benefit entitlements for low-income jobseekers are more modest than in other OECD countries, in particular for families with children (see section 1.2). In addition, federal and state income tax credits are effective at enhancing work incentives in the United States, notably for families with children. Given the robust in-work tax credits in the United States, there appears to be space for introducing an unemployment assistance benefit without muting work incentives for beneficiaries.

Table 3.1. Self-employed workers: Conditions for unemployment benefit entitlement

Excluding contribution requirements, November 2021

	Termination of self-employed activity/closure of business	Additional requirements regarding the business closure	Interaction of continued self-employment and benefit receipt (if applicable)	Requirements to actively seek and accept wage or salaried employment
Australia	No		Self-employed income counts towards means-test	Yes, job search must take precedence over running business
Austria	Yes			Yes
Belgium	Yes	Bankruptcy/forced termination or interruption. Maximum receipt duration of 24 months over the entire working career (assuming 15 years of contributions)		(.)
Columbia	Yes			Yes
Czech Republic	Yes			Yes
Denmark	Yes (if main occupation)	Waiting period of three weeks after closing of business/one week after bankruptcy/forced termination		Yes, new job-search period: may not start or join a business for six months after claiming unemployment benefit (except in the case of bankruptcy)
France	Yes	Bankruptcy		
Finland	Yes (for freelancers end of contract is sufficient)			Yes
Germany	No		May continue SE work for up to 15 hours per week	Yes
Greece	Yes			No: at present there are no job-search requirements for previously self-employed workers, and no training offered to them by the PES
Hungary	Yes			Yes
Iceland	Yes			Yes
Ireland	Yes (jobseeker's benefit self-employed), No (jobseeker's allowance)		Jobseeker's allowance: may continue to run business but must be available for wage/salaried employment	Yes

Korea	Yes	Natural disasters/illness or injury/deficit for at least six months in a row/decrease in turnover of at least 20%		Yes (may also start a new business after closing the old one)
Lithuania	Yes			Yes
Luxembourg	Yes	Economic/financial unviability of business/medical reasons/force majeure		Yes
Netherlands	No		The municipality assesses the viability of the business/makes suggestions for continued operation/shutdown of business	Either improve business or search for wage/salaried employment depending on the municipality's assessment
New Zealand	No		Income from SE counts towards means-test	Yes
Poland	Yes (suspension possible)			Yes
Portugal	Yes (expiry or termination of contract)			(.)
Slovenia	Yes	Force majeure, bankruptcy, long-term illness etc.		(.)
Sweden	Yes (suspension possible)	SE can only claim UI every five years		Yes
Spain	Yes	Bankruptcy/forced termination or at least 10% decline in turnover		Yes

Note: If there are several legal forms of self-employment in a country, the graph refers to the most prevalent form of self-employment, excluding farming and liberal professions. For Italy, the table refers to craftspeople, shopkeepers/traders and farmers, and not to para-subordinate workers, who are covered by a separate scheme, for Portugal, it refers to dependent self-employed workers, for Belgium, it refers to the *droit passerelle*, a separate non-contribution-based programme for self-employed workers, for Germany, it refers to the unemployment insurance benefit *Arbeitslosengeld I*, not to the needs-based unemployment assistance benefit *Arbeitslosengeld II* that self-employed workers may also claim. In the Czech Republic, self-employed workers are statutorily insured at half of their taxable income but may choose a higher contribution base.
(.) No information provided by the country.
Source: OECD Questionnaire on Policy Responses to the COVID-19 Crisis supplemented with information from the OECD Tax-Benefit Policies Database (http://oe.cd/TaxBEN), MISSOC (2023[23]), Spasova et al. (2017[24]) and (Baptista et al., 2021[25]) for European countries, Government of Canada (2022[26]) on Canada.

Box 3.1. Italy's new UI benefit for freelancers

Expanding Social Protection to independent contractors decreased their number in Italy

Italy has a high share of self-employed workers – 22% of all workers in 2021, compared to 13% in France, 9% in Germany or under 7% in the United States (OECD, 2023[3]). At 75%, the share of solo self-employed workers (without employees) is also higher than in other countries (e.g. 63% in France or 56% in Germany), indicating a large vulnerable segment of the labour market (Franzini and Raitano, 2020[7]). An institutional anomaly of the Italian Social Protection system is that it distinguishes different forms of self-employed workers without employees: licenced professionals (such as lawyers or architects) are covered by schemes run by their professional associations, whereas craftspeople, shopkeepers and farmers do not have access to unemployment benefits. *"Para-subordinate"* workers, who are legally self-employed but economically dependent on one or very few clients, are enrolled in a separate social insurance fund. There are two types of para-subordinate workers – "collaborators" (low-

wage workers hired under short-term arrangements, but also company accountants or postdoctoral researchers) and unlicensed professionals or freelancers (e.g. graphic designers or archaeologists).

Para-subordinate workers used to pay lower pension contributions than wage or salaried workers and were not covered for unemployment or cash sickness benefits, resulting in significantly lower non-wage labour costs and a rising share of para-subordinate workers. In response, Italy gradually increased their social security contribution rates (and thus benefit entitlements), leading to a falling number of para-subordinate workers. In 2015, an unemployment scheme for para-subordinate collaborators was introduced (named DIS-COLL), which provides the same payments as the unemployment benefit for wage and salaried workers, but has a lower maximum duration. Para-subordinate professionals (freelancers) however were exempt from this scheme (OECD, 2018[27]).

The COVID-19 crisis was an impetus for extending UI to freelancers

In the wake of the COVID-19 crisis, Italy introduced a new unemployment benefit for para-subordinate professionals on an experimental basis from 2021 to 2023. Freelancers whose income drops by more than 50% compared to their average income over the last three years, and whose annual income is below EUR 8 145, are entitled to 25% of their average income over the last three years, with monthly payments between EUR 250 and EUR 800 for up to six months. This benefit can only be claimed once every three years, and is financed by social security contributions. About 290 000 freelancers are covered by this benefit (Jessoula et al., 2021[28]). Recipients have to participate in training courses offered by the PES related to their professional field. Professional associations contribute to the design and choice of the courses.

Replacing part of a significant income loss (25% of average past income for at least a 50% loss), the programme is well-tailored to the income risks faced by freelance workers, whose livelihoods may be threatened by the loss of one major client. Moral hazard is limited by (i) only allowing claims every three years and (ii) activation measures through participation in training courses. Calculating average income over three years attenuates the problem of fluctuating earnings, and conditioning on past income might be an incentive to declare income (although the contributions levied would add to the incentive to under-declare).

1. ISCRO – *Indennità straordinaria di continuità reddituale e operative*.
Source: (Franzini and Raitano, 2020[7]), *Quando svanisce il reddito da lavoro. Ipotesi di riforma degli ammortizzatori sociali*, (Jessoula et al., 2021[28]), "Social protection and inclusion policy responses to the COVID-19 crisis – Italy", (OECD, 2018[27]), *The Future of Social Protection: What Works for Non-standard Workers?*, https://doi.org/10.1787/9789264306943-en, https://inps.it (accessed 10 February 2023).

Box 3.2. Maximum Unemployment benefit receipt durations

Recent empirical evidence on their effect on re-employment and match quality

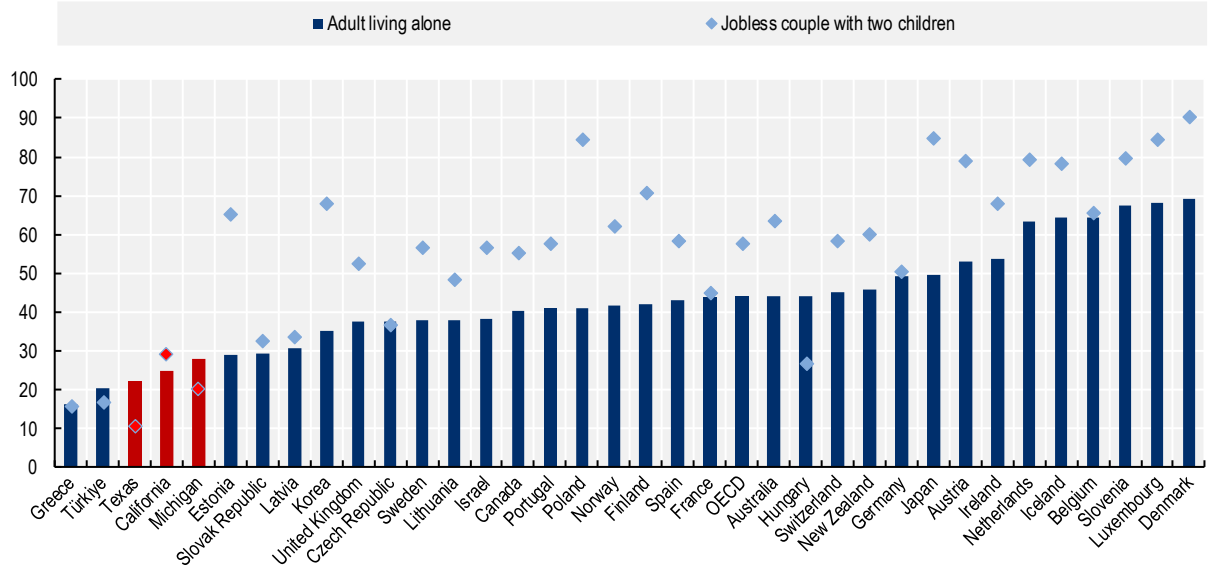
Estimates on the impact of unemployment benefit levels and (maximum) receipt durations on re-employment are highly dependent on the country and the time period as well as on the type of jobseeker. The average elasticity of unemployment duration to benefit generosity in the international literature is about 0.3, but the range of estimates is wide, from 0.02 to 1.3 weeks for each additional week of potential duration (see (Lopes, 2021[29])). For the United States, (Johnston and Mas, 2018[30]), exploiting cuts to benefit durations in some US states following the great recession, find that a one-month reduction in the maximum receipt duration reduced UI receipt by 1.8 weeks on average, although it did not affect the re-employment probabilities of the long-term unemployed. In contrast,

(Boone et al., 2021[31]), find no significant effects of extensions to benefit durations during the Great Recession. In weak labour markets, increased job-search may not result in overall higher employment because jobseekers crowd each other out ("job rationing").

Evidence on the effect of maximum receipt durations on job quality is similarly mixed. While some work has found more generous benefit provision can allow individuals to find better jobs, increasing the quality of the employer-employee match (Nekoei and Weber, 2017[32]), several studies find little or no impact of generosity on job quality (see Card, Chetty and Weber (2007[33]), Cahuc, Carcillo and Zyleberberg (2014[34]), and Le Barbanchon (2016[35])). Where the duration of unemployment insurance prolongs joblessness, any gains in the quality of the job match may well be undermined by the harmful effects of time spent without work (OECD, 2023[17]).

Figure 3.1. There is space for improving income security without muting work incentives

Participation Tax Rates for jobseekers not entitled to unemployment benefits and taking up a low-paid job, by household type, 2020



Note: The Participation Tax Rate measures the proportion of earnings that are lost to higher taxes and lower benefits when a jobseeker takes up work. It is defined as (one minus) the difference between the net incomes in and out of work expressed as a percentage of the earnings in the new job. A higher PTR means that the financial gain from work is lower, which in turn may reduce the incentive to actively seek and take up employment. See (Pearsall, Pacifico and Magalini, forthcoming[22]) for details on this indicator, and a comprehensive assessment of work incentives in selected US states in the international context. Results for a jobseeker taking up work at the 20th percentile of the national full-time earnings distribution (equal to USD 26 077 per year in the United States). Children are aged 4 and 6.
Source: (Pearsall, Pacifico and Magalini, forthcoming[22]), "Unemployment benefit reforms to support employment and inclusiveness in the United States", using OECD tax-benefit model version 2.5.1.

StatLink https://stat.link/54s9xa

Box 3.3. Universal Credit in the United Kingdom

Single Benefit for working-age jobseekers and low-income workers

In 2013, the United Kingdom started a comprehensive reform of its working-age benefits system, combining six out-of-work and poverty prevention benefits – a means-tested job-seeker benefit, the housing benefit, a social assistance benefit, a benefit for working, low-income parents, and a means-tested disability benefit – into one single working-age benefit, the Universal Credit (UC). Roll-out was gradual, starting in 2013 in some regions and for some claimant groups. This regional roll-out facilitated empirical evaluations of the scheme. All new claimants are directed to Universal Credit since 2019, and rollout is expected to be completed in 2024.

The main motivation for the reform was to *make work pay*. When moving into work/increasing working hours/progressing in pay, the benefit is withdrawn against income at a single taper rate of 55%. This avoids different withdrawal rates at different thresholds for the various "legacy" benefits, making the incentive to work transparent to claimants, and also means that they do not have to deregister when taking up work. Low-wage workers can receive Universal Credit even if they work full-time, in practice if there are dependent children in the household, or they live in rented accommodation (home-owners do not receive help with housing costs). Working parents with young children can receive up to 85% of their childcare costs. UC is subject to an asset test (claimants may have up to GBP 16 000 in savings, but assets over GBP 6 000 negatively affect their payments).

About four Million British households receive the benefit each year.[1] Evaluations from the Department of Work and Pensions, exploiting the regional roll-out of UC, suggest that UC increased the employment rate of claimants within six months of making a claim by around four percentage points (from 59% for legacy benefits to 63% for UC).

Focussing on work from the outset: the claimant commitment

A "claimant commitment" is at the start of each universal credit claim. It is tailored to the personal and work situation of each individual claimant:

- A claimant without children under the age of 13 and no health problems is expected to work at least 35 hours a week at the national living wage (in 2023 the same as the national minimum wage). If they do, they are placed in the *"no work-related requirements"* group and are not expected to participate in any activation measures. They may still be sanctioned if they quit their job without a sufficient reason.
- Those earning more than the "administrative earnings threshold" – equivalent to about nine hours of work at the minimum wage in 2023 – are placed in the *"light-touch"* group. They are required to attend interviews with their work-coach and to participate in activities to prepare for additional work.
- Claimants earning below this threshold are placed in the *"intensive work search"* group. This group have weekly or fortnightly interviews with their work-coach, have to actively search for work, and participate in activities to build their skills/their readiness for work, for 35 hours a week.
- Those caring for children under the age of one[2] are not expected to work or prepare for work. Carers of children aged two, as well as those who currently have a limited capacity for work, must *prepare for work* through regular appointments with their work-coach, preparing a CV, etc. Carers for children between the age of three and 12 are expected to work (or search for/prepare for work) part-time.

Non-compliance with these obligations (e.g. not attending interviews, failing to search for work etc.) can lead to sanctions (temporary benefit withdrawals).

In- and out-of-work benefit for own-account workers

Self-employed workers who are otherwise eligible can receive UC if their work-coach assesses their self-employment activity as *gainful* (the claimants spends an adequate number of hours working in the business, and the business is profitable). For self-employed claimants, a minimum income floor applies when calculating their benefit entitlement: their self-employment income is assumed to be *at least as high* as if they were earning at the minimum wage. This prevents the benefit from propping-up unviable businesses and is designed to be an incentive for low-income self-employed workers to take up wage or salaried employment.[3] The minimum income floor was one of the design features that caused losses when moving from the legacy benefit system to UC, particularly for the poorest self-employed claimants. However, longitudinal analysis by the Institute for Fiscal Studies shows that within eight years, many low-earning self-employed workers increase their earnings from self-employment or become dependent employees.

1. There is an unemployment insurance benefit, Jobseeker's Allowance, that is not means-tested. At around GBP 330 per month it is very low however, and can be topped-up by UC for jobseekers whose households fulfil the UC income and asset test.
2. As well as foster carers or adopters in the first year.
3. Claimants may benefit from a 12-month start-up period upon becoming self-employed in which this minimum income floor does not apply.
Source: (OECD, forthcoming[36]), *Mapping the challenges facing unemployment support in Greece*; www.gov.uk [last accessed 15 January 2023]; (Department for Work and Pensions, 2017[37]), *Universal Credit employment impact analysis: update*; (Woods et al., 2019[38]), *Universal credit and its impact on household incomes: the long and the short of it*, https://doi.org/10.1920/bn.ifs.2019.bn0248.

Box 3.4. Unemployment Benefit II in Germany

Activating social assistance recipients

In 2005, Germany completed a set of major reforms to the working-age benefit system (the so-called "Hartz" reforms). At the centre of the reform efforts was the merging of unemployment and social assistance benefits into one single benefit, "basic income support for the fit-to-work" or Unemployment Benefit II (UB II). Previously, social assistance catered to those with insufficient employment records to qualify for unemployment benefits, while unemployment assistance was a benefit for the long-term unemployed who had exhausted their UI entitlement.[1] The reform brought social assistance recipients into the purview of the PES and made them subject to activation requirements. In 2023, the benefit was rebranded "citizens' payment" and underwent considerable reforms, including the relaxation of the income- and asset tests as well as activation requirements and sanctions. It. The following information pertains to the old unemployment benefit II.

The benefit's maxim *"*support and demand*"* means that jobseekers are expected to intensely search for work, but with the help of the PES toolbox – expenditure for active labour market policies more than doubled in the three years after the reform. Because jobseekers with a recent labour market history and lower unemployment durations are entitled to UI, recipients of UB II are often long-term unemployed facing significant barriers to employment.

All recipients sign an "integration agreement" that sets out a plan to integrate the recipient into the labour market. The integration agreement is a legal document and provides the basis for sanctions (suspensions of benefits) in case of non-compliance. PES caseworkers have substantial leeway in designing this plan, which may include the number of job applications submitted each week, accepting

any job-offers or participating in ALMP measures. The first priority was to bring jobseekers into work (instead of education or training measures) – one of the areas changed by the 2023 reform because of the perception that it lead to low quality and unstable jobs. In 2013, about one in six recipients of UB II started a job, but only about half of these jobs were paid well enough to discontinue the benefit claims, leading to concerns about "measure careers" – recipients circling in and out of low-quality jobs, disrupted by periods of benefit receipt (Bruckmeier, 2018[39]).

1. The unemployment insurance benefit, Unemployment Benefit I, is significantly more generous and not means-tested. Receipt durations are one year for jobseekers under the age of 50, and two years for older jobseekers.
Source: (Dengler and Hohmeyer, 2010[40]), *Massnahmensequenzen im SGB II* [Sequences of programme participation for recipients of Unemployment Benefit II], https://iab.de/publikationen/publikation/?id=254713

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Notes

[1] Countries without accessible out-of-work support sometimes had to develop new programmes quickly without being able to carefully consider their design and implementation, leading to both gaps in emergency protection and overpayments (OECD, 2022[41]). Unlike insurance-based unemployment benefits, emergency support measures are not balanced by contributions, perpetuating the existing differences in labour costs between employment forms (OECD, 2019[6]).

[2] There is an exception for cases of bankruptcy.

[3] https://oe.cd/ActivationStrictness

Benefit Reforms for Inclusive Societies in the United States

INCOME SECURITY DURING JOBLESSNESS

Protecting people, rather than specific jobs, plays a key role in promoting labour-market inclusiveness and dynamism. Effective unemployment benefits reduce inequality, and facilitate a good match between workers' skills and job requirements. They are a crucial policy lever for adapting to the major societal, technological and environmental transitions of our time. This report on the United States is the second of a number of OECD country reviews of income support policies. Each report analyses key policy challenges, discusses recent reform initiatives, and identifies good practices from other OECD countries.

The report examines the reach and generosity of unemployment insurance and other income support for working age households, with a special focus on disadvantaged labour market groups. What are key gaps in benefit receipt between wage- and salaried employees and non-standard workers (part-time workers, those on temporary contracts, and self-employed workers including own-account workers)? What factors, including race/ethnicity and gender, drive non-entitlement to unemployment compensation? The report examines these questions, considers the impact of recent extensions to the unemployment insurance programme in response to the COVID pandemic, and outlines policy directions for strengthening out-of-work support.

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