

Necessity of US Unemployment Benefits

Revision of Benefits Program

Arif Gilani | Stanford University | March 17, 2013

Introduction

The Issue

According to the US Bureau of Labor Statistics, the US unemployment rate for 2012 was 8.3 percent.¹ While unemployment rates typically follow fluctuations in a country's economic cycle, the US unemployment rate is alarming and significantly worse than that of other industrialized nations when comparing by GDP. As a correlative, health outcomes in the US have suffered. Unemployment benefits can act as an automatic stabilizer, most effective and utilized in downturns of the economic cycle.

However, the current benefits system may pose significant problems, underestimating the population in need and also providing insufficient coverage, leading to health issues and disparities in the United States. This inadequate coverage and distribution has been thoroughly researched and findings together highlight the necessity of unemployment insurance and greater coverage.⁶ In a time of economic struggle and difficulty, the issue of unemployment is critical in maintaining and improving health outcomes in the United States.

Research Findings

Looking at the US, there are several areas of health which have been impacted by unemployment and low income. Studies have found links to unemployment with alcohol, smoking, and deterred mental and child health.

Alcohol and Mental Health

Primarily, unemployment has been linked to issues with both mental and physical health. Based on a study conducted using a longitudinal

survey to investigate perceived health status, researchers Bolton and Rodriguez found that those who experienced unemployment reported an increase in alcohol consumption coupled with a decrease in body weight.² While a study of this nature contains some non-response bias, its results are conservative and reflect a decreased health status and heightened alcoholism associated with unemployment.

Furthermore, it is apparent that physical health outcomes are impacted and linked to mental well-being.³ As such, perceived health status depends on certain forms of support, such as family and social benefits received. In times of hardship and difficulty, these support systems play a large role and with the insufficient value of current unemployment programs, studies have found that in addition to negative physical health like over-drinking and smoking, unemployment leads to higher levels of stress and deteriorated mental health.²

Child Health

In addition to impacting the workers in the family who have been displaced, unemployment also has adverse effects on family stability and health, particularly that of children.

This trickle-down effect is substantial and one study uses BMI as a measurement for the health impact of unemployment on children. Specifically, in a study published in 2011, researchers Stewart, Liu, and Rodriguez developed a multiple regression analysis to track and analyze changes in BMI over a 4 year period by using a survey. Comparing mothers with and without unemployment benefits, the results showed that children of mothers who experienced unemployment and did not receive unemployment benefits were significantly more likely to have greater increases in BMI.⁴

Aside from the implication that maternal unemployment is disruptive in child physical health, it is also apparent that child weight gain is related to other triggers.

Mothers with unemployment benefits have reduced stress in finding work, reassured by the economic support. However, mothers without unemployment benefits have greater stress and this in turn impacts the child's mental health. Together, these findings reflect the significant impact of unemployment on children's physical and mental health outcomes.

Differing Welfare State Regimes Case Study: Sweden

Unlike the US, other societies with social democracies approach health holistically, an "all-together" mentality, with greater spending on health care. Using Sweden to exemplify this ideology, trends appear which distinguish health outcomes from that of the US.

The decision to invest in unemployment benefits reflects a difference in thinking:

Responsibilization vs. population health. As described by Steven Woolf, these two different constrain choices lead social democratic countries such as Sweden to focus on redistributive policies.⁵ Looking at the financial aspects of benefits, Sweden invests more money in unemployment benefits, providing citizens 80% of their previous wage according the Swedish Unemployment Insurance Board. In addition, their system assists and mandates those that are unemployed to acquire new skills and an education in order to receive benefits.⁶ This forces citizens to develop and breaks the vicious cycle of unemployment and poor health. Sweden also implements more universal policies which has led to decreases in infant and old age mortality, as seen through a comparative study of different pension and child support policies in continental and Nordic countries.⁷

Looking at a case study which followed plant workers who were displaced by Electrolux in both Michigan and Vastervick, the difference is

stark. Laid off workers in Sweden received unemployment wages and education and training for new jobs. Moreover, due to union and government pressure, Electrolux also paid \$3 million to stimulate the creation of start-up businesses in Vastervick. Comparatively, the town of Greenville, Michigan, received no benefits and a majority of workers reported poor health following the closure.⁶

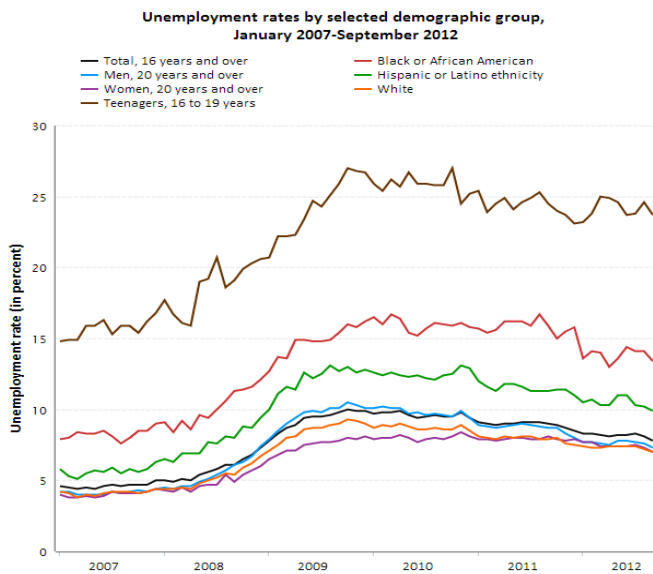
Together, these results show that Swedish initiatives have led to significantly better health outcomes in Sweden as compared to the US.

Policy Implications and Recommendations

It is evident that layoffs, unemployment, and job insecurity all have a negative effect on health but public policies such as unemployment insurance can provide a social safety net that can buffer unemployed workers and their families from economic disruptions and uncertainties that affect health. Thus, unemployment benefits are required to assist individuals in this crucial health time period.

The current definition of unemployment is not encompassing of the complex health situation in the US. It is defined as those who are out of work and actively looking for work, neglecting many of the neediest sectors of the population. Currently, the Bureau of Labor Statistics measures employment and unemployment using two different labor force surveys collected monthly.⁸ Yet this survey does not include those who are unemployed and have become discouraged from continuing to search for work, those that are self-employed at high risk of unemployment, those with disabilities and those that are underemployed, or involuntary part-time workers. The reverse causation effect is also at play, as those who are ill or exposed to illness are more likely to lose employment and not find reemployment.⁹ All of these differences create pools of varying health, further divided by adverse selection which involves profit maximizing by private insurance agencies to increase health disparities within the population.

Mandatory government assistance in the form of unemployment insurance can avoid this adverse selection and support those in poor health.



Source: U.S. Bureau of Labor Statistics
Figure 1 (US Bureau of Labor Statistics)

As the above figure suggests, certain demographics, particularly the future generation and those in regions with poverty, are more affected. Education can play a key role in determining which jobs even offer unemployment benefits as opposed to jobs which do not. These jobs provide greater security and safety, reducing stress and physical work place hazard. Since education and acquisition of new skills are a necessity, this is the final provision which is needed for an optimal unemployment benefits program.

Related Sources of Interest:

<http://www.brookings.edu/research/papers/2012/12/04-unemployment-insurance>
<http://www.mutual-learning-employment.net/>



About the Author

Arif Gilani is a junior at Stanford University pursuing a degree in Human Biology with a concentration in Neuroscience. He is interested in exploring the neural circuitry of the brain and also invested in improving health access in developing nations.

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