

Add a Children's Allowance



What is it?

Some states provide a supplemental UI benefit to recognize the financial hardships that families with children face when a wage-earner is unemployed. Unemployment insurance benefits too often are insufficient to provide for the needs of the children in low-income families that struggle to make ends meet even in good times. Thirteen states, plus the District of Columbia, address the special hardships for families trying to subsist on an unemployment check by paying a regular weekly dependent or children's allowance as part of a UI check.



Key arguments in favor

Families living on unemployment endure special hardships. Unemployment places financial stress on families. When parents lose jobs, the family income drops; UI benefits only replace a portion of the lost wages. A recent nationwide poll of unemployed workers found that 84 percent of women with children, and 77 percent of men, reported increases in family stress as a result of their unemployment. Two-thirds of the women polled said they cut spending on their children, food and medical care while unemployed.

Dependents' benefits help low-wage working families survive. The UI system is intended to partially replace lost wages for unemployed workers. Low-wage families often are stretched so thin financially that any reduction of income cuts into the ability to meet basic needs. The Advisory Council on Unemployment found in 1995 that families earning less than \$15,000 a year spend 65 percent of their income on necessities. In nine of the states that provide dependent benefits as part of the UI benefit, the benefit replaced 65 percent or more of previous income – enough to meet necessary spending for average low-income families.



Key arguments against and responses to them

Opponents say: Unemployment insurance is not welfare; dependents' benefits make it look like welfare.

Response: Unlike welfare, receipt of UI benefits is not based on poverty and the presence of children in a family, but on attachment to the workforce and the amount of wages earned in prior work.

Opponents say: Providing dependent benefits is costly.

Response: The additional children's portion, while very important to the family budget, is generally small (\$15 or \$25 per child) and capped at a maximum number of children. Moreover, a common restriction on dependents' benefits is that they cannot exceed one-half of a worker's weekly benefit amount.

Opponents say: Workers do not get a higher wage rate just because they have children, so why should they get a higher UI check?

Response: Actually, workers do get to keep more of their paycheck based on the number of dependents. The amount of take-home pay a worker keeps varies by the number of dependents. The Earned Income Tax Credit amount also is based on the number of dependent children in the household.



Which states do it?

Thirteen states, plus the District of Columbia, address the special hardships of unemployment on families by providing a dependent allowance. In 2003, New Mexico became the newest state to offer dependents' benefits, at \$15.00 per child up to a maximum of four children.



Model legislation

New Mexico

C. An individual otherwise eligible for benefits shall be paid for each week of unemployment, in addition to his or her weekly benefit amount, the sum of fifteen dollars (\$15.00) for each unemancipated child, up to a maximum of four and subject to the maximum benefit amount stated in Section 2 of this section, of the individual who is in fact dependent upon and wholly or mainly supported by the individual and is:

(1) under the age of eighteen...

D. Dependency benefits shall not exceed fifty percent of the individual's weekly benefit rate. The amount of dependency benefits determined as of the beginning of an individual's benefit year shall not be reduced for the duration of the benefit year, but this provision does not prevent the transfer of dependents' benefits from one spouse to another in accordance with this subsection. If both the husband and wife receive benefits with respect to a week of unemployment, only one of them is entitled to a dependency allowance with respect to a child. The division shall prescribe standards as to who may receive a dependency allowance when both the husband and wife are eligible to receive unemployment compensation benefits. Dependency benefits shall not be paid unless the individual submits documentation satisfactory to the division establishing the existence of the claimed dependent. If the provisions of this subsection are satisfied, an otherwise eligible individual who has been appointed guardian of a dependent child by a court of competent jurisdiction shall be paid dependency benefits.

N.M. STAT. ANN. § 51-1-4

References

ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION, UNEMPLOYMENT INSURANCE IN THE UNITED STATES: BENEFITS, FINANCING, COVERAGE (Feb. 1995).

State Choices

13 states provide dependent allowances

Alaska
Connecticut
Illinois
Iowa
Maine
Maryland
Massachusetts
Michigan
New Jersey
New Mexico
Ohio
Pennsylvania
Rhode Island