The War Against Joblessness: U.S. Intervention in State Labor Markets in Response to Economic Recessions

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THE WAR AGAINST JOBLESSNESS: U.S. INTERVENTION IN STATE LABOR MARKETS IN RESPONSE TO ECONOMIC RECESSIONS

by

LaTasha Y. Chaffin

A dissertation submitted to the Graduate College in partial fulfillment of the requirements for the degree of Doctor of Philosophy Department of Political Science Western Michigan University
December 2013

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THE WAR AGAINST JOBLESSNESS: U.S. INTERVENTION IN STATE LABOR MARKETS IN RESPONSE TO ECONOMIC RECESSIONS

LaTasha Y. Chaffin, Ph.D.
Western Michigan University, 2013

In comparative political economy, nations whose governing institutions direct economic behavior towards the market are classified as liberal market economies, whereas those nations that direct economic behavior toward coordinated efforts between stakeholders, often amongst business, labor and the government, are categorized as coordinated market economies (Amberg 2008; Hall and Soskice 2001). In spite of the United States’ classification as a liberal market economy, during the recent global recession from 2007 to 2009, and in other critical times of economic decline such as the 1990–91 and 2001 recessions, the national government and state governments have mobilized their resources in order to develop policy solutions to combat the effects of joblessness.

This dissertation research examines the intervention of the U.S. and state governments into the labor market during economic recessions through the expansion of OASDI Social Security, unemployment insurance, and training programs. The study of these programs spans a 20-year period from 1990–2010 and is grounded in the U.S. state politics and policy and political economy literatures with a particular interest in how U.S. policy choices converge or diverge from the liberal market economy classification categorized in the Varieties of Capitalism typology. Using quantitative analysis, I explored the variation in policy outputs through a cross-sectional study of 49 U.S. states over a 20-year period from 1990 to 2010. The coordination of national and subnational governments with nonprofits, educational institutions, and the business sector was also examined through case studies of state-level responses to the
2007–2009 economic recession. I found that all levels of government have engaged in coordinated efforts with market and other non-market actors as required during economic recessions, in order to expand labor market opportunities and move the United States forward in a direction of economic recovery.
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LaTasha Y. Chaffin
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CHAPTER I
INTRODUCTION—THE WAR AGAINST JOBLESSNESS:
U.S. INTERVENTION IN STATE LABOR MARKETS
IN RESPONSE TO ECONOMIC RECESSIONS

Research Questions

The research questions that will be addressed in the dissertation include: How has the U.S. government historically, and during periods of economic recession, had to intervene in the labor market at the national and state levels? Have the U.S. and state governments coordinated policy efforts with business, non-profits and other interested parties as a response to recessionary climates? What are the measures of these intervention responses versus non-responses? How do national- and state-level unemployment insurance, training and OASDI Social Security retirement and disability policy as well as Supplemental Security Income outcomes differ based on state-level characteristics? Finally, is the variability in national- and state-level policy and funding priorities during times of economic recession, indicative of non-incremental and/or punctuated policy change?

Anticipated Findings

In this research, I hypothesized that the U.S. government has had to intervene in the labor market at the national and state levels especially during times of economic recession, in an attempt to bring the economy back into a state of equilibrium. Variations in state and national level labor policy interventions will be measured quantitatively from 1990 to 2010 through unemployment insurance, training and Social Security/Supplemental Security Income policy outcomes. I also anticipated that there will be evidence of governmental policy coordination with
non-market and market entities found when examining state level case studies of unemployment insurance, training and Social Security policy outcomes during the 2007 to 2009 economic recession. Variances in policy outputs across the U.S. states in the unemployment insurance, training and Social Security policy areas will provide support for the hypothesis that during times of economic recession, national and state governments expand social welfare and labor policy outputs in generosity and increase coordination levels with other nonmarket and market actors in a manner that may depart from their traditional liberal market classification.

In the sections that follow, I will first examine long-term structural changes in the international and national labor markets. How the U.S. has been classified as an advanced market economy and how the U.S. has responded to these structural changes will be addressed. Following, how U.S. state policy responses have converged or diverged from its market classification will be examined through the lenses of U.S. federal and state labor policy responses from 1990 to 2010 and during the 2007–2009 economic recession. Finally, I will outline how the dissertation will be structured along with a brief description of the succeeding chapters.

**Background and Introduction**

**Globalization and the “Race to the Bottom”: National Implications**

As countries economically develop and begin to modernize, their economic activities including manufacturing, increases in productivity and as incomes expand then poverty decreases. It is posited that as society advances, competition grows in the national and global economic markets, and international economic and labor strategies converge as countries become more competitive on a global scale as they seek to grow their national economies. This “race to the bottom” is said to be translatable to competition amongst the U.S. states as well as they
compete with one another to draw industries and jobs to their states in order to grow their state economies.

As the U.S. economy has become increasingly globally competitive, many U.S. states have had to transition from being highly dependent on their manufacturing bases to necessitating greater dependence upon service-based and/or highly skilled industries for economic sustainability. A number of U.S. states are struggling economically due to a lack of diversification of state-wide industries and trained and qualified workers to fill highly skilled positions. In this recessionary climate, states are enduring diminished jobs opportunities, high unemployment and an increased burden on state and federal government social welfare resources.

While a growing gap between white-collar and blue-collar earnings has become more apparent, a greater number of white-collared, skilled and educated workers are experiencing layoffs, downsizing, and they are no longer as insulated from economic shocks as they were prior to recessionary climates (Newman 2008; Brown et al. 2010). Skilled, experienced and professional U.S. white-collar workers who are unprotected by union contracts providing seniority-based wage scales as in Japan or by job security as in Europe are functioning in a labor market where if they transition from one job, there may not be another comparable job awaiting them (Brown et al. 2010).

Some of the reasons provided by Brown et al. (2010) for these changes in the labor market include the emergence of a new technological era, the effects of globalization, the growing gap between skilled and unskilled workers in the U.S., and immigration of unskilled workers into the U.S. (Brown et al. 2010). Accordingly, Brown et al. state that the onset of a new technological era “disrupted established industries, placed a greater premium on labor-market flexibility, and raised the returns to skilled labor while eroding returns to their less skilled counterparts” (Brown et al. 2010, 2). A “prototypical” example provided by Brown et al. is that as
robots are increasingly used on motor-vehicle assembly lines, this causes the demand for autoworkers to decrease while the demand for skilled professionals who design robots and determine how to deploy them increases. This mechanization of labor has resulted in the decline of formerly secure and well-paid assembly line jobs and an increase in positions that require technical skills. This phenomenon has in turn contributed to rising economic inequality (Brown et al. 2010).

Scholars point to globalization because “as long as they remained sheltered from foreign competition, firms earned rents that could be shared with their workers” (Brown et al. 2010, 3). However, “as declining transport and communications costs, successive global trade rounds, product market deregulation, and regional integration eliminated this shelter, forcing firms to compete on global markets, employers cut back on wages, health insurance, and other benefits in the scramble to survive” (Brown et al. 2010, 3). By the 1990s, Brown et al. explain that workers in advanced industrial societies were competing with hundreds of millions of low-wage workers in China and other developing economies that were entering the global market. China has mastered the art of assembly-line mass manufacturing for a wide range of industries, using both skilled and unskilled labor and this has negatively impacted the employment prospects for lesser skilled workers in advanced economies.

When examining the gap between skilled and unskilled workers, Brown et al. note that until recently in the United States, relative supplies of skilled labor have been consistent with the demand as the educational attainment of every generation of post-WWII Americans was higher than its predecessors.’ However, in recent decades, rates of growth of high school and college graduation have declined. What is evident for the U.S. (possibly for Europe and Japan as well) is that there is a declining rate of growth of supplies of skilled labor that has translated into a larger skill premium and greater inequality between skilled and unskilled U.S. workers. In addition, the
growth of unskilled workers has exceeded the demand for workers to be employed in “McJobs” in the service sector. Immigration of unskilled workers to the United States further exacerbates these concerns (Brown et al. 2010, 3)

**U.S. National and State-Level Convergent and Divergent Patterns**

Modernization and convergence theories point to rich or advanced democracies converging in terms of their economic, political and social structures along with certain common beliefs and values. However, in the development of social welfare systems to care for workers that are displaced from the market, the United States has been considered an anomaly, because the United States was late to this development when compared to other advanced industrial societies.

As advanced industrial societies converge in their policies however, economists have proposed that nations are competing in a “race to the bottom” to reduce tax systems and to provide incentives to business and industry in order to gain the competitive world market advantage and to grow its national economies. Yet, while convergent economic, political and social policies are prevalent, divergent outcomes also exist. This divergence can be attributed to variances in historical, economic, political, cultural and legal trajectories that have influenced nations’ development over time. These factors should not only be considered on a national level, yet on a U.S. state level as well. The U.S. states vary in their economic, political and cultural historical paths as well and at times this causes a divergence or departure from the U.S. traditional market classification (Amenta, Bonastia, and Caren 2001; Wilensky 2002; Quadagno 1999; Skocpol 1987). Although the United States is classified as a liberal market economy that directs its resources towards the economic market, globalization has disrupted long-standing labor market patterns and nations vary in their responses to labor market disruptions.
With its capitalist-based liberal market economy, the United States is perceived as being less generous in providing social welfare benefits to its’ citizens when compared to social democratic countries (Esping-Andersen 1990; Huber and Stephens 2001). However, during the 2007 to 2009 global recession, and in other critical times of economic distress such as the 1990–91 and 2001 recessions, conditions have declined to levels that necessitated governmental intervention into the labor market and the economy. Amberg (2008) posits that within the last twenty-five years the U.S. states have had to intervene in the economy by investing in the labor market through training and additional services for the unemployed and underemployed through higher education, income support programs, employment law changes, and administrative reform in order to assist their economies in achieving prosperity in a globalized marketplace (Amberg 2008).

Amberg (2008) proffers that while economic uncertainty can lead to policy convergence across nations, there are also strategic departures or divergences from their historical and institutional legacies in response to state level performance as evidenced by the political environment of U.S. state labor politics and race relations (Amberg 2008). During times of economic recession, I posit that nations may depart from their historical trajectories in order to be responsive to the current social, economic and political environments. The U.S. state and local environments should be examined to provide evidence of policy diversification, contraction and expansion during economic recessionary periods that may converge or diverge from its liberal market classification.

**Impact of Recessions on Vulnerable Populations**

Globalization has long-term structural effects and most economic recessions have short-term cyclical effects. The global financial recession from 2007 to 2009 affected all nations,
including the U.S. yet its level of devastation impacted each U.S. states’ respective economies in different ways. The U.S. economy declined as stock market performance worsened during the recession beginning in late 2007. In this global financial crisis, individual states experienced the migration of jobs from unionized high-wage U.S. states, to anti-union right-to-work states and overseas. This phenomenon has disproportionately impacted blue-collar jobs, and states like Michigan and Pennsylvania have felt the effects. Most at risk of unemployment are younger, less educated and minority male workers who also have a lower probability of returning to work after having been unemployed (Newman 2008). However, older workers who are generally more senior workers are also having a difficult time gaining re-employment and/or earning the same level of income after being laid off or downsized than younger workers. As they age, many workers have had to accept jobs in which they receive lower earnings and work fewer hours (Brown et al. 2010).

These rates of joblessness and under-employment influence the current rate of poverty within the United States. Gould (2010) provides that the poor are getting poorer as indicated by the U.S. Census Bureau’s 2009 poverty and income data released on September 16, 2010. Based on this data, the official poverty threshold was an annual income of $21,954 for a family of four and is “widely considered insufficient to pay for life’s most basic essentials like food and housing” (Gould 2010, 1). Therefore, in 2009, a family of four would have to have an annual income of less than $11,000 a year to fall below half of the poverty line. According to the report, of all Americans that were living in poverty in 2009, a record 6.3% were in what is termed “deep poverty,” earning less than half the official poverty threshold, or subsistence rate. Gould noted that when looking over time, the current share of the American population below half the poverty line was the highest seen since the Census Bureau started keeping records in 1975. This rate of 6.3% of Americans living below the poverty line surpasses the prior peak of 6.2% in 1993, and is
nearly double the low point of the series that was 3.3% of the population living in deep poverty in 1976 (Gould 2010).

**National and State-Level Policy Response**

Out of a variety of federal- and state-level labor and employment policies, I selected the areas of unemployment insurance policy, Workforce Investment Act (WIA) training programs for disabled and non-disabled adults, Social Security OASDI retirement and disability and Supplemental Security Income for the disabled and aged 65 and older. I am examining unemployment insurance policy because it is funded by both state and federal dollars and unemployment insurance benefits and extensions represent interventionary “out of market” solutions provided to unemployed workers that meet the qualifiers. The federal and state governments both also fund a variety of training efforts. I am seeking to ascertain how training outcomes vary over time, especially during economic recessionary periods. Supplemental Security Income is primarily federally funded with most states offering a state-level supplement. SSI is one of the critical safety nets for the very poor, including some of our most vulnerable populations such as older persons aged 65 and older, the disabled, the blind and children. Therefore, it will beneficial to ascertain how the funding of SSI varies across the states over time and how benefit levels and/or SSI policies change in response to recessionary periods. Finally, while Social Security retirement and disability programs are federally funded, it will be advantageous to assess when older and disabled workers are unemployed or underemployed, whether there is an increase in citizen applications for benefits when these vulnerable populations run out of market solutions and whether the governmental approval of these applications and provisions for other support services increase as well, in response to recessionary climates. A description of each policy area will follow.
Unemployment Policy

Unemployment insurance benefits provide cash assistance to those workers that are unemployed due to no fault of their own. Unemployment insurance is a safety net for workers that are temporarily laid off or downsized, in order for them to survive outside of the economic job market during times of unemployment. Unemployment insurance is administered by the U.S. Department of Labor and is funded primarily by private employer taxes collected and disbursed by both the state and federal governments. Unemployment insurance is administered at the state level, with states determining the eligibility rules. While unemployment insurance has become a staple social welfare benefit that is relied upon by jobless workers in the U.S. during times of economic distress, there are programmatic issues that still need to be addressed in order to ensure the equality of benefits. Some of the vulnerable populations whose interests need to be protected include workers who are employed at a low-wage, the underemployed and older workers.

O’Leary and Wandner (2001) explore how unemployment insurance impacts older workers. They note that employment rates steeply decline after age 54, and that the prospect of returning to full-time reemployment after displacement is 30 to 70% lower for older workers (O’Leary and Wandner 2001, 3).

Training Policy

Workforce Development programs are economic development programs sponsored by some U.S. states that take a human resource approach to training, educating and graduating state residents from vocational, community college, four year university and advanced degree programs as well as helping them to identify available jobs and placing participants into those jobs. Workforce development programs when they work well, benefit employers as well by providing a source of human capital who are trained to industry specifications, possess the
necessary educational qualifications and are available for work. I will be examining Workforce Development state-level program outcomes that were funded by federal and state dollars through the Workforce Investment Act (WIA), formerly the Wagner-Peyser Act. The quantitative analyses will be conducted to ascertain the variances in programmatic measures over time and across the U.S. states and in depth through state level case studies.

Most workforce development programs are targeted at dislocated workers and the economically disadvantaged. These active labor market programs (e.g., job training, job search assistance, labor market exchange) and income support programs (e.g., unemployment compensation) are funded by both the federal and state governments. Although many of the services are provided by state and local government agencies, the Workforce Investment Act (WIA) does allow for the privatization of some services, and state and local governments are contracting more with nonprofit organizations and at times private industries for service delivery.

Currently, the employment service is a federal-state partnership that provides labor market exchange and reemployment assistance services in 1,800 offices in 54 states and territories at no cost (Eberts and Erickcek 2002). The one-stop centers provide a plethora of services including a “preliminary assessment of individuals’ skill levels, aptitudes, abilities, and support service needs; information on available employment-related services including training opportunities; help in filing unemployment insurance claims and evaluation for job training and education programs; job search, placement assistance, and career counseling; and up-to-date labor market information” (Eberts and Erickcek 2002, 5–6). Because the law prohibits the local administrative agencies from providing the service themselves, the local Workforce Insurance Boards (WIBs), as the administrative agents, select operators of the centers through a competitive process. Under this arrangement, the WIBs contract with nonprofit organizations and other
government agencies to provide these services. The law requires that each local one-stop center should partner with a variety of partners and entities to service the following programs:

- Adult, dislocated workers, and youth activities; Employment Service; Adult Education; Post-secondary Vocational education; Vocational rehabilitation; Welfare to Work; Title V of the Older American Act; Trade Adjustment Assistance; NAFTA Transitional Adjustment Assistance; Veterans Employment and Training Programs; Community Services Block Grant; Employment and training programs administered by the U.S. Department of Housing and Urban Development and Unemployment Insurance. (Eberts and Erickcek 2002)

The WIA establishes individual training accounts (ITAs) to fund the delivery of training services. ITAs are similar to vouchers. Individuals who are eligible for training under WIA use the ITAs as a voucher to choose the training program they prefer and WIA will pay a portion (if not all) of the tuition. In order for a training institution to qualify to work with local workforce development agencies they must meet certain requirements under WIA including tracking and posting information about placement rates and program evaluations. Eligible institutions include for-profit, traditional nonprofit and public training and educational institutions.

**OASDI Social Security Policy**

OASDI Social Security is known as a safety net for the elderly in the U.S. While Social Security is applicant driven and federally funded, during the 2007 to 2009 recession there was an influx of older workers that applied for early and full retirement. The Social Security Administration noted that this increase may be due to unemployment and underemployment of older workers (Rich 2012). The Social Security Act was signed into law by President Roosevelt in 1935. Social Security retirement and disability programs are both insurance programs, meaning that citizens pay into these programs through payroll taxes and are able to collect a cash benefit if they meet the age and/or disability requirements. While there are no means tests to determine a financial need to recoup benefits, there is a maximum amount of income that can be counted as
earned towards full retirement benefits. For Old Age Survivors and Disability Insurance (OASDI), benefits may be available for a widow or widower and a spouse and/or minor children of a deceased worker or adult disabled children.

In 2011, there were 157.7 million workers covered by OASDI benefits with recipients reaping a total of $725.1 billion in benefits. There were 38.5 million beneficiaries of Old-Age benefits, of which 35.6 million were retired workers receiving a $1,229 average monthly benefit. In 2011 there were 6.3 million beneficiaries of Survivors insurance of which 4 million were nondisabled widow(ers) that received a $1,185 average monthly benefit. Lastly, there were 10.6 million beneficiaries of disability insurance in 2011 of which 8.6 million were disabled workers that received an average monthly benefit of $1,111. Around 55.4 million persons received Social Security for December 2011, an increase of 1,372, 512 or 2.5% since the previous year with almost 70% being retired workers and their dependents, 11% being survivors of deceased workers and 18% were disabled workers and their dependents.

In 2011, over 9 million people were receiving disability benefits as disabled workers, widow(ers) or as disabled adult children of which 87.5% were workers, 10% were disabled adult children and 2.6% were disabled widow(ers). The states with the highest rate of disabled beneficiaries aged 18–64 (over 7%) were Alabama, Arkansas, Kentucky, Maine, Mississippi and West Virginia. The average monthly benefit amount for men was higher than for women at over $1,200 for men and just under $1,000 for women disabled workers. Disabled workers receive 100% of the primary insurance amount (PIA), while disabled widow(ers)s receive 71.5% and 50% for disabled adult children if the worker is disabled or retired and 75% if the worker is deceased (Social Security Annual Statistical Supplement 2012).

As of 2008, according to DeWitt (2010), the Social Security program had paid out more than $11 trillion to almost 213 million people. The amount of money paid out to Social Security
each year “(over $805 billion in 2008) is larger than the gross domestic product of all but the 16 richest nations in the world [5% of America’s gross domestic product]” and “for most of the past 20 years, the Social Security program has been the largest single function in the federal government’s budget” (DeWitt 2010, 20).

Social Security has played a large part in reducing poverty over time, especially amongst the elderly in the United States. By the time that official measures of poverty were developed, poverty among the elderly (in 1959) was still at 35%. By the end of the twentieth century, poverty among the elderly was less than 10%. In current times, an estimated one-third of seniors rely on Social Security for 90% or more of their retirement income; two-thirds rely on it for the majority of their income (DeWitt 2010, 20–21).

**Supplemental Security Income Policy**

Supplemental Security Income assistance to aged 65 and older, the disabled and/or blind adults or children began in 1974. Benefit amounts are based on a recipient’s countable income and the highest federal benefit rate in 2012 for individuals with no other income allowed a uniform benefit amount of $698 per month or $1,048 for a couple that both qualified for SSI. For 2013, the highest benefit rate for individuals was $710 a month and $1,066 a month for couples that both qualify for SSI. Most states provide a supplement to the federal SSI benefit, which is administered by the federal government and in some instances the states’ pay an administrative fee to the Social Security Administration to administer their state supplements for them. The total amount of federal SSI benefits in 2011 was $46 billion expended to 7.9 million recipients that earned an average monthly SSI benefit of $481.31. The amount of federally administered state supplements expended to recipients in 2011 totaled $3.5 billion paid out to 2.4 million recipients with an average state supplement of $118.57. In December 2011, there were 8,112,773 recipients
of SSI payments, which was 200,507 more than in 2010. Over 25% of the recipients were aged 65 and older, almost 60% were blind or disabled aged 18 to 64 and almost 16% were blind and disabled under the age of 18 (Social Security Supplement 2012; Social Security: A Guide to Supplemental Security Income [SSI Guide] 2013).

**U.S. Policy Response in Recessionary Climates**

Recessionary periods occur cyclically throughout time as a natural component in the U.S. business cycle. A recession is defined as “a period during which real GNP [Gross National Product], the value of GNP in constant prices falls for two consecutive quarters. Its start is the peak of the preceding expansion, and it lasts until the economy reaches its trough, the lowest point reached by GNP in each business cycle” (Gordon, Weisskopf, and Bowles 1987; Kamery 2004).

Kamery (2004) explains that during an economic expansion, consumers and corporations are seeking to obtain credit to borrow money. However, with this increased demand, creditors are able to raise interest rates. Due to the health of the economy, real estate costs and the costs for goods and services rise, causing conditions that may lead to inflation. The reversal of the expansion begins when the level of debt increases to a point where consumers do not want to borrow any longer and reduce their spending. Because of the reduction in production and income, then businesses begin to scale back on jobs, and the recession begins. Recessions usually continue for approximately one year, until consumer confidence revives, starting the cycle over again (Dunnan and Pack 1991; Kamery 2004).

In this dissertation research, I quantitatively examined the federal and state governments’ intervention in the labor market during times of economic recession over a 20-year period through unemployment insurance, training and Social Security outcomes, across 49 states. This
20-year period encompasses three recessionary periods from 1990–91, 2000–01, and 2007–09. Through state-level case studies, I will also examine governmental intervention into the labor market through the three policy areas for the 2007 to 2009 economic recession. Below is a description of the three recessionary periods and examples of the national and state-level governmental policy interventions during these economic recessions.

**1990 Economic Recession**

The 1990 recession followed a long expansion period from 1983 through 1988, beginning in July 1990 and lasting only eight months. Multiple causes have been noted for this recession, including collateral damage from the 1980s Savings and Loan Crisis, and “Black Monday’s” stock market collapse in 1987. Other possible reasons for the 1990 recession include “pessimistic consumers, the debt accumulations from the 1980s, the jump in oil prices after Iraq invaded Kuwait [in August 1990], a credit crunch induced by overzealous banking regulators, and attempts by the Federal Reserve to lower the rate of inflation” (Walsh 1993, 33).

During this recession, consumers were debt-laden from spending during the prosperity of the mid to late 1980s and home values dropped. Based on University of Michigan’s consumer confidence index, consumer confidence fell 1.1 points in 1992 to 67.1%, reflecting consumers’ low levels of spending. Home values dropped and the sector of the economy most impacted by the 1990s recession was the service sector including financial firms, banks, thrifts and insurance companies. The white-collar workers employed by these firms were impacted (Kamery 2004).

Despite double-digit unemployment in the 1980s and a lack of total job loss recovery in the 1990s, there was a decline in the number of unemployment workers receiving State unemployment benefits, from a high of 81% in 1975 to a low of 26% in October 1987. The U.S. government intervened in 1991 when Congress enacted the Temporary Emergency
Unemployment Compensation (EUC) Compensation Act into law. On February 7, 1992, the EUC was amended to increase the eligible number of weeks of emergency assistance from 20 to 33 until July 4, 1992. After which, until March 6, 1993 extensions for new claims could garner 20–26 weeks of emergency benefits depending upon the unemployment rate in each state (Almanac of Policy Issues 2000). In Kamery’s evaluation, intervention efforts instituted to spark economic growth, “led to fewer lay-offs, new jobs, and increased income” and ultimately led to the recessions end (Kamery 2004, 65).

**2001 Economic Recession**

The 2001 economic recession began in March 2001 and similarly to the 1990 recession, lasted approximately eight months in duration. There were several reasons for the advent of this recession, including the collapse of the dot.com bubble, September 11th and accounting scandals. After the 1990s boon, this bust was predicted by economists. Keynesian economists warned that there would be deflationary consequences because of the large budget surpluses the government was holding; having the effect of slowing the economy. The 2001 economic recession impacted mostly Western Countries, contributing to a mild contraction in the North American economy (Blake and Sinclair 2003). In June of 2001, the unemployment rate reached 9.4%, a nine-year high. In response to the GDP contracting and the unemployment rate rising, on March 9, 2002 President Bush signed into law the economic stimulus bill, formally known as the Job Creation and Worker Assistance Act of 2002 (JCWAA). This legislation also known as the “Bush tax cuts” was designed to stimulate the economy and reduce unemployment after September 11, 2001. The legislation included temporary funding relief for defined benefit plans and other tax incentives for businesses.
### 2007 to 2009 Economic Recession

In the recent recession from 2007 to 2009, individual states and regions experienced a shift in jobs from unionized, high-wage regions of the United States to anti-union right-to-work states and overseas. Since 2009, monthly job losses averaged almost 750,000 and GDP was contracting. Additionally, by August of 2010 national unemployment rates were trending at 10% (Orr 2010b). Along with job losses in the U.S., subprime lending and the financial failings of mortgage firms and banks contributed to the decline of the financial and housing markets. Additionally, oil prices increased and the value of the U.S. dollar shrunk (Newman 2008).

Orr (2010b) contends with economists Alan Blinder and Mark Zandi that despite the dismal state of the labor market, that a series of federal policy initiatives were successful in preventing further market failure and beginning to rebound the economy. The economists’ report uses the Moody’s analytics model of the U.S. economy (adjusted to accommodate for some recent financial-market policies) to simulate the macroeconomic effects of the government’s total policy response. While Blinder and Zandi find that the federal government’s implementation of the Troubled Asset Relief Program (TARP) instituted by President Bush to provide assistance in bailing out the financial institutions was “substantially more powerful” than the American Reinvestment and Recovery Act, in their assessment the fiscal stimulus still had significant effects by “raising 2010 real GDP by about 3.4%, holding the unemployment rate about 1½ percentage points lower, and adding almost 2.7 million jobs to U.S. payrolls” (Blinder and Zandi 2010, 1). These estimates according to Blinder and Zandi are “broadly consistent” to the account given by the Congressional Budget Office and the Obama administration (Blinder and Zandi 2010, 1). They find that if the stimulus plan and financial market interventions had not taken place then instead of 10% national unemployment at its peak, it would have been close to 16%.
In 2010, President Obama agreed to extend the Bush tax cuts for two years in order to obtain Congressional support for a 13-month extension in unemployment. President Obama also agreed to cut payroll taxes by 2% for all American workers through the end of 2011. In negotiations with President Obama and Congress, a two-month extension of unemployment benefits and the payroll tax cuts were approved through February 2012 and eventually through the end of 2012. However, while the payroll tax cuts were not extended through 2013, unemployment benefits were extended for states that had high unemployment rates, based on sliding benefit scale set by Congress.

State Politics and Policy Priorities

Amberg (2008) theorizes that despite the U.S. liberal market economy designation, U.S. state governments along with firms, unions, workers, educators and researchers amongst other actors, do strategically act and adjust their priorities based on the diversity of their political and economic environments, sub-national historical trajectories, policy networks, institutional and ideological commitments, that all vary based on changes, opportunities and threats. Furthermore, Amberg posits that when confronting global economic competition, institutional agents at the state level don’t just respond with a liberal market agenda; they consider the costs of a liberal responses as well and they don’t assume that a market-based response is the sole option (Amberg 2008).

In examining what factors influence state bureaucratic policymaking initiatives on social welfare programmatic developments, specifically Medicaid programs; Schneider and Jacoby (1996) find that it is a combination of interest group pressures, structural characteristics and state environmental conditions that influence states’ decisions whether to adopt optional health care services. However, they found that the direct influence of partisan and ideological factors were
minimal. Schneider and Jacoby (1996) discuss the difficulty of operationalizing bureaucratic administrative actions (rather than general policy inputs such as program expenditures or coverage) as a dependent variable. They use state adoptions of health care services that extend beyond federal requirements as the dependent variable. Examples of these optional services include nursing facilities, prescribed drugs and dental services.

Two of the independent variables (legislative partnership and the party affiliation of an incumbent governor) were designed to measure the impact of elected political leaders on administrative behavior. To capture health care “community” interest group activity, Schneider and Jacoby measure the number of physicians, dentists, and the number of hospital beds per 100,000 population, and the number of nursing home beds per 1,000 population aged 65 years and older within each state (Schneider and Jacoby 1996). There were also three variables that accounted for each state’s environmental factors and structural characteristics. Schneider and Jacoby found that the economic health of each state and intergovernmental forces played a prominent role in the state’s social welfare policy choices. Interest group activity was also a significant effect. However, the impact of gubernatorial and legislative power was not significant. Elected officials have limited direct control in formulation, adoption and implementation of social welfare policy; and this is where the bureaucracy exerts its influences. Schneider and Jacoby posit that because their research focuses on bureaucratic initiatives in a policy area where bureaucrats have the primary control they are more responsive to interest groups and institutional constraints. This may be indicative, Schneider and Jacoby proffer, of a lack of political control over bureaucratic activities.
Data and Methodology

Quantitative Design

I completed a cross-sectional study of 49 U.S. states over a 20-year period from 1990 to 2010. The actual number (N) of data points in the sample is 980. The District of Columbia was dropped due to the lack of available data for D.C. Specifically unemployment insurance expenditures and claims by state, training participation rates and employment retention rates after training by state and OASDI Social Security and Supplemental Security Income expenditures by state will serve as the dependent variables in the models. There was a 10-year analysis of the Workforce Investment Act (formerly Wagner-Peyser Act) training programs from 2000 to 2010 as training outcome data was not readily available for a 20-year period.

Specifically, the dependent variables in the model include OASDI Social Security retirement and disability expenditures by state and Supplemental Security Income expenditures by state for aged 65 and older and for disabled persons. For the unemployment insurance models, state-level initial and continued unemployment claims by state, state-level expenditures by state and average weekly unemployment benefits by state are examined. Additionally adult and disabled persons’ participation in Workforce Investment Act (formerly Wagner-Peyser Act) training programs and employment retention after training participation for adult non-disabled and adult disabled trainees serves as the dependent variables in the models. The independent variables include state-level personal income per capita, poverty percentage rates, union membership percentage rates, unemployment percentage rates and Berry et al. citizen and government ideology scores (Berry, Ringquist, Fording, and Hanson 2007). The effects of demographic variables on the outcomes are also measured, including a composite percentage of the largest U.S. minority groups (Asian-American, African-American and Hispanic-American...
populations), the senior population represented by adults aged 65 and older and the percentage of the population with a bachelor degree or higher.

**Qualitative Design**

Using secondary data, I conducted case studies of two U.S. states for each policy area in order to describe labor policy interventions in a response to the 2007–2009 economic recession, in a real-life context (Yin 2009). The unemployment insurance case study will focus on the states of Michigan and Utah. The training case study will feature the states of California and South Carolina. Finally, the OASDI Social Security and Supplemental Security Income case study will examine the states of Florida and New York. Conducting case studies of the U.S. states will also allow me to explain the effects of social, economic and industrial/labor policies on disenfranchised groups such as minorities, women, older workers, and the lower-educated, lower-paid and lower skilled of society at the state level.

**Case Selection Method**

John Stuart Mill’s method of agreement and method of difference are often used in qualitative designs in comparative politics. The method agreement pairs cases that are very similar that identifies the differences in dependent variables to be able to isolate the independent variables that can explain the differences. The method of difference pairs cases that are very different yet they share the same dependent variable. This allows for the examination of the robustness of the relationships between the independent and dependent variables. The robustness of these relationships is analyzed to determine what observations hold in diverse circumstances and what explains the similarities (Mill 1996). I used Mill’s method of agreement and difference as one method of case selection for the state-level responses to the 2007–2008 economic
recession through Unemployment Insurance, Training and Social Security/Supplemental Security Income. The process of case selection is described below:

There are four models assessed per policy area: Unemployment Insurance, Training and OASDI Social Security/Supplemental Security Income. I first examined the twelve statistical models to determine the magnitude of the effect of each statistically significant independent variable on the dependent variable in each model. I identified the independent variables that had the greatest significance for each model. Using the years of the recessionary periods of 1990–91, 2000–01 and 2008–2010, I examined the raw data for the independent variables that held the greatest significance in each respective model to compare the range of data for the states including the minimum, mean and maximum—for example in a model where poverty is a significant factor, I examined the states with low poverty, medium and high poverty. Also based on the direction of the outcomes variables, I again analyzed the data (e.g., poverty, unemployment rate, income, education, race and age) to determine what states had high and low outcome variables based on the direction of the effect of the independent variables on the dependent variables in the model. I also examined the low versus high values of the independent variable data depending on what independent variables were most significant in the respective models. When examining the raw data, I additionally identified states that were outliers during the recessionary years examined. I noted the states with these variable outliers based on years identified (e.g., states with high poverty, low poverty, high income, low income, large Hispanic populations, medium Hispanic populations and low Hispanic populations). In order to narrow down the number of states identified, I examined all of the variables identified across all of the models to determine what states held the same combination of significant variables (including the direction for the outcome variables). For example, Supplemental Security Income payments for persons aged 65 and older are increased in states that had an average of high poverty, low
income, large Asian- and Hispanic-American populations and a lower Caucasian-American populations. Also the Supplemental Security Income payments for persons aged 65 and older are increased in states with higher union membership and conservative citizen ideology.

When analyzing the range of outcomes by state for the recessionary periods, I also compared the actual outcomes to the predicted outcomes for each state and year and subsequently identified the states that reported lower or higher outcomes than predicted during the recessionary periods. Finally I compared the states identified in the predicted values analysis to the lists of independent and dependent variables “pattern” matches by model, by state. This process narrowed the list of states down further. The states were finally narrowed down to the following delineation:

**Unemployment Insurance: State Selection (Michigan and Utah)**

*High ranges (of expenditures/claims):*
  - Kentucky, Oregon, Massachusetts, Wyoming, New York and New Jersey

*Low ranges:*
  - Utah, Oklahoma, Colorado, South Dakota and New Hampshire

*Statistical outliers/interesting cases:*
  - Michigan, Vermont, New Jersey, Colorado, Connecticut, Rhode Island and Oregon

I selected the states of Michigan and Utah as “most different cases.” What made Michigan an interesting case was because although based on the statistical analyses employed in Chapter III, states with less diversity, lower poverty and unemployment should expend more in social welfare resources and Utah met these qualifiers, the state of Michigan expended substantially more in social welfare benefits that the state of Utah. Although the state of Utah had lower per capita income than the state of Michigan primarily due to its youth population, they had a higher household income, yet they expended less in unemployment insurance payments during the 2007 to 2009 recessionary period. Michigan’s unemployment insurance payment expenditures were however consistent with the statistical results for states with more liberal citizen and
governmental leadership ideologies as opposed to the conservative political ideologies identified in the state of Utah. Therefore, Michigan had higher than predicted payouts in unemployment expenditures and Utah had lower than predicted expenditures. I also wanted to consider geographic diversification as Michigan is a Midwestern state and Utah is considered an Intermountain Western state.

Training: State Selection (California and South Carolina)

High ranges (participation rates and employment retention after training):
Oklahoma, South Dakota, Idaho, Indiana, Maine, Illinois, Utah, West Virginia, Arkansas, South Carolina and New Hampshire

Low ranges:
Kansas, Rhode Island, Vermont, Georgia, North Carolina, Mississippi, New York and California

Interesting case:
Oregon

The state of South Carolina and California add geographic diversity, being a Southern and Western state as well as diversity in labor market structures. Therefore, in Mill’s method of difference they are considered “most different” cases. Although the state of California has a greater per capita income and based on the statistical analyses employed in Chapter III, should have had greater participation in training for example, the state of South Carolina, over the ten-year period of analysis, had higher than predicted values of training participation and the state of California had lower than the predicted values for training participation, overall, during the period of analysis. Consistent with the statistical analyses, the state of California generally had greater training participation than South Carolina during most of the ten-year period assessed from 2000 to 2010. However, during the economic recessionary period, the training participation in the state of South Carolina exceeded the state of California. This result held although the state of California’s citizen and governmental leadership ideology is liberal compared to South Carolina’s conservative citizen and governmental leadership. According to the statistical analyses as states
become more liberal, training participation should increase, not decrease. The states of California and South Carolina were selected as case studies because although they are very different in their labor market structure and ideological makeup, both states experienced job loss during the Great Recession and the similarities and differences in how these states elected to train and develop human capital in order to meet 21st century challenges in response to the economic recession are important to examine.

**OASDI Social Security & Supplemental Security Income: State Selection (Florida and New York)**

*High ranges (expenditures for S.S. retirement and disability and S.S.I.):*
   - New York, Florida, West Virginia and Wisconsin

*Low ranges:*
   - Maryland and Kansas

*Interesting cases:*
   - Arkansas, Alabama, Mississippi, South Carolina, New Hampshire and California

I selected the states of New York and Florida as “most similar cases” in order to have the opportunity to extrapolate the differences in OASDI Social Security and Supplemental Security Income administration and expenditures during the Great Recession. Both states are among the most populous states in the union. The populations of the states of New York and Florida are very diverse and both have a similar poverty rate. While the governmental leadership and citizen ideologies of the state of New York is very liberal, the state of Florida has been a swing state, trending Republican in most recent years, yet also has also swung Democratic in 1996, 2008 and 2012. Throughout the 20-year analysis from 1990 to 2010, both states yielded higher than predicted Old-Age Social Security retirement and disability expenditures as well as Supplemental Security Income expenditures. However, in choosing two very similar states, a case study analysis allowed for the isolation of differences in how OASDI Social Security and Supplemental Security Income programs are administered in each state. Some interesting differences are that although the population aged 65 and older was not significant in the statistical models and New
York residents had a higher level of per capita income than Floridians during the 20-year period assessed, the state of Florida still expended substantially higher Social Security retirement benefits than the state of New York, primarily due to population of older residents that the state has, who may qualify for OASDI Social Security retirement benefits. The case study analysis isolated that the age of population was an important factor. Furthermore, although the states of New York and Florida have very similar characteristics, the state of New York expended substantially more in Supplemental Security Income benefits during the period of analysis and offers a more generous individual SSI benefit than Florida. By examining “most similar” states, through case study analysis I was able to determine what variables in the statistical analysis held and were confirmed, and extrapolate the differences that the statistical analysis did not reveal.

**Significance of Research**

While there have been many studies conducted comparatively across countries that analyze the impact of government social welfare policy interventions on society, there has been limited research across the U.S. states. This study offers a rare application of American public policy, political culture, institutions and comparative political economy theory to U.S. state action. It combines a study of political science theory with public administration, public policy, history, economic theory, and cultural psychology, leading to many potential applications outside of the political science discipline. In addition to the quantitative analyses, I assess the levels of coordination between and across the U.S. federal and state governments, the local and state business communities, non-profits, educational institutions and other actors through state-level case studies. These actors are currently investing and have historically invested in the United States’ labor markets through coordinated efforts to decrease joblessness, reduce poverty levels and increase education in order to improve the economic environment of the U.S.
I selected this line of research because as a result of the current recessionary climate, it is important and timely to assess how economic recessions provide an impetus for governmental policy coordination and intervention. Further, it is important to determine what constraints work against horizontal coordination and governmental policy intervention.

This research will be telling of how gains and declines in employment, income, poverty, unionization, education and racial demographics have influenced state, regional and national labor market policy. It will be valuable as well to ascertain how the ideologies of government leaders and the citizens of each state may affect the scope of policy intervention and coordination at the subnational level. The work of Kingdon (1995) would lead us to expect that “windows” for policy change may only open briefly and may be closed just as rapidly. In the political climate of the last three years we have seen coordination across governmental levels, market and other non-market forces. It will be fruitful to measure and compare the scope of governmental coordination with other actors and governmental intervention in the labor market across the U.S. states during periods of distress in the country’s economic history.

**Overview of Dissertation Chapters**

Chapter II examines U.S. state labor policy priorities within state-level markets in a comparative perspective, through the theoretical lens of varieties of capitalism, historical institutionalism, constructionist and statist comparative political economy perspectives as well as multiple streams and punctuated equilibrium American public policy theories. Chapter III is a quantitative analysis of policy outcomes from the three policy areas of unemployment insurance, training and Social Security/Supplemental Security Income during a 20-year period from 1990–2010. Chapter IV analyzes the results of the Unemployment Insurance policy responses by the federal government and the states of Michigan and Utah to the 2007 to 2009 economic recession.
Chapter V analyzes the results of the training policy responses by the federal government and the states of California and South Carolina to the 2007 to 2009 economic recession. Chapter VI analyzes the results of the OASDI Social Security policy responses by the federal government and Supplemental Security Income policy response of the federal government and state governments of Florida and New York to the 2007 to 2009 economic recession. Chapter VI also examines additional social welfare policy assistance to the poor enacted by state governments. Chapter VII provides the concluding analysis of the case studies and quantitative results, discusses implications of the research and suggests recommendations for further research.

**Findings and Conclusions**

This study examines the extent to which the state governments and the federal government have used social welfare and/or labor and industrial policies such as government funded training programs, unemployment extensions, and social security payments to intervene in the labor market in an attempt to remedy or alleviate the economic pressures that have plagued the country during times of economic recession.

I found that all levels of government have engaged in coordinated efforts with market and other non-market actors as required during economic recessions, in order to expand labor market opportunities and move the country forward in a direction of economic recovery. Most of the intervention measures employed by the national and subnational governments revealed short-term policy solutions. However, there were other intervention measures employed that have long-term policy effects. In my quantitative and case study analyses I found evidence of incremental policy change yet I also found evidence of non-incremental, or punctuated responses to the 2007 to 2009 economic recession. In the competitive “race to the bottom” there were expansions of labor-oriented services and benefits, yet there were also retrenchment efforts that uncovered, of which
political government leadership and citizen ideologies, or partisanship had primary influence.

Demographic and socioeconomic factors also contributed to the policy decisions made by federal and state-level governments, especially during time of economic recession.
CHAPTER II

THE U.S. STATES: LABOR MARKETS IN A COMPARATIVE PERSPECTIVE

Introduction

Studies of national and state-level political economy explore relationships between short-term cyclical and long-term structural economic macro- and micro-adjustments and political and social outcomes, including policy decisions. Political economy studies also examine the effects of the political environment, social and cultural factors on economic policy decisions. There are many intervening variables that also must be considered including demographic variables such as race, age, education and unionization rates. Citizen and government ideologies are also important to consider along with a host of socioeconomic variables such as personal income per capita, the poverty rate, and the unemployment rate. The economic market, social problems and politics are increasingly globalized. Therefore, during times of economic growth and decline, it has been questioned whether nations and states converge or diverge in their policy processes and to what degree are there significant variations in approaches to managing the economy and the welfare state, especially during times of economic recession. It is important to examine how political, structural, historical, social and economic forces provide impetus or constraint for governmental policy action at not only the federal but the subnational levels as well for those nations with federalist systems of government.

During the economic recession beginning in 2007, the U.S. experienced financial market failings and increased levels of citizen/consumer foreclosure and bankruptcy, a weakened stock market and subsequent decreased value of the U.S. dollar, the risk of deflation, high unemployment and a decrease in jobs especially in the manufacturing sectors and in states with
high unionization. During recessionary times, more of the economic burdens and support for citizens’ has been devolved to the subnational levels of government. Governmental social policy interventions at the national and state levels have increased. However, are these intervention measures in the labor market always incremental, or punctuated during times of economic recession? It is important that we study how U.S. governmental intervention expands or contracts during times of economic recession and growth. Despite the U.S. classification as a liberal market economy, this political economy policy study seeks to examine the extent that the national and state-level governments intervene in state labor markets during times of economic recession through unemployment insurance, training and Social Security/Supplemental Security Income outcomes.

**Review of Relevant Literature**

In this chapter, comparative, U.S. national and subnational literatures will be explored. It is important to understand all three contexts in a comparative U.S. state study. In the sections that follow I will proceed with a literature review that first addresses comparative political economy literatures that explain the development and structure of comparative welfare states including social democratic, power resources and class struggle theories. When completing a study examining the intervention of the government into the labor market through social policy it is important to outline historically how labor and social welfare market structures developed over time. Bringing the discussion into a more current context, international theories of modernization, convergence and globalization theories bring to light how nations including the United States are responding to the changing nature of the economic, political and social environments as market structures and social and political issues become more global. Whether national policies converge
or diverge in response to changes in labor market structures and if nations expand or retract social welfare benefits over time and in response to economic challenges are examined.

The Varieties of Capitalism typology is explained as nations have been categorized as having different strategies in organizing business, economic and political relationships to manage labor market problems. The Varieties of Capitalism theory bifurcates national labor market responses based upon whether nations ascribe to a liberal market economy or a coordinated market economy. Rounding out the discussion of comparative literature, welfare production regimes involve the coordination of financial systems, industrial relations systems, education and training systems and intercompany systems and evaluates how the institutions that support them work together to respond to supply and demand issues in the labor market.

Following the comparative social welfare and labor market review, I proceed with introducing the U.S. as a single case beginning with a discussion of how the system of federalism influences intergovernmental relations and policy choices amongst the U.S. states. How the U.S. welfare state developed as an exception to other advanced industrial societies and the role of U.S. political culture on the national and subnational levels are explained. A discussion of how historical, political, cultural and social variances at the state-level impacts decisions about labor and social policy choices, ensues. Literature that assesses how state-level social and labor policy actions impact vulnerable populations such as women, minorities and older persons is included as well. In addition, there is a discussion of how state policy actions influence economic growth. These are all important considerations in a comparative state-level policy study. Finally, this study also examines state-level response to joblessness and the externalities associated with joblessness in response to recessionary climates, specifically during the 2007 to 2009 economic recessionary period. Therefore, general policy theories are important to examine in determining
whether the U.S. states responded in its traditional incremental fashion in response to the Great Recession or in non-traditional, non-incremental punctuated manner.

**Social Democratic, Power Resources and Political Class Struggle Theory**

The study of comparative political economy examines the national economies and political systems of advanced industrial societies. Variations in how the structure of national markets drives or replaces governmental action or to the extent that governmental action drives or replaces the market are important to examine (Lindblom 1977). Contemporary theories of market and state are largely derived from the works of Adam Smith and Karl Marx. Marx theorized that the base of the state was comprised of the production and commerce of the capitalistic market. From this base social and ideological structures arise, forming the superstructure (Tucker 1978). Within this superstructure, Lindblom concurred with Marx that there is a danger that exists however if economic interests capture political institutions.

The separation of workers from their labor, the means of production, and each other through the division of labor, is what Marx coined as “commodity fetishism” (Tucker 1978, 321). In examining the welfare of society, the concept of the workers labor power being transformed into a commodity and how nations differ in managing labor resources is known as the Power Resources Theory. Esping-Andersen (1990) builds on the Power Resources Theory and notes that Marx and Lindblom both proffered that workers are not commodities because they must survive and reproduce themselves along with the societies with which they live. Esping-Andersen conceived of the inverse of Marx’s commodity fetishism; that is de-commodification, which Esping-Andersen explains is not the complete eradication of labor as a commodity, rather it is a concept that refers to the degree in which individuals, or families can uphold a socially acceptable standard of living independently of market participation. Esping-Andersen posits that when
people are commodified, while capital is strengthened, the individual worker is weakened. As a result, Esping-Andersen proffers that workers cannot afford to hold in the market until it rebounds; they have to formulate an alternative means to survive (Esping-Andersen 1990, 35).

The development of the social welfare policy was influenced by the need for workers to have survival mechanisms outside of the economic market.

The Power Resources (PRT) or Political Class Struggle theory holds that national partisan politics influence public policy. Subsequently, the Social Democratic theory holds that if a nation has a strong liberal Social Democratic party in power coupled with a centralized government, they in turn tend to adopt and expand their social welfare resources for citizens to a greater degree than a country such as the U.S. with a de-centralized federalist system (Esping-Andersen 1990; Amenta et al. 2001). Following, the absence of a U.S. “social democratic” party and the lack of strong organized labor as compared to its European counterparts, has allowed U.S. capitalists the organizing capability to constrain the government from furthering social welfare efforts and/or allows capitalists to pressure the government to create business friendly policies. The Democratic party have combined efforts with organized labor to assist to some degree with advancing organized labor and social welfare efforts; however business sectors have opposed them (Skocpol 1987, 357).

Esping-Andersen developed a typology of how conservative, liberal and socialist market welfare states respond to the dilemmas of de-commodification. Although all persons are not capable of participating in the market, in general, liberals seek to reconcile the needs of society with the goals of market participation or by offering means-tested social assistance; yet their preference is private insurance. On the other end of the spectrum, Socialists prefer a universal flat rate of insurance for all (Esping-Andersen 1990, 38). Esping-Andersen assigned de-commodification scores for advanced industrial nations based on their pension, sickness and
unemployment insurance programs’ potential for de-commodification. The clusters that emerged were that high de-commodification scores were found in mostly Social-Democratic European countries such as Sweden, Denmark and Norway. Medium to high de-commodification scores belonged to “Conservative-Catholic” or “estatist” regimes such as Germany, Austria and France. Low de-commodification scores were found in countries such as the United States and Canada as well as in countries with comparatively powerful labor movements such as Australia and New Zealand (Esping-Andersen 1990, 52).

While the power resources theory (PRT) (Korpi 1983; Esping-Andersen 1990) has done well to explain variations in social welfare policy amongst advanced industrial countries, the theory has been criticized however, because it did not consider the differences in gender in access to the market, and how the institutional rules established to identify eligibility and means-test social welfare resources disparately impact women that have no employment outside of the home, partial employment outside of the home and/or are the heads of single parent households (Orloff 1993). Building from Marshall’s (1964) conception of civil, political and social rights as three components of citizenship, PRT according to Orloff (1993) makes assumptions that civil, political and legal rights as well as political mobilization are equally accessible to all citizens. In examining how social stratification and de-commodification of labor differ amongst women and men, Orloff proposed adding more dimensions to PRT in order to assess states’ policy effects on gender relations. The additional dimensions include: access to paid work—this dimension captures the extent to which women, particularly married women and mothers, are assured employment which is a significant source of economic and political power. Some pathways to open up avenues for women’s employment could include quotas, affirmative action, job training and public child care as female labor participation is higher for women without children. Policies that allow women to assimilate back into the workforce after having a baby without the loss of
pay, benefits and clientele would also be beneficial as well as providing elder care benefits. Some countries such as Norway, Sweden, Finland and Denmark are very generous in their maternal and paternal leaves, yet the United States and Australia Orloff found to be less generous.

From a partisan standpoint, countries being led by a Social Democratic party in power, does not necessarily precipitate more women-friendly social welfare policies. For instance, when France was dominated by a conservative party in power, Morgan (2003) found that France was an outlier as it was one of the leaders amongst European countries; even social-democratic party led countries, in availability of child care services. Unlike other European countries with conservative governments, France has a low level of religious influence in politics and in society and this secularization of the political system contributed to policy initiatives favoring working mothers instead of maintaining traditional family roles supported Catholics and Christian democracies (Morgan 2003, 263–264, 270). Additionally, Lambert (2008) found that Left parties do not always prioritize policies that are supportive of women and working mothers (Lambert 2008, 322–323).

It was discovered that there is a more consistent relationship between union strength and support of women’s policies, yet an absence of strong unions does not preclude this support (Lambert 2008, 326). The findings additionally purport that more veto points are negatively related to maternal employment policies. While to a lesser extent than the veto points models, where high levels of employer coordination and centralization exist, there was a positive association with the existence of policies that support maternal employment (Lambert 2008, 326).

**Modernization and Convergence Theory**

Modernization theory provides that as societies develop economically and become more industrialized, workers become more reliant on incomes, and subsequently more reliant on the market. In a modern society, vulnerable workers are more at risk for income loss and there is a
greater need for social welfare systems to be developed. Workers are able to assist in paying for welfare benefits through income taxation. Vulnerable populations are especially reliant on social safety nets. As older workers age and are less able to work, they are more reliant. Poor, disabled, low-educated, low-skilled and low-wage workers may also be considered as part of the vulnerable worker category. These workers may be unemployed or underemployed and less able to find work during times of economic decline. The increase in single-parent households may also precipitate poverty and reliance on the market as well and a need for a social safety net. However, where modernization theory may fall short of fitting the U.S. as a case, is that it has been posited that the United States does not fit well into this “logic of industrialism” because the U.S. did not create policies to subsidize lapses in income from wages due to poverty, illness and unemployment in the same timing and to the same degree as other industrialized nations. The U.S. developed social welfare benefits such as pension, Social Security, Unemployment Insurance and other social insurances later than its industrialized counterparts (Skocpol 1987).

Convergence theory posits that as rich countries get richer and as they continue to industrialize, they develop similar economic, political, and social structures and to a certain degree, common values and beliefs. Wilensky (2002) makes a distinction between early industrialization and later continuing industrialization as he indicates that the threshold for a fully modern nation is where they reach the level of economic development where “roughly three-quarters of the modern labor force is no longer in agriculture (because of the extraordinary increases in agricultural productivity) and 40 or 50 percent of adult women are at work in nondomestic settings” (Wilensky 2002, 4). For reference Wilensky notes that, “In 1910, the U.S. still had almost a third of its labor force in farming. This is about where France was in 1946, Japan in the 1950s and the USSR in the mid-1960s” (Wilensky 2002, 4).
While Modernization/Convergence theory has demonstrated strong explanatory power in differentiating between poor and rich countries, and while economic measures matter, these theories have not explained the variations in spending patterns in social policy development amongst advanced industrial societies, post-war. In particular the United States is viewed as an anomaly seeing that although it is a relatively rich democracy, it lags beyond other capitalistic democracies in its social policy development over time and social welfare spending (Amenta et al. 2001).

Varieties of Capitalism

While the Power Resources Theory and Modernization theory are derivatives of structural approaches examining the relationship between the state and the market, in Varieties of Capitalism, Hall and Soskice (2001) take an actor-centered approach that emphasizes how multiple actors seek to advance their interests through strategic action with one another. They also offer a firm-centered approach that regards firms as critical actors in a capitalistic economy. Hall and Soskice state that their approach in the Varieties of Capitalism, is a step beyond the three perspectives on institutional variation, that have dominated comparative capitalism including the modernization approach, neo-corporatism and social systems of production (Hall and Soskice 2001, 2–3).

Hall and Soskice construct of a typology of industrialized nations that they term Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs). Nations that are categorized as LMEs coordinate their activities primarily via hierarchies and competitive market arrangements and they exchange goods or services in a context of competition and formal contracting. Furthermore, the equilibrium outcomes of firm behavior are usually provided by supply and demand conditions in competitive markets. Examples of LMEs include Great Britain
and the United States. In contrast, CMEs depend more heavily on non-market relationships to coordinate their endeavors with their actors and to construct core competencies. CME relationships entail more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks, and more reliance on collaborative, as opposed to competitive relationships to build competencies of the firm. The equilibria from which firms coordinate in CMEs are more often the result of strategic interaction among firms and other actors. Examples of CMEs include Germany, Sweden and Italy. Thelen (2001) concurs with Hall and Soskice that contemporary changes are not best understood along a continuum (deregulation culminating in convergence) but in continuing and increasing divergence from coordinated market economies (CMEs) to liberal market economies (LMEs), that is better captured through the Varieties of Capitalism approach that distinguishes different types of political-economic systems and explores the different institutional arrangements and behavioral logics that sustain them. Thelen also argues that divergences in outcomes in the types of economies at the macro level goes back to differences in micro-level strategies pursued by employers as they respond to the new terms of competition (Hall and Soskice 2001).

In assessing how firm relationships vary across nations, Hall and Soskice also note the role of institutions and organizations, the role of culture, informal rules and history, institutional complementarities, institutional infrastructure and corporate strategy. They assert the importance of studying institutions that focus on building capacities for the exchange of information, monitoring and encouraging cooperative behavior amongst firms. With institutional infrastructure and corporate strategy, although Hall and Soskice agree that markets and hierarchies are features of LMEs and CMEs, they believe that corporate structure varies across nations, depending on their coordination problems. They propose that in any political economy, firms are not fully in
control of the coordinating institutions with which they work. Because of self-interested actors, sometimes government intervention is required to induce measures of efficiency.

Hall and Soskice introduce five spheres in their development of a typological theory classifying liberal, coordinated, and hybrid market economies in which firms must develop relationships in order to resolve their coordination problems which are central to their core competencies (Hall and Soskice 2001, 7). Three of the spheres that are of interest in this U.S. state comparative state study are industrial bargaining relationships between employers and workers, investment in vocational education/training, and firm investment in and the development of employee competencies. Effective industrial relations are critical when firms face the problem of bargaining wages and working conditions with their labor force and the organizations that represent their labor force and other employers. Additionally, firms decide what specific skills to invest in and to what magnitude they should invest in their workforce to secure suitably skilled workers (training). The final sphere involves the firm managing its employees’ cooperation in order to advance their objectives (Hall and Soskice 2001, 6–7).

In expanding Varieties of Capitalism theory of labor market firm and actor-centered coordination, Thelen along with other scholars (Castles 2002) takes issue with globalization theories that view contemporary changes as part of a universal move on the part of employers to deregulate labor relations and that attributes cross-national differences in outcomes primarily to the differing capacities of unions to resist these changes (Thelen, in Hall and Soskice 2001) Thelen expounds that there are two important and pervasive changes over the past two decades: (1) widespread structural pressures by employers for more flexibility to respond to changing market conditions, sometimes though not always linked with a push for more decentralized wage-bargaining; (2) the substantive shift in the content of bargaining, away from macroeconomic steering and full employment policies of previous decades and toward greater emphasis on
production issues. Thelen asserts that both trends relate to broader developments than what other scholars have attributed to globalization and that their combined effect has been to reorient labor politics in the advanced capitalist countries away from labor’s traditional national distributional agendas toward employers’ firm-level concerns with productivity and efficiency.

The differences between LME and CME strategies are that LME employers search for flexibility at the plant level that brings them into conflict with overarching union structures. Collective bargaining institutions rests more on union strength than on employer organization and were always less encompassing than in the coordinated market economies. CME employers in contrast have sought (and largely achieved) changes in traditional bargaining institutions, that gives them greater flexibility in personnel and wage policy at the plant level. In these cases, however, overarching (sectoral) bargaining institutions have proved more resilient.

Thelen completed case studies of five countries: CMEs: Germany, Sweden and Italy, and LMEs: Britain and the United States. In the cases of the U.S. and Britain, employers were confronted by the unstable markets of 1980s and 1990s which left them with many opportunities to escape or curtail union regulation. Thelen confirmed King and Wood’s (1999) argument that employers in LMES that lack strong coordinating capacities of their own, prefer to deregulate relations with labor, as there are strong tendencies of LMEs to escape union regulation at all levels. However, Thelen posits that some firms that compete on the basis of quality and reliability may seek to foster cooperative relations with their workforces (yet not like CMES) in either an attempt to sideline unions completely, or failing that, to renegotiate union structures and rights in such a way as to bring them in line with segmentalism (breakdown of pattern or industry-level bargaining). Examples Thelen provides are enterprise or single union agreements in Britain and Human Resource management strategies in the U.S.
Thelen’s conclusions were that in regards to LMEs, although there is support for the deregulation theory, that employers are moved to eliminate collective representation to restore managerial freedom, in the U.S. and Britain there are also examples of employer initiatives designed to enlist worker involvement and to encourage shop-floor peace (practices and concessions such as long-term employment guarantees and personnel policies that favor internal over external flexibility (i.e., hire and fire).

Soskice (1999) questions why systems of industrial relations since the 1960s have profoundly lost influence in certain economies but not in others. Soskice proffers that in advanced economies in which business has been strongly organized, industrial relations have remained important (due to capacity, power, and interests in business in those economies). In contrast, advanced economies where business has not been well organized, and not had the “capacity to build or maintain institutional structures needed to incorporate effective employee representative bodies—governments have seen or come to realize the need for a reduction, sometimes dramatic, in the influence of unions” (Soskice 1999, 103).

Swank and Martin (2001) argue that the national organization of employers shapes support for social policy and business preferences among firms, and in turn, fundamentally affects social policy outcomes. Specifically, they argue that the centralization and cohesion or unification of employer groups and economic cooperation across enterprises positively affects social welfare provision. Organizations who coordinate and discuss problems that are affecting them as businesses then attempt to come up with collective solutions. Members of larger associations tend to think more about collective goods than individualistic or particularistic policies and are more geared toward coordinating with the government. Empirically, Swank and Martin assess the influence of business organization on social welfare effort in 15 developed democracies and the impact of employer coordination on active labor market policy (ALMP)
between the 1970s and 1990s. Swank and Martin operationalize employer coordination and business organization using an index of Employer Centralization, Employer Coordination, Enterprise Cooperation, Union Power Density-Central, and Collective Bargaining. Swank and Martin use the average country position of these index values to construct a standard score of centralization. While nations such as Canada and the United States scored low on their level of employer coordination, nations with social corporatist structure such as Finland Norway, Sweden and Germany scored high. Ultimately Swank and Martin find that employer organization affects the development of ALMPs and it influences the degree to which parties, especially social democratic parties pursue ALMPs. The organization of business matters for business preferences. Especially members of large associations of employers think more about collective goods than if they were not in an organized and had an increased level of coordination with the government. Their policy preferences shift from more particularistic to more collective in nature.

Hall, Soskice, and Thelen converge with the overarching theme that advanced industrial nations are clustered according to the institutional arrangements of their market economies. There are distinct strategies that governments may employ in a liberal market economy that may not be employed in a coordinated market economy. Additionally, the historical development of these economies cannot be easily reversed—they have existentially evolved over time and institutional structures are deeply rooted. However, with the liberalization of the global market and the economic exogenous shocks that have impacted all advanced economies, both LMEs and CMEs still need to determine what strategies to employ in order to survive in a globally competitive economic market. In order for the U.S. to remain globally competitive—the government, employers and other market as well as non-market entities are finding an increased need to coordinate their interests through collaborative efforts to revive labor and spur economic growth. Martin and Swank’s research particularly explores the political environment that provides
impetus or constraint to employers’ becoming more organized and forming strategic alliances and coalitions with the state and labor. Martin and Swank (2001) also correlate employer “organization” to spending on active labor market programs. In a receptive political environment, these alliances strengthen skill formation, foster skill and job development and sustainability and collaborations between business and labor and can foster greater stability in an ever changing economic market.

**Varieties of Capitalism Critiques – Statist Perspective**

Critics including Schmidt (2007) question the binary categorization of the Varieties of Capitalism (VoC) approach. Critiques include that that the varieties of capitalism theory is overly functionalist, with “its emphasis on complementarity and positive feedback effects from coordination making the system largely static, overly path-dependent and unable to account for institutional change” (Morgan, Whitley, and Moen 2005; Schmidt 2002; Molina and Rhodes 2006). According to Schmidt, the VOC literature has difficulty accounting for the full diversity of national capitalisms and is explaining institutional change as a result at least in part from its tendency to downplay state action and from its rather static, binary division of capitalism into two overall systems of liberal market economies and coordinated market economies.

The argument is that by diminishing state action or government policy intervention, the varieties of capitalism theory is incomplete. The VoC theory is then not fully considering the interactions and coordination between public and private actors in institutional contexts. Schmidt suggests at least three varieties of capitalisms: liberal, coordinated and state-influenced market economies. Schmidt acknowledges that revisions to VoC theory have addressed the stasis of the model by considering open systems or historical institutional incrementalism. However, rational choice institutionalism cannot fully explain the micro-foundations of institutional change fully
without consideration of state action and ideas and discourse (Schmidt 2007, 1). Further, in a review of cross-national government macroeconomic financial policies such as domestic control of the money supply or interest rates, Zysman (1983) theorized that the politics of adjustment have three parts, including: (1) State capacities to act in the economy, which sets the range of possible policy strategies; (2) A political settlement that distributes the gains from change and in so doing established which market pressures will be resisted; and (3) A political process by which distributional settlement is reached. The three models of adjustment Zysman proposes are (1) State-led, (2) Company-led, and (3) Tripartite-negotiated. These models embody “technical capacities for state action in industry, a political settlement allocating the costs of industrial change, and political process by which the settlement is reached” (Zysman 1983, 91). The state-led model of development is one in which the state adjusts the market by “imposing solutions on the weakest groups in the polity” (Zysman 1983, 91).

Again, the influence of the state as an independent force or actor in establishing economic and social policy cannot be left out of the analysis. In a more modern definition of the state, Skocpol notes that state roles and configurations are continuously changing based upon historical trajectories, the transnational competitive environment, geopolitical patterns, communication of ideas, the public policy process trade, world trade activities, divisions of production and investment policies and performance. Balancing domestic state decisions with transnational structural constraints are critical to the survival of “competing” states (Skocpol 1982, 90). The independence of state is based upon the state acting according to their own goals, even if it conflicts with social groups, classes, or society.

State power, according to Skocpol, has been used to implement social or economic reforms through welfare state, industrial and economic policies. In a nation’s financial and economic systems, studies have shown how states like Japan and France are more open to
industry level intervention while others have to contend with more macroeconomic manipulations such as Britain and the United States. State actions are relational—between social and economic interests of societies and the states’ ability to balance the state’s resources, whether the state can change behaviors or oppose demands of actors, the state has power over domestic and transnational non-state actors, to employ talent, and the ability to garner political support (Skocpol 1982; Zysman 1983).

According to Schmidt, the binary division of the Varieties of Capitalism theory is not able to reconcile country cases that don’t fit well into either ideal-type (Schmidt 2002). Some of these exceptional cases include “France, Italy, and Spain, all countries where the state actually plays, and has in the past played, a much more significant role than in the countries that are the ideals for VoCs in the way that Britain and Germany are” (Schmidt 2007, 3). Gingerich and Hall (2004), however, do address as well that some economies may fall in the middle of the two-dimensional space and assessed that the coordination between corporate governance and labor relations may not fit into ideal types (Gingerich and Hall 2004; Hall and Soskice 2001, 4). Therefore, not all nations fall into the pure liberal or coordinated market economy ideal types—there are overlapping dimensions. For instance, some nations underperform in coordinating efforts because they lack complementarities. Examples of mixed market economies (MMEs) are France, Italy, and Spain (Amable 2003; Hall and Gingerich 2004; Schmidt 2007). According to Schmidt, Italy, Portugal, Greece, and Asian (e.g., Korea, Taiwan and possibly event Japan) or “developmental states” can be included as state market economies (SMEs) (Schmidt 2007, 4). Coinciding with Gingerich and Hall and Schmidt, in Zysman’s (1983) typology, the state-led model is appropriate for Japan and France. The company-led model of development is appropriate where the government intervenes, yet primarily the market dictates the costs and
gains of change. Lastly, the Netherlands, Sweden and German have all had corporatist-type national bargaining or parapublic relationships, which are suited to the “negotiated” model.

Welfare Production Regimes

Soskice (Kitschelt 1999) specifies that a production regime is “the organization of production through markets and market-related institutions. It analyzes the ways in which the microagents of capitalist systems—companies, customers, employees and owners of capital—organize and structure their interrelationships within a framework of incentives and constraints or “rules of the game” set by a range of market-related institutions within which the microagents are embedded” (Kitschelt 1999, 102). Soskice explains that these incentives and constraints are summed up as the “institutional framework” of the production side of the economy. The most important institutions that contribute to the institutional framework are the financial system, the industrial relations system, the education and training system and the intercompany system (governing relations between companies) (Kitschelt 1999, 102). Estevez-Abe, Iverson, and Soskice conceptualize Welfare Production regimes as consisting of product market strategies, employee skill trajectories, and social, economic, and political institutions that support them (Estevez-Abe, Iverson, and Soskice 2001).

Estevez-Abe et al. distinguish between three types of skills associated with different market strategies. The first are firm-specific skills, that are gained through on the job experience and are more valuable to the specific employers who carry out the training and therefore they are the least transferable. Secondly, industry specific skills may be gained through vocational school or apprenticeship experience and/or certification and are recognizable within an industry. Lastly, general skills are the most transferable as they are recognizable by all employers. General skills acquired through U.S. universities, such as math skills, are used as an example of skills that can
be used across the board in the development of technology (Estevez-Abe, Iverson, and Soskice 2001, 148–149). However, production systems encompass all three types of skills.

When determining what skills to acquire, Estevez-Abe et al. posit that workers are rational actors and weigh the costs (e.g., time and financial cost of training, job instability) and benefits (wage premium of specific skills, job security) of acquiring new skills. Estevez-Abe et al. state that highly portable skills are less risky because they are not tied to any specific industry. Three types of institutions are necessary in order to protect investments in asset-specific skills including employment protection, unemployment protection, and wage protection. Estevez-Abe et al. posit that because workers will only be paid the value of their non-specific skills in the external market then the more they invest in specific skills (industry or firm) the larger the discrepancy there will be between current wages and the wages they could earn in the external market (Estevez-Abe et al. 2001, 150). Therefore, in order to make substantial firm-specific investments, rational workers need some type of security that they will be able to remain at the company long enough to gain benefits from their investment. If workers do not receive these assurances then the expense of training must be low and the guarantee of future wages higher (Estevez-Abe et al. 2001, 150). Job security is an important variable in the worker deciding whether or how much to invest in a firm, industry, or general market.

Countries with well-developed vocational schools allow students who are not academically strong to have a stable economic future. This includes firm-specific skill training and industry level vocational and certification programs. General education systems however, offer these students relatively little opportunities to advance their careers, do not provide them with incentive to work hard in school. However, general skill regimes are less institutionalized, more flexible in hiring and promotional and training opportunities are based upon the job performance of the worker. In a general skill system those who are academically weak gain low
returns from their general skills investment unless they can make it in college to continue their education; this dynamic creates an impoverished labor pool that is trapped in low-paid unskilled jobs (Estevez-Abe et al. 2001, 158). It is important to note as well that women are adversely impacted when they take breaks from the labor force to have children and take care of family members. In order to heavily invest in industry or firm-specific skills then women need assurances that their career interruptions will not lead to them losing their jobs such as maternity, parental and family leave policies or reducing their wage levels over the long-run such as income maintenance during leaves and guarantees of reinstatements to the same job and wage level upon return to work (Orloff 1993; Estevez-Abe et al. 2001; Morgan 2003; Lambert 2008).

From a comparative perspective, Estevez-Abe et al. predict that because of the structure of firms and circumstances in the historical development of welfare production regimes, some countries emphasize employment over unemployment protection or vice versa and that political opposition to strong employment protection systems are greater in countries with a high proportion of small firms. The profile that is created by Estevez-Abe et al. reveals that Anglo-Saxon countries and Ireland have weak employment and unemployment protection and work primarily within a system of general skills. Other nations combine high protection on at least two of the social protection dimensions with firm- and/or industry-specific skills. These nations consist of the continental European countries and Japan. It is also projected that Japan and Italy place a greater emphasis on employment protection and the creation of firm-specific skills while Denmark, the Netherlands and Switzerland project greater emphasis on unemployment protections and the production of industry-specific skills (173).

In Estevez-Abe’s arguments they reject Esping-Andersen’s decommodification theory that employment protection reduces workers’ dependence or the market or employers. Estevez-Abe argue that employment and income protection can increase workers’ dependence on certain
employers, as well as their exposure to labor market risks. This is because firms compete for certain combinations of firm-specific, industry-specific and general skills. Workers’ willingness to acquire these skills (especially with industry-specific and firm-specific skills) may be based upon the levels of social employment protections provided. Employment protection encourages workers’ investment in firm-specific skills and unemployment protection encourages workers’ investment in industry-specific skills. If both protections are lacking then workers’ are more apt to invest in general skills. Lastly welfare production regimes tend to be reinforced by institutions, collective wage-bargaining systems, business organization, employee representation and financial systems that impact employer and worker strategies and institutional complementarities influence a workers investment in particular skills. Ultimately, the overall distribution of income within advanced industrial societies is connected to their skill systems and wage-bargaining institutions.

**Politics of Globalization and Retrenchment**

With the economic and business markets globalized and the effects of economic upturns and downturns causing rippling effects around the world, there has been an increased reliance on the welfare state during times of economic decline, as well as a decreased ability to fund the welfare state. Scholars have questioned what factors provide impetus or constraint to growth or retrenchment in the welfare state. If convergence theory seeks to explain how world political and economic systems are converging during times of economic growth and decline, do all nations in fact act the same when confronted with similar economic and political challenges?

Pierson (2001) distinguishes between welfare state expansion that involves enacting popular polices in an environment of undeveloped interest group activity and welfare state retrenchment that requires legislators to pursue unpopular policies while being scrutinized by
voters and networks of entrenched interest groups. Pierson argues that the politics of retrenchment are distinct from the politics of welfare expansion first, because the political goals of policymakers are different—one group of policymakers are extending benefits and the other group are taking them away. Secondly, the political context varies as well. Welfare expansion is a credit-claiming activity. With welfare retrenchment, because there have been more “economic and political shifts to the right, and rising costs associated with maturing welfare states,” legislators (now more Conservatives) have to minimize political costs and convince their constituencies reform is necessary and manageable (Pierson 2001, 144–145). Pierson indicates that retrenchment is an exercise of blame avoidance (vs. “credit claiming” expansions) because the issues are concentrated and the costs to society are often immediate whereas the benefits are not. Informational interest networks are also more apt to be attached to and follow these concentrated interests as well, which can generate political action.

Pierson estimates that in many countries almost one half of the electorate receives some social program benefit (i.e., unemployment, social security and pensions etc. and that legislators will typically experience political backlash if they choose to directly transfer resources from program beneficiaries to taxpayers. Because of the strong coalitions of interests that form, there are “retrenchment advocates” that tend to compensate critical groups for their losses in some way and/or lower the visibility of reforms, by playing the “blame game” to divert attention or make it difficult for the voters to attach responsibility directly to the source (s) (Pierson 2001, 147).

When completing a cross-country analysis of two “neo-conservative” cases (Britain and the United States) and two cases of “severe budgetary shocks” (Germany and Sweden), Pierson confirms his hypothesis that there are serious electoral risks where countries attempt to aggressively and directly support welfare state retrenchment. In the case studies Pierson examined, he found that many programs have experienced a narrowing of eligibility and/or
reductions in benefits. However, even in hard economic times, it was hard to find occurrences of radical retrenchment. With countries that share powers amongst institutions such as the United States and Germany, Pierson assesses that it is difficult to propose radical change because it would require “acquiescence” of a number of political actors or veto points. In countries such as Britain and Sweden where there is concentrated political power, radical change is still difficult and constrained by the perceived electoral costs to policymakers.

While Hacker (2004) agrees with the assessment that large programmatic reforms in the U.S. have been quite rare, in Hacker’s conceptual framework he further identifies “covert” strategies that political actors within the American welfare state have adopted when trying to transform embedded policy commitments. These hidden strategies that actors may adopt facilitate policy change are not limited to means of “stealth, obstruction, and indirection” (Hacker 2004, 243). Hacker developed a typology of policy change which indicates four causal paths. According to the typology, Hacker indicates that the four modes of policy change are drift, conversion, layering and revision. Hacker theorizes that social policies have resisted political and economic pressures and at times efforts to update policies to new contemporary social risks have failed and this is when policies “drift.” When the ground level operation has shifted from their original goals this is policy “conversion.” When new policies and processes have been put in place to subvert this is termed “layering.” These subversive tactics have resulted in U.S. policy protections being eroded, although in the absence of dramatic policy reform. These tactics are especially likely when policies “lack powerful support coalitions and when program structures embody principal-agent relationships that leave substantial control over the delivery of benefits to actors other than the authorities charged with establishing policy rules” (Hacker 2004, 256). As an example, Hacker highlights U.S. conservative actors that he believes have an ability to “reframe debates,
block new initiatives, and create parallel paths” through incremental policy “drifts” without having to enact major policy reforms (Hacker 2004, 257).

Castles (2002) refutes assessments that global internalization and population aging has had a sizable impact on welfare state spending and completes a critical path analysis of total government outlays (spending) and total government social expenditures for 17 OECD countries. He finds a diversity of trends depending upon common historical, cultural and geographical ties. The two broad groups that emerged are Scandinavian and Southern European countries in which welfare state expansion was pronounced and the English-speaking world and continental Western Europe, with despite a few exceptions, expansion was more modest. Only Belgium and the Netherlands had a decline in welfare social expenditure. These results the Castles intimates are because “universalizing forces such as globalization have yet to dissolve national differences based on cultural and political preferences” (Castles 2002, 4).

Castles finds no clearly observable patterns in either Scandinavia or continental Western Europe of the “race to the bottom” (Castles 2002, 5). By contrast, in the English-speaking world, the downward trend, he posits may be due to greater success in political parties who are committed to neo-liberal ideologies. Lastly, an expansive trend appears in Southern Europe which the author suggests may be a consequences of these “late” democracies trying catch up with the rest of the OECD social infrastructure development (Castles 2002, 5). Castles references Paul Pierson’s (1994) work which concluded that governments find it difficult to cut-back welfare programs because of the support from the client constituent base. Castles finds that while globalization has small to moderate effects on welfare state spending, cultural and political preferences hold more weight.

Allan and Scruggs (2004) refute Pierson and Hacker’s account of the resilience of the welfare state. In alignment with Castles, Allan and Scruggs emphasize the impact of partisanship
Allan and Scruggs allege that Pierson’s seminal work used the anti-welfare administrations of U.S. in the Reagan era and Thatcher’s U.K. during the 1980s that were unsuccessful in retrenching the welfare state. However, Allan and Scruggs note that many structural demands on the welfare state such as “affluence, urbanization, secularization, democracy, de-familialization, and economic specialization—persist” (Allan and Scruggs 2004, 497). Leftist regimes tend to favor expansion vs. right-leaning regimes tend to favor retrenchment. They also find little evidence that institutional arrangements such as corporatism have constrained welfare state retrenchment in the last two to three decades. The authors also find negligible clear evidence that greater dispersion of power has constrained the expansion or retrenchment of welfare the state (Allan and Scruggs 2004, 509–511). Allan and Scruggs conducted an 18 cross-country and cross-temporal study and instead of using spending data that has been used in many welfare state studies such as the levels or change in levels of “total public social expenditure, total transfer payments as a percentage of gross domestic product, or, in the case of individual programs, programmatic expenditure as a percentage of gross domestic product (GDP),” they used entitlements for welfare state programs (Allan and Scruggs 2004, 497). Allan and Scruggs analyzed Unemployment and Sick pay programs utilizing net replacement rates that were adjusted for income taxes or social charges owed on the benefit based upon the net wage of the “average production worker” (Allan and Scruggs 2004, 499).

**U.S. State Policy Priorities**

**Federalism**

The U.S. federal system consists of the national and state governments as instituted by the Constitution enacted in 1789. The states have also empowered local governments (e.g., counties, cities, townships) to initiate and implement bureaucratic policymaking and service
delivery at the local levels. The country is also divided into congressional/electoral districts and precincts. Elazar (1966) defines federalism as:

the mode of political organization that unites smaller polities within an overarching political system by distributing power among general and constituent governments in a manner designed to protect the existence and authority of both national and subnational political systems, enabling all to share in the overall system’s decision-making and executing processes. (2)

The partnership that exists between national and state governments have been extended to include “political relationships that tie institutions, groups, interests and individuals together in the American political order, animating public-private relations as well as intergovernmental ones” (Elazar 1966, 3). Partnership involves the distribution of power amongst parties that according to Elazar should be termed as noncentralization versus decentralization given the constraints on the U.S. national government in centralizing and devolving power. Inherent in the single system of the United States is a “system of systems” (Elazar 1966, 3–4).

According to Elazar, each state has its own civil society and while the decisions are made by dominant interests in each state, there are unified issues that states’ citizens and leadership have a majority level of interest or consensus in such as state economic development and the voting procedures for state elections. While there are cross-pressures that exist within states and across states on many issues, states can rely on internal unity to fight against external pressures (Elazar 1987, 11). The three political processes through which intergovernmental collaboration takes place include territorial democracy that is evidenced through electoral districts and corresponding political subdivisions. The second channel is through the federal divisions of the courts where the Congress has established state courts that provide for common law. The federal courts review the appeals of state courts and state court decisions are superseded only by the Constitution or statutory federal law. The third channel is the political party system that is organized around the two major Democratic and Republican parties that culminate at the national
level during times of national election yet “the real centers of party organization, finance, and power are at the state and local levels” (Elazar 1966, 50). The parties are imperative in recruiting national and state party leaders to elect to political offices and organizing national and subnational politics (Elazar 1966, 48–50).

However, with the history of the U.S. declaring its independence from Great Britain and its Constitution rooted in limiting centralized national power and empowering states at the subnational level, Skocpol (1987) asks whether U.S. society is lacking a sense of state. It has been stated that the United States laissez-faire liberal values that stem from its Constitutional foundation and contributes to its unique political culture and does not allow for a strong sense of national statism. Skocpol (1987) compares the U.S. to Britain that has embodied these same liberal values yet adopted social welfare state measures prior to the U.S. Skocpol (1987) examines the U.S. development of the welfare state noting that other modern welfare states such as European states, began their programmatic development of social insurance program and pensions between 1880s and 1920s, whereas the U.S. had a late start developing most of its programs from the 1930s to the 1950s (Skocpol 1987). Prior to the 1930s the U.S. social system consisted of state-level provision of public education and worker’s compensation and benefits for Civil War Veterans and their dependents (Skocpol and Amenta 1986; Skocpol 1987). While Great Britain offered a wide range of social welfare protections (e.g., old age, disability, health insurance and unemployment) for its citizens after World War II, it wasn’t until the Great Depression or the “big bang” that the U.S. established the Social Security Act of 1935, that provides old-age and disability benefits to those workers that have paid into the system through payroll taxes and share the programs’ financing with employers that are assessed a tax as well.

Other states (e.g., Scandanavian) established “full employment welfare states by deliberately coordinating social policies, first with Keynesian strategies of macroeconomic
management, and then with targeted interventions in labor markets” (Skocpol 1987, 350). The U.S. also mandated that the states implement unemployment insurance programs in 1935. While unemployment insurance in the U.S. is funded by the state and federal governments, the states retain the power to determine the terms of payments, the taxation of workers, employers, or both and the eligibility for benefits. However, the diversity of rules and funding schemes for unemployment insurance at the state level eventually led to an imbalance of benefits and taxation rates across the states (Skocpol 1987, 351). During the 1960s “War on Poverty,” the U.S. followed with the Aid to Families with Dependent Children and the same as with Social Security, provided some redistribution from upper and middle-class income to lower income citizens. During the 1960s, the U.S. also instituted Food Stamps and Medicare. The U.S. social welfare system is primarily means-tested and contributory through taxes. However, with reliance on taxation, the government has indirectly acted by providing tax incentives and subsidies and in some cases, to third parties such as businesses, nonprofits and associations (Skocpol 1987, 352).

**American Exceptionalism**

When scholars discuss the welfare state and its ability to be able alleviate economic pressures from citizens when there are labor market insecurities, the United States is often viewed as an exception to other advanced industrial societies such as Western Europeans that instituted social insurance programs earlier and with universal benefits. The U.S. has been viewed as a backwards outlier and examined not only at the national level, but at the state level for cross-comparisons (Skocpol and Amenta 1986; Quadagno 1987; Orloff 1996; Thelen 1999; Amenta et al. 2001). When U.S. expenditures are analyzed from an historical perspective cross-nationally and at the state-level, “the image of American social policy is one of stinginess and backwardness” (Amenta et al. 2001, 215). When social welfare expenditures are measured as a
percentage of GDP, the U.S. has “spent less effort on social policy than major capitalist
democracies in the postwar era” (Amenta et al. 2001, 215). Historically many other countries
adopted social welfare benefits in the late 1800s to early 1900s. The U.S. in comparison only had
worker’s compensation before 1935 and after which during the New Deal Social Security and
unemployment insurance in 1935. Of most advanced industrial countries have a universal health
care system, and the U.S. is just now making headway in that area (Amenta et al. 2001, 215).

However, despite the piecemeal, primarily means-tested social welfare system developed
by the U.S. and retrenchments in the last two decades, Amenta et al. argue that America should
not be treated as exceptional and requiring separate explanations. Amenta et al. assert further that
cross-national and state-level studies need to be undertaken from an historical perspective that
can provide general theories applied in different settings (Amenta et al. 2001, 214). According to
Amenta et al., the modern welfare state, including the American state “now devote themselves
mainly to the maintenance of incomes, the treating of the ill, and the provision of services to
citizens rather than the traditional pursuits of warfare and coercive control over subject
populations” (Amenta et al. 2001, 213).

Dobbin (2002) takes an institutional perspective in examining labor policy comparatively
and studies policy arenas across most of the twentieth century. Dobbin notes what he calls
America’s state institutional exceptionalism in providing corporate tax incentives and structuring
corporate regulations that precipitates a consistent corporate response (Dobbin 2002). In
examining comparative labor policy, Dobbin posits that if labor unions are excluded from key
roles in managing labor market and social insurance systems such as in the United States, union
membership and administrative capacity decline. By the same token, the responsibility of
administering social coverage rests in the hands of private employers, for example in Sweden, the
employers establish strong “internal bureaucracies” that not only administer social protections but become advocates for expanding private benefits (Dobbin 2002).

Dobbin proffers that although scholars have attributed America’s exceptionalism to its unique individualistic culture, “anti-socialist” and “anti-union sentiment,” America’s weak political party structure, weak labor unions and weak institutions instigate this political culture. However, although these characteristics are presumed to not foster the growth social protections Dobbins proposes that since the 60s, new regulations have been instituted to encourage private employers to extend protections and they do not depend on strong working-class organizations or a strong state. Therefore, Dobbin posits that the third component of American exceptionalism—weak social insurance—has transformed as state policy is active in producing social insurance systems based on employment rather than citizenship (Dobbin 2002, 71).

Dobbin states that although Marshall envisioned social protections based on citizenship alone, that even when the American state has developed its own social programs such as old age insurance, health care for the aged, and health care for those in poverty—there is actually a 2-tiered system in which the population that is employed, or formerly employed maintain a higher level of benefits. A third tier, according to Dobbin, has been established unintentionally. Federal policy requires employers to extend benefits to all employees, or to face tax penalties. Employers in turn have responded by developing a third tier between the categories of employee and non-employee that includes contract, temporary, and part-time workers that are ineligible for benefits. The “non-employee” category has grown since the 1970s (Pfeffer and Baron 1988). However, because benefits programs are mainly voluntary (at this point—the Affordable Care Act of 2009 will change some of the voluntary stipulations), then many firms do not choose to provide coverage (Dobbin 2002, 72).
Quadagno argues that the U.S. is transitioning from a welfare state steeped in traditions of a social welfare model to more of a neoconservative ideological model (Quadagno 1999, 4). Quadagno posits that “policy by stealth” (Pierson 1994; Quadagno 1999, 4) are at hand and that, although as Pierson asserts, overt cuts to benefits have political risks, by reframing topics to appeal to what the public deems in their best interest and focusing on technocratic changes, for instance in benefit calculations, cutbacks can be concealed (Quadagno 1999, 4; Pierson 2001; Hacker 2004). Quadagno is proposing that the U.S. is going through a third welfare state transition. The first was the New Deal, the second was the 1960s Great Society reform and now the U.S. is transitioning to a capital investment welfare state that is resulting in a conservative shift to promoting savings and investment versus an insurance system for workers and their dependents. Quadagno purports that evidence of this shift can be found in the promotion of medical savings accounts and attempts to privatize Social Security. Skocpol addresses the welfare capitalism thesis advocated by such scholars as Quadagno (1984) that proposes that capitalists developed businesses and organizational management and social policy schemas prior to a social insurance system being developed by the public sector. The theory purports that capitalists then impressed their ideals upon public officials and therefore the social welfare system was designed to support big business. Skocpol (1987) responds that historically businesses have always fought against welfare state expansion and that the evidence for this thesis is not generalizable.

Moreover, Skocpol posits that what is not being considered in studies that respond to differences in American social policymaking are the “regional, ethnic and racial divisions” that exist in the U.S. federal state (Skocpol 1987, 357–358). Skocpol defines state formation as “constitution-making, involvements in wars, electoral democratization, and bureaucratizations—large scale historical processes.” Unlike its European counterparts, the U.S. did not develop a centralized, bureaucratized state with parliamentary parties geared towards advocating for class-
based policies. Under the U.S. constitutional federal republic, courts and parties started out as primary arbiters of disputes and became institutional forces in policymaking (Skowronek 1982; Skocpol 1987, 359). The fragmentation of the institutional separation of powers, decentralized party system and the influence of interest groups, have prevented centralized organization and for capitalists and industrial workers to form political alliances (Skocpol 1987, 363). Trade unions had no stable base in a political party during the time European social democratic parties were forming. Therefore, the negotiation of wages and labor were viewed by the American people as separate from their political rights. U.S. corporate interests were able to form and align on a national level, and businesses as well as others can always revert to the courts as arbiters. From an historical and regional standpoint, the advent of White male suffrage only, the agricultural elite interests of the South, and their interest in preventing labor organization must be considered. Also the organization of patronage political parties and their influence on policymaking has had an effect (Skocpol 1987, 363—364). Skocpol posits that these historical, structural and political elements have allowed federal, state and regional democracy to be uneven (Skocpol 1987, 367).

**U.S. National and State Political Culture**

The study of contemporary political culture goes back to the 1950s where scholars were attempting to assess a nation’s “national culture” (Almond and Verba 1963; Inglehart 1977). Two approaches that have evolved out of the study of political culture are national or macro level variations that follow the comparative politics school. The other school is the study of sub-national culture in American politics that analyzes political and cultural differences across the U.S. states and localities. Although on a national level, American political culture is “generally positive (i.e., Americans are optimistic, forward-looking, energetic, pragmatic, and whatever),”
subnational studies developed from scholars are seeking to systematically test national propositions (Elazar 1980).

**U.S. Subnational Political Culture**

Elazar’s (1966) concept of the three political cultures of the American states are individualistic (I), moralistic (M), and traditionalistic (T) cultures. The individualistic culture is one where the role of the government is viewed as utilitarian and it is in place to manage the functions that the people require of government. In this conception, the government advances the “democratic marketplace” by focusing on the economic realm and not on creating a “good society” beyond conducting functions that are in the common good of society. Political parties in the individualist culture are viewed as an organizational mechanism for individual activity in the political system (Elazar 1966, 86–87). While all Americans share some values of the individualistic culture, theoretically and operationally some cultures fall into the moralistic culture that promotes the communal good of society by nongovernmental and the governmental forces intervening into the “private sphere” in order to ensure the good of society based on what the public is concerned about. Good government in the moralistic culture is measured by “the degree to which it promotes the public good and in terms of honesty, selflessness, and commitment to the public welfare of those who govern” (Elazar 1966, 90). The political party is viewed as a “political device” but parties are interchangeable if they can be used to gain “larger political goals” and nonpartisan systems can be just as effective (Elazar 1966, 91). Moralistic culture allows for greater government intervention into both societal economic and social life.

The traditionalistic political culture embodies more of a “paternalistic and elitist conception of the commonwealth” (Elazar 1966, 92). While the traditionalistic culture accepts the government role in promoting good in the community, this role is diminished with the higher goal
being to maintain the social order in effect to be able to maintain the center of power amongst a small group of political elite. These elites have a sense of entitlement to power based upon their family and/or social connections. Political parties are viewed as minimally important as they at times conflict with maintaining the existing social order (Elazar 1966, 92–93). Using historical analysis and examining migration streams, Elazar provided direction for what states should be identified with his typology of cultures. In general, Southern states tend to be more traditionalistic. The middle and southwestern states are primarily individualistic and the far North, Northwest, and Pacific Coast are moralistic. Some states share hybrid political cultures (Elazar 1966, 109–110).

Some of the considerations Elazar points out which scholars must be methodologically cognizant of are how we measure and interpret systematic studies of political culture. Scholars must also recognize that political and cultural ideologies and attitudes change over time. Political culture is not static and has to be re-evaluated and re-tested. It is also possible to have general cultural change without political cultural change, and vice versa. As times change we must also consider the relationship between religion, ethnicity, and political culture especially in a time of “heightened religious consciousness” for not only Americans but worldwide. There has also been a diversification in the population, especially amongst Hispanics. Longitudinal studies are required to systematically understand these relationships (Elazar 1966, 137–138).

Nardulli operationalizes Elazar’s political subcultures at the individual level using survey-type data. Nardulli develops two more traditional categorizations of Elazar’s subtypes based on geographic locale and race and ethnicity. Nardulli finds that although Elazar identified some of the important aspects of political culture, his cultural groupings have little empirical foundation (Nardulli 1990, 287). Nardulli notes that Elazar’s “scheme has at least four basic dimensions: (a) the role of government in the political order; (b) the role of citizens in the
political order; (c) the role of parties, principles, and elites in the political order; and (d) views toward bureaucracies” (Nardulli 1990, 293). Nardulli utilized these four basic dimensions of political culture and created a forced-choice telephone survey method based on a Likert-type scale. The survey queried respondents regarding their social background, their support for a variety of public goods and services, their level of political participation, and their partisanship. The responses were matched up to Elazar’s typology of individualist, moralistic and traditionalistic cultures as they corresponded with his four basis dimensions of culture. The survey was administered in the summer and fall of 1986 to five sample populations in Illinois, the state in which Elazar did the majority of his field research for Cities of Prairie (Nardulli 1990, 292–293). In a correlational analysis, Nardulli found that there were virtually no associations between respondent choices across dimensions. Nardulli analyzed two additional measures—one of that was used in Elazar’s historical analysis of migration—geographic region and Nardulli also added religion and found that using geographic data, nearly 80% of the respondents were classified as Individualistic and by using demographic criteria, over two-thirds of the classifiable respondents were Individualistic. However, there was no significant relationship across the two measures. There was also little correlation between the four basic dimensions and geographic and demographic measures (Nardulli 1990, 295–296).

To see if behaviors would be detected when measured in an alternate manner, using factor analysis asked respondents whether they would be in favor of decreasing, increasing, or maintaining the level of taxes and spending as it relates to clusters of “underprivileged activity” (e.g., helping the poor and providing health care for the poor, and combating racial discrimination); government “regulatory activity” (e.g., regulate industry, protect consumers, and protect public morals). Nardulli found there was a significant relationship between the “role of government” categorization and Elazar’s expectation on the scope of government. Traditionalists
as expected responded with the lowest support for government activity and help for the underprivileged, Moralists did not score has highly on support underprivileged activity yet, had a greater degree of support than the other categorizations for governmental regulatory activity. Also as expected, Individualists scored highest on the economic development measure (Nardulli 1990, 298).

Although many individual behaviors did align with Elazar’s constrained belief system, when testing Elazar’s theoretical model of state-level political culture Nardulli did not find internal coherence in the model. Even when geographic and demographic indicators were examined at the individual level internal incoherence persisted. Nardulli noted that other macro level and sub-state level studies found inconsistencies with Elazar’s culture categories (Elazar 1984, 302). Citing Sharkansky’s (1969), Elazar-Sharkansy scale, Nardulli states that the theoretical concept of sectionalism needs to be dis-aggregated with replicable measures. In Sharkansky’s bivariate analysis, the explanatory power of Elazar’s culture variables were reduced by almost 80%. This study provides evidence that ethnographic and survey research—combining historical, cultural and political variables (Elazar 1990, 306).

Erikson, Wright, and McIver (1993) indicate that the cultural mappings of Elazar are comparative but “largely impressionistic” in assigning cultural influences in a contemporary sense (Erikson, Wright, and McIver 1993, 48). Erikson et al. (1993) indicate that they are unable to distinguish Elazar’s traditionalistic classification from southern regionalism. They also find that Elazar’s classifications of moralistic and individualistic states are not predictors the cultural components of partisanship and ideology in their own ideological modeling. They only account “for a trivial 2 percent of the cultural component of partisanship and 6 percent of the cultural component of ideology” (Erikson et al. 1993, 69). Erikson et al. attempt to provide an adequate measurement of citizen and governmental preferences across that U.S. states that includes
elements of political culture. Some of the influences along with partisanship and ideology that need to be considered are demographic variables including education, income, age, race, religion, gender, geographic region and union membership. At the individual level, the geographic state of residence, and demographic variables produce at least as much variation as partisanship and ideology (Erikson et al. 1993, 71).

Erikson et al. test Elazar’s political categorization with their state and citizen ideological model by measuring the three subcultures with individualistic states serving as the base category. In evaluating whether the subcultures have an impact on party elite ideology, legislative partisanship and policy liberalism (their base model), they find that the traditionalism measure is negative indicating a negative trend for traditionalistic southern states. When testing whether liberal moralistic states are more ideologically liberal than the base category of individualistic states, the tests fails, confirming the operationalization of Elazar’s categorization. Elazar’s subculture typology explained “27 percent of the variance in state opinion, but this reflects the liberal-conservative difference between the North and the ‘traditionalistic’ South, and little more” (Erikson et al. 1993, 158). When examining the effect of Elazar’s subcultures on state policy independent of state opinion, Erikson et al. find that the traditionalistic subculture significantly predicts policy conservatism, accounting for 46% of the variation in policy. However, state opinion by itself accounts for 67% of the variance. The moralistic subculture predicted liberal policies, however the findings were insignificant. There is statistical significance in the relationship between moralistic states and party elite liberalism, however, after controlling for state opinion. This is the only test in which moralistic culture is significant, yet this is impactful as it influences the behavior of elites (Erikson et al. 1993, 158–161). However, Erikson et al. indicate that other factors need to be considered such as traditionalistic states follow historical southern cultural expectations and individualistic states represent models of Downsian pragmatic
politics. However, Moralistic states represent an important distinctive variation in political culture. However, Erikson et al. view Elazar’s model is more of a theoretical construct and not necessarily causal (Erikson et al. 1993, 175–176).


Some research has found that partisan characteristics (partisan impact hypothesis) are insignificant in determining state policy outputs especially as compared to state socioeconomic factors (Dawson and Robinson 1963; Dye 1966; Lewis-Beck, 1977). In examining how partisan control of the governorships (policy positions) and state legislatures (roll call votes) influence spending priorities for 38 states from 1945 to 1978, Garand (1985) uses multiple interrupted time series to analyze expenditures for education, highways, welfare, and health and hospitals. Using factor analysis, Garand examined the level of partisan differentiation, meaning the importance of interparty conflict and internal cohesion as a measure of institutional strength. Garand divided states into three levels of policy differentiation: (1) High policy differentiation and high governor strength, (2) Low policy differentiation and low governor strength, and (3) Mixed states representing all other cases. Garand found only mixed evidence that institutional (i.e., gubernatorial) strength facilitated the relationship between partisan change and shifts in spending priorities. This may due to “strategic considerations and capabilities of the governor’s office to translate partisan change into immediate or graduate spending change,” over time (Garand 1985, 381).

Fitzpatrick and Hero (1988) studied the relationship between political culture and party competition using Elazar’s 9-point categorization of states and a measure of party competition developed by Patterson and Caldeira (1984). This measure of party competition is comprised of the degree of closeness between political parties in both votes and offices achieved in state
elections from 1970 to 1980. A high score indicates a high degree of partisan competition (Fitzpatrick and Hero 1988, 146). They used Thomas Dye’s (1984) dichotomous measure of policy-relevance. According to Elazar (1984), moralistic states have the greatest concern for the content of public policies. Fitzpatrick and Hero note that Joslyn (1980) found a greater level of issue content in political campaign ads in moralistic states versus individualistic states, differing in the nature of competition. Using correlational analysis, Fitzpatrick and Hero found that moralistic states trended towards more party competition than traditionalistic states and the competition was found to be more policy relevant. Merit systems were used more frequently in moralistic versus individualistic states as well. Moralistic states provided a greater diversification of policy innovation and economic equality among its citizens, consistent with Elazar’s categorization and Fitzpatrick and Hero’s hypotheses. However, in terms of institutional processes, hypotheses were un-confirmed. Measuring centralization of the use of mandates for political outcomes was not significant (Fitzpatrick and Hero 1988, 151).

Jones (1990), employs a disequilibrium-adjustment model to ascertain the variations amongst states in the supply of public polices they use that attract (or repel) economic growth. Five of the largest expenditures in state and local budgets combined are education, highways, welfare, police and fire, and health and hospitals (Jones 1990, 221). Jones hypothesizes that although health and hospitals are social consumption costs, welfare expenditures would most likely be more detrimental to growth because they are viewed as a social expense to maintain labor peace (O’Connor 1973; Jones 1990, 223). The other three categories of education, highways and police and fire are viewed as both investment and consumption functions. The expenditures were operationalized through net business establishments created (lost), net employment gains (losses), changes in personal income, and changes in per capita personal income (Jones 1990, 223–224). Jones finds that state spending on welfare is “negatively related to economic growth
for business creation, for employment, and for personal income change, and is negative for two of
the four coefficients in the case of per capita income” (Jones 1990, 229). Most of the findings
were consistent with the general hypotheses as welfare spending, and perhaps health and hospital
funding tend to detract from economic growth. Education and highways added to growth in some
periods and detracted from growth in others (Jones 1990, 229).

Quaile-Hill and Leighley (1992) hypothesized that the greater the degree of upper-class
bias in a state’s electorate, the greater the degree to which redistributive policies will favor the
interests of higher-income citizens. To measure class bias Quaile-Hill and Leighley considered
families with incomes of $50,000 or more as wealthy relative to families with $12,500 or less as
poor. They used 1984 voting turnout data and 1986 data for states that hold gubernatorial
elections only in presidential years. To calculate the political representation of both groups they
divide the percentage of a state’s voters who are wealthy (or poor) by the percentage of the state’s
adult population which is wealthy (or poor). They multiply by 100 to obtain class bias scores
(similar to what Wolfinger and Rosenstone, 1980, used). They found that there were states that
had more class bias (e.g., Kentucky, New Mexico, Texas, and Georgia), and states with a more
balanced representation (e.g., New Jersey, Minnesota, Louisiana, Illinois, and Nebraska). Quaile-
Hill found that class bias was only modestly related to the aggregate level of turnout as turnout
accounts for 16% of the variation in class bias (Quaile-Hill 1992, 354). Quaile-Hill measured the
impact of class bias on redistributive policies by constructing four measures of generosity of
public welfare benefits (AFDC) supported by indigenous state and local government expenditures
(Albritton 1990). Quaile-Hill found that low turnout and high-class bias are only modestly
related. Quaile-Hill also found that class bias in state electorates is systematically related to the
degree of redistribution of state policies. This finding was important because political
participation is needed by the poor in order to impact social welfare policy. With national and
state politics reflecting an upper class bias and voter turnout having declined overall since the 1960s, these findings are concerning, as only institutional mobilization of the poor and their increased political participation may offset this bias (Quaile-Hill and Leighley 1992, 363).

Grant and Wallace (1994) extend Gordon, Edwards, and Reich’s (1982) historical framework for the analysis of social structures of accumulation to explain state-level economic development. They construct a pooled, cross-sectional, time series analysis of state-level manufacturing growth rates for the period from 1970 to 1985. Grant and Wallace explore the impact of state debt per capita, federal transfers to the state per capita, average state-level monthly AFDC payments, average state-level weekly unemployment benefits, partisan outcomes of Gubernatorial elections, union membership and labor militancy on the manufacturing growth rate, or annual percentage change in manufacturing employment in a state. There were also control variables. Five dummy variables capture oscillations in three business cycles, spanning a 15-year period including the periods of 1971–1973, 1974–1976, 1977–1979, 1980–1982 and 1983–1985 with the reference category being 1970. Grant and Wallace find that manufacturing growth is related to several dimensions of states’ political economies including state fiscal capacities, the organizational capacity of labor, social wage policies, and state political/electoral context. Findings suggest that state-sponsored economic development policies have minimal effects.

Gordon et al. (1982) outline three specific social structures of accumulations in the history of American capitalism—proletarianization, homogenization, and segmentation. They note that the years since 1970 have represented sluggish growth and the dissolution of the postwar capital-labor accord and the decay of the social structure of accumulation called segmentation. Wallace and Grant (1994) developed a concept that extends Gordon et al.’s thesis
and centers on employers’ elevated use of “spatial relocation and threats of relocation as the key labor control strategy since the 1970s.” In particular:

the real or threatened use of capital flight as a tool to discipline labor becomes viable due to: (1) the increased fragmentation of work tasks into simpler components and a highly integrated division of labor that allows different work tasks to be performed in different locations; and (2) advanced transportation and telecommunications technologies that enable capitalists to coordinate and control diverse labor pools in far-flung corners of the U.S. and the world. (Grant and Wallace 1994, 37)

As manufacturing jobs have declined along with the middle-class in the last two decades the U.S. has transitioned to a postindustrial, service-based economy. Grant and Wallace indicate that because the declining effects have been distributed unevenly across the American states, competition has increased amongst state and local leaders to retain and gain manufacturing jobs. In what they term as the era of spatialization there are increased opportunities for employers to expand or contract their businesses, and to exit a market. Wallace and Grant’s results of their statistical analysis of manufacturing growth for 48 states provides support of this spatialization argument that manufacturers pay attention to a states’ economic health and benefits such as tax subsidies when determining whether to locate to a state and suggests that they avoid states that have undesirable conditions (Grant and Wallace 1994, 57–58).

In addition to institutional rules and self-interested actors influencing private sector market-firm-societal relationships, Jacoby and Schneider (2001) and Amberg (2004) argue that in the U.S. state comparative context, we must also account for the state-wide, regional and sectoral agency of culture, interest group influence and public opinion on state policy priorities as well. At a state-level, Amberg (2008, 165) posits that within the last 25 years the U.S. states have had to intervene in the economy by investing in the labor market through training and additional services for the unemployed, higher education, income support programs, employment law changes and administrative reform in order to assist their economies in achieving prosperity in a globalized marketplace.
Instead of focusing solely on how institutional rules have helped to establish a distinctive path for economic development, Amberg (2001) posits that we must also consider the influence of individual agency and historical American political development. These historical legacies are prevalent on both the national and state levels as both levels of government respond to economic competition. States also vary in their political culture, interest group organization and institutional constraints. From a labor market standpoint, states also differ in their labor market policies including workers’ rights, income security and workforce development. Additionally states have distinct bargaining relationships between unions and employers (Amberg 2001, 166–168).

Jacoby and Schneider (2001) examine the variability in policy priorities across the American states in the ways that state governments allocate resources to meet societal needs. Jacoby and Schneider posit that states have different policy priorities depending upon the problems and issues that each respective state is faced with and they allocate resources accordingly. Jacoby and Schneider construct a spatial analysis model using 1992 data of state expenditures on a broad range of policy areas (e.g., social, economic and health needs and collective resources such as police protection). They also factor in the influence of interest group activity and public opinion on state policy priorities into their analysis.

Jacoby and Schneider posit that states that are located closer to the left are states that are typically known as policy innovators and leaders in proactively creating policies to address social problems such as Massachusetts, New York, California and Michigan (Jacoby and Schneider 2001, 555). Those states located on the right side of the spectrum are states such as Wyoming, Montana and North Dakota that are known to be more cautious in terms of governmental intervention into the economy and social issues. Correspondently, the states that spatially aligned more to the center of the continuum are states such as Missouri, Florida and Nebraska that are more moderate in their policy actions and states that are primarily actively involved in specific
substantive policy areas versus a broad range such as Hawaii that is proactive in health care policy and Wisconsin, a state that is known to have had success in welfare reform (Jacoby and Schneider 2001, 555). States that reflect more consistent policy orientations are located to the left or right of the more centrally situated states.

The results indicated that states with larger numbers of Democrats tended to focus more of their programmatic resources on particularized benefits to needy groups. Electorate ideology was insignificant. Interest group activity was a powerful influence on state spending priorities as group strength, interest group diversity and the size of state government were all significant. The results show that “smaller numbers of groups (relative to state economies) and more narrowly concentrated group interests both increase the salience of particularized benefits within state expenditures” (Jacoby and Schneider 2001, 560). State size had the opposite effect of the other interest group indicators. As the number of bureaucrats increased (relative to state size) there was an increased support for collective benefits such as housing and community development and law enforcement. The results were consistent with the theory presented. The Northeastern states were more likely than the Midwest to support particularized benefits while the South and West when compared to the Midwest reflected an orientation toward channeling resources to policy areas that had more collective benefits. However, the South was not significant.

Jacoby and Schneider conclude that states at all levels of fiscal well-being confront the same basic budgetary trade-offs between policies that support combinations of collective goods and/or particularized benefits. However, states do not devote equal resources to these combinations. An example provided is that private interest group communities have a relatively concentrated policy focus and they pressure state governments towards prioritizing spending toward particularized benefits. On the other hand, governmental interest groups in the form of state bureaucracies tend to channel resources toward collective goods. A concurrent pressure is
that public opinion as measured by mass partisanship affects the degree to which state
governments are attentive to needy constituencies within their populations as well. Jacoby and
Schneider’s empirical results overall show that “state-level policy priorities are both highly
structured in their content and responsive to the demands that are placed upon them” (Jacoby and
Schneider 2001, 564).

**Vulnerable Populations and Race Politics**

According to Skocpol, as most Black Americans could not vote until after the 1930s or
after the Civil Rights Movement of the 1960s, Skocpol notes that “the United States was—
paradoxically—both the first and the last to democratize its electorate amongst the longstanding
capitalist democracies” (Skocpol 1987, 367). Skocpol further asserts that the United States until
the 1960s had a “regionally bifurcated federal polity: a mass two-party democracy in the East,
North, and West, coexisting within the same national state with a single-party racial oligarchy in
the South” (Skocpol 1987, 367). In describing the moralistic political culture of the south Elazar
indicates that in this region, Blacks were denied their civil rights and without checks, elite lead
political systems are able to evolve into autocracies (Elazar 1966, 109).

After the 1960s although Blacks were becoming incorporated into the Southern
electorate, the current social welfare system was developed during the 1930s, during a period of
disenfranchisement. Accordingly, the

social security state was not equipped to handle the needs of poor; including vulnerable,
working-age Blacks. Liberal Democratic efforts have not been enough to stave off
Conservative efforts to combat redistributive social policy advancement leaving
impoverished people, including many blacks, increasingly isolated in national politics.
(Skocpol 1987,387)

Lieske (2010) argues that the role of culture is encompassing because not only does it
“shape our racial, ethnic, religious and social identities,” it is how society identifies social
problems (Banfield 1970; Dreitzel 1977; Wildavsky 1987; Huntington 2004; Renshon 2005; Lieske 2010). Culture also provides social norms and affects the level of social, racial and ethnic inequalities that will be tolerated in American society (Hochschild 1995; Hero and Tolbert 1996; Hero 1998, 2003) and influences political organization and activities at the national and state levels (Elazar 1966, 1994; Lieske 2010, 538). However, Lieske distinguishes political culture from political ideology in that ideology “specifies the types of policies that government should pursue” whereas culture “specifies how government should operate” (Wilson and Dilulio 1998, 87; Lieske 2010, 538).

Historically dominant groups that have migrated to geographic regions have institutionalized their political and social preferences and have established jurisdiction. However, with immigration increasing since the Immigration and Nationality Act Amendments in 1965, now “one in every eight Americans” is an immigrant and we are “growing faster than any other industrial democracy” causing cultural change and disturbing these deeply rooted centers of regional culture and political and social control (Camarota 2007, Lieske 2010, 540).

Hero and Tolbert’s (1996) central argument is that racial and ethnic diversity or lack of diversity, bridges economic, political and cultural explanations of state level variations in state politics (Fitzpatrick and Hero 1988, 150; Dye 1969). While race is central in the analysis of Southern states, race and ethnicity have been found to be significant in many state politics studies (Gray 1990; Lieske 1993; Sullivan 1973; Luttberg 1992). Outside of major minority groups such as Latino and African-Americans, Hero and Tolbert measure differences between non-northern and non-western Europeans within a state as well (Erie 1985; Wolfinger 1974). They find that there are patterns of diversity across the U.S. states: some states are relatively homogeneous and have very small Black and Latino populations and few “White ethnics” (i.e., non-northern and non-western European whites). However, they divide non-homogeneous states into two
categories: heterogeneous states with significantly large minority populations and bifurcated populations consisted large numbers of Black and/or Latino and large White ethnic populations (Hero and Tolbert 1996, 853).

Hero and Tolbert posit that although their diversity typology parallels Elazar’s political subcultures classification, Elazar’s classification does not significantly consider racial and ethnic diversity (Elazar 1984, 1994; Lieske 1993). They contend further that “political culture conceptualization masks and may even be a surrogate for state racial/ethnic diversity” (Hero and Tolbert 1996, 853). Hero and Tolbert indicate that racial and ethnic diversity shapes the values that people hold within them (Elazar 1984). Also due to changes in racial diversity since the 1960s in Latino and Asian populations, racial/ethnic diversity must be considered in a contemporary context.

In comparing their findings for minority diversity to Elazar’s classifications (1984) Hero and Tolbert find that 38% (6) of the states with the lowest minority diversity are also classified as pure moralistic states by Elazar. Seventy-five percent (12) identify with moralism as their dominant or predominant cultural characteristic, and 94% (15) encompass some element of moralism. Of the middle one-third of states in terms of diversity, 50% identify with individualism as their dominant or predominant cultural characteristic, and 75% (12) encompass some element of individualism. Of the most diverse states, 38% are purely traditionalistic and almost 70% are identified with a traditionalistic culture as a leading influence or embodying their dominant or predominant cultural characteristic and 75% (12) encompass some element of individualism.

In comparing their finding for White ethnic diversity to Elazar’s classifications (1984) Hero and Tolbert find that of the states with the lowest White ethnic diversity, most exhibited the moralistic culture and 10 of these moralistic identifying states had no identification with the individualistic culture. The states above the mean embodied individualistic culture—47% (15)
purely individualistic, 73% (11 of 15) as a dominant or predominant culture and 93% (14 of 15) encompass individualism as their primary or secondary culture. Hero and Tolbert conclude that “this suggests that political culture may in fact be a function of racial/ethnic diversity” (Hero and Tolbert 1996, 859; Elazar 1984, 1357).

As education policy is largely controlled by states and usually the largest state expenditure, Hero and Tolbert examined the impact of minority and White ethnic minority diversity on Black graduation and suspension ratios as compared to the overall statistics (Wirt 1990). Blacks tend to have lower graduation and higher suspension rates across the states (Meier, Stewart, and England 1989). However, their findings were contrary to this. As state minority diversity increases, Blacks have higher graduation ratios in southern states such as South Carolina, Alabama, Mississippi, and Texas. Homogeneous states with smaller minority populations, there are lower Black graduation ratios such as Wisconsin, Minnesota, Washington, and Utah. The trend is the same with for suspension ratios with minority and White ethnic diversity (Hero and Tolbert 1996, 861–863).

Hero and Tolbert examine the social policies of infant mortality rates and Medicaid expenditures and find that overall, infant mortality rises with the minority diversity and are highest in bifurcated traditionalistic states and lowest in homogeneous (moralistic) states. Yet, Black infant mortality rates are higher in homogeneous states such as Minnesota and Iowa (over twice the state average). In bifurcated states such as Arkansas, Alabama, North Carolina, Georgia, Louisiana, South Carolina, and Mississippi, they are higher than the national average, yet to a lesser degree. For Medicaid expenditures, the greater the minority diversity, the less a state spends on Medicaid. The finding of welfare expenditures having a negative inverse relationship to the minority and/or Black population has been found in other studies as well (Plotnick and

Hero and Tolbert purport that the theory of racial/ethnic diversity provides a parsimonious theory of policy variation. In study policy variation in the aggregate that are concerning to African-Americans and Latinos, they found that policy outcomes are diminished whenever there is greater state-level bifurcated policy diversity. However, policy outcomes for minorities are worse in homogeneous environments. In contrast, policy outcomes for minorities in heterogeneous environments are neutral to positive (Hero and Tolbert 1996, 868–869).

Lieske proffers that although Elazar’s classification has spurred over 100 empirical studies, the criticism is that it is difficult to measure political culture, and that the measures are too “crude,” “political,” and “circular” (Lieske 2010, 538). Lieske develops a new measure of regional subculture using a sequential application of principal component and cluster analysis that attempts to solve the problem of spatial autocorrelation often found in state-level indicators. Lieske uses 2000 census and religious survey data to ascertain racial, ethnic and religious variations in policy outcomes.

Lieske completed a U.S. countywide study using the 2000 census and 2000 Glenmary survey of American church bodies (Jones et al. 2002) to provide various explanations of statewide variation. Lieske tests the influence of social structure—“to represent institutionalized preferences of racial and ethnic groups, religious groups, environmental constraints—e.g., geography and the local economy” (Huntington 1945; Nye 1951; Zelinsky 1973; Lieske 2010, 541) on political and policy outputs. Lieske constructed an index of five indicators of racial origin, fourteen indicators of ethnic ancestry, sixteen indicators of religious affiliation, and fifteen indicators of social structure (e.g., population size, urbanization, education, occupational status, family structure, social mobility, the age distribution, racial diversity and income inequality).
Using component analysis in combination with cluster analysis, Lieske constructed county groupings or clusters that share common cultural characteristics. The clusters included diverse ethnic groups e.g., bifurcated loadings on White and Black measures of social diversity, an index of racial homogeneity, a urban-cybernetics stream based strongly on Elazar’s (1994) work—e.g., rural-urban, education, women working, populous vs. non-populous areas, high-tech areas, etc., people who claim Scandanavian heritage, nonethnic (American), Germanic, Latino, Conservative church affiliation (e.g., Southern Baptist and Churches of Christ), Anglo-French (e.g., the Catholic Church), Heartland church affiliation (e.g., American Baptist and Methodist), Native American Episcopal and Dutch (Lieske 2010, 542).

The results indicate that there are “small and secular cultural changes—mostly due to immigration, internal migration, and differential rates of racial and ethnic fertility” that have altered regional subcultures” (Lieske 1993, 2010, 547). Also they find that most Americans work and live in counties that are racially and ethnically diverse—“about 68 percent of the population” (Lieske 2010, 547) and that these social and political differences reflects cultural differences (Green, Palmquist, and Schickler 2002; Huntington 2004; Renshon 2005; Lieske 2010, 547–548). They find that cultural differences adds to our understanding of “social breakdown, racial inequality, political partisanship, and governmental activity that differences in economic development and social diversity cannot explain by themselves.” Lieske purports that his new measure of political culture has more explanatory power than Elazar’s “unidimensional” typology and Hero and Tolbert’s (1996) measure of racial differences. In deference to Hero and Tolbert’s findings, Lieske finds that in homogenous or moralistic states, racial differences between Black and White social-well-being are lower.

Culture is often omitted in comparative state studies because it is difficult to define and to measure it. Problems of spatial autocorrelation are improved however cultural differences are
needed in models to avoid under-specification. Lieske hypothesizes that because both state culture and spatial autocorrelation are both multidirectional, the former may explain the latter. State culture may be conceived as a form of spatial dependence—therefore once included—may help remedy the under-specification problem. The greatest cultural change is occurring in large metropolitan areas where there are increased numbers of immigrants. However, the West and Southwest are largely affected by immigration as well. (Lieske 2010, 547–548).

U.S. State Policy Change

Incremental Policy Change

Baumgartner and Jones theorize that policymaking in American Politics may not always be “ruled by incrementalism, decreasing marginal returns, and slow changes (although these features remain important); rather, there are critical periods of mobilization of antagonists during which dramatic changes are put into effect. At any one time, there may be little change, but periods of relative stability may be “punctuated by fitful bursts of mobilization that change the structure of bias for decades to come” (Baumgartner and Jones 1993, 101–102). These non-incremental changes can occur though electoral change and policy change. It is the content of an issue according to Baumgartner and Jones that affects the mobilization of constituencies and determines if the issue becomes politicized or not (see Lowi 1964; Ripley and Franklin 1982). Some issues “(e.g., redistributive) mobilize broader or narrower constituencies that in turn influences the policy debate and agenda access” (Baumgartner and Jones 1993, 41). Kingdon also follows this train of thought with incrementalism—that although there are gradual incremental policy changes, this approach does not work well with agenda setting because issues often abruptly or rapidly “hit” or “catch on” to the policy agenda based upon media attention, public opinion, or the actions of political entrepreneurs (Kingdon 1995, 80–81).
**Punctuated Equilibrium**

Kingdon, Riker, and Baumgartner have all completed detailed and thorough studies on either a singular or a small number of case studies over a shorter period of time. However, Baumgartner and Jones studied many policy issues over a considerably long period of time (40 to 100 years) in order to identify long-term and possibly generalizable strategies of agenda access and agenda setting based on the typology of the policy issue. Baumgartner and Jones examine policy case studies of nuclear power, pesticides and smoking.

Baumgartner and Jones construct a model of punctuated equilibrium that theorizes as policy issues emerge and recede from the policy agenda, new institutional structure arise and may be stabilized, and later destroyed and replaced by others (Baumgartner and Jones 1993, 2). There can be long periods of political domination by political elites and entrenched interests that may be interrupted as new political interests and policy ideas emerge across policy arenas. They use the agenda-setting process to claim that there is no equilibrium that is possible in politics because the generation of new ideas, make policy monopolies unstable in the long run. According to Baumgartner and Jones, disadvantaged policy entrepreneurs can be successful if their view of an issue is more accurate than their opponents, and the outcome can be a rapid alteration of policy arrangements despite the arrangements being in place for decades (Baumgartner and Jones 1993, 4).

During the agenda-setting phase of the policy process, there can be dramatic reversals rather than just changes at the margins. As a result of the competition of new ideas, policy entrepreneurs and institutions may begin to claim jurisdiction over areas they previously were not interested in as they find themselves in competition or replaced by new bodies who favor different proposals (Baumgartner and Jones 1993, 4).
Policy Monopolies

Baumgartner and Jones define a policy monopoly as “a monopoly on political understandings concerning the policy of interest, and an institutional arrangement that reinforces that understanding” that every interest group and policy entrepreneur would seek to create (Baumgartner and Jones, 1993, 6). Policy monopolies are similar to the concepts of policy whirlpools, iron triangles, subgovernments, subsystem politics, advocacy coalitions and policy communities (Freeman 1955; Lowi 1964; Ripley and Franklin 1976; Heclo 1978; Sabatier 1988; Sabatier and Jenkins-Smith 1993; Anderson 2006). However, policy monopolies are structured to include “formal or informal rules of access [that] discourage the participation of ‘outsiders,’ by the inclusion of positive rules that “evokes only support or indifference of those not involved (thereby insuring their continued noninvolvement)” (Baumgartner and Jones 1993, 7).

The destruction of policy monopolies are normally because people, political leaders, government agencies and private institutions become involved in a particular question, that they previously did not show interest in. This is because there is a new understanding of the nature of the policies involved. Monopolies are also often broken up because powerful groups from other sectors of the economy intrude as well. All of these instances provide impetus for jurisdictional battles on both sides (Baumgartner and Jones 1993, 8–9).

Noting that since the 2008 financial crisis, many states have had to respond to fiscal crisis and budgetary shortfall, Breunig and Koski (2012) use state budgetary data from across governmental functions during the period of 1984 to 2009 to ascertain budgetary differences in incrementalism and punctuated equilibrium in the long-term. State spending is a tradeoff amongst budgetary line items and therefore spending year-to-year percentage change is disaggregated between important areas of operation, including education, public welfare, highways, natural resources, health, hospitals, police, corrections, parks, and administration (Jacoby and Schneider
Large states that Breunig and Koski have identified as having budget shortfalls include Illinois, New York, and California (Breunig and Koski 2012, 45).

Breunig and Koski compute the L-kurtosis for states, functions, and time and using multi-level modeling and Loess regression and find that budgets are punctuated to varying degrees. They calculate kurtosis scores for each state and find that Massachusetts, New Jersey, and Delaware are among the states with the least punctuated budgets, in comparison to Montana and Connecticut that evidenced highly punctuated budgets. Accordingly states with high L-kurtosis scores deliver budget distributions that are distinguishable by a large amount of small changes and a considerable number of extreme changes.

The state budgets also varied in the degree of punctuation across the 10 budget categories. Breunig and Koski find that allocational spending in areas such as education and welfare spending, change rather incrementally, yet non-allocational spending on parks, hospital, and administrative (other) spending display punctuation (high L-kurtosis) (Breunig and Koski 2012, 61–62). They posit that these variations in long-term budgets may not only be due to state-level characteristics but also vary due to subsystem politics as budget allocations are a response to external demands and institutional contexts. Spending in allocational areas is also usually not controlled by policymakers; it is mandatory. Yet, these categories receive a consistent stream of attention by legislators, lobbyists, and constituents, wresting over the resources. In comparison, nonallocational categories such as natural resources, parks can be increased or cut based on the fiscal status of the state (Breunig and Koski 2012, 61–62).

Breunig and Koski find that larger changes occurred in the mid-1980s, early 1990s, and early 2000s and offer the speculation that these changes coincide with economic recessions in 1981–82, early 1990s, and 2001. They offer that by examining budgets categorically, it helps to explain why states that always appear be in financial crisis, e.g., Illinois and California, manage
to keep critical services for citizens funded although they “teeter” on the verge of budgetary collapse.

They also found that budget functions with moderate, cyclical changes (incrementalism) differ in their long-term outcomes from those with “sporadic changes (punctuated equilibrium)” Breunig and Koski 2012, 63). However, punctuated budgets are smaller than their incremental counterparts after a decade or two. The authors propose that this finding may be because “these categories are cut and increased with much greater frequency and magnitude over time, there is less time for traditional clientele groups to form and interests groups to defend them” (Breunig and Koski 2012, 63).

Multiple Streams

Kingdon (1995) emphasizes in his study that there are three kinds of processes by which the agendas are set and alternatives are specified: problems, policies and politics and that each of the three processes—problem recognition, generation of policy proposals, and political events—can serve as an impetus or as a constraint to policy change. As an impetus, items are promoted to higher agenda prominence, as when a new administration makes possible the emergence of a new battery of proposals. As a constraint, items are prevented from rising on the agenda (Kingdon 1995, 18). Each participant including the President, members of Congress, civil servants, lobbyists, journalists, and academics may be involved in each process (problem recognition, proposal formation, and politics). However, participants usually specialize primarily in one process or another and actively participate in pushing an agenda item higher up on the agenda or suggesting an alternative for consideration. The three streams are largely independent of one another, and each develops according to its own dynamics and rules. But at some critical junctures the three streams are joined, and the greatest policy changes grow out of that coupling.

Sabatier has critiqued that Kingdon’s framework should be expanded to emphasize the roles of bureaucracies and courts in implementing reforms, and how intergovernmental relations have a hand in policy formulation and implementation (Crotty 1991, 279). Zahariadis (1998) proffers that Multiple Streams will perform better under ambiguity. When the environment is stable, meaning change is slow and trending toward equilibrium, a rational choice would be the most effective lens to employ. However, when environments are chaotic and rapidly changing and equilibrium is less achievable, an advocacy coalition or multiple streams model would be a better model. When unstable environments and ambiguous preferences meet then multiple streams is a better choice.

Zahariadis’ further suggests that with multiple streams, preference clarity under unstable environments needs to be specified. For example, “what happens to the model when actors know what they want to do but environments don’t give them enough clues to enable to choose the alternative that will help them achieve their goals?” One of the paths to be examined is when streams are coupled without the presence of an open window of opportunity (Mucciaroni 1992). Zahariadis (1996), for example, finds that policy entrepreneurs act opportunistically to couple the streams depending on whether a window opens in the problem or the politics stream. Zahariadis further questions, “Is coupling possible at other times? Does this content affect the coupling of problems and solutions or solutions and politics? Does it affect environments or actor goals?”
(Zahariadis 1998, 446). Zahariadis suggests that the explanatory and predictive capabilities of multiple streams may be tested by examining state government welfare policy efforts in an era of rapid devolution. In this setting, the economic environment is highly unstable and rapidly changing, yet it is difficult to decide on whether actor goals are clear. It would be fruitful to ascertain how a single lens explains and predicts states’ political and economic decisions (Zahariadis 1998, 446). Ultimately, Zahariadis proposes that the assumptions of multiple streams need to be more explicit and predictive.

**Conclusions**

From a cross-country comparative standpoint, there are many factors that need to be considered when examining economic effects on political and social outcomes and in turn how political and social factors impact economic growth and stability, programmatic policy expenditures and public opinion. The U.S. is classified as a liberal market economy and has been considered exceptional in terms of its slowness to grow the welfare state. The perceived backwardness in welfare state growth has to do with historical factors including the growth and development of capitalism in the U.S. (Skocopol 1987; Macridis 1990; Quadagno 1999) and politics of the party-in-power (Castles 2002; Hacker 2004). However, as acknowledged by political economy scholars, in spite the economic effects of globalization (Pierson 2001; Castles 2002; Hacker 2004), the American state has also been reluctant to retrench the welfare state due to electoral risks, or may have been able to do so only through “politics of stealth” using covert tactics (Pierson 2001; Hacker 2004).

While I am not disputing the classification of the U.S. as a liberal market economy that directs its economic activities toward the market (Hall and Soskice 2001), what I am questioning is during times of economic recession and in response to citizen needs, are the U.S. national and
subnational governments more generous in expanding social welfare resources? Although these characteristics are most similar to the coordinated market economies in Hall and Soskice’s “Varieties of Capitalism” typology, is the U.S. government more willing during times of economic recession to coordinate program efforts, share resources, and partner with the non-profit community including educational institutions as well as private corporations in order to expand social welfare benefits such as training and educational opportunities? If so, are these actions evidence of what Schmidt (2007) proposed of the U.S. fitting into a state-market economy classification or containing elements of a mixed market economy or hybrid model during times of economic recession (Gingerich and Hall 2004)?

Some of the elements that must be considered when examining the U.S. at the subnational level are regional historical development and how migration and immigration over time has contributed to distinct social and political cultures. These state-level citizen and government ideologies and political culture impacts a states’ support or non-support of policy efforts and expenditures from the state and national levels that are primarily means-tested and supported through redistribution of income taxes (Elazar 1966, 1980; Skocpol 1987; Nardulli 1990; Macridis 1990; Amenta et al. 2001).

As evidenced by numerous state level studies, politics and policy vary at the subnational level in terms of what racial and ethnic populations have predominant political and social power (Elazar 1966, 1980; Amenta et al. 2001; Skocpol 1987; Macridis 1990) and support specific social welfare and labor polices, along with other policy areas (Hero and Tolbert 1996; Lieske 2010). States also vary to what degree elites have influence over what policies pass at the state level in particular (Quaile-Hill and Leighley 1992). The predominant party in power at the gubernatorial and state legislature levels is also an important element in determining state-level political policy outcomes (Fitzpatrick and Hero 1988).
However, there is evidence that the national government is devolving more power in terms of managing and determining allocational and non-allocational program eligibility, operational functions and responsibility for funding programs to the states, especially during times of economic recession (Amberg 2008; Jacoby and Schneider 2001; Breunig and Koski 2012; Grant and Wallace 1994). The political and economic environments are becoming merged as states are offering tax subsidies and other incentives to retain businesses, during times of economic recession. In particular as the economy is changing from a more manufacturing based to a service-based economy, Midwestern states are losing manufacturers that are relocating to Southern states and overseas and are relocating based on the desirability of the business environment, including corporate tax laws, rates of unionization and other variables. Also policy decisions at the state and national levels are being analyzed to determine how they impact economic growth (Jones 1990).

There has been evidence of non-incremental punctuated policy expansion in state-level response to citizens needs during times of economic recession (Baumgartner and Jones 1993, 2012; Breunig and Koski, 2012). It is important to ascertain how the U.S., at the federal and state levels, respond differently during times of economic recession, economic instability, economic stability and economic growth and whether these variances are differentiated based on policy type (Jones 1990). Kingdon (1995) purports that there are brief moments where there is a policy window that opens up for the three streams of problems, politics and policy to couple and produce policy change. In the last three recessionary periods of 1990–91, 2000–01 and during the most recent economic recession beginning in 2007, it will be fruitful to ascertain whether the state and national governments responded in a punctuated manner in order to stabilize the political, social and economic environments during times of economic recession.
CHAPTER III
MODELS OF LABOR MARKET INTERVENTION

Introduction

The purpose of this study is to examine how the U.S. government and states intervene in the labor market in order to respond to citizen needs. I am examining this phenomena by testing various levels of governmental intervention in the U.S. labor market over 20 years across 49 states from 1990–2010. I ground the project in the U.S. state politics and policy and comparative political economy literatures with a particular interest in how U.S. policy choices converge or diverge from its liberal market economy classification as categorized in the varieties of capitalism typology.

For these quantitative analyses, I will be focusing on the three policy areas of unemployment insurance, training and OASDI Social Security/Supplemental Security Income (SSI). These three policy areas were selected because unemployment insurance, training and SSI are all funded in part by federal and state funding and are primarily operationally managed by the state governments. While OASDI Social Security is exclusively federally funded and managed, I posit that during times of economic recession, when there is a shortage of employment opportunities, that citizen demand for early or full retirement increases, causing an increased burden on the state, mandating its response. All three policy areas contain programs that are considered social safety nets for the American people during labor market contraction and training efforts are relied upon even during periods of labor market expansion. Although these three labor market policy areas are largely if not entirely citizen or consumer applicant driven, I posit that during times of economic recession that the demand for national and state-level social
welfare assistance increases and national and state governments adjust to this demand by expanding existing governmental programs, creating new, albeit mostly temporary assistance programs, and by re-organizing their budgets to allow for these programmatic policy expansions. Furthermore, there is evidence of punctuated governmental expansion of labor market assistance during recessionary periods. This study proposes that economic conditions including levels of unemployment, poverty and personal income do influence governmental expansion of labor market assistance. Other intervening variables include governmental state-level leadership ideologies and citizen ideologies, union membership, race, and age.

In the statistical analyses employed, socioeconomic, demographic and political factors mattered in evaluating the level of state and federal governmental intervention into the labor market, through social welfare and labor oriented policies and programming. Support for the hypotheses was mixed for the three labor and social welfare policy areas. One of the major findings where socioeconomic factors matter are that richer states generally expend more in labor and social welfare benefits. This result may be directly linked to budgetary capacities for states. It is also important to note that high poverty in states, decreases the level of social welfare and labor-oriented expenditures across the states, except in the case of OASDII Social Security Income and Supplemental Security Income. This finding is not unexpected for Supplemental Security Income as SSI is a state and federally funded program designed to assist the very poor in society. However, OASDI-SS is entirely federally funded and is a social insurance program that citizens pay into prior to retirement which enables them if they meet the qualifiers to collect a benefit upon retirement. However, high poverty influences the rate OASDI-SS expenditures for retirement and disability, providing evidence that increases in poverty across the U.S. states provide an impetus for OASDI-SS retirement and disability application increases, creating a burden on the federal government.
Demographic factors also matter. The minority population variable was significant for all of the OASDI Social Security, SSI and unemployment insurance expenditure models, yet with mixed results. Consistent with my hypothesis, as the minority population increased, unemployment insurance expenditures and the average weekly benefit decreased. However, the opposite was true for the majority of the OASDI-SS and SSI models. As the minority population increased, so did OASDI-SS expenditures for the disabled and SSI expenditures for aged 65 and older and the disabled. These findings suggest that minorities are qualifying and collecting these benefits at a higher rate than non-minorities and that the stigma that is reportedly attached to minorities receiving social welfare benefits does not extend to OASDI-SS expenditures for the disabled as well as SSI expenditures. OASDI-SS expenditures for the retired did decrease, however, as the minority population increased, suggesting that in the OASDI-SS retirement social insurance system, minorities may not be contributing at the same level as non-minorities and/or are retiring earlier and are therefore collecting lower benefit amounts upon retirement.

Governmental leadership and citizen political ideology matters when considering state-level choices for intervention or expansion of labor and social welfare programs. A finding in the unemployment insurance policy area is that consistent with my hypothesis, although liberal states tend to have a higher number of continued unemployment insurance claims for benefits and allow higher levels of expenditures, conservative states have a greater number of initial claims. Therefore, although there are more initial claims in conservative states, claimants stay on unemployment insurance longer in liberal states. This finding begs to question, whether there is a greater level of generosity in conservative states initially, or claimants that meet the qualifiers. Are liberal states more lenient in terms of the number of weeks of unemployment insurance allowed or are more willing to extend unemployment benefits for their residents than in conservative states. These questions regarding governmental leadership and citizen ideology will
be addressed in this quantitative analyses chapter as well as in the succeeding state-level case studies.

**Hypotheses**

Despite the United States’ classification as a liberal market economy, during the most recent global recession from 2007–2009 and during other times of economic decline, my general hypothesis is that the national and state governments have mobilized their resources in order to develop and expand policy solutions specifically through social welfare and/or labor and industrial policy intervention. Specific hypotheses for my quantitative analysis over a 20-year period for OASDI Social Security, Supplemental Security Income and unemployment insurance and over a 10-year period for training policy are as follows.

**Income, Unemployment Rate, Poverty and Age**

H1: As the rate of personal income per capita declines, the level of governmental intervention in the state economy through unemployment insurance and training as well as OASDI Social Security and Supplemental Security income will increase.

The theoretical justification behind this hypothesis is that modernization theory provides that as societies develop economically and become more industrialized, workers become more reliant on incomes, and subsequently more reliant on the market. When there is income loss due to joblessness then there is a greater need for social welfare resources. Workers and employers are able to assist in paying for welfare benefits through income taxation and business taxes. However, social welfare systems in the United States tend to operate as a pay-as-you-go system such as OASDI Social Security, where what a claimant is able to garner as a benefit upon retirement is based on how much they have paid into the system over time. Many programs such as OASDI Social Security are also redistributive in nature as those that are currently working are funding current retirees and workers that are most consistently employed and/or workers that are in higher
income brackets, pay more into the system over time. On the other hand, vulnerable populations are more at risk for income loss and tend to pay less into social welfare systems although they are especially reliant on social safety nets. For example, as older workers age and are less able to work, they are more likely to draw social welfare benefits. Poor, disabled, low-educated, low-skilled and low-wage workers may also be considered as part of the vulnerable worker category as these workers may have a greater propensity to be unemployed or underemployed.

H2: As the rate of unemployment and poverty increases, the level of governmental intervention in the state economy through unemployment and training as well as OASDI Social Security and Supplemental Security Income will increase.

H3: As the state population of older workers increases the level of governmental intervention in the state economy through unemployment and training as well as OASDI Social Security and Supplemental Security Income will increase.

Unemployment levels impact poverty levels because as the unemployed and underemployed endure income declines, wage gains are slowed and the job market becomes more competitive says Harvard University economist Lawrence Katz (Mantell 2012, 2). In 2010 there were 46.3 million people living in poverty with the poverty line set at $23,021 for 2010 and set at $23,050 in 2011 for a family of four. When economic and social conditions are such that families are suffering from unemployment, poverty, homelessness and hunger, there is an increased burden on state governments to care for its most vulnerable populations. During periods of economic decline, state governments receive an influx in unemployment insurance claim applications as well as SSI applications. As both these programs are funded by the state and federal governments, the burden on the federal government to assist states in economic recovery and citizens with social welfare needs is elevated as well. Additionally, in conditions of unemployment and underemployment, both the federal and state governments are engaged in efforts to stimulate job growth and to meet the challenges of supplying workers for emerging industries. One of the ways that state and federal governments do this is through expanding
government sponsored vocational training programs as well as educational assistance for college-level programs that prepare citizens to fill jobs in critical industries.

While unemployment insurance has become a staple social welfare benefit that is relied upon by jobless workers in the U.S. during times of economic distress, there are programmatic issues that still need to be addressed in order to ensure the equality of benefits. Some of the vulnerable populations whose interests need to be protected include workers who are employed at a low-wage, the underemployed and older workers. O’Leary and Wandner (2001) explore how unemployment insurance impacts older workers and notes the challenges of older workers transitioning from career jobs to retirement income. O’Leary and Wandner explain that displaced workers become reemployed at sharply declining rates as they age. Yet even if displaced older workers are able to gain re-employment, they often do so for lower wages than they previously earned. Among displaced workers aged 55 to 64, the earnings loss was 20% or more for 38.2% of those who got reemployed, while an earnings reduction of that magnitude was experienced by less than a quarter of younger displaced workers (O’Leary and Wandner 2001). While OASDI Social Security is federally funded and applicant driven, during the 2007 to 2009 recession, there was an influx of applications from unemployed or underemployed older workers seeking to retire early or draw full retirement (Rich 2012).

**Demographic and Socioeconomic Factors**

H4: As the minority population increases, unemployment insurance, OASDI Social Security and Supplemental Security income payments will decrease per capita.

H5: As education of a bachelor degree or above increases, governmental intervention in the state economy through unemployment and training as well as OASDI Social Security and Supplemental Security Income will increase.

Socioeconomic factors are important in determining state policy outputs (Dawson and Robinson 1963; Dye 1966; Lewis-Beck 1977) along with political culture (Elazar 1966;
Fitzpatrick and Hero 1988) and budget priorities for economic growth (Jones 1990). For example, Quaile-Hill and Leighley (1992) examined the effect of upper-class bias on the degree to whether redistributive policies favor higher-income citizens. They found that there were states that had more class bias (e.g., Kentucky, New Mexico, Texas, and Georgia), and states with a more balanced representation (e.g., New Jersey, Minnesota, Louisiana, Illinois, and Nebraska). Quaile-Hill also found that class bias in state electorates is systematically related to the degree of redistribution of state policies. This finding was important because political participation is needed by the poor in order to impact social welfare policy.

Education policy is largely controlled by U.S. states and is usually the largest state budget expenditure. Hero and Tolbert (1996) examined the impact of minority and Caucasian-American ethnic minority diversity on Black graduation and suspension ratios as compared to the overall statistics (Wirt 1990). While there have been studies that have found that African-Americans tend to have lower graduation and higher suspension rates across the states (Meier, Stewart, and England 1989), Hero and Tolbert’s findings were contrary to this. They found that as state minority diversity increases, African-Americans had higher graduation ratios such as in southern states including South Carolina, Alabama, Mississippi, and Texas. However, in homogeneous states with smaller minority populations, Hero and Tolbert found that there were lower African-American graduation ratios such as in Wisconsin, Minnesota, Washington, and Utah. The trend was the same for suspension ratios with minority and White ethnic diversity (Hero and Tolbert 1996, 861–863).

Furthermore, Hero and Tolbert’s (1996) central argument is that racial and ethnic diversity or lack of diversity, bridges economic, political and cultural explanations of state level variations in state politics (Fitzpatrick and Hero 1988, 150; Dye 1969). While race is central in the analysis of Southern states, race and ethnicity have been found to be significant in many state
politics studies (Gray 1990; Lieske 1993; Sullivan 1973; Luttberg 1992). Hero and Tolbert contend further that “political culture conceptualization masks and may even be a surrogate for state racial/ethnic diversity” (Hero and Tolbert 1996, 853).

This study examines the influence of economic, social and political variables on OASDI Social Security, Supplemental Security Income, and unemployment insurance expenditure outcomes. When analyzing expenditures for other programs such as Medicaid, studies have shown that the greater the minority diversity, the less a state spends. This finding of welfare expenditures having a negative inverse relationship to the minority and/or African-American population has been found in other studies as well (Plotnick and Winters 1985, 471; Brown 1995, 30; Radcliff and Saiz 1994; Grogan 1994; Hero and Tolbert 1996, 864). Hero and Tolbert found that policy outcomes are diminished for African-Americans and Latino-Americans whenever there is greater state-level bifurcated policy diversity. However, policy outcomes for minorities were worse in homogeneous environments. In contrast, policy outcomes for minorities in heterogeneous environments are neutral to positive (Hero and Tolbert 1996, 868–869). Yet in deference to Hero and Tolbert’s findings, Lieske (2010) finds that in homogenous or moralistic states, racial differences between African-American and Caucasian-American social-well-being are lower.

**Union Membership**

H6: As the level of unionization declines, the level of governmental intervention in the state economy through unemployment and training as well as OASDI Social Security and Supplemental Security Income will increase.

In examining comparative labor policy, Dobbin (2002) posits that if labor unions are excluded from key roles in managing labor market and social insurance systems such as in the United States, union membership and administrative capacity decline. Dobbin proffers that
although scholars have attributed America’s exceptionalism to its unique individualistic culture being “anti-socialist” and its “anti-union sentiment,” America’s weak political party structure, weak labor unions and weak institutions instigate this political culture. Yet, although these characteristics are presumed to not foster the growth in social protections, Dobbin proposes that since the 60s, new regulations have been instituted to encourage private employers to extend protections and they do not depend on strong working-class organizations or a strong state. Therefore, Dobbin posits that the third component of American exceptionalism—weak social insurance—has transformed as state policy is active in producing social insurance systems based on employment rather than citizenship (Rothstein and Steinmo 2002, 71). Furthermore, in economic growth studies, Grant and Wallace (1994) find that manufacturing growth is related to several dimensions’ of states’ political economies including state fiscal capacities, the organizational capacity of labor, social wage policies, and state political/electoral context. They conclude that union density and union organizing success derail manufacturing economic growth and manufacturers tend to favor markets where unions are less organized and are more complacent (Grant and Wallace 1994, 49).

**Partisanship and Government Leadership and Citizen Political Culture/Ideology**

H7: There will be greater liberal citizen and government leadership ideological support for new labor market and social welfare policy development and programmatic expansion.

Castles (2002) finds that while globalization has small to moderate effects on welfare state spending, cultural and political preferences hold more weight. In alignment with Castles, Allan and Scruggs (2004) emphasize the impact of partisanship on the generosity of the welfare state. Leftist regimes tend to favor expansion vs. right-leaning regimes tend to favor retrenchment.
Erikson, Wright, and McIver (1993) indicate that the cultural mappings of Elazar are comparative but “largely impressionistic” in assigning cultural influences in a contemporary sense (Erikson et al., 1993, 48). Erikson et al. attempt to provide an adequate measurement of citizen and governmental preferences across that U.S. states that includes elements of political culture. Some of the influences along with partisanship and ideology that need to be considered according to Erikson et al. are demographic variables including education, income, age, race, religion, gender, geographic region and union membership. At the individual level, the geographic state of residence, and demographic variables produce at least as much variation as partisanship and ideology (Erikson et al. 1993, 71).

The Berry, Ringquist, Fording, and Hanson (BRFH) ADA/COPE scores for citizen and government ideology were used for this analysis. The government ideology scores are an aggregation of labor organizations’ rating of state legislators’ according to their voting records that are available for some states, the average of the ideological position of the party in power in the state legislature, and the governors’ ideology in a state. The citizen ideologies aggregate the ideological position of each member of Congress in each year using interest group ratings, the ideology score for the district’s incumbent, the estimated ideology score of the challenger (or hypothetical challenger), and citizen ideology scores for each district. This measure was employed from 2000 through 2007 and I used the 2007 measures for 2008–2010 due to the unavailability of the extended data. In averaging these ADA and COPE scores, zero represents the most conservative value and 100 the most liberal value (Berry et al. 2007).

**Methodology and Variables of Investigative Interest**

There are four statistical models for each policy area, a total of twelve longitudinal models assessed. The Social Security or the Old-Age, Survivors and Disability Insurance
(OASDI) and Supplemental Security Income, while separate programs are all administered by the Social Security Administration. For the policy area of Social Security/Supplemental Security Income, state-level annual Social Security retirement payments, state-level annual Social Security disability payments, state-level annual Supplemental Security Income payments for disabled persons and state-level annual Supplemental Security payments for persons aged 65 and older are analyzed. The original OASDI Social Security expenditures data was reported in millions of dollars annually by state. The annual dollar amount was divided by the state population and converted to dollar expenditures per capita and then multiplied by the 2011 consumer price index to be adjusted for inflation. The Supplemental Security Income (SSI) was originally reported in thousands of dollars and divided by the state population and converted to dollar expenditures per capita as well and then adjusted for inflation.

The next policy area measures initial and continued total number of annual unemployment claims per week by state as outcome variables. Claims were reported in thousands per week and the last week of December was used for the analyses. The claims were then divided by the population to reflect claims per one thousand of the population. Unemployment payments by state by month were also reported in millions of dollars. The month of December was utilized for each year and then divided by the population to reflect a measure of monthly state-level expenditures per capita. The average weekly unemployment benefit per eligible beneficiary was also reported annually in dollars by state and was utilized as an outcome measure as well. Both the unemployment expenditures by state and the average weekly benefit per beneficiary by state were adjusted for inflation.

The final policy area reflects indicators from Workforce Investment Act (WIA) training programs (as amended in 1998; formerly Wagner-Peyser Act). The indicators measured include the annual number of state-level participants in training programs for non-disabled adults and
disabled adults in thousands. This number was divided by the population to reflect the percentage of training participants per 1,000 persons in the population. The other measures include annual employment retention percentages of training program participants, both non-disabled and disabled adults after their participation in Workforce Investment Act training programs.

The independent variables in all of the models include personal income by state per capita, poverty percentage rates by state, unemployment percentage rates by state, union membership percentage rates by state provided by Hirsch and Macpherson (2003), the percentage of citizens with a bachelor degree or above by state, the state-level population of seniors aged 65 and older and the percentage of minority population (an aggregation of the three largest minority groups in the United States (African-Americans, Asian-Americans and Hispanic Americans).

State-level governmental leadership and citizen ideology scores were also included as independent variables in the models as well. In a re-appraisal of their scores, Berry, Fording, Rinquist, Hanson, and Klarner (2010) noted that with the governmental ideology scores there is an assumption that the mean policy orientation of the members of the party in power in the state legislator is the same as the mean policy orientation for the house and senate representatives. The government ideology scores also assume that the expected governors’ orientation would be the same as the average legislators’ policy orientation from that same party. In this re-appraisal, while BRFH find that using ADA and COPE interest group ratings are appropriate for citizen ideological scores, they find that for the government ideology scores only that the Poole NOMINATE common space scores’ measure of Congress members’ ideal points are a “slightly enhanced” measure instead of the unadjusted interest group ratings BRFH uses. However, NOMINATE scores for Congress members are invariant over time. Therefore, BRFH suggest that scholars use both versions of the scores and compare the results (Berry et al. 2010, 128–130). In this study, both the DW NOMINATE and the Berry et al. scores were initially used. When using
the DW NOMINATE governmental ideology scores in the model with the Berry et al. citizen ideology scores, the two sets of composite scores were found to be highly correlated. Therefore, the decision was made to utilize the Berry et al. governmental and citizen ideology scores.¹

**Data Availability**

There were multiple sources of data that were drawn from to collect economic, demographic and political independent variable data and social welfare program outcome data². In terms of outcome data, Social Security and Supplemental Security Income expenditures are readily available from the Social Security Administration (SSA) from 1990–2010. Unemployment claims and expenditure data are available from the Department of Labor, Employment and Training Administration (DOLETA). Workforce Investment Act training participation and employment retention data are available from DOLETA from 2000 to 2010.

For the independent variables, personal income per capita by state was obtained from the Federal Reserve Economic Data (FRED). The historical unemployment rates are available from the Bureau of Labor Statistics (BLS). U.S. poverty, overall population statistics and stratifications of population by race, age and educational status were obtained from U.S. Census data. Poverty data was also accessed from U.S. Census data and annual unionization density rates by state were obtained from Hirsch and Macpherson’s database accessed at Unionstats.com. Berry Rinquist, Fording, and Hanson (2007) provide ADA and COPE scores representing citizen and government leadership ideologies from 1960 to 2007 that are made available through the Interuniversity Consortium of Political and Social Research (ICPSR).

¹ A list of the descriptive statistics for the independent and dependent variables may be found in Appendix C.
² A list of data sources may be found in Appendix B.
Statistical Tests

The statistical analysis was performed in Stata. The most appropriate statistical method for a longitudinal analysis across units (states) and over time was panel data. The Hausman test was used to determine whether fixed effects, between effects or random effects were the best model estimators. The Hausman test yielded a significant $p$-value, or the Prob>chi2 was less than .05, indicating that fixed effects is sufficiently different from random effects and therefore fixed effects is the most consistent estimator. Therefore, the statistical technique applied in Stata was xtreg fixed effects for each of the twelve models. This method was chosen as a control for omitted variables that may differ between cases but remain constant over time. Fixed effects allows for the changes in variables over time, within units, to be used to estimate the effects of the independent variables on the dependent variable.

To diagnose and manage problems with multicollinearity, I examined the correlation between each of the independent variables. A correlation matrix analysis was conducted for all of the models and the highest correlation was between education and income (.81). The correlation between all other independent and dependent variables was less than .8. In order to address any problems of serial autocorrelation in the error terms in the fixed effects model over time, each model was estimated with and without a lagged dependent variable. The models with the lagged dependent variable are reported in each table.\(^3\)

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\(^3\) The coefficient on the lagged dependent variable can be biased in a model estimated with fixed effects. However, the substantive results are not sensitive to the presence of a lagged dependent variable. Therefore, the results from the less restrictive model—including the lagged dependent variable, are reported in each table.
Social Security – Old Age, Survivors and Disability Insurance (OASDI)

Old Age, Survivors and Disability Insurance provides a monthly benefit to retirees, disabled workers, and their dependents and/or the survivors of insured workers. The payments to eligible beneficiaries are based upon how much workers have paid into Social Security and are not means-tested. Therefore, the qualification for benefits is not based upon the means the worker has to financially survive with other sources of income. However, there is a cap on how much income can be counted as earned in the benefits calculation for Social Security of retirees at full retirement age. The tax insurance programs that fund OASDI are paid by citizens through income taxed by the Federal Insurance Contributions Act (FICA) or the Self-Employment Contributions Act (SECA). Employers match the employee contribution and those workers that are self-employed pay both the employee and employer contribution rates. However, they do receive a special tax deduction to assist with offsetting this contribution. Revenue on the trust funds that are bifurcated into retirement and survivors insurance, disability insurance and medical hospital insurance funds is earned from not only taxation but interest income, technical transfers and gifts/bequests.

The maximum OASDI taxable amount was $106,800 per worker in 2011 and is updated manually and OASDI is taxed at a rate of 4.2% (3.59% for OASI and 0.61 for DI) for employees and 6.2% for employers (5.3% for OASI and 0.9 for DI). There is no taxable limit on medical hospital insurance, taxed at 1.45% for both employees and employers (Supplement 2011, 10). In 2010, “54 million people were receiving benefits at a rate exceeding $58 billion each month ($701 billion annually)” and during the same year “157 million employees and self-employed workers, along with employers contributed $639 billion to OASDI trust funds” (Supplement 2011, 9). The OASDI program is administered by the Social Security Administration and the SSA is led by an appointed commissioner and a Social Security Advisory Board.
Benefit eligibility is calculated based upon the number of qualified quarters a worker works that is a part of the computation of how many credits the worker has earned. There are international agreements for workers in 24 countries with special rules that apply. Reduced retirement benefits may be eligible as early as aged 62; however, the full retirement age where unreduced benefits can be received will gradually increase from age 65 to 67. For those reaching aged 62 from 2005 through 2016, full retirement age will be 66.

**Supplemental Security Income (SSI)**

Supplemental Security Income (SSI) is a supplement that is provided to eligible citizens of the United States, or those persons with a eligible non-citizen status that are blind, disabled and/or aged 65 and older and qualify for a supplement to their income. Supplemental Security Income is funded by general tax revenues and other taxes such as corporate tax and is not funded by the Federal Insurance Contributions Act (FICA) or the Self Employment Contributions Act (SECA). While the Social Security Administration (SSA) administers both Social Security and SSI programs and many persons qualify for both, SSI eligibility is not based on an individual or their family’s work contributions (SSI 2012). The federal government provides a benefit; however, most states provide a supplement to the federal benefit (SSI-1 2012). In addition to the traditional categories, Supplemental Security Income may be available for children that are blind or disabled as under the age of 18 or under the age of 22 if they are a student (SSI-2 2012). The maximum SSI benefit is currently $674 (G. McIntyre 2011). SSI is one of the largest social safety nets for vulnerable populations, including seniors. States such as North Carolina, New York, California, Virginia, and Wisconsin that have a high number of Medicaid recipients and pay out an assisted living supplement tend to pay out a higher SSI supplement as well (NSCLC 2011, 5–6).
There are four OASDI Social Security and Supplemental Security Income models that will be examined in the analyses below. The models are: Supplemental Security Income for aged 65 and older, Supplemental Security Income for the disabled, OASDI Social Security for retired persons, and OASDI Social Security for disabled persons (see Table 1). I will proceed by discussing what variables mattered and to what magnitude for each respective model. At the end of the discussion of the four models, I will analyze the substantive implications of the OASDI Social Security and Supplemental Security Income policy area.

OASDI Social Security and Supplemental Security Income Models

Model 1: Supplemental Security (Aged 65 and Older) Payments

Supplemental Security Income for aged 65 and older was reported in thousands of dollars and divided by the state population and converted to dollar expenditures per capita as well and then adjusted for inflation. The minimum of the range of the sample is $1.51 per capita, the maximum is $74.98 per capita, and the mean of the sample is $12.87 per capita and the standard deviation is $11.37 per capita. In the model assessing SSI outcomes over a 20-year period from 1990 to 2010, the significant variables in the model include income, poverty, the unemployment rate, the minority population, union membership and citizen ideology. The citizen ideology scores range from 0 to 100 with a score of 100 being the most liberal. Therefore, a positive directional sign would indicate as the dependent variable increases in value then citizen ideology becomes more liberal. A score of 0 indicates the most conservative score and therefore a score with a negative directional sign would indicate as the dependent variable increases in value then citizen ideology becomes less liberal. The scale is the same for government leadership ideology, which is insignificant in this model.
### Table 1

**OASDI Social Security and Supplemental Security Income Models**

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<thead>
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<tbody>
<tr>
<td>Income</td>
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<td>.01**</td>
<td>-.0003**</td>
<td>.001**</td>
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<td></td>
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<td>(.0007)</td>
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<td>(.34)</td>
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<td>.50**</td>
<td>2.68**</td>
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<td></td>
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<td>-.29**</td>
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<td>(.04)</td>
<td>(.13)</td>
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<td>-.01</td>
<td>-.10</td>
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<tr>
<td></td>
<td>(.79)</td>
<td>(.34)</td>
<td>(.03)</td>
<td>(.11)</td>
</tr>
<tr>
<td>Minority Population</td>
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<td>1.12*</td>
<td>.20**</td>
<td>.63**</td>
</tr>
<tr>
<td></td>
<td>(1.64)</td>
<td>(.68)</td>
<td>(.06)</td>
<td>(.22)</td>
</tr>
<tr>
<td>Union Membership</td>
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<td>-1.74**</td>
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<td>(.08)</td>
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<td>Citizen Ideology</td>
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<td>.09</td>
<td>-.04**</td>
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<tr>
<td></td>
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**Standard Error in Parentheses**

**Significant at p <.05**

**Significant at p <.10**

Estimated in Stata; Xtregr Fixed Effects

As the level of income increases, SSI expenditures decrease for citizens aged 65 years and older. The average income at the twentieth percentile of the 20-year range of the sample is
$31,008.39 per person and $41,430.52 at the eightieth percentile. When examining the $10,422.13 difference between twentieth and eightieth percentiles of the sample multiplied by the coefficient (-0.0003), the magnitude of the effect of income on the model for SSI aged 65 and older is a decrease of $-3.42 per person. Because Supplemental Security Income is funded by general tax revenues and other taxes such as corporate tax, it follows that as income increases, that there should be more general tax revenue paid to state and federal governments that can be appropriated to SSI. It is confounding, however, that richer states actually expend less on SSI benefits for aged 65 and older when older workers are part of the vulnerable populations that may be in most need of SSI. This finding was, however, the opposite of my hypothesis that as income decreases, the level of SSI payments would increase.

As the poverty percentage increases so does SSI payments for persons aged 65 and older. The poverty percentage at the twentieth percentile in the range of the 20-year sample is 9.9% and at the eightieth percentile, the poverty rate is 15.7%. The difference of 5.8%, when multiplied by the coefficient (.50) provides that the magnitude of the effect of poverty on SSI outcomes for aged 65 and older model is an increase of $2.88 per person. As SSI eligibility is based on the applicants “means” or assets and the status of the applicant being disabled, blind or aged 65 and older, it follows that if there is a greater percentage of poverty at the national and/or state levels there is a greater need for supplemental income support for the most vulnerable in society at the national and state levels, depending on whether the state provides a supplement. Although this finding confirms the hypothesis that as states experience higher rates of poverty, that there would be greater governmental intervention in the labor market, it is paradoxical given the prior finding that as income increases, so does SSI expenditures for aged 65 and older. Based on the quantitative results not only do richer states expend more in SSI for aged 65 and older, so do states with higher poverty.
The model reflects that as the unemployment rate increases, the SSI for aged 65 and older decreases. This reflects the nature of the SSI benefit as SSI is funded by income tax and corporate tax. When employment levels are decreased nationally or sub-nationally it would be expected that there is less tax revenue at both levels to fund SSI supplements. At the twentieth percentile of the range, there is 4% unemployment and at the eightieth percentile there is 6.7% unemployment. In examining the magnitude of the difference of 2.7% unemployment on the coefficient (-.39) of the model, the magnitude of the effect of the unemployment rate on SSI expenditures for age 65 and older is a decrease of $-1.05 per capita. This finding was consistent with the hypothesis.

As the union membership increases, so does SSI for aged 65 and older. At the twentieth percentile in the range there is 7.02% union membership and at the eightieth percentile there is 18.2% union membership. The difference between the percentiles yields an 11.18% spread and when multiplied by the coefficient (.29) in the model, the magnitude of the effect of union membership on the model is an increase of $3.28 per person. Therefore, union membership substantially increases the level of per capita expenditures by the federal and state governments on SSI for aged 65 and older. This is an interesting finding as it appears that in states with high unionization membership there is also support for SSI benefits for the older population. This was also inconsistent with the hypothesis that as unionization declines there would be an increase in governmental policy intervention.

As the minority population increases, so do SSI payments for aged 65 and older as well. The difference between the twentieth percentile of the minority population at 8.45% and the eightieth percentile at 34.3% is 25.9% and when multiplied by the coefficient (.20) yields the magnitude of effect of the minority population on the model of an increase in SSI for aged 65 and older of $5.20 per person. Although there are studies that have found that as the minority population, especially the African-American population increases, there will be less expenditures
on social welfare benefits, this was not found to be the case in governmental expenditures on SSI for aged 65 and older (Plotnick and Winters 1985, 471; Brown 1995, 30; Radcliff and Saiz 1994; Grogan 1994; Hero and Tolbert 1996). Therefore, this finding was inconsistent with the hypothesis.

As citizen ideology becomes more liberal, SSI payments for aged 65 and older decrease. At the twentieth percentile, the citizen ideology is conservative ideology at 36.53 (the scale is 0, at the most conservative value and at 100 for the most liberal). At the eightieth percentile, the citizen ideology is liberal at 61%. The difference between the percentiles is 24.50% and when multiplied by the coefficient (-.04) the magnitude of the effect of citizen ideology on the model is a decrease in SSI for aged 65 and older of $-1.06 per person as citizen ideology becomes more liberal. This was also inconsistent with the hypothesis that as citizen ideologies become more liberal there would be greater social welfare policy investments by the state and federal governments.

In totality, the significant variables with the largest effect to the smallest effect on the Supplemental Security Income payments are the minority population ($5.20 per person), income ($-3.42), union membership ($3.28 per person), poverty ($2.88 per person) and the unemployment rate ($-1.05 per person). The insignificant variables in the model include the senior population, education of a bachelor degree or above and government leadership ideology.

Model 2: Supplemental Security Income Disability Payments

The Supplemental Security Income (SSI) was originally reported in thousands of dollars and divided by the state population and converted to dollar expenditures per capita as well and then adjusted for inflation. The mean of SSI disability in the range of the sample is $106.93 per capita. The minimum SSI disability benefit in the range of the sample is $25.60 and the maximum
is $259.42. The standard deviation is $47.74. The significant variables in the model include income, poverty, union membership, minority status, education of a bachelor degree or above and governmental ideology. As income per capita rises, Supplemental Security disability expenditures rise as well. The twentieth percentile of the range of the sample yields $31,008.39 in income per capita and the eightieth percentile $41,430.52 per capita. When the difference of $10,422.13 is multiplied by the coefficient (.001) in the model, the result represents the magnitude of the effect of an increase of $14.79 per capita of Supplemental Security disability payments. Therefore, states where residents earn higher per capita income, or richer states expend more in SSI disability payments than poorer states. This finding is consistent with the finding for SSI expenditures for aged 65 and older although it is inconsistent with my hypothesis. The difference between those persons earning income in the twentieth percentile in the range and those earning income in the eightieth percentile in the range being almost $15.00 per capita, is a substantial difference. The variance may be attributed to the increased amount of general tax revenues paid into federal and state budgets in states with a higher per capita income.

As the poverty level increases, the level of SSI disability payments increases as well. In the sample, at the twentieth percentile there was 9.9% poverty and at the eightieth percentile 15.7% poverty. The difference between the two thresholds is 5.8% and when multiplied by coefficient (2.68), yields the magnitude of the effect of poverty on the model of an increase in SSI disability by $15.53 per capita. The increase in SSI expenditures per capita for the disabled substantially increases as the level of poverty increases. This finding is consistent with the finding for SSI expenditures for older persons aged 65 and older and consistent with my hypothesis, yet the finding is paradoxical as richer states, or states with higher per capita income also expend an increased level of SSI benefits.
As the percentage rate of education of a bachelor degree or greater increases, SSI disability payments decrease. The difference between the twentieth percentile of 24.35% level of education of a bachelor degree or above and the eightieth percentile of 37% is 12.65% and when multiplied by the coefficient (-.29) the magnitude of the effect of this educational variable on the model decreases SSI disability payments by $-3.68 per capita. This finding is inconsistent with the hypothesis that as the level of education increases, so does governmental intervention in the labor market though expansion of labor and/or social welfare policy. This finding, however, may be reflective of the rates of education of a bachelor degree or above of the disabled.

As the percentage rate of union membership increases, SSI disability payments decrease. At the twentieth percentile, 7.02% of the population are union members and at the eightieth percentile, 18.2% of the population are union members. The difference between the thresholds is 11.18% and when multiplied by the coefficient (-1.74) the magnitude of the effect of union membership on the model is a decrease of $-19.42 per capita. The decrease in SSI benefits for the disabled is notable and the finding is consistent with my hypothesis that lower levels of unionization would increase social welfare benefits. States with higher levels of unionization, expend more in SSI benefits for aged 65 and older, however, yet less for the disabled.

As the minority population increases, so do SSI disability payments. As the minority population increases, so do SSI payments for the disabled. The difference between the twentieth percentile of the minority population at 8.45% and the eightieth percentile at 34.3% is 25.9% and when multiplied by the coefficient (.63) yields the magnitude of effect of the minority population of the model of an increase in SSI for disabled persons of $16.36 per capita. This is also a significant increase and inconsistent with my hypothesis and previous studies that posit that as the minority population increases, that social welfare expenditures decrease. SSI disability expenditures and expenditures for aged 65 and older both increase as the minority population
increases. A partial reason for this finding may be because poverty is driver for SSI benefits, SSI would assist poor minorities that are disabled or aged 65 and older.

As the government leadership ideology becomes more liberal (the ideological score closer to zero is more conservative), SSI expenditures for disabled persons decreases. When examining the twentieth percentile of the government ideological scores (21.036) and the eightieth percentile (73.24) the difference is 52.20 and when multiplied by the coefficient (-.06) the magnitude of the effect of government ideology on SSI payments for disabled persons is $-3.19 per capita as the government leadership ideology becomes more liberal. This finding is again, inconsistent with my hypothesis and consistent with the finding for SSI expenditures for aged 65 and older. Liberal states tend to expend less in SSI benefits which may be partially attributed to the ability or inability of poorer states to provide an SSI supplement.

The significant variables with the largest to smallest effect on Supplemental Security disability payments include union membership ($19.42 per person), the minority population ($16.36 per person), poverty ($15.53 per person), income ($14.79), education of a bachelor degree or above ($-3.68 per person), and government leadership ideology ($-3.19) per capita. The insignificant variables in the model include the unemployment rate, the senior population and citizen ideology.

Model 3: Social Security (OASDI) Retirement Payments

Social Security OASDI retirement payments was reported in millions of dollars annually by state. The annual dollar amount was divided by the state population and converted to dollar expenditures per capita and then multiplied by the 2011 consumer price index to be adjusted for inflation. The mean retirement payment per capita is $1,315.26. The minimum payment is $229.80 and the maximum is $1,936.28 and the standard deviation is $246.77. The significant
variables include income, poverty, the unemployment rate, education of a bachelor degree or above, the minority population and the union membership rate. As personal income per capita increases, OASDI retirement expenditures increase as well. The twentieth percentile of the income range is $31,008.39 per capita and the eightieth percentile is $41,430.52 per capita. The difference between the two thresholds is $10,422.13 and when multiplied by the coefficient (.002) the effect the model is an increase of $17.62 per capita. Again, consistent with the Supplemental Security Income models, richer states expend more on OASDI Social Security. Although OASDI Social Security is a federal benefit, states where the residents earn a higher per capita income, expend more. This may be due to legacy payments that were paid into the OASDI Social Security system by high income residents, prior to their retirement.

Similar to the SSI expenditure findings, as poverty increases, retirement expenditures increase as well. At the twentieth percentile in the range of the sample, there is 9.9% poverty and 15.7% poverty at the eightieth percentile in the range, with a difference of 5.8% poverty. When the difference is multiplied by the coefficient (10.73) the effect of poverty on the model increases OASDI retirement payments by an astounding $62.21 per capita. This finding is significant with my hypothesis that poverty drives OASDI-SS receipts. However, the finding is also confounding given that richer states also expend higher rates of OASDI-SS.

As the unemployment rate increases so do the OASDI Social Security retirement expenditures. The unemployment rate for the sample population at the twentieth percentile is 4% and the eightieth percentile is 6.7% and when the difference of 2.7% is multiplied by the coefficient (24.71) the magnitude of the effect of the unemployment rate on the model yields an increase of OASDI retirement expenditures of $66.70 per capita. This finding is consistent with my hypothesis and there appears to be a strong linkage between high unemployment and spending on OASDI-SS retirement expenditures.
As education of a bachelor degree or above increases, so do retirement expenditures. At the twentieth percentile in the data range, 24.35% of the sample population holds a bachelor degree or above and at the eightieth percentile, 37% holds a bachelor degree or above. The difference between the two ranges is 12.65% and when multiplied by the model’s coefficient (2.23), has the magnitude of the effect of increasing Social Security retirement expenditures by $28.16 per capita. This finding varies from the SSI findings. However, again, SSI is funded by general tax revenues and OASDI Social Security is funded solely through individual contributions via income taxation. Therefore, the more highly educated tend to make higher income and are in a position to pay more into the OASDI-SS insurance system, and thereby receive a higher benefit.

As the minority populations increases, Social Security OASDI retirement expenditures decrease. The difference between the twentieth percentile of the minority population at 8.45% and the eightieth percentile at 34.3% is 25.9% and when multiplied by the coefficient (-3.49) yields the magnitude of effect of the minority population on the model of a decrease in OASDI retirement expenditures of a substantial $-90.27 per capita. This finding is consistent with the hypothesis that as the minority population increases, government expenditures on social welfare benefits decrease. However, as OASDI-SS is funded by individual contributions, this may partially be reflective of minorities paying less into the OASDI-SS system overall than non-minorities.

As union membership increases, Social Security OASDI retirement payments decrease. At the twentieth percentile in the range of the sample population there is 7.02% union membership and at the eightieth percentile there is 18.2% union membership. The difference is 11.18% and when multiplied by the coefficient (-6.14) in the model, the magnitude of the effect of union membership on the model is a decrease of Social Security expenditures of a substantial
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$-68.65 per person. This finding is consistent with my hypothesis that as union membership decreases, governmental intervention in the labor market through labor and social welfare policy would increase. This finding was also consistent with the findings for SSI for the disabled. Although OASDI-SS is a federal benefit, across the U.S. states, the presence of high unionization, yields lower OASDI-SS outlays and therefore lower unionization would produce higher OASDI-SS outlays. Studies have shown that high rates of unionization depress economic growth. Because OASDI-SS benefits are a reflection of individual contributions to the OASDI-programs, the question remains, does the depression of economic income opportunities also depress lifetime income contributions to OASDI-SS?

The significant variables with the largest to the smallest effect on Social Security OASDI retirement expenditures include the minority population ($-90.27), union membership ($-68.65), unemployment rate ($66.70 per person), poverty ($62.21), education ($28.16) and income ($17.62). The insignificant variables in the model include the senior population, government leadership ideology and citizen ideology.

**Model 4: Social Security (OASDI) Disability Payments**

The significant variables in the model include income, poverty, the unemployment rate, education of a bachelor degree or above and union membership. The minority population is significant at a $p$ value of .10.

The Supplemental Security Income (SSI) was originally reported in thousands of dollars and divided by the state population and converted to dollar expenditures per capita as well and then adjusted for inflation. The mean Social Security OASDI payments are annually $285.31 per capita. The minimum OASDI-SS payment per capita is $74.70 per capita and the maximum is $846.26 per capita. The standard deviation is 113.69. Consistent with the SSI and OASDI-SS
findings for retirement income, as income per capita increases so does OASDI Social Security disability expenditures. The twentieth percentile of income per capita is at $31,008.39 capita and the eightieth percentile in the range is at $41,430.52 per capita. The difference between the income levels is $10,422.13 and when multiplied by the coefficient (0.01) has the effect of an increase of SS disability payments of $108.12 per capita. Richer states expend more on OASDI-SS disability payments than poorer states. This finding, however, was again, inconsistent with my hypothesis.

Consistent again with the other SSI and OASDI-SS retirement findings and my hypothesis, as poverty increases so does OASDI-SS disability payments. At the twentieth percentile, the sample population is at 9.9% poverty and the eightieth percentile the sample population is at 15.7% poverty. The difference between the two ranges is 5.8% poverty and when multiplied by the coefficient in the model (6.68) yields the effect of substantially increasing OASDI-SS disability expenditures by $38.72 per capita.

The greater the unemployment rate, the greater the OASDI-SS disability payments. The difference between the twentieth percentile in the range, at 4% unemployment and the eightieth percentile, at 6.7% is 2.7% poverty and when multiplied by the coefficient (5.74) has an effect of increasing S.S. disability payments by $15.51 per capita. This finding is consistent with my hypothesis. Again, there is a linkage between high unemployment and spending on OASDI-SS.

The minority population is close to significance at the .10 level. As the minority population increases, OASDI disability expenditures per capita increase as well. This finding is similar to the SSI findings for aged 65 and older and the disabled yet in deference to the findings of the OASDI retirement model and inconsistent with my hypothesis. The difference between the twentieth percentile of the minority population at 8.45% and the eightieth percentile at 34.3% is 25.9% and when multiplied by the coefficient (1.12) yields the magnitude of the effect of the
minority population on the model of an increase in OASDI-SS disability expenditures of $28.87 per capita.

The same as with the OASDI-SS retirement findings and in deference to the SSI findings, as the percentage of the population that has attained education of a bachelor degree or higher increases so do OASDI-SSI disability expenditures. At the twentieth percentile, 24.35% of the sample population have earned a bachelor degree or above and at the eightieth percentile, 37%. The difference between the ranges is 12.65% and when multiplied by the coefficient (1.66) has the effect of increasing S.S. disability payments by $21.04 per capita. Higher education levels correlate with higher income, and individuals with higher income over their lifetime, pay more into the Social Security system and therefore can collect a higher benefit, if they become disabled.

As union membership increases, the level of OASDI-SS disability payments decreases. This is consistent with the SSI disability model and the OASDI-SS retirement models and with my hypothesis. At the twentieth percentile, 7.02% of the sample population are union members and at the eightieth percentile, 18.2% are union members. When the 11.18% difference between the ranges is multiplied by the coefficient in the model (-7.17), union membership has the effect of decreasing OASDI-SS disability payments by a substantial $-80.14 per capita.

The significant variables with the largest effect to the smallest effect on SS disability expenditures are income ($108.12), union membership ($-80.14), poverty ($38.72 per person), the minority population (close to significance, $28.87 per person), education of a bachelor degree or above ($21.04), and the unemployment rate ($15.51 per person). The insignificant variables in the model include the senior population, citizen ideology and government leadership ideology.
Social Security and Supplemental Security Income Models Analysis

For all of the Social Security and Supplemental Security Income models, income, the poverty rate, and union membership are significant. The unemployment rate and education of a bachelor degree or above are significant in three of the four models. However, the directions of the effects vary by the model. I will focus on a selection of the findings to emphasize what was learned from the results.

As income increases OASDI-SS retirement, OASDI-SS disability and Supplemental Security Income (SSI) disability expenditures increase by state. Although OASDI-SS retirement and disability benefits are paid through federal programs, there is variation in terms of the magnitude of benefits that are paid out between states. Both the OASDI-SS retirement and disability models provide that states where residents earn a higher income on average, expend more of these benefits. This may be a result of legacy payments, as in states where residents tend to earn higher income, current retirees have already paid into the Social Security system at higher levels, and then they are able to yield higher tier benefits when they retire in comparison to states where residents earn lower personal income.

States where residents earn higher personal income also pay out a higher degree of SSI to disabled persons. Because SSI is funded through general tax revenues and corporate taxes, it follows that states that are in good economic health and where residents on average are earning higher income would have a greater general budget to provide a larger SSI supplement, or even to supply a supplement at all, as all states do not provide one. However, paradoxically, the higher the personal income per capita, by state, the lower the SSI payments for seniors aged 65 and older. Seniors are one of the vulnerable populations that are especially reliant upon SSI and it would appear that richer states would have a greater ability to offer a state-level SSI supplement. However, in examining state-level case studies for OASDI Social Security and Supplemental
Security Income, it will be prudent to examine a state that offers a higher supplement and a state that provides no supplement or a lower supplement, to ascertain the reasons for these differences. It will also be of interest to determine if the reason richer states pay out less to seniors aged 65 and older is a population demographic issue.

For all of the OASDI-SS and SSI models, as poverty increases, so do expenditures. This may possibly be because financial strain associated with unemployment or under-employment and other measures of economic decline are driving an increase in both SS and SSI applications. SSI is one of the largest social safety nets for vulnerable populations, which may have a greater propensity to live in poverty; therefore poorer residents will seek out this governmental assistance at a higher rate. However, it is perplexing to note that while states with higher per capita income, expend more in OASDI-SS and SSI benefits, so do states with higher poverty. Therefore, states with higher budgets in the case of SSI and a higher number of residents that paid more into the OASDI-SS system expend more in benefits. Yet, states with high poverty and a larger vulnerable population also expend more which may be with assistance of the federal government.

Union membership was a significant variable in all of the Social Security and Supplemental Security models. Economic growth studies indicate that greater levels of union membership may relate to lower state-levels of economic prosperity and employment (Grant and Wallace 1994, 49). Consistent with this analysis, in both OASDI-SS models and the SSI disability model, the greater the union membership, the lower the expenditures, which was consistent with my hypothesis. However, paradoxically, for SSI benefits for aged 65 and older, the greater the union membership the greater the payments.

For OASDI-SS retirement and OASDI-SS disability, the higher the unemployment rate the higher the expenditures. Following, the senior and disabled populations may have a higher incidence of unemployment or underemployment. The question is does this unemployment or
underemployment correlate to seniors and disabled persons applying OASDI-SS retirement and
disability benefits at a higher rate?

The higher the minority population, the lower the OASDI-SS retirement expenditures are paid out. For older minorities OASDI Social Security and SSI account for a larger percentage of their income. However, studies show that state welfare expenditures tend to be paid out at a lower rate in states that have a larger minority population and to minorities in homogenous environments. This effect has been found to be especially prevalent for the African-American population (Plotnick and Winters 1985, 471; Brown 1995, 30; Radcliff and Saiz 1994; Grogan 1994; Hero and Tolbert 1996). However, there is other research that examines welfare expenditures on various racial and ethnic groups that finds that racial differences are lesser for minorities in homogeneous versus non-homogeneous environments (Lieske 2010). In the OASDI-SS disability model, the minority population is close to significance, and the causal arrow has the reverse direction—as the minority population (that includes African-Americans, Hispanic Americans and Caucasian-Americans) increases, OASDI-SS disability expenditures increase. This finding is consistent with both models for SSI payments for aged 65 and older and for disabled persons. The greater the minority population, the greater the expenditures paid out.

The more liberal the governmental leadership ideology, the lower the SS disability payments expended. Similarly, the more liberal the citizen ideology the lower the SSI payments are paid out for aged 65 and older. This is a confounding finding, as most the perception is that more liberal governments are more in favor of social welfare benefits. However, this effect on SSI may be because conservative governments are in a better financial position to expend SSI benefits or because liberal government budgets are so stretched to expend assistance through so many different programs that SSI allocations suffer. The state-level case studies should reveal more regarding this finding.
Unemployment Insurance

Unemployment insurance payments are intended to provide temporary financial assistance to those workers who are unemployed “due to no fault of their own” (as determined under state law), and who meet other eligibility requirements of state law (within guidelines established by federal law). Benefit amounts and the length of times benefits are available are also determined by state law. In the majority of states, benefit funding is based solely on a tax imposed on employers. Most employers are assessed a federal tax through the Federal Unemployment Tax Act (FUTA) and a state unemployment tax (FUTA 2010). FUTA covers the costs of administering unemployment insurance and job service programs in the states and also covers half of the extended benefits programs administered by the states (Unemployment Insurance [UI] Tax Topic 2010). Only three states require minimal employee contributions. The general eligibility requirements include “1. You must meet the state requirements for wages earned or time worked during an established period of time referred to as a ‘base period.’ (In most states, this is usually the first four out of the last five completed calendar quarters prior to the time that your claim is filed.) 2. You must be determined to be unemployed through no fault of your own (determined under state law), and meet other eligibility requirements of state law” (State Unemployment Insurance Benefits 2010).

There are four state-level unemployment insurance models that will be examined in the analyses below (see Table 2). The models are: unemployment insurance initial claims, unemployment insurance continued claims, unemployment insurance expenditures, and the unemployment insurance average weekly benefit. I will proceed by discussing what variables mattered and to what magnitude for each respective model. At the end of the discussion of the four models, I will analyze the substantive implications of the unemployment insurance policy area.
### Unemployment Models

#### Table 2

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**Significant at p <.05**

**Significant at p <.10**

*Estimated in Stata; Xtreg Fixed Effects*

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**Model 5: Unemployment – Initial Claims**

The measure for the initial total number of annual unemployment claims were reported in thousands per week and the last week of December was used for the analyses. The claims were then divided by the population to reflect claims per one thousand of the population. The mean number of initial claims per thousand of the population per week are two claims. The minimum
number of claims in the range of the sample are .30 and the maximum is 10.6. The standard deviation is 1.32. The significant variables in the model include income, poverty, education of a bachelor degree or above and citizen ideology. The greater the state level of income per capita, the lower the initial unemployment claims. At the twentieth percentile of the range of the sample, personal income per capita is at $31,008.39 and at eightieth percentile of the sample, the income is at $41,430.52. The difference between the two ranges is $10,422.13 and when multiplied by the coefficient (-.00006) in the model, higher income has an effect of decreasing initial unemployment claims by -0.60 per 1,000 claims per week. As per capita income increases, there may be more individuals employed, allowing for lower initial unemployment claims. This finding fits my hypothesis that as income declines, there would be more governmental labor and social welfare policy expansion.

The greater the poverty, or the poorer the state, the lower the initial unemployment claims. At the twentieth percentile, the poverty rate of the sample population is 9.9% and at the eightieth percentile the poverty rate is 15.7%. The difference is 5.8% and when multiplied by the coefficient (-.13) the magnitude of the effect of poverty on initial unemployment claims results in the claims being reduced by -0.77 per 1,000 claims per week. This is an interesting finding as it would be presumed that the greater the poverty, the greater the initial unemployment claims, yet the finding is the opposite and is inconsistent with my hypothesis.

As the education level increases of the population that holds a bachelor degree or above, the number of initial unemployment claims raise overall. At the twentieth percentile of the range, 24.35% of the sample possess a bachelor degree or above and at the eightieth percentile, 37% of the sample population have attained this educational status. When the difference of 12.65% is multiplied by the coefficient in the model (.040), the magnitude of the effect of the percentage of the population with a bachelor degree or above on initial unemployment insurance claims is an
increase of 0.51 per 1,000 claims per week. This finding may be because those individuals with a bachelor degree or above may leave their employment for more of the approved reasons for unemployment insurance benefit eligibility such as being downsized, or laid off from employment than those individuals with lesser education. Reasons for leaving employment that may allow individuals to become eligible for unemployment insurance benefits cannot include those reasons that are because of the workers own fault, such as resigning from employment or being released from employment, for cause.

Finally, the more liberal the citizen ideology, the lower the number of initial unemployment claims. As citizen ideology becomes more liberal, the number of initial unemployment claims decreases by -3.19 per 1,000 claims per week. At the twentieth percentile, the population is more conservative at an ideological value of 36.53 (a score closer to zero is more conservative; the scale is 0 to 100) and at the eightieth percentile, the sample population is more liberal at an ideological value of 61 (a score closer to 100 is more liberal). When multiplying the difference between the two values of 24.47 by the coefficient in the model (-.01), the magnitude of the effect of citizen ideology on initial unemployment claims is a decrease of -0.35 per 1,000 claims per week. It would presumed that states with a more liberal ideology, you may find an influx in unemployment insurance benefit assistance claims; however, an environment with a conservative political ideology yields more initial claims. This finding was inconsistent with my hypothesis.

The magnitude of the effect of the significant variables in the model on the initial unemployment claims from largest to smallest are poverty (-0.77), income (-0.60), education (0.51) and citizen ideology (0.35). The unemployment rate, union membership rate, senior population, minority population and government leadership ideology were insignificant in the model.
Model 6: Unemployment Insurance – Continued Claims

The measure for the continued total number of annual unemployment claims were reported in thousands per week and the last week of December was used for the analyses. The claims were then divided by the population to reflect claims per one thousand of the population. The mean number of continued claims per thousand of the population per week is 10.43 claims. The minimum number of claims in the range of the sample are 2.4 claims and the maximum number of claims are 28.86 claims. The standard deviation is 4.6. The significant variables in the unemployment continued claims model are poverty, the unemployment rate, education of a bachelor degree or above and government leadership ideology.

It is intuitive that the unemployment rate would be a driver for unemployment claim. However, the unemployment rate was not significant in the initial unemployment claims model, yet it was in the continued claims model. According the model, as the unemployment rate increases, so do continued unemployment claims. When multiplying the difference between the twentieth and eightieth percentiles of the unemployment rate (2.7%) by the coefficient in the model (.93), the magnitude of the effect of income on continued unemployment insurance claims is an increase of 2.51 per 1,000 claims per week. This finding is consistent with my hypothesis that as the unemployment rate rises, so would governmental intervention in the labor market through labor and social welfare policy expansion.

Similar to the findings with initial claims, the greater the poverty rate, or the poorer the state, the lower the continued claims as well. When multiplying the difference between the twentieth and eightieth percentiles of the poverty ranges (5.8%) by the coefficient in the model (-.50), the magnitude of the effect of poverty on continued unemployment claims is -2.84 per 1,000 claims, per week. Again this claim in counterintuitive as it could be expected that as the
poverty rate increases, there would potentially by an influx of unemployment insurance claims. The finding was inconsistent with my hypothesis as well.

As with the finding for the initial unemployment insurance claims model, as the education of a bachelor degree or above increases so does continued unemployment claims. When multiplying difference between the twentieth and eightieth percentile ranges (12.65%) by the coefficient in the model (.22), the magnitude of the effect of the sample population attaining education of a bachelor degree or above on continued unemployment claims is an increase of 2.73 per 1,000 claims, per week. This finding is consistent with my hypothesis.

As governmental ideologies become more liberal, continued unemployment insurance claims increase. At the twentieth percentile, the average governmental ideology score for the sample population is 21.04 or more conservative (a score closer to zero is more conservative) and the ideology score at the eightieth percentile (73.24) is more liberal (a score closer to 100 is more liberal). When multiplying the difference between the ranges (52.2) by the coefficient in the model (.01), the magnitude of the effect of governmental leadership ideologies yield an increase of continued unemployment insurance claims of 0.50 per 1,000 claims, per week. This finding is consistent with my hypothesis that states with a more liberal citizen ideology would yield a greater expansion of labor and social welfare policy oriented benefits.

The magnitude of the effect of the significant variables in the model on continued unemployment claims from largest to smallest are poverty (-2.84%), education of a bachelor degree or above (2.73%), the unemployment rate (2.51%) and government ideology (0.50%). The insignificant variables in the model include income, union membership, the senior population, the minority population, and citizen ideology.
Model 7: Unemployment Expenditures (Overall)

Unemployment payments by state by month were also reported in millions of dollars. The month of December was utilized for each year and then divided by the population to reflect a measure of monthly state-level expenditures per capita. The mean of monthly unemployment expenditures per capita in the range of the sample is $11.69. The minimum unemployment expenditures per month, per capita is $1.88 and the maximum is $36.80. The standard deviation is 6.76. The significant variables in the model include income (significant at .085), governmental ideology, the minority population (significant at .063), education of a bachelor degree or above, poverty and the unemployment rate.

As income increases, the overall monthly unemployment expenditures by state increase. When multiplying the difference between the twentieth and the eightieth percentiles of the income ranges of the sample population ($10,422.13) by the coefficient in the model (.0001), the magnitude of the effect of income on the overall monthly unemployment payments by state is an increase in expenditures of $1.07 per capita, per month. This finding is inconsistent with my hypothesis and consistent with the hypothesis of the OASDI Social Security and Supplemental Security Income models that richer states expend more in social welfare benefits.

As the poverty rate increases, unemployment expenditures by state, by month decrease. When multiplying the difference between the twentieth and eightieth percentiles of the poverty rate of the sample population (5.8%) by the coefficient in the model (-1.0), the magnitude of the effect of poverty on overall monthly unemployment expenditures is a decrease in expenditures of $-5.75 per capita, per month. This finding is consistent with my hypothesis that as state populations become poorer, the state and federal governments would expand their social welfare assistance to citizens.
It follows that as the unemployment rate increases, the unemployment expenditures increase as well. When multiplying the difference between the twentieth and the eightieth percentiles of unemployment in the sample population (2.7%) by the coefficient in the model (1.53), the magnitude of the effect of the unemployment rate on overall monthly unemployment expenditures by state is an increase of $4.13 per capita, per month.

As the percentage rate of an education of a bachelor degree or above increases, overall unemployment expenditures increase. When multiplying the difference between the twentieth and the eightieth percentiles of the sample population with a bachelor degree or above (12.65%) by the coefficient in the model (.21), the magnitude of the effect of the population with a bachelor degree or above on overall unemployment expenditures is an increase of $2.66 per capita, per month. This finding is consistent with my hypothesis and as the unemployment rate increased, so did the level of continued unemployment claims as well.

As the minority population increases, unemployment expenditures by state decrease. The difference between the twentieth percentile of the minority population at 8.45% and the eightieth percentile at 34.3% is 25.9% and when multiplied by the coefficient (-.11) yields the magnitude of effect of the minority population of the model of a decrease in unemployment expenditures by state of $-2.81 per capita, per month. This finding was consistent with my hypothesis and the studies that concluded that as the minority population increases, so does social welfare benefits.

As governmental ideologies become more liberal, unemployment expenditures increase. When multiplying the difference between the twentieth and the eightieth percentiles of the government ideology scores (52.2%), by the coefficient in the model (.02), the magnitude of the effect of government ideology on overall weekly unemployment expenditures by state yields an increase of $1.03 per capita, per month. This finding was consistent with my hypothesis that liberal states would yield more expansive labor and social welfare policy benefits.
The magnitude of the effect of the significant variables in the model on unemployment expenditures by state, per capita, per month in order from the largest to the smallest are poverty ($-5.75), unemployment rate ($4.13), the minority population ($-2.81), bachelor degree or above ($2.66), income ($1.07) and government ideology ($1.03). The insignificant variables in the model are the senior population, union membership and citizen ideology.

**Model 8: Unemployment Payments (Average Weekly Benefit per Eligible Person)**

The average weekly unemployment benefit per eligible beneficiary was reported annually in dollars by state and adjusted for inflation. The mean average weekly benefit for the range in the sample is $289.98. The minimum average weekly benefit in the range of the sample is $181.70 and the maximum is $454.62. The standard deviation is 51.62. The significant variables in the model includes income, poverty, the unemployment rate, the education of a bachelor degree or above (significant at .082), the minority population (significant at .088), the senior population and citizen ideology (significant at .099).

The greater the income per capita, the greater the average weekly benefit per capita, by state. When multiplying the difference between the twentieth and the eightieth percentiles of income ranges of the sample population ($10,422.13) by the coefficient in the model (.002), the magnitude of the effect of income on the average weekly benefit is an increase of $25.15 per capita, by state. Therefore, as income increases per capita, similar to the findings for the unemployment benefits per capita per month, the average weekly benefit increases as well. With higher incomes, then taxes that fund unemployment benefits may be paid at a higher rate, thereby allowing state budgets to be in a better position to fund the program.

As the poverty percentage increases, average weekly unemployment benefits decrease. When multiplying the difference between the twentieth and the eightieth percentiles of the
poverty ranges (5.8%) by the coefficient in the model (-3.12), the magnitude of the effect of poverty on the average weekly benefits is a decrease of $-18.07 per beneficiary, by state. This finding is inconsistent with my hypothesis, however, the same as unemployment benefits per capita, by month, as poverty increases the average weekly benefit decreases. It may be possible that the poorer in society do not meet the qualifiers to receive unemployment benefits, either because of the reasons for their employment separation or because they have not been a part of the workforce for an extended period of time, making them ineligible for the benefit.

Naturally as the unemployment percentage rate increases, the unemployment average weekly benefits increase, the same as with the unemployment benefits per capita, per month. When multiplying the difference between the twentieth and the eightieth percentiles of the unemployment rate (2.7%) by the coefficient in the model (1.30), the magnitude of the effect of the unemployment rate is an increase in the average weekly benefit of $3.50 per beneficiary, by state.

As the minority population increases the average weekly unemployment benefits decrease. The difference between the twentieth percentile of the minority population at 8.45% and the eightieth percentile at 34.3% is 25.9% and when multiplied by the coefficient (-.47) yields the magnitude of effect of the minority population of the model of a decrease in the average weekly unemployment benefits of $-12.05 per beneficiary, by state. Similar to the finding for unemployment benefits per capita per month, this finding is consistent with my hypothesis that as the minority population increases, the level of state and federal government-led labor and social policy benefits would decrease.

As with the unemployment expenditures, per capita, per month, as residents’ education of a bachelor degree or above increases, average weekly unemployment benefits increase by state. These findings are both consistent with my hypothesis. When multiplying the difference between
the twentieth and the eightieth percentiles (12.65) of the range of the sample population with the coefficient in the model (.30), the magnitude of the effect of this educational attainment on the average weekly unemployment insurance benefit is an increase of $3.73 per beneficiary, by state.

As the senior population increases, average weekly benefits decrease. This may be because there may be a lower percentage of seniors aged 65 and older receiving unemployment, or if they are, their income may be supplemented by other benefits such as SSI. This finding was inconsistent with my hypothesis that as the rate of older persons aged 65 and older increases then governmental labor and employment benefits would expand. The difference between the twentieth percentile at 11.39% seniors and the eightieth percentile at 13.84% is 2.62% and when multiplied by the coefficient (-.30) the magnitude of the effect of the senior population, decreases the average weekly unemployment benefits by a minimal $-0.78 per beneficiary, by state.

As with governmental leadership ideology and unemployment expenditures per capita per month, as citizen ideology becomes more liberal, average weekly unemployment benefits increase. At the twentieth percentile, the population is more conservative at an ideological value of 36.53 (closer to zero is more conservative) and at the eightieth percentile, the sample population is more liberal at an ideological value of 61 (closer to 100 is more liberal). When examining the difference between the two values and multiplying the value of 24.47 by the coefficient in the model (-.01), the magnitude of the effect of citizen ideology on average weekly unemployment benefits is an increase of $3.84 per beneficiary, by state. This finding is consistent with my hypothesis that liberal states would be more expansive of labor and social welfare benefits.

The range of the magnitude of the effect of the significant variables in the model on average weekly unemployment benefits for eligible beneficiaries, by state in the order from largest to smallest are income ($25.15), poverty ($-18.07), the minority population ($-12.05), the
unemployment rate ($3.50), citizen ideology ($3.84), bachelor degree or above ($3.73) and the senior population ($-0.78). Insignificant variables in the model include union membership and government ideology.

**Unemployment Claims Models – Analysis**

The level of personal income, the poverty rate, and either government or citizen ideology are significant for all of the unemployment expenditure and unemployment claim models. The unemployment rate and education are significant for most of the unemployment expenditure and unemployment claim models. However, the directions of the effects of the models vary.

The minority population significantly impacts the overall unemployment expenditures by state, per capita and average weekly unemployment benefits per beneficiary, by state. In both cases as the minority population increases, expenditures and benefits decrease, which was consistent with my hypothesis and the literature that says minority populations, especially in homogenous environments, tend to receive lower allocations of social welfare benefits (Plotnick and Winters 1985, 471; Brown 1995, 30; Radcliff and Saiz 1994; Grogan 1994; Hero and Tolbert 1996).

For unemployment initial claims, the greater the personal income per capita, by state, the lower the number of claims. Therefore, states with residents that earn less income per capita, file more initial unemployment claims. However, income not an important factor for continued claims, as income was insignificant in the unemployment insurance continued claims model. This was an interesting finding that lower income residents file more initial claims yet for continued claims, the income level is not a factor.

For overall unemployment expenditures by state and the average weekly benefit per eligible beneficiary by state, the greater the personal income level per state, the greater the
expenditures and average weekly benefit. Therefore, the richer the state, the greater the expenditures and average weekly benefit per state. Although this finding was inconsistent with my hypothesis that the state and federal governments would expand benefits in states where residents were less prosperous economically, it was uncovered that the financial ability for states to assist their residents is of primary importance in making a decision to expand unemployment assistance. Richer states are in a better position financially to provide a greater investment to unemployment insurance benefits in addition to the federal unemployment insurance assistance.

While the greater the income, the lower the initial unemployment claims, the greater the poverty, the lower the initial and continued claims. This is an interesting combined finding as states that have lower per capita income file more claims, consistent with my hypothesis, yet states with higher rates of poverty, file lower initial and continued claims, inconsistent with my hypothesis. The presumption could be made that the poorer the state, the greater the number of claims - if not initial, then certainly the greater number of continued claims that would be filed. However, this alternate finding in the statistical analysis may have to do with eligibility. Although poorer citizens may be in greater need of social welfare assistance, unemployment insurance is based on individuals’ work earnings record and other qualifiers. If an applicant has not worked a sufficient number of weeks or were employed in a capacity where they were not eligible for unemployment benefits, then their claim would be denied. Also, if an employee was released from their employment for cause or quit employment they would also not be eligible. Poorer citizens that are not eligible for unemployment insurance benefits may, however, be seeking alternative sources of social welfare assistance such as cash assistance or food assistance benefits.

The higher the levels of poverty the lower the unemployment insurance expenditures and average weekly benefit paid by state. This finding is inconsistent with my hypothesis yet similar to the finding on the influence of income on unemployment insurance assistance. Considering
state-level budgets, greater poverty would translate into lower income and lower state-level tax collections. Because unemployment insurance benefits are funded by both federal and state tax revenues, there would be less state-level revenue to budget for unemployment insurance assistance, in a poorer state.

The direction of the effect of the unemployment rate, however, is consistent—the greater the unemployment rate the greater the continued claims, unemployment expenditures, and average weekly benefit payments by state. The unemployment rate clearly drives unemployment expenditures, benefits and continued claims. However, the unemployment rate was not significant factor for initial claims.

The greater the level of education of a bachelor degree or above by state, the greater the number of initial and continued claims and the greater the overall unemployment insurance expenditures by state per capita and the average weekly benefit per eligible beneficiary by state. Education has a consistent effect on unemployment insurance policy outcomes. These consistent effects may be indicative of education narrowing the gap in terms of applicants gaining knowledge about the claims process and understanding the eligibility rules. It is also probable that more highly educated workers qualify for benefits because they leave their jobs by no fault of their own (e.g., downsizing and layoff versus quitting or being terminated for cause).

The minority population is only significant for overall expenditures by state per capita with the expenditures decreasing as the minority population increases. This finding is consistent with literature that social welfare expenditures are generally paid out at a lower rate to minorities, especially minorities and particularly in homogeneous environments (Plotnick and Winters 1985, 471; Brown 1995, 30; Radcliff and Saiz 1994; Grogan 1994; Hero and Tolbert 1996).

The more liberal the citizen ideology, the greater the average weekly unemployment benefits and the more liberal the government leadership ideology, the greater the overall
unemployment expenditures are by state. The more liberal the government leadership ideology, the greater continued unemployment claims by state as well. However, the more liberal the citizen ideology the lower the initial claims by week, by state. Therefore, the findings would indicate that states that have more liberal citizen and/or government ideologies are more generous in their expansion of unemployment expenditures, and in their average weekly unemployment benefit. There are also a greater number of continued claims filed in liberal states. However, interestingly, as citizen ideology becomes more conservative there are greater initial unemployment claims. Again, this finding could be possibly linked to eligibility rules. In more conservative states, there could be more initial claims filed and even granted as applicants meet the eligibility. However, why do claimants tend to continue on unemployment benefits for a longer period of time in liberal states? Does this have to do with the stringency of eligibility rules, the business environment/employment opportunities and/or the political environment? The findings of the state-level case studies may reveal more in terms of the contextual issues surrounding this state-level variation.

**Training and Workforce Development Programs**

Most workforce development programs are targeted at dislocated workers and the economically disadvantaged. These active labor market programs (e.g., job training, job search assistance, labor market exchange) and income support programs (e.g., unemployment compensation) are funded by federal and state governments. The services are coordinated by state and local government agencies; however, the Workforce Investment Act (WIA) does allow for the privatization of some services, and state and local governments are beginning to contract with the private sector, mostly through nonprofit organizations.
The Workforce Investment Act (WIA) authorized One-Stop Career Centers in each state that are set up to offer a menu of training and employment services than were previously offered under the Job Training Partnership Act (JTPA). Because the law prohibits the local administrative agencies from providing services themselves, the local Workforce Insurance Boards (WIBs), as the administrative agents, select operators of the state-level one-stop centers through a competitive process. The one-stop centers provide a plethora of services including a “preliminary assessment of individuals’ skill levels, aptitudes, abilities, and support service needs; information on available employment-related services including training opportunities; help in filing unemployment insurance claims and evaluation for job training and education programs; job search, placement assistance, and career counseling; and up-to-date labor market information” (Eberts and Erickcek 2002, 5–6).

There are four training models that will be examined in the analyses below (see Table 3). The models are: non-disabled adult training participation, disabled adult training participation, non-disabled adult employment retention after training and disabled adult employment retention after training. I will proceed by discussing what variables mattered and to what magnitude for each respective model. At the end of the discussion of the four models, I will analyze the substantive implications of the training policy area.
Training Models

Table 3

Training Models

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Standard Error in Parentheses

Significant at p <5**
Significant at p<.10*

Estimated in Stata; Xtregr , Fixed Effects

Model 9: Training (Adult Participation)

The annual number of state-level participants in training programs for non-disabled adults was originally measured in thousands. This number was divided by the population to reflect the percentage of training participants per 1,000 persons in the population. The mean
percentage of adult training participants per one 1,000 persons in the range of the sample is .01. The minimum is .0002 and the maximum is .30. The standard deviation is .03. The significant variables include income, governmental ideology and poverty. Education is close to significance (.11).

As income per capita increases, Workforce Investment Act adult training participation increases as well. When multiplying the difference between the twentieth percentile at $34,515.66 and eightieth percentile at $43,834.73 in the income range of the sample population (difference of $9,319.07) by the coefficient in the model (0.005), the magnitude of the effect of income on adult training participation by state is an increase in participation of 45%. This finding is inconsistent with my hypothesis that as income declines that labor and social policy outcomes, such as training participation would increase. Higher income states provide an influx of training. This finding may indicative of states having a healthy budget to allow for training investments in the labor market.

However, in seemingly opposite effects, as poverty increases, adult training participation rises as well. When multiplying the difference between the twentieth percentile at 9.8% and the eightieth percentile at 15.3% of the poverty percentages (with a difference of 5.5%) by the coefficient (.003) in the model, the magnitude of the effect of poverty on the adult training participation by state is an increase of 0.01%. Consistent with my hypothesis, although richer states provide more opportunities for training, so do states with higher poverty. This is a confounding finding.

As government ideologies become more liberal, adult training participation increases. When multiplying the difference between the twentieth percentile at a score of 16.56 (the scale ranges from conservative to liberal and 0 to 100) and the eightieth percentile at a score of 74.77 of the sample population (difference of 58.20) by the coefficient in the model (.0001), the
magnitude of the effect of government ideology on the model is an increase in adult training participation of .007%. This finding is consistent with my hypothesis that as state government leadership ideologies become more liberal that the state and federal governments would invest more in labor and social welfare benefits.

Education of a bachelor degree or above is close in significance. As the education of a bachelor degree or above increases in percentage, so does adult training participation. When multiplying the difference between the twentieth percentile at 29.3% and the eightieth percentile at 40.76% of the sample population with a bachelor degree or above (difference of 11.46%) by the coefficient in the model (.002), the magnitude of the effect of the population with a bachelor degree or above on adult training participation, is an increase of 0.02%. Consistent with my hypothesis, more educated individuals will seek opportunities for additional training and state and federal governments will provide more opportunities for training and/or re-skilling and re-tooling.

The range of the magnitude of the effect of the significant variables on adult training participation ranging from largest to smallest are income (45%), education (0.02%), poverty (0.01%) and government leadership ideology (.008%). The insignificant variables in the model are the unemployment rate, union membership, the senior population, the minority population and citizen ideology.

Model 10: Training (Disabled Participation)

The annual number of state-level participants in training programs for disabled adults was originally measured in thousands. This number was divided by the population to reflect the percentage of training participants per 1,000 persons in the population. The mean percentage of disabled adult training participants per one 1,000 persons in the range of the sample is .002. The minimum percentage of participants are .00002 and the maximum is .076. The standard deviation
is .005. The significant variables include the unemployment rate, education of a bachelor degree or above and union membership (significant at .095).

Consistent with my hypothesis, the greater the unemployment rate the greater the disabled persons’ participation in training. When unemployment is high, persons with disabilities seek out training opportunities provided by the state and federal governments. When the difference between the twentieth percentile at 3.9% and eightieth percentile at 6.7% of the unemployment rate for the sample population (difference of 2.8%), is multiplied by the coefficient (0.0003), the magnitude of the effect of the unemployment rate on the model is an increase of .001% on the disabled persons training participation rate.

Inconsistent with my hypothesis, the greater the union membership, the greater the adult disabled persons participation in training. While I expected that lower union membership would cause the state and federal governments to step in to provide policy solutions to oriented problems through social policy investment, this was not the case. Union membership actually drives up disabled persons’ participation in training. When the difference between the twentieth percentile of 6.22% and eightieth percentile of 16.68% union membership of the sample population (difference of 10.46%) is multiplied by the coefficient in the model (.0003), the magnitude of the effect of union membership on the model is an increase of .003% in disabled persons training participation.

The same as with adult non-disabled training participation, the greater the education of a bachelor degree or above, the greater the disabled adult participation in training programs. When multiplying the difference between the twentieth percentile at 29.3% and the eightieth percentile at 40.76% of the sample population with a bachelor degree or above (difference of 11.46%) by the coefficient in the model (.0006), the magnitude of the effect of the population with a bachelor degree or above on disabled adult training participation, is an increase of 0.01%.
The range of the magnitude of the effect of the significant variables on disabled training participation from largest to smallest are education (0.01%), union membership (.003%) and the unemployment rate (.001%). The insignificant variables in the model include the poverty rate, income, the senior population, the minority population and citizen and government leadership ideology.

Model 11: Training (Adult Retention of Employment)

The annual employment retention percentages of WIA training program participants for non-disabled adults after training yielded a mean of 83.82%. The minimum and the maximum employment retention percentage rates of the sample range from 51.2% to 96.8%. The standard deviation was 4.7. The significant variables in the model include citizen ideology, governmental ideology and union membership.

Consistent with my hypothesis, as citizen and government ideologies become more liberal, adult retention of employment after training increases. When the difference between the twentieth and eightieth percentiles for citizen ideological scores (24.27) and government ideological scores (58.20) are multiplied by their respective coefficients in the model (.12 – citizen ideology) (0.03 – government leader ideology), the magnitude of the effect of citizen ideology on the model of increasing adult retention of employment after training by 2.92%. The magnitude of the effect of government leadership ideology on the model is an increase in adult retention of employment after training of 1.90%.

Consistent with my hypothesis and studies on union presence depressing economic growth, as union membership increases in percentage, adult retention of employment after training decreases. When the difference between the twentieth and eightieth percentiles of the
union membership variable (10.46%) by the coefficient in the model (-.54), the magnitude of the effect of union membership on adults retaining employment after training is a decrease of -5.62%.

The range of the magnitude of the effect the significant variables have on the model, from largest to smallest are union membership (-5.62%), citizen ideology (2.92%) and government ideology (1.90%). The insignificant variables in the model include income, the unemployment rate, the poverty rate, the senior population and the minority population.

**Model 12: Training (Disabled Retention of Employment)**

The annual employment retention percentages of WIA training program disabled participants after training yielded a mean of 87.6% employment retention. The minimum and maximum employment retention of the sample ranges from 51.2% to 100%. The standard deviation is 5.9. The significant variables in the model include poverty, the unemployment rate, the senior population, education of a bachelor degree or above, union membership, citizen ideology (significant at .062) and governmental ideology.

As poverty increases in percentage, disabled persons retention of employment after training increases. When multiplying the difference between the twentieth percentile of the poverty percentage in the range at 9.8% and the eightieth percentile at 15.3% (difference of 5.5%) by the coefficient (.61) in the model, the magnitude of the effect of poverty on the disabled adult retention of employment after training is an increase in employment retention of 3.4%. The same as with adult training participation, adult retention of employment after training, consistent with my hypothesis, disabled retention of employment after training increases as poverty increases. Clearly, training plays a huge role in recovery, when states experience impoverished situations. Training is key to providing talent to fill jobs in critical industries that assist in economic recovery, sustainability and growth.
However, inversely, as the unemployment percentage rate increases, disabled persons' retention of employment after training decreases. Although poverty appears to be a driver for training outcomes, the unemployment rate is not. Because the measure is unemployment retention after training, it follows that as the unemployment rate increases, that retention of employment after training would decrease. When the difference between the twentieth percentile at 3.9% and eightieth percentile at 6.7% of the unemployment rate for the sample population (difference of 2.8%), is multiplied by the coefficient (-.54), the magnitude of the effect of the unemployment rate on the model is a decrease of -1.52% on disabled persons employment retention after training.

As education of a bachelor degree or above increases in percentage, disabled persons’ retention of employment after training increases. This finding confirms my hypothesis, again, as state residents are more educated, they seek out training opportunities that lead to successful retention of employment after training. When multiplying the difference between the twentieth percentile at 29.3% and the eightieth percentile at 40.76% of the sample population with a bachelor degree or above (difference of 11.46%) by the coefficient in the model (1.01), the magnitude of the effect of the population with a bachelor degree or above on disabled adult employment retention after training is an 11.57% increase in training.

As the senior population increases, the percentage of disabled persons that retain their employment after training decreases. When the difference between the twentieth percentile at 11.52% and the eightieth percentile at 13.96% of the senior population (a difference of 2.44%) is multiplied by the coefficient in the model (-2.26), the magnitude of the effect of the senior population aged 65 and older on the model is a decrease of -5.50% in disabled persons employment retention after training. This finding confirms my hypothesis and it may be that
some seniors are also classified as disabled and training is a facilitator for employment for this demographic.

Confirming my hypothesis, as governmental and citizen ideologies become more liberal, disabled person retention of employment after training increases. This is the same finding as for adult non-disabled retention of employment after training. In liberal states, employment is retained after training at a higher rate than in non-liberal states. This is an interesting finding that the case studies will hopefully be able to unpack. When the difference between the twentieth and eightieth percentiles of the government leadership ideological scores (58.20) is multiplied by the coefficient in the model (.05), the magnitude of the effect of governmental leadership ideology on the model is an increase in disabled persons’ retention of employment after training of 2.7%. When the difference between the twentieth and eightieth percentiles of the citizen ideological scores (24.27) is multiplied by the coefficient in the model (.10), the magnitude of the effect of citizen ideology on the model is an increase in disabled persons’ retention of employment after training of 2.5%.

The range of the magnitude of the effect of the variables on the model from the largest to the smallest effect are a bachelor degree or above (11.57%), the senior population (-5.50%), the poverty rate (3.4%), government ideologies (2.7%), citizen ideologies (2.5%) and the unemployment (-1.52%). The insignificant variables in the model include the income and the minority population.

Training Models – Analysis

Income is only significant for adult training participation. The greater the income, the greater the adult training participation there is. Richer states may invest more in training programs, yielding higher numbers of adult training participants. The training state-level case
studies will be important in ascertaining some of the reasons for this finding. The poverty rate is significant for adult training participation and disabled adult employment retention after training in the same direction. As the poverty rate increases, both of these outcomes increase as well. Non-disabled adults either seek training at a greater rate, or more training programs are created or expanded during states of poverty that adults take advantage of. Additionally, as states grow in poverty, governmental sponsored training programs facilitate opportunities for the disabled to retain employment after training. Interestingly, the unemployment rate is only significant for the disabled adult training participation and the disabled adult employment retention after training but with different directions. The greater the unemployment rate, the greater the disabled adult training participation. You would expect training needs to increase as the unemployment rate increases because disabled persons are seeking to be re-trained and re-skilled in order to increase their marketability in a competitive environment. Also, education and training become viable alternatives to participating in the job market when employment levels are declining. It also follows that the greater the unemployment rate, the lower the disabled adult employment retention would be after training. Unfortunately although state-level residents can seek out training, it does not always provide that the employment opportunities will be plentiful after training, especially in competitive job market and during times of economic decline. Unfortunately, employment opportunities can be even less plentiful for disabled persons.

There are increased levels of non-disabled adult and disabled adult training participation as state-level education level of a bachelor degree or above increases. As adults are more educated they appear to value and take advantage of government sponsored programmatic opportunities for training. Also as education levels rise, so does probability that disabled adults will retain employment after training. Therefore, as educated disabled adults take advantage of
opportunities for training it does increase their likelihood for employment. However, disabled seniors have a lower likelihood of retaining employment after training.

In terms of union membership the greater the state-level union membership, the greater disabled adult participation in training programs. This is an interesting finding that hopefully the training case studies will allow for more explanation of this phenomenon. However, the lower state-level union membership, the greater the employment retention of employment after training for both non-disabled and disabled adults. This relates to the argument that economic growth and job opportunities are more prevalent in states that are less union friendly (Grant and Wallace 1994). The argument is that employers avoid highly unionized states and gravitate toward less union friendly, less regulated states, driving down employment opportunities in unionized states. The more liberal the citizen and government ideologies the greater the employment retention after training for both disabled adult and non-disabled adult training participants. Also the more liberal the government ideology, the greater the adult training participation. These findings are consistent with hypothesis that in liberal states governmental intervention in labor market and social programs would be greater. Liberal states may invest more in training programs, thereby driving up adult training participation. However, hopefully the case studies will be revealing as to whether these training programs are effective in feeding employees to critical industries, thereby reinforcing the finding that as citizen and government ideologies become more liberal there are greater employment retention after training for both disabled and non-disabled training participants.

Conclusions

The Social Security/Supplemental Security Income and the unemployment models are examining state-level budgetary outcome data. Two of the unemployment models also include
initial and continued claims outcomes. The training models are examining state-level training participation rates and employment retention after training. With all of the models there were findings that were inconsistent with my hypotheses and other findings that confirmed my hypotheses. In the concluding comments I will focus on a selection of these confirmatory or unexpected findings.

For the OASDI Social Security/SSI models the hypothesis was confirmed for the poverty rate across all of the models—as the rate of poverty increased, so did the level of OASDI Social Security and Supplemental Security Income expenditures. The poverty rate was also significant in all four models. Poorer states have a great payout from the federal level, in the case of Social Security retirement and disability benefits and from the federal and state in the case of SSI benefits for seniors aged 65 and older and the disabled. Therefore, the level of poverty does impact OASDI Social Security and SSI expenditures. As there is increased poverty, there is an increased burden on the state, and the state responds with an expansion of benefits. This finding is notable because the presumption is because OASDI Social Security is a social insurance program that U.S. residents pay into and that is not means tested, then it is presumed that poverty should not matter in the generosity of benefits. However, in the statistical analyses employed, both the OASDI Social Security expenditures for retirement and disability were influenced by poverty. This suggests that as poverty increases then there is an influx of Social Security retirement and disability applications; increasing the burden on the state. These effects can only be exacerbated during times of economic recession. We would expect this trend with SSI benefits because SSI is a means-tested program that was established for the very poor. However, with this finding is unexpected for OASDI retirement and SSI benefit expenditures.

The effect of poverty is the same for both of the unemployment average weekly benefit and state-level expenditure models. As the level of poverty increases, overall unemployment
expenditures and average weekly benefits actually decrease. Initial and continued claims decrease as well. This is an unexpected finding that is inconsistent with my hypothesis. Therefore, poorer states expend less on unemployment insurance and average weekly benefits for eligible beneficiaries reflect this decline as well. Because of lower state-level budgets in poorer states, it may follow that unemployment expenditures would be less. However, you may expect in poorer states that unemployment claims would possibly be higher. Yet, it may not be a matter of higher claims in poorer states; however, the benefit amount approved may be lower in these states due to lower wages earned. In addition, in poorer states, although there may be a higher need for unemployment insurance benefits, there are strict qualifiers that an applicant must meet in order to be eligible for these benefits. For example, if a claimant were to leave a job due to their own fault, they would not be eligible for benefits or if they did not earn enough income in the weeks preceding them filing for benefits.

For the training models, poverty was significant only for adult (non-disabled) training participation and training disabled adult employment retention. The greater the poverty the more increased the training participation and disabled adult employment retention. In terms of the training participation, the model may reflect this result because as there is increased poverty (and subsequent joblessness), adults are seeking skills training or re-training. This is to expected, especially during times of economic recession. Additionally, the results also reflect that although poverty may be increasing, training does assist disabled trainees in retaining employment after training. This findings brings into question whether the state and federal governments intervene in the labor market by establishing more public-private training and employment partnerships for the disabled within states with high poverty or during times of economic decline, such as during a recessionary period where the employment rate would rise. In the state-level case studies, this phenomenon will be important to examine.
The hypothesis for the effect of income was only confirmed in one of the four OASDI Social Security/Supplemental Security Income models. Income was significant in all four models and as the income increased for Social Security retirement and disability and SSI disability, the level of expenditures increased. The only model where expenditures declined as income increased was with SSI for seniors aged 65 and older. These findings lend to the argument that in states where residents are earning more on average than lower income states, residents are able to pay more into state-level tax bases and then the state is better able to afford to offer an SSI supplement to the federal benefit, and possibly a larger supplement than poorer states.

The effects of income on the unemployment expenditure and benefit models have opposite effects from the unemployment initial and continued claims models. For the expenditure and benefit models, as the level of income increases then so do the expenditures or benefits. This again could be linked to state-level budget capacity. However, it also intuitive that the greater the income, the lower the claims would be. For training, income is only significant for adult training participation with the effect being that the greater the income, the greater the adult training participation. It is probable that states with residents that earn higher income also have a larger state-level budget to invest in training programs.

The unemployment rate significantly impacts all of the OASDI Social Security and Supplemental Security Income models, however in different directions for OASDI-SS models in comparison to SSI models. As the unemployment rate increases, OASDI-SS retirement and disability expenditures increase. However, as the rate of unemployment increases, SSI expenditures for aged 65 and older and disabled persons decrease. These findings suggest that as workers become unemployed or underemployed, they file for OASDI-SS retirement and disability at higher rates. The SSI findings were inconsistent with my hypothesis. However, the
primary qualifiers for SSI do not rely upon employment levels; rather they are based on the claimants’ income, age and disabled status.

For the unemployment models, the unemployment rate was significant for all of the models in the same direction, except for the initial claims. The directions of the effects were consistent with my hypotheses. The greater the unemployment rates, the greater the unemployment expenditures and average weekly unemployment benefits as well as the continued claims. It is interesting that for initial claims, the unemployment rate was not a significant factor. However, as increasing unemployment rates become more persistent over time, the unemployment rate becomes a significant predictor of the continuation of unemployment claims. For the training models, the unemployment rate was only significant for the disabled adult retention of employment after training. The greater the unemployment rate, the lower the disabled persons’ employment retention after training. As there are fewer jobs to be acquired, the ability for disabled persons’ to retain employment, even after training, is diminished.

Surprisingly, the senior population aged 65 and older was not significant for the OASDI Social Security and Supplemental Security Income models. It could be expected that the senior population aged 65 and older would be significant for the OASDI Social Security retirement model, yet this was not the case. However, there are many individuals under the age of 65 that apply for and are granted OASDI Social Security and SSI benefits. For the unemployment insurance models, the senior population was only significant for average weekly benefits by state and the larger the senior population, the lower the average weekly benefit, which was inconsistent with my hypothesis. However, this finding may be indicative of the fact that seniors aged 65 and older may earn less, one of the considerations in the unemployment benefits calculation. The senior population is only significant for disabled adult retention of employment after training. As the senior population increases, the level of disabled adult retention of employment after training
decreases. There just may not be as many disabled seniors seeking training and even if they do, they are likely to find challenges obtaining and retaining employment after training. The state-level case studies will allow me to examine this phenomenon more closely.

It is important to note that the minority population was significant for all of the OASDI Social Security and Supplemental Security Income models. The greater the minority population, the greater the OASDI Social Security Disability and SSI benefits for aged 65 and older and the disabled. These findings were inconsistent with my hypothesis and despite the literature that states that as the minority population increases, there would typically be a lower payout of social welfare benefits to minorities, most of the OASDI Social Security and SSI models did not reflect this. These findings provide support that a larger minority population, does not always depress governmental social welfare benefits, especially for the disabled and when considering SSI, which covers not only poor seniors but the disabled as well. However, as the minority population increases, Social Security retirement expenditures did decrease. Again, as OASDI-SS is a social insurance program, minorities may not have paid into the OASDI-SS system at the same level as non-minorities on average, over time; creating the disparity in benefits. Also differences in minorities versus non-minorities apply for early retirement versus full retirement may be able to account for some of the differences here as well. The minority population is significant for the overall unemployment insurance expenditures and average weekly benefit models only. Both models reflect that as the minority population increases, the unemployment insurance expenditures and benefits decrease. These findings were consistent with my hypothesis.

As education increases, the models reflect that so do OASDI-SS retirement and disability expenditures. However, SSI disability expenditures decrease as education increases. However, the older persons, blind and disabled that qualify for SSI may be less educated overall than other demographic groups. The greater the level of education, the greater the unemployment
expenditures, average weekly benefits as well as initial and continued claims. Therefore, it can be offered that not only is the level of education a significant factor in how many claims are filed, it is also a good predictor of the success of those claims. Additionally, as education increases, so does non-disabled adult and disabled adult participation in training. Finally as education levels increase there is a greater likelihood of disabled adult retention of employment after training. Education clearly positively enhances training program usage and employment retention after training. Education appears to mitigate the understanding of the unemployment insurance claims process as well, which may increase the probability of claims success. The state-level case studies will allow me to examine these linkages further.

Union membership is only important for the training and OASDI-Social Security/Supplemental Security Income models. Increasing union membership has the effect of decreasing employment retention after training for adult disabled and non-disabled persons. This finding follows studies that purport that union membership depresses economic growth. However, increasing union membership has the effect of increasing disabled adults’ participation in training programs. This is a confounding finding as the link between disabled adults and union membership is not clear.

In terms of Social Security and Supplemental Security Income, increasing union membership has the effect of decreasing Social Security and SSI expenditure and benefit payment outcomes except in the case of SSI for persons aged 65 and older. It is a presumption that union friendly states may yield higher worker wages and is probable that this may correlate to higher OASDI-SS and SSI expenditures; however, the models reflect the opposite. Yet, for SSI for aged 65 and older, again, the main qualifiers for SSI are not based on work history, but rather on poverty, age and disabled status, so it is interesting that as union membership increases, so do SSI payments for aged 65 and older. It is plausible that highly unionized states, generally considered
to be liberal states, provide more program assistance for the poor, disabled and older persons. It will be fruitful to examine these phenomena in the state-level case studies.

Citizen or government ideologies are important for all three policy areas, yet both the citizen and government leadership ideology variables are not usually significant in one model at the same time, except in the case of training. With citizen ideology, the more liberal the ideology, the lower the SSI expenditures per capita for aged 65 and older. The more liberal the government leadership ideology is, the lower the SSI disability expenditures per capita are. These findings may be reasonable as expenditures for SSI have more to do with the health of the state economy and the states’ ability to provide an SSI supplement from its general budget revenues. The friendliness of the business environment plays a role as well. Many conservative leaning states boast that they have business friendly environments and that they have less business regulation than liberal states and provide corporate tax incentives that draw employers to their states. Corporate taxes also support SSI supplements. On average liberal states could contain less budgetary capacity to provide SSI supplements, especially as they are presumed to support a more diverse array of social welfare programs than conservative states.

The more liberal the citizen ideology, the lower the initial unemployment claims. This finding is perplexing as the more liberal the government ideology, the higher the number of continued claims. Are conservative states more stringent in their rules for continued claims? As the government leadership ideology becomes more liberal, expenditures on unemployment expand. It is presumed that there is more support for the expansion of social welfare benefits in a liberal-led government. However, the state-level case studies will shed light on the reasons for these findings.

Both citizen and government ideologies influence adult participation in training programs and disabled and non-disabled adult retention of employment after training. It is an interesting
finding that the more liberal the citizen ideology, the higher the non-disabled adult and adult disabled retention of employment after training. Additionally, as the government ideology becomes more liberal, adult training participation and non-disabled adult retention and adult disabled retention of employment after training increases as well. Are there an abundance of cooperative public-private governmental partnerships that link educational institutions and other vocational programs with businesses and nonprofits to facilitate training and employment opportunities in liberal states? The state-level case studies will reveal more about innovative public-private partnerships that seek to expand employment opportunities.
CHAPTER IV

VARIEITIES OF LABOR POLICY COORDINATION IN RESPONSE TO THE 2007–2009 ECONOMIC RECESSION: UNEMPLOYMENT POLICY IN MICHIGAN AND UTAH

Introduction

In order to complete a more in-depth analysis assessing the variability in not only state-level behavior but in the U.S. federal government’s investment in state labor markets, I will conduct qualitative case studies of select U.S. states in the areas of unemployment insurance, training and Social Security and Supplemental Security Income in order to describe and explain labor policy interventions in a real-life context (Yin 2009). Conducting case studies of the U.S. states will also allow me to explain the effects of social, economic and industrial/labor policies on disenfranchised groups such as minorities, women, older workers, and the lower-educated, lower-paid and lower skilled of society.

Jacoby and Schneider (2001) emphasize the influences of state culture, interest group influence and public opinion on state policy priorities. I want to examine then the influences of state government leadership ideologies (operationalized by gubernatorial and legislative power) and citizen ideologies within the state. By completing comparative case studies of national- and state-level governmental policy interventions into state labor markets I will be able to use within-case analysis to extrapolate the levels of coordination that have occurred across the national and state levels of government, nonprofits (including educational institutions) and for-profit entities from the beginning of the 2007 economic recession until the present. Unemployment insurance and supplemental security income policies will be especially telling of state spending priorities as states’ allocate portions of their budget to both. Training policies will also be important as states
have discretion in terms of what state-level training programs to fund and promote, and what federal training grants to apply for depending upon what skill sets are required to bolster and advance specific industries within each respective state. Although the OASDI Social Security retirement program is federally funded and administered, it will be advantageous to determine why the variance exists in funding levels across the U.S. states and what impact does this have on vulnerable populations in states where the approved benefit allocations are much less.

The first case study will be examining national and state-level unemployment insurance policy intervention as a result of the 2007–2009 recession. The states for an in-depth case study examination are Michigan and Utah. The state of Utah was selected because of its low level of expenditures on unemployment insurance during the 2007–2009 recession and Michigan because although less diverse states tended to pay out more in unemployment benefits, Michigan was an outlier in that it paid out more unemployment benefits, especially the 2007–2009 recession. The state of Utah had a high of 8% unemployment at the height of the recession as compared to 14% in Michigan and boasted of unemployment that was at a low of 5.2% in December 2012 coming in over two percentage points lower than the U.S. 7.8% national unemployment rate. The unemployment rate for the state of Michigan ranged from 13% to 11.6% in 2010, well after the end of the recession, much higher than the national unemployment rate that was ranging from 9.9% to 9.3% in 2010. Michigan’s unemployment rate reduced to its lowest since the beginning of the recession at 8.9% in December 2012.

Utah has a conservative government leadership whereas Michigan’s electorate tends to vote more liberally. However, in its 2010 midterm election, the state of Michigan transferred gubernatorial leadership from Democratic Governor Jennifer Granholm who served two consecutive four year terms beginning in 2002 to Republican Governor Rick Snyder. The state of Utah has had a succeeding line of Republican governors since the mid-80s. The current governor
Gary Herbert was elected in 2009 and re-elected in 2013. Michigan’s population was under 10 million in 2012 and is more diverse with a population of approximately 24% minorities with residents having an average annual income per capita from 2007–2011 of $25,482 and the average median household of $48,669 and an average poverty rate of 15.7%, during this timeframe. A total of 25.3% Michiganders hold a bachelor degree or above. Utah has a much smaller population of approximately 2.8 million and a more homogenous population with an approximately 8% minority population. A total of 9.2% of Utah’s population was aged 65 and older in 2011. The population has a lower per capita annual income than Michigan at $23,650 due to their young population, yet a higher average median household income from 2007–2011 at $57,783. The average poverty rate is also lower than Michigan poverty rate 11.4% Utah has a fairly high level of citizens with a bachelor degree or above with an average of 29.6% from 2007 to 2011 (USA Quickfacts 2013). Utah was voted in the top ten for business friendliness by CEOs in the Chief Executive annual poll whereas Michigan was ranked in the bottom ten for its business friendliness (ChiefExecutive.net 2012a).

This study examines the extent to which the state governments of Michigan and Utah varied in their labor market intervention measures utilized to combat joblessness as a result of the 2007–2009 economic recession. The states of Michigan and Utah are employing diverse policy efforts in order to alleviate the political, economic and social pressures of economic decline that society is facing in the 21st century. Public-private job creation programs, educational job training partnerships and economic growth policies that are tied to job creation and sustainability will be examined in the states of Michigan and Utah in response to the 2007–2009 recessionary period.

The chapter will first discuss the effects of the 2007 recession across demographic groups including stratifications by gender, age and the underemployed. Next a brief history of the
development of national unemployment insurance in the U.S. in the 1930s will be explained along with the administrative aspects of current state operated unemployment insurance programs. I will briefly examine the state-level business regulatory environment and its influence on employment opportunities and unemployment. Programs that were established in addition to unemployment insurance such as subsidized employment programs where state and local governments subsidize a portion of employee’s wages for targeted employment will be discussed. An overview of the Michigan and Utah’s demographic, economic and political landscape will follow along with an overview of the eligibility parameters and operational aspects of the unemployment insurance systems in Michigan and Utah. Michigan and Utah’s economic development and labor intervention programs that assist in job creation will be explained and finally, there will be a comparison of both state-level case study findings and concluding remarks.

Unemployment and the 2007 Recession

Effects of the 2007–2009 Recession across Demographic Groups

The Bureau of Labor Statistics tracks labor market employment, unemployment and non-participation. The employed have jobs, and the unemployed are classified as actively seeking work. Those who are non-participating in the workforce are not actively seeking work and have removed themselves from the workforce—this could be retirees, students and those who work within their homes (Sahin, Song, and Hobijn 2010). The Bureau of Labor Statistics also tracks this data by age, race/ethnicity, income and educational levels.

Hoynes, Miller, and Schaller (2012) examine how business cycles, including unemployment, employment and earnings changed during the 2007 recession. They also examine the impact of recessions across the demographic groups of age, educational attainment, race and gender from 1979 to 2011, spanning five recessionary periods. Hoynes et al. use individual level
panel data from January 1979 through July 2011 from the Current Population Survey Merged Outgoing Rotation Group (CPS MORG) for their analyses. Hoynes et al. finds that the 1980 recession is most comparable to the 2007 recession and they analyze qualitative and statistical data for both recessions. The CPS MORG contained labor market data for 25,000 persons per month, aged 16 to 60 and includes employment status, weekly work hours, usual weekly earnings and demographic data.

Hoynes et al. find that the consequences of the 2007 recession were greater in depth and longer than the 1980 recession. In examining the raw data for the 2007 recession, employment, hours and earnings were higher for Caucasian-Americans, men, “prime-aged” workers and those with higher levels of education. An example Hoynes et al. provide is that less than half of those in the sample who had not obtained a high school degree were working (Hoynes et al. 2012, 8). When comparing the raw data from the 1980 recession to the 2007 recession, it was found that in both recessions, men had larger increases in unemployment than women and African-Americans and Hispanic-Americans had greater increases in unemployment than Caucasian-Americans. The youth had larger increases than the middle-aged and groups with lower education had increased unemployment levels than those with higher levels of education. All groups experienced a lower increase in unemployment during the 2007 recession than in 1980 recession, with the exception of African-Americans, Hispanic-Americans, and with those with less than a high school degree (Hoynes et al. 2012, 9).

One regression model utilized by Hoynes et al. analyzed the effect of the state unemployment rate on the group unemployment rate, by race, sex, age and education. It was found that in general men had greater unemployment than women, African-Americans had greater unemployment than Hispanic-Americans and Hispanic-Americans had greater unemployment than Caucasian-Americans. Youth experienced a much higher unemployment rate,
especially for aged 16–19 year olds than those in their mid-20’s. For every percentage point increase in the unemployment rate, youth in this age group experienced a 2.8% increase in their unemployment rate. An increase in one percentage point in the state unemployment led to a 2% unemployment rate increase for those workers with less than a high school diploma. This is in comparison to a less than a half of a percent increase in unemployment of those with a college degree. However, the 2007 Great Recession impacted older workers at a greater magnitude across levels of educational attainment. In addition African-American men had almost double the unemployment rate of Caucasian-American men and African-American women had an unemployment rate of almost triple that of Caucasian-American women (Hoynes et al. 2012, 13).

Hoynes et al. found that the cyclicality for race/sex groups was lower for the Great Recession, which suggested that there has been a slower recovery for the most recent recession than the 1980s recession (Hoynes et al. 2012, 17–18). Overall, African-Americans, Hispanic-Americans, men and those with low education are more responsive to business cycles and recessions in both the 1980 and 2007–2009 recessions, despite labor market changes over the past 30 years and despite examining the CPS MORG data in a variety of ways. As a result, the impacts of the Great Recession were not uniform across demographic groups (Hoynes et al. 2012, 19–22).

**Gender Effects of the 2007 Recession**

At the beginning of the economic recession, the national unemployment rate was 5% in December 2007 and even after the technical end of the recession in June of 2009, by October 2009 the national unemployment rate was at a peak of 10.1% (Sahin et al. 2010). However, during this timeframe unemployment was more dire for men than for women, as the nonfarm payroll employment fell 5.8 million for men in comparison to 2.5 million for women, with a total loss of 8.4 million jobs during this timeframe. Between August 2008 and January 2010 Sahin
et al. indicate that the U.S. labor market was losing 424,000 jobs a month, bringing “payroll employment back to its September 1999 level, erasing all of the jobs created over the past decade” (Sahin et al. 2010, 2).

This is the first time on record where the number of women on the U.S. payrolls is close to the number of men. In August of 2009 men’s unemployment reached 11% while the female unemployment rate was 8.3% (Sahin et al. 2010, 2–3). A more similar metric for both men and women are the average amount weeks they have spent looking for work which in January of 2010 averaged 31.2 weeks for men and 28.8 weeks for women.

The increased “in-flow” rate from employment to unemployment of men over women for 2007 recession was without precedent from the previous 1990-91 and 2000-01 recessions (Sahin et al., 3–6). Sahin et al. find that male-dominated industries declined during the most recent recession and when men who were unemployed tried to re-enter the workforce, they failed to be able to do so. Sahin et al. indicate that there have been structural shifts in the labor market during the most recent recession where manufacturing rates are continuing to decline and construction rates are re-launching. However, it will take time for the labor to shift to re-emerging industries.

Although men experienced a greater level of unemployment distress during the 2007 recession than women, their expansion is increasing more rapidly (Kochhar 2011; Hoynes et al. 2012). Sahin et al. prescribe that training programs and the use of job search consultants will be critical during this recovery time (Sahin et al. 2010, 7).

**Age and the 2007 Recession**

The Great Recession has had a disparate impact on younger workers as well as older workers. Between 2007–2009, “the United States’ youth unemployment rose from 10 percent to 19.1 percent and among young men it reached 22 percent by the end of 2009” (Taylor, Fry,
Velasco, and Dockterman 2010). The unemployment gap was stark for young African-Americans who had an unemployment rate of 29.1% during this timeframe. Young college graduates will also feel the impact of a challenged job market. It is projected that the graduates during these challenging times will feel the lessening of wage of effects for up to 15 years after graduation, compared to those that graduated in a healthier job market.

According to the data Taylor et al. collected from the March 2009 Current Population Survey, for the first time in over 20 years, the employment of undergraduates has fallen beneath 50%. They find that unemployment rates for undergraduates aged 18–24 in March 2009 (9%) and also the non-enrolled aged 18–24 year olds (19%) both almost doubled from their 2007 rates. Yet as of October 2009, rates of unemployment for all 16 to 24 year old enrolled undergraduate or graduate students rose to 12%, from 8% in October 2008. Although not mutually exclusive, college educational attainment generally will increase employment opportunities for college graduates, especially women, over the long run. (Taylor et al. 2010, 15–16).

O’Leary and Wandner (2001) explore how UI impacts older workers. They note that employment rates steeply decline after age 54, and that the prospect of returning to full-time reemployment after displacement is 30 to 70% lower for older workers. Less than one-tenth of displaced workers under 55 years of age leave the labor force, but more than one-fourth of workers aged 55–64 and nearly half of those 65 and over exit (O’Leary and Wandner 2001, 3).

The transition from a career job to retirement income has its challenges. It has been established that displaced workers become reemployed at sharply declining rates as they age. Yet even if displaced older workers are able to gain re-employment, they often do so for lower wages than they previously earned. Among displaced workers aged 55 to 64, the earnings loss was 20% or more for 38.2% of those who got reemployed, while an earnings reduction of that magnitude
was experienced by less than a quarter of younger displaced workers (O’Leary and Wandner 2001, 3).

For those who receive UI benefits, the Benefits Accuracy Measurement (BAM) audit data provides characteristics. Up until age 65, men tend to draw a larger share of UI benefits. Older beneficiaries tend to have lower levels of formal educational attainment. Beneficiaries over age 54 are less likely to be Black or Hispanic and more likely to be White or Asian/Pacific islander. The occupational distribution after age 64 results in larger shares of beneficiaries are from sales and services occupations, and a smaller number are from structural occupations (O’Leary and Wandner 2001, 4).

The four main employer exclusions to paying unemployment insurance tax are agricultural workers, household workers, employees of religious organizations, and the self-employed. The self-employed exclusion does impact older workers. While 6.8% of all non-agricultural workers participate in self-employment, the rate increases to 10.9% of those aged 55 to 64 and to 17.2% of those aged 65 and over. Even more so, the majority of agricultural workers who are aged 45 years or older are self-employed. California is the only state that has a limited form of UI coverage for the self-employed (O’Leary and Wandner 2001, 4).

Many of these conditional qualification rules were established in order to minimize insurance problems of moral hazard and to ensure that employment separations were voluntary and primarily due to a lack of work, versus being a result of factors that the worker could control such as a quit, a collective bargaining dispute, or the employee being released from employment for misconduct.

There are some exceptions in which all states consider appropriate for voluntary separations that they deem are for good cause, including: “(1) sexual harassment, (2) illness, (3) leaving to accept other work, (4) joining the armed forces, and (5) compulsory retirement”
Compulsory retirement as Quinn (1999) points out, was outlawed entirely in 1986. Workers dismissed because of reasons surrounding their age is illegal and they are therefore entitled to UI benefits, with the separating employer liable for benefit charges.

The final requirements are for continuing benefit eligibility and they include job search requirements and limits on refusing suitable work. The job search rules are known as “able, available, and actively seeking work” requirements (O’Leary and Wandner 2001, 6–7). Using the BAM data O’Leary and Wandner determine that workers aged 45 and over are more likely to be on recall status during their period of UI benefit receipt, and the proportion awaiting recall appears to increase with age. Therefore, the job attachment among UI beneficiaries increases with age, and, as a result, there is a slight downward trend with age in workers meeting the work search requirements.

When considering the weekly benefit amount (WBA) for UI claimants, the rates rise continuously with age up until age 65. While the “WBA averaged $202 in 1998 across all age groups, it averaged only $157 for workers aged less than or equal to 24 and reached $216 for workers aged 55 to 64. The average WBA for workers 65 and over was only $174” (O’Leary and Wandner 2001). This decline in weekly benefit amounts for these oldest workers is most likely due to older workers aged 65 and older moving into “bridge” employment as they get closer to their full retirement age (Quinn 1999). Quinn (1999) points out that bridge employment can be fewer hours in the same occupational field or lower wages that workers earn in a different occupation than their established career (O’Leary and Wandner 2001, 9).

The 1976 federal UI amendments (Public Law, 94-566) required a dollar-for-dollar reduction of UI payments against “any governmental or other pension, retirement or retired pay, annuity, or any other similar periodic payment which is based on the previous work of such
individual” (U.S. Department of Labor 1999, 4–19). Currently out of 53 state UI programs, 38 pro-rate UI benefit reductions for employee contributions to pension plans, and 28 states disregard benefits received from pensions established outside of the base period (O’Leary and Wandner 2001, 10).

O’Leary and Wandner explain that two opposite solutions have been tried to solve this principal-agent work incentive problem. These options include traditional policy that has been to monitor work search, while positive reemployment incentives were evaluated through field experiments in the 1980s. In terms of incentives for job obtainment, the stringency of work search rules vary greatly across the states, and the majority of benefit overpayment errors have been traced to improper application of work search rules (O’Leary and Wandner 2001, 13).

Finally, the United States is the only nation in the world which finances unemployment compensation benefits with experience-rated taxes. However, because of this experience rating, businesses are involved in the system and UI benefits do not have the generosity normally associated with social assistance. There is also no stigma attached to the receipt of UI, as benefits are viewed as a worker’s right (O’Leary and Wandner 2001, 15).

O’Leary and Wandner recommend that more attention needs to be paid to “the impact of UI as a source of income and as an influence on work incentives for older workers. Changes in UI rules concerning initial eligibility, continuing eligibility, wage replacement, and partial benefits should all be examined to evaluate effects on the likely employment patterns of older workers. Particular attention should be given to UI features affecting the choice of self-employment, part-time work, seasonal work, and agricultural jobs” (O’Leary and Wandner 2001, 20–21).
The Underemployed

Many workers have been forced in the Great Recession to accept part-time employment when they are seeking full-time work. While all states allow partial benefits for underemployed part-time workers, the formulas vary substantially and critics suggest that it would help if the formulas were adjusted upwards and if higher cut-offs for earnings were established in order to make unemployment insurance benefits more generous for the underemployed. Proponents of unemployment insurance policy change for the underemployed would argue that increased generosity in benefits would precipitate greater spending by beneficiaries which would in turn help businesses by stimulating the economy. Only 28 states have provisions that allow for those seeking part-time work to be eligible for unemployment benefits. In the states without this provision, claimants must seek-full-time work, even if they previously worked part-time, in order to be eligible for benefits (O’Leary and Wandner 2001).

In examining applicants aged 25 to 54, younger and older workers tend to part-time workers. For those aged 55 and over, more than one-quarter of all workers were employed part-time in 1998. Furthermore, over 30% of unemployed job seekers aged 55 and over were seeking part-time employment. This again impacts the ability of workers to access unemployment benefits as in many states, someone working either half-time at the state average covered wage or full-time at the state minimum wage would not qualify for UI benefits (O’Leary and Wandner 2001).

While unemployment insurance has become a staple social welfare benefit that is relied upon by jobless workers in the U.S. during times of economic distress, there are programmatic issues that still need to be addressed in order to ensure the equality of benefits. Some of the vulnerable populations whose interests need to be protected include workers who are employed at a low-wage or underemployed and older workers. Shafer (2010) identifies key programmatic
barriers to access to Unemployment Insurance (UI) faced by two groups of disadvantaged workers in the U.S.: those in the lowest wage quintile, and part-time (PT) workers who are primary wage earners. Shafer conducts an analysis of the 2001 Panel of the Survey of Income and Program Participation (SIPP), a nationally representative, longitudinal survey administered by the U.S. Census Bureau. Shafer finds that a large majority of disadvantaged workers in the U.S. already meet UI earnings (monetary) requirements, and that barriers to access are more often the result of disadvantaged workers (1) assuming they are ineligible, or (2) not meeting non-monetary eligibility requirements because they voluntarily quit their job or were terminated for cause.

According to Shafer’s estimates, less than half of the disadvantaged workers who are eligible for benefits ever receive them, while a far greater proportion of eligible advantaged workers receive UI. This may be due to a lack of knowledge about the program, a lack of understanding of a complex bureaucratic process, a lack of need for benefits or due to a quick transition back to work.

According to Shafer, in order to remedy barriers to Unemployment Insurance access among disadvantaged workers, it will further require increasing rates of application through expanded knowledge about the program among disadvantaged workers and expanding (non-monetary eligibility for job leavers). However, this increase in “education” is complicated for the non-monetary requirements and issues of moral hazard additionally complicate policy reform. A policy that allows workers to receive UI after a voluntary quit would likely have the unintended consequence of incentivizing workers to quit in order to receive UI benefits, which would be inefficient and expensive (Shafer 2010).

In order to reform non-monetary requirements while avoiding such unintended consequences, some states have enacted provisions that allow workers who voluntarily quit for good causes (such as care for a family member, child care problems, trailing spouse provisions
and domestic violence provisions) to maintain eligibility. Other ways proposed to ease disparities caused by non-monetary eligibility include shortening the disqualification period due to voluntary quits to a few weeks instead of the duration of an unemployment spell, as Italy, Germany, and Japan do (Storey and Neisner 1997). This would mean if workers were unemployed for 4 or perhaps 12 weeks following a voluntary quit—or if they met work search requirements (as is done in France) they could become eligible to receive UI benefits.

A more progressive measure would be to allow workers to “bank” their UI months over time, to use when they need them most. Every year of work might translate into one month of UI benefits, up to a max of a few years. The limited total eligibility might reduce moral hazard concerns (Shafer 2010, 458). Such a policy is unlikely, however, as it is unique among comparable G-8 nations where UI policy has remained static for 3/4 of a century. While such reforms may be more difficult to achieve politically, they may be essential for the success of any effort to make UI more accessible to disadvantaged workers.

**National Unemployment Insurance Law**

Only one state prior to the enactment of federal legislation had any system of financially subsidizing the unemployed poor and that was the state of Wisconsin (Eberts and Erickcek 2002). The national-state Unemployment Compensation Insurance partnership was instituted in 1935 under the Social Security Act. Unemployment insurance (UI) is based on federal law yet it partially funded and entirely administered by the states and under state law. States design their own unemployment insurance compensation systems including establishing eligibility rules as long as they adhere to federal requirements. UI payments are intended to provide temporary financial assistance to those workers who are unemployed “due to no fault of their own” (as
determined under State law), and meet other eligibility requirements of State law (within guidelines established by Federal law).

Benefit amounts and the length of times benefits are available are also determined by State law. In the majority of States, benefit funding is based solely on a tax imposed on employers. Most employers are assessed a federal tax through the Federal Unemployment Tax Act (FUTA) and a state unemployment tax (FUTA 2010). Employers are federally taxed 6% on wages up to $7,000 per year, decreased from 6.2% as of July 2011 (DOLETA 2012). However, employers can earn a 5.4% federal tax credit, if they make timely UI payments, reducing their obligation to 0.6% or $42 per employee, per year (DOLETA 2012). FUTA covers the costs of administering UI and Job Service programs in the states and also covers half of the extended benefits programs administered by the states (UI Tax Topic 2010). Only Alaska, New Jersey and Pennsylvania require minimal employee contributions. However, although employees contribute to unemployment taxes through payroll deductions in these states, they still have to meet eligibility requirements in order to qualify for unemployment benefits.

The general eligibility requirements for UI claimants include “1. You must meet the State requirements for wages earned or time worked during an established period of time referred to as a ‘base period.’ (In most States, this is usually the first four out of the last five completed calendar quarters prior to the time that your claim is filed.) 2. You must be determined to be unemployed through no fault of your own (determined under State law), and meet other eligibility requirements of State law” (State Unemployment Benefits 2010). Most states pay up to a maximum of 26 weeks of benefits. However, Massachusetts pays up to 30 weeks and so does Washington depending upon the circumstances. If states are unable to meet the anticipated burden of unemployment claims for a specified period they may request a loan from the Federal Unemployment Account (FUA) in the Unemployment Trust Fund in accordance with Title XII of
the Social Security Act. According to the law, if states have an outstanding balance on January 1st for two consecutive years they are required to pay the entire balance by November 10th of that second year. The 5.4% tax credit that state employers receive are reduced for each year the loans remain unpaid. There is also 10% interested assessed on loans yet arrangements can be made for states to delay interest payments or pay interest in installments. A cap on loan repayments are considered for states that meet certain specified requirements. States risk losing the federal 5.4% federal employer tax credit and federal grants for UI administration if they fail to repay UI loans (DOLETA 2012, 7–8).

Extensions for collecting Unemployment Insurance (UI) payments are only relevant during periods of high unemployment and the state or federal government are responsible for taking actions to extend benefits. Extended UI benefits are available to workers who have exhausted their regular unemployment insurance benefits during periods of high unemployment. The basic extended benefits program provides up to 13 additional weeks of benefits when a State is experiencing high unemployment. Some States have also enacted a voluntary program to pay up to 7 additional weeks (20 weeks maximum) of extended benefits during periods of extremely high unemployment. Extended benefits are funded 50-50 by the federal and state governments. When a State begins an extended benefit period, it notifies those who have received all of their regular benefits that they may be eligible for Extended Benefits (Unemployment Extended Benefits 2010).

The Emergency Unemployment Compensation 2008 (EUC08) is an emergency benefits program that was instituted by the federal government in July 2008 that is payable to individuals who “(1) have exhausted all rights to regular compensation with respect to a benefit year that ended on or after May 1, 2007; and (2) have no rights to regular compensation or extended benefits (EB); and (3) are not receiving compensation under the unemployment compensation law
of Canada. To qualify for EUC, individuals must have had a minimum employment of 20 weeks of work, or the equivalent in wages, in their base periods.” EUC08 is administered through voluntary agreements between states and the U.S. Department of Labor (Unemployment Extended Benefits 2010).

Beginning in April 1, 2009 onward, The American Recovery and Reinvestment Act of 2009 (ARRA) modified the EUC08 program by funding benefits paid from general revenues, not from FUTA (Unemployment Extended Benefits 2010). On December 17, 2010, President Obama signed into law legislation extending the ending date for the federal Emergency Unemployment Compensation (EUC) program to January 3, 2012, from November 30, 2010. However, the legislation did not add any new benefits. In November 2011, Congress again extended federal emergency unemployment benefits for the jobless through the end of 2012 through the $447 million, Americans Job Act. In addition to funding training programs, the funds were also earmarked for states to use to subsidize wages that underemployed workers lost, due to their hours being reduced and to provide funding to workers aged 50 and older that were in lower paying jobs after being laid off.

However, the extended unemployment compensation program was changed to award benefits to state recipients through a tiered structure, depending upon the unemployment rate within the respective state. With these changes, the previous maximum of 99 weeks of state and federal benefits that claimants could qualify for was reduced to range from 40 to 73 weeks. Therefore, if a claimant had already reached their maximum number of weeks of UI and EUC then their benefits would not be extended further. Under this new legislation states with unemployment rates above 8.3% could extend benefits up to 73 weeks. The states that met this requirement included Idaho, Washington, Arizona, Tennessee, Oregon, Indiana, New Jersey, Kentucky, Michigan, South Carolina, Georgia, Illinois, Florida, North Carolina, Mississippi,
Rhode Island, California and Nevada. Other states could extend benefits from 40 to 63 weeks. This legislation also allowed states to require mandatory drug testing of UI claimants and beneficiaries. In fiscal year 2012, it was estimated that a national level, the unemployment insurance program would service 127.7 million people. The program would also pay $81.6 billion for all of the programs that are covered under the unemployment insurance compensation program. The program would bring in $5.0 billion in federal FUTA payroll taxes and $50.1 billion in state payroll taxes (DOLETA 2012).

As the end of the 2012 approached, economists were projecting that the country would fall over the “fiscal cliff” into another recessionary period if unemployment insurance benefits were not extended through 2013, and if scheduled tax increases and spending cuts went into effect. The Congress and the Obama administration did reach a deal in January 2013 extending unemployment benefits through 2013 via a tiered structure. The tiered structure depends on the date that the claimant originally filed for unemployment. However, for new UI claimants in 2013, after states allotted benefits of up to 26 weeks then the federal government would allow tier one emergency unemployment compensation (EUC) for up to 14 weeks for any state. An additional 14 weeks can be extended for states classified as tier two, with a state unemployment rate of 6% or higher. An additional nine weeks are offered to tier three beneficiaries whose state unemployment rate is 7% or higher and an additional ten weeks for tier four beneficiaries whose state unemployment rate is 9% or higher. In addition to the tiered EUC benefits, some states are eligible for extended benefits (EB) from 13 to 20 weeks, once state unemployment benefits and EUC are exhausted, based on the state unemployment rate (Doyle 2013). However, the 73 week maximum is reduced if states do not offer up to the maximum of 26 weeks for state funded unemployment benefits. The state of Michigan was the first state to reduce the number of weeks of state-funded unemployment benefits to 20 weeks. Other states that followed suit and offer less
than 26 weeks of state unemployment benefits include Arkansas, Illinois, Florida, Georgia, Missouri and South Carolina (Hirsch 2013).

**State-level Unemployment Policy**

There is quite a bit of variation in terms of how unemployment insurance is administered across the states. The level of benefits paid, the proportion of income accounted for in the formula to determine unemployment benefits and the qualifications required to receive initial unemployment payments and for claim continuation. States also vary in terms of the employer taxes or insurance premiums paid and whether the premiums are experienced rated, or “tied to each employer’s previous history of laying off workers who claim unemployment insurance” (Eisenach et al. 2011, 18). The level of employment premiums which Eisenach et al. describe as a “defacto tax on labor,” reduce employment levels and influence employers decisions on where to locate their operations. Also depending on whether states tie unemployment compensation continuation to training programs and the combination of work search requirements for example may influence the ability of the claimant to find work sooner and/or to find work that is paid or higher than their previous employment (Eisenach et al. 2011, 18).

In 2011 with nearly 14 million Americans out of work and 5.8 million out of work for over 27 weeks, 24/7 Wall St. (using data from the National Employment Law Project) decided to rate the best and worst states for unemployment benefits. The rankings were based upon a comparison of the percentage of weekly wages covered by benefits, the average weekly benefit amount, the percentage of the unemployed receiving benefits and the percent unemployed in each respective state. The states that were ranked as the best states for unemployment benefits in order from one to best to good are: Hawaii, Rhode Island, Iowa, Kansas, North Dakota, New Mexico, Wyoming, Utah, Montana and Washington. Hawaii is rated the best for unemployment benefits as
compared to the other 50 states because not only is Hawaii the only state to cover over 50% of its residents weekly wages, the average weekly benefit is highest in the nation and benefits are funded entirely by employers. The unemployment rate in Hawaii remained relatively low in 2011 at 6.6% in December 2011 and 5.2% in December 2012 compared to the national unemployment rate of 8.5% in December 2011 and 7.8% in December 2012 (D. McIntyre 2011).

Factors that contributed to some of the other ranked states having more generous unemployment benefits are that Washington covers 42.3% of the average worker’s weekly wages and Montana’s oil and gas industries contributed to its unemployment rate being well below the national average at 7.2% in April 2011. Additionally Wyoming is the least populous state so they manage to cover 43.3% of workers’ weekly wages and they have a AAA credit rating from S & P largely due to their strong fiscal budget management. However, although Rhode Island is considered to offer generous unemployment benefits, they requested to borrow $78 million in April 2011 from the federal government to fulfill their unemployment benefit obligations in addition to the 264.8 billion borrowed within a two-year time frame prior to 2011. Federal guidelines require that after two years that states begin paying back benefits borrowed from the Federal Unemployment Account (FUA) with interest; causing critics to call for a revamping of state unemployment policy (D. McIntyre 2011; DOLETA 2012).

The states that were ranked the worst states for unemployment benefits in order from bad to worse are: Arizona, New York, Louisiana, Alaska, Delaware, Alabama, Tennessee, Connecticut, Florida and Mississippi. The state of Mississippi was deemed as being the worst state for unemployment benefits because although Mississippi ranks at the 10th worst in terms of what percentage of wages are covered, they rank last in the amount of benefits paid out on a weekly basis at $190 whereas the national average is $294. Although Mississippi’s unemployment rate was the sixth highest in 2011 at 10% they also have the lowest maximum
weekly benefit at $235. The states of Alabama, Louisiana and Mississippi are impacted as well by the increase in unemployment applications from residents impacted by job loss due to tornadoes and storms (D. McIntyre 2011).

Factors contributing to why some of the other states are deemed the worst states for unemployment benefits are that the governor of Florida, Rick Scott signed a law to reducing the weeks of unemployment benefits based on a sliding scale. While Connecticut provides a high weekly benefit at $327 in 2011, with the third highest wages in the country, $327 is not sufficient bringing about a proposed bill to double Connecticut’s unemployment reserves to $1.2 billion. Delaware has the smallest state unemployment insurance trust fund in the country at $1.3 million, covering only 0.1% of wages prompting the governor Jack Markell to outline a plan to increase jobs in the state and cut employer taxes.

**State-level Business Regulatory Environment**

In a report prepared by Dr. Jeffrey A. Eisenach and attorneys from Seyfarth Shaw, LLP, the Chamber of Commerce examined the variation of state-level employment policies and the impact of the state-level regulatory environment on job growth (Eisenach et al. 2011).

Dr. Eisenach developed the Employment Regulation Index (ERI) that assigned scores from 1 to 100, indicating the least regulated state to the most heavily regulated stated based on 34 measures of state-level labor and employment policies, across six categories, including: (1) The Employment Relationship and the Costs of Separation; (2) Minimum Wage and Living Wage Laws; (3) Unemployment Insurance and Workers’ Compensation; (4) Wage and Hour Polices; (5) Collective Bargaining Issues; and (6) the Litigation/Enforcement Climate. Examples of policies that Eisenach et al. cite that reduce job creation and increase unemployment include policies that erode the employment-at-will doctrine that some states adopt such as including
mandatory notification periods prior to separation or when there is an excess of wrongful termination litigation opportunities. Studies show that in a state environment where employers face litigation challenges and costs, hire fewer workers and where there is evidence of implied contracts to the employment-at-will doctrine there is a 0.8 to 1.6% reduction in the employment-to-population ratio (Autor, Donohue, and Schwab 2004) (Eisenach et al. 2011, 14). Also there are states that have passed a Mini-WARN Act.

Although it does not require complete de-regulation in order for a state to receive a perfect ERI score, Eisenach et al. estimate that if a state received this perfect score the effect would be “equivalent to a one-time boost of approximately 746,000 net new jobs” and the rate of business would “increase by over 12%, resulting in the creation of more than 50,000 new businesses each year” (Eisenach et al. 2011, 11).

Eisenach et al. ranked states’ labor and employment regulatory environments as good if states have strong pro-employment policies and limited areas requiring improvement such as the states of Texas, Alabama, Georgia, South Carolina, North Carolina Utah, Kansas and Oklahoma. States rated fair such as Arkansas, Kentucky, Colorado, Ohio, Minnesota, New Hampshire and Rhode Island also have some pro-employment policies yet there are numerous areas where the regulatory environment could be improved. States with poor rankings and policies that according to Eisenach et al. inhibit job creation such as California, Illinois, Michigan New York and Pennsylvania could add 276,000 jobs is they reduced their ERI index to one or if there median rank was moved to be classified as fair, 100,000 jobs while increasing business formation by over 7,000 firms annually (Eisenach et al. 2011, 11).

All other factors remaining equal, higher levels of unionization are generally associated with lower levels of employment and lower new business formation. While the Taft-Hartley Act of 1947 does protect the rights of states to protect union shops where after a probationary period,
employees are bound to join the union that represents the employees and pay union dues as a condition of employment, states are also allowed to institute right-to-work legislation that bans these union shops. Michigan became the 24th right to work state in December 2011, joining many right to work states in the South and West including Florida and Texas. Economists have hypothesized that unionization impacts economic performance because employers perceive that states with high unionization indicate higher bargaining position for employers, that result in higher employer costs. It is also perceived by employers that in high union states, unions have political power to bargain for further employer regulations that will lead to higher labor costs. It has been suggested that right-to-work states attract new businesses and because of the relatively high growth of employment and population in the South and the West in comparison to Northern states adds substantiation to this view that unionization negatively impacts job growth (Eisenach et al. 2011, 20). There may be other explanatory factors as well including corporate tax rates and the climate in warmer regions of country made bearable by the expansion of air conditioning. A study by Holmes (1996) examined state employment across the borders of state lines and found that in narrower geographic regions, employers chose to be located in right-to-work states more often than a state that supports union shops across the state border lines (Eisenach et al. 2011, 20–21).

**Subsidized Employment Programs**

Subsidization of employment involves state and local governments subsidizing a portion of employees’ wages for targeted long-term employees or possibly industries. Under the American Reinvestment and Recovery Act, 39 states and the District of Columbia instituted subsidized employment programs through a Temporary Assistance for Needy Families (TANF) Emergency fund that provided $5 billion over a two year timeframe to supplement state and
federal spending for “1) basic assistance, 2) non-recurrent, short-term (or emergency) benefits, and 3) subsidized employment” (Pavetti, Schott, and Lower-Basch 2011). Of the $5 billion, $1.3 billion of the funding was designated to create new employment programs or to expand existing ones. The funding benefited 39 states, the District of Columbia, Puerto Rico, the Virgin Islands and eight Tribal TANF programs by covering 80% of the state’s increased costs to place more than 260,000 low-wage adult and youth workers in jobs prior to the funding expiration in September 2010 (Christman and Riordan 2011, 36; Pavetti et al. 2011, 2). In addition to wages, approved state expenditures were employer costs to supervise and train subsidized employees. States had to make an investment in employment programs by spending the additional 20% in order to receive the additional 80% subsidization.

Some of the largest TANF EF funding for subsidized employment programs were granted to the larger states of California ($408.5 million), Florida ($129.4 million), Illinois ($194.3 million) and Texas ($88 million). Larger grants to mid-sized states included Georgia ($69.2 million), Pennsylvania ($61 million), Ohio ($56.5 million) and Kentucky ($42.5 million).

In order to examine how states used their flexibility in structuring employment programs subsidized all on in part by TANF EF, the Center on Budget and Policy Priorities (CBPP) and the Center for Law and Social Policy (CLASP) conducted a telephone survey of 30 states. Examples of state-level programs they were informed about included Put Illinois to Work (PITW), a program that funded 27,000 jobs to those residents that had been unemployed for an average of 15.4 months, paying $10.00 an hour. The PITW program provided $107 million in wages for local employers in the state. Mississippi created the STEPs program that paid 100% of workers’ wages for two months, reducing the percentage to 25% by six months. The STEPS program resulting in 1,800 of the 3,300 workers placed in private sector jobs, securing permanent employment. Prior to the ARRA funds for the TANF Emergency Fund, Minnesota employed a
program from 1983 to 1989 that paid up to 70% of wages for those persons that had exhausted unemployment benefits and had no other means of support if the employer committed to retaining the employee for at least 18 months. Not only were private sector jobs included in the program yet non-profit and public sector jobs “in weatherization, reforestation, and social services” (Christman and Riordan 2011, 37). For alternative funding sources Connecticut has a program called P2E that is funded by private sector employers, raised through social enterprise investments and state and federal Department of Labor public funds (Christman and Riordan 2011, 36–37).

**State-level Case Studies: Utah and Michigan**

**Utah: State Problems and Opportunities**

Utah’s estimated population in 2011 was 2,817,222 with a population change of 1.9% (U.S. 0.9%) between 2010 and 2011. Therefore, the state of Utah has a population over three times smaller than the state of Michigan. Utah has, however, more than doubled its population in the past 30 years (Frymier and Roaden 2003). Utah has a growing youthful population with a population of 31.2% persons under 18 in 2011 compared to 23.7% of the national average and only 9.2% persons aged 65 and older as compared to 13.3% of the national average.

In terms of diversity, Utah is relatively homogeneous with 91.9% Caucasian-Americans in comparison to the national average of 78.1%, 13.2% Hispanic-Americans in comparison to the 16.7% national average, 1.3% African-Americans in comparison to the 13.1% national average and 2.2% Asian-Americans in comparison to the 5% national average in 2011. The percentage of American Indian and Alaska Native Persons, however, was higher than the national average at 1.5% (U.S. 1.2%) and the percentage of Native Hawaiian and other Pacific Islander persons was 1.0% (U.S. 0.2%). Utahans are highly educated with a total of 90.6% of Utahans aged 25 and
older possessing a high school diploma or higher and 29.6% holding a bachelor degree or above compared to 85.4% and 28.2% respectively of the national averages in 2011.

Utah’s per capita income is at an average of $23,650 from 2007–2011 and it is lower than the national average at $27,915. A contributing factor to Utah’s per capita income being lower is due to its substantial youth population. Therefore, in contrast, the median household income for Utahans was $57,783 in comparison to the national average of $52,762 in 2011. Following the trend of stable household income, the percentage of persons living below the poverty level was only 11.4% compared to 14.3% of the national average.

The history of Utah is steeped in the traditions of Mormonism and The Church of Jesus Christ of Latter-day that has its headquarters in Salt Lake City. Over 80% of the population identify with the Christian faith. Many of the residents of Utah still live according to the teachings of the Mormon church (Barone, Ujifusa, and Matthews 2012). Mormon residents have been known to be industrious in business and have become an increasingly Republican state since the 1960s, with residents voting for Republican Presidents and primarily Republican Governors and Congresspersons. As indicated in 2008 election polls, around 75% of residents identified themselves as Mormons; however this number has been declining. Salt Lake City, Utah in particular tends to vote more Democratic, with the majority of Salt Lake City residents voting for President Barack Obama. There is however, currently only one Democratic Congressperson representing Utah.

Some state statistics that shape the political, social and economic culture in Utah are that they have the highest percentage of households with that are headed by married couples and therefore the largest number of families in the U.S. They also have largest number of births born to non-Hispanic whites, which contributes to the Utah’s lower per income per capita percentage rate because children don’t work. However, Utah has the highest median income per household in
the U.S. Utah also has the youngest median age for first marriages, allowing Utahans to have the youngest population in the U.S.

**Utah Unemployment Insurance**

In 2011 Utah was rated by 24/7 Wall St. (using data from the National Employment Law Project) among the best states for unemployment benefits. Although their unemployment rate was relatively low in May 2011 at 7.6% (17th lowest) compared to the national unemployment rate of 9.1% in 2011, 27% of their unemployed residents received unemployment benefits (15th lowest), with 43.1% of their weekly wages covered by benefits. The average weekly benefit was $316 in 2011 (D. McIntyre 2011). However, when Congress extended unemployment benefits in 2010 to allow nearly 2 million out-of-work Americans that were scheduled to lose benefits to be able to continue to draw benefits, Utah and Missouri refused the federal funding. In April 2011, the state of Utah turned down $100 million in federal aid offered to them that would extend benefits by 13 weeks for 23, 432 Utahans according to the National Labor Law Project (D. McIntyre 2011).

Utah’s Senate President, Michael Waddoups (R-Taylorville) commented regarding the unemployment advisory commission’s decision, “People need to be weaned off the government paying for everything. When the unemployment money runs out, the motivation is really there then to get a job” (IBEW 2011). However, Richard Kingery, business manager of Salt Lake City Local 354 who was a member of the unemployment advisory commission that voted to accept the federal unemployment insurance assistance responded, “Waddoups has lost sight of his constituents and doesn’t understand the pain that unemployed workers are going through in Utah” (IBEW 2011). At 5.2% unemployment rate in December 2012, Utah’s unemployment rate was below the federal threshold of 6% to take advantage of tier two unemployment benefit extensions.
financed from the federal government. However, they were allowed to maintain tier two benefits for some of their previously funded claims.

In Utah unemployment benefits are funded by employer quarterly unemployment insurance and employees do not contribute to the unemployment insurance fund. Utah unemployment benefits are based on a 52 week benefit year and all claims end 52 weeks from the effective date of an applicant’s claim. At the end of the benefit year, the beneficiaries’ claims end, even if they have not received all of their benefits. Claimants cannot file another claim until after the benefit year ends. The first four of the last five quarters of wages are used to determine the benefit amount, with the exception of any self-employment wages. To determine the weekly benefit amount, the highest quarter in the base period is divided by 26 to determine the weekly benefit amount for a maximum of $479 for new claims on or after January 6, 2013 (Utah.gov FAQ 2012).

Utah law requires that the first week of unemployment be deemed a waiting week and therefore claimants are not paid unemployment for this week. Claimants may be denied benefits in the following circumstances: if they quit or discharged from their job, are unemployed due to a strike and are not able or available for and actively seeking full-time work. Claimants can also be denied benefits for refusing or failing to apply for suitable work and having earnings equal to or more than their weekly benefit amount. Applicants are not eligible for unemployment benefits if they are self-employed or working on a commission basis.

Workers must also be “physically and mentally able to seek full-time work.” Applicants are required to report reasons that may inhibit them from being able to seek full-time work, including by not limited to “in country travel, foreign travel, illness, injury, hospitalization, incarceration, school attendance, loss of childcare or loss of transportation.” If an employee is on an approved leave of absence and/or Family Medical Leave then they are not considered to be
available for work. If claimants are incarcerated they must notify the department to have benefits stopped, or face fraud charges.

Unemployment benefits are taxable and claimants are given the choice whether they want to withhold 10% of their weekly benefit amount for federal income taxes and 5% for state income taxes. Weekly benefits may also be reduced up to 50% for court ordered child support. Retirement income including disability retirement may be deducted from the weekly benefit amount. The state of Utah does make allowances for the under employed to be granted unemployment benefits. Part-time workers are eligible to apply for unemployment benefits as long as their earnings are less than their weekly benefit amount.

Unemployment insurance beneficiaries are required to make a minimum of four job contacts per month and track the following information: “1) date of contact, 2) name of company or other identifying information such as job reference number, 3) company address, phone number, email, weblink or person contacted, 4) position title, 5) method or contact and 6) results.” Unemployment beneficiaries are not required to accept work if it is due to a strike or labor dispute, if the wages, hours and conditions are much less favorable than they are for similar work in that locality, if the employer requires the claimant to join or resign from a labor organization, or if they are prevented from joining such an organization. Additionally, Trade Act benefits provide assistance is for those that were unemployed as a result of “1) foreign imports or 2) shifts in production or services to a foreign country.” Trade Readjustment Allowances (TRA) provide income support, training allowances for full-time or part-time school, job search allowances, re-location allowances, tax credits or subsidies for qualified health insurance and wage subsidies for workers who become re-employed at a lower wage than their former trade affected employment.
Utah: Job Assistance Programs

The State of Utah did utilize funds from the Temporary Assistance for Needy Family Emergency Funds (TANF-EF) created by the American Reinvestment and Recovery Act (ARRA) to allow for 80% reimbursement for states increased costs for temporary non-recurrent benefits or subsidized employment during the 2009 and 2010 fiscal years (Christman and Riordan 2011). Utah placed 2,500 adults and 700 youths in jobs where the wages were temporarily subsidized by this program (Pavetti et al. 2011).

Utah targeted its job programs subsidized through TANF-EF to unemployed claimants or exhaustees that earned less than $15 an hour in their last jobs (Christman and Riordan 2011). Utah particularly focused on youth employment with their TANF EF funds, a focus that benefits their young state population. Utah was granted $14.2 million dollars in basic assistance, $900,000 in non-recurrent short-term benefits, $400,000 for subsidized employment which was 3% of the funding they were allocated from the TANF EF funds as of September 30, 2010. The minimum wage eligible for reimbursement was $9 an hour with a minimum of 35 hours worked per week and the reimbursement was administered to employers in increments of $500 after one month and $1,500 after three months by TANF and workforce agencies. While some states limited the use of the subsidy to covering FICA, Unemployment Tax and Workers Compensation, employers in Utah had latitude in deciding how to use the subsidy (Pavetti et al. 2011).

Utah’s family employment program offers monetary assistance and job search assistance for single parent and two parent families with children that meet the qualifications. Participants must construct an employment plan with an employment counselor such as searching community worksites, in-person job search and skills training for 30 hours out of the week or 20 hours a week if they have children under age six.
The state of Utah also allocated $1 million to its local regions in an effort to increase work participation rates. The local regions used the funding for various purposes. Two of the regions determined to create programs that would increase jobs for TANF participants that had mental health disabilities. One of these programs was called Diversified Employment Opportunity in Davis County, Utah where TANF recipients with mental health disabilities are hired in long-term permanent jobs in the areas cleaning services, food service, clerical or landscaping for a county mental health service provider, Davis Behavioral Health. The wages were paid by the organization yet TANF funds provide other resources such as childcare to support the worker. There are plans to expand this program into other regions (DEO 2013; TANF Rural Initiative 2013).

Using funds from the American Reinvestment and Recovery Act (ARRA) the state of Utah reported that Utah state agency activities have created and retained 4,106 full-time equivalent positions during the reporting period February 17, 2009 to September 30, 2009, 3,448 full-time equivalent positions during the quarter ending December 31, 2009 and 4,382 full-time equivalent positions during the quarter ending January 1–March 31, 2010. (Recovery.utah.gov, Economic Dashboard, 2013)

Overall, the state of Utah was granted over $2 billion in ARRA contracts, grants and loans disbursed in the areas of education, energy/environment, transportation, infrastructure, health, public safety, housing, funds for the family and job training/unemployment. Out of the funds awarded, $34.5 million was awarded to job training/unemployment assistance in which over $30,500,000 has been received. On Utah’s recovery.utah.gov website they note as of November 2012 that they were awarded $2,214,900 in ARRA funds and had expended $2,189,075 up to that point. Programs administered by Utah’s Department of Workforce Services, Department of Labor using ARRA funds include $468,158,373 allocated for unemployment insurance administrative program improvement and staff-assisted re-employment programs. Also
a total of $99,845,010 was allotted to provide an additional $25 for beneficiaries of unemployment insurance assistance in most of the regular unemployment insurance and extended benefit programs from February 22, 2009 to December 31, 2009 for new claims and until June 30, 2010 for existing claims. The state of Utah’s Department of Labor was also granted $4,356,93 to implement the Emergency Compensation (EUC) program from March 31, 2009 to December 31, 2009. A grant of $4,299,056 was used to provide employment services to the unemployed and under-employed. Other innovative programming includes a $10,372,357 award to provide employment, training and other support services to youth aged 18 to 24, adults and dislocated workers. Finally, the State of Utah utilized an award of $22,365,594, administered through the Administration for Children and Families to provide child care support for eligible families, in order for the parents to work (Recovery.Utah.gov, Economic Dashboard 2013).

Specifically, one of the programs Utah instituted using ARRA funds is called “Kids in Care,” a childcare reimbursement program for parents that are unemployed and are seeking work. Through this program parents that meet financial requirements, can be reimbursed from 100–150 hours that they have paid at a licensed daycare where they “drop in” their kids while they engage in formal job seeking activities. Once the 100 hours have been exhausted, the program is renewable after a six-month wait period (Children’s Service Society 2013; Utah Community Action Partnership 2013).

**Utah Business Climate and Economic Development Activities**

Utah increased its focus during the recessionary period on reviving the lean manufacturing practices of efficiency and creating value for the organization and/or the customer. According to lean manufacturing principles, operational practices that don’t add this type of value are considered wasteful, costly, non-effective and non-efficient. This model may especially be
useful for the fields of healthcare, the government and education. In 2008, Utah’s former Governor Jon Huntsman established Utah’s 21st Century Workforce Initiative focused on ensuring that Utah’s workforce development system was prepared for a global marketplace. The Globally Competitive Workforce Steering Committee charged with using the Lean Six Sigma “lean manufacturing” analytical framework to examine Utah’s global readiness is encompassed of leaders in both the public and private sectors (Kennedy 2010).

Utah manufacturing rates increased by 1.7% from 2011 to the end of 2012 according to the 2013 Utah Manufacturers Directory with a total of 3,771 manufacturers and 161,121 workers. The top manufacturing industries at the end of 2012 were food product manufacturing with 18,791 jobs, industrial machinery and equipment with 13,972 jobs and chemicals manufacturing with 13,955 jobs. The President of Manufacturers’ News Inc. that publishes the directory noted that “the state maintains a winning mix of favorable business conditions, including low taxes, an educated workforce, access to capital and solid infrastructure” (McGorry-Dixon 2012).

Utah has a diverse economy and its strengths range from mining, agriculture to timber, defense and aerospace. The Utah Technology Council (UTC) announced that Utah’s tech industry (life sciences, clean tech and IT) represents 14.3% of state payroll, and accounts for 100,000 high wage jobs (overall economic impact is 7 billion). IT grew 2.2% and Life Sciences 2.9% during the recession when national average was down -1.25% in IT and was up only .066% in Life Sciences. Clean tech growth was down slightly at -0.5% while the national rate had a greater decline at -4.97%.

While some states are relying on higher corporate tax rates to compensate for the lack in state budgets, Utah boasts about having one of the lowest corporate tax rates in the country. Utah’s Governor’s Office of Economic Development (GOED) offers tax incentives to businesses in order to retain them in the state and to assist them with growth initiatives that will aid the state
with increased jobs and training for workers that will add to the state’s economic growth. However, all of the tax incentive packages are tied to job growth and economic growth outcomes from businesses assisted.

The state of Utah has targeted efforts to diversify leading industries within the state, beyond manufacturing, in fields as banking, technology, the medical field and education. Top companies in Utah include Overstock.com Inc., Zions Bancorporation, Huntsman Corp., Autoliv and Nu Skin (ChiefExecutive.net 2012b). An example of this diverse portfolio of businesses investing in the state includes Goldman Sachs & Co. who have doubled its employees in Salt Lake City to more than 700 in June of 2008 in return for a $20 million tax incentive from the Utah’s GOED. However, as of March 2012 Goldman Sachs had increased its Utah Workforce to 1,300 employees with plans to add 300 more employees by the end of year. Sachs’ Utah operation is its fourth-largest behind New York, New Jersey and London (LaCapra and Wachtel 2012). Goldman Sach’s commitment to Salt Lake City, according to Goldman Sachs is due to the quality level of employees; however, others also site the highly educated yet cheap labor force as an economic reason for Sachs expanding operations in Salt Lake City. The state of Utah has additionally offered tremendous tax incentives for the traditionally Wall-Street based banker.

In 2009, ebay announced the building of their next generation data center that will be built with a focus on lessening its environmental impact in South Jordan, Utah. Ebay’s choice to build the center in South Jordan was provided as another example by the Governor’s Office of Economic Development of why Utah is considered the “best state for business.” The facility is expected to develop 50 additional ebay jobs at 150% of the Salt Lake County’s annual median wage. Over a 10-year period it is anticipated that the facility will generate $23.7 million in wages and $109 million in tax revenue (Kennedy 2009).
Other examples include Merit Medical Systems, a manufacturer and marketer of proprietary disposable medical devices in Salt Lake City that employed 1,880 jobs in 2009 and agreed to invest $11 million in capital expansion efforts, add 392 jobs and provide worker training. As Merit would generate more than $25 million in state tax revenue over a 10-year period, the GOED agreed to cap Merit’s state corporate taxes to $4.36 million per year for ten years on an annual basis after verifying the job creation and actual taxes paid. The GOED also worked with Fairchild Semiconductor to offer 1,269,200 in tax incentives given that they add 65 full-time jobs to 473 existing jobs and invest in $49.5 million upgrade to its West Jordan facility in 2009 over 10 years. Although they are receiving tax incentives, they will generate $5.3 million in state tax revenues due to the expansion and retention of their new facility (“Merit Medical” 2009).

The state of Utah was ranked in the top 10 at number 9 for their business friendliness in 2011 and 2012. Utah was ranked was ranked second to the number one pick of Texas for the quality of their workforce. Comments made by CEOs that referenced Utah’s business climate includes “Texas and Utah actively support business development. [I]f they can ever institute right to work legislation, they could rise to number one” (ChiefExecutive.net 2012b). The overall CEO outlook of Utah is neutral with Chief Executive noting that the new health insurance exchange is risky for the state.

The Chamber of Commerce ranked the state of Utah in their top tier, or a ranking of “good,” for decreased labor policy regulation and a supportive employment-law environment. The state of Utah has had an almost 25% growth rate over the last ten years. The reasons provided for the good ranking are that the state of Utah adheres to federal guidelines for labor and employment laws and the only exception to the employment-at-will doctrine is that the state has enforced employee handbooks as contracts between employers and employees. Utah is a right-to-
work state with only 4.3% private sector union membership and more than 17% public sector employee unionization. Utah prohibits cities and counties from having a higher living wage than what the federal law allows and has very few exceptions to federal wage and hour laws with the exception that employers must provide an employee’s final paycheck within 24 hours.

Utah employers do have the ability to conduct extensive background checks on applicants, including credit checks, conviction records and drug screenings. Employee leaves are mandated by federal law with the exception of the state allowing employees to take time off to escort a minor to court. Utah does not have its own WARN-like state laws, outside of adhering to federal notification requirements for company layoffs or closings.

There are a couple of areas of expansive labor and employment policy in Utah: employer unemployment insurance taxes are based on a substantially high wage threshold of $27,800 per employee and employers and employees may work out a set schedule of work hours or pay for older workers in order for them to avoid a loss in Social Security benefits (Eisenach et al. 2011, 88).

**Utah Case Study: Concluding Comments**

The state of Utah clearly is diverse in its economy, enabling job opportunities for its residents, and allowing for the unemployment rate to remain fairly low over time. During the height of the 2007 to 2009 recession, at the end of 2009, Utah’s unemployment rate rose to a high of 6.7%. However, the state of Michigan’s unemployment rate soared to 14.5% by the end of 2009 while the national unemployment rate was up to 10% by the end of 2009 (DaveManuel.com). The state of Utah stemmed the tide of the recession fairly well and one of the reasons is due to its diversified industry base. Other reasons for the success in maintaining jobs for its residents are because of its low business regulation, right-to-work status and willingness to
extend tax and other incentive packages to employers willing to re-locate or expand operations in the state. The state of Utah is unique in that while it has a young population, which brings down the per capita income, Utahans are industrious and because most remain employed, residents maintain a higher household income than the national average. One of the important findings in this case study is that the state of Utah refused unemployment assistance from the federal government in 2011 that would have extended benefits for its residents. The conservativeness of its governmental leadership that was seeking to “wean” Utahans off of public assistance was a primary reason for this decision (IBEW 2011). Although Utah’s unemployment advisory commission made this contested decision, the state of Utah has, however, accepted and used Temporary Assistance for Needy Family funds to assist jobless workers, has instituted childcare for job seekers and has created innovated programs to assist persons with mental disabilities of with obtaining job training and employment.

**Michigan: State Problems and Opportunities**

As a result of the economic crisis, the economies of Midwestern states that have relied on manufacturing as its economic base have suffered. In Michigan there has been a 10% job loss since 2007 (Orr 2010a). Michigan is typically considered a liberal learning state. However, with the downturn in the state of the economy, in the 2010 Congressional elections political power changed hands. Michigan voters turned over gubernatorial power from blue to red with 58% of the votes going to Michigan businessman Rick Snyder.

The state of Michigan’s economy has also been steeped in manufacturing. Michigan is known for is manufacture of automobile and automobile parts, machine tools, airplane parts, office furniture, appliances, and prepared cereals (Eisenach et al. 2011, 62). Top companies in Michigan include General Motors, Chrysler, Ford Motor Company, Dow Chemical Company,
Whirlpool, Domino’s Pizza Inc., and Stryker (ChiefExecutive.net 2012). Michigan is trying to diversify and expand its industries into the life sciences, alternative energy, homeland security and defense and Michigan has an abundance of natural resources including iron and copper and a substantial agriculture sector (21st Century Jobs 2012).

**Michigan Unemployment Eligibility Rules**

In March 2011, Republican Governor Rick Snyder signed a bill into state law that reduced Michigan’s state unemployment benefits from 26 weeks to 20 weeks before claimants would be eligible for federal benefits; the lowest number of eligible weeks in the country at that time. Democratic Senator Carl Levin stated in an interview regarding the legislation that “[The legislation] turns the clock back 50 years at a time when unemployment is at historic highs since the Depression” (Cooper 2011). Republicans and business leaders indicated that changes were imminent because the unemployment insurance fund was insolvent. When the bill was signed, the state of Michigan already owed the federal government $4 billion dollars that they borrowed to pay benefits. More than half the states combined at the time owed the federal government more than $46 billion that they borrowed to pay unemployment benefits during the recessionary climate. Therefore, not only had state taxes increased for businesses, in order to pay for the federal unemployment extensions, federal taxes would be raised for businesses as well. By reducing the number of weeks claimants were eligible for, it could save employers up to $300 million annually said the Michigan Chamber of Commerce (Cooper 2011). However, opponents of the legislation such as the National Employment Law Project argue that a long-term term permanent imposition on jobless workers should not be undertaken to solve temporary problems (Cooper 2011).
After this change, those persons unemployed January 15, 2012 and after may be eligible for up to 20 weeks of benefits from the state of Michigan. If the 20 weeks are exhausted then they may be eligible for federally funded benefits. There is a regular qualifying method based on the highest amount of wages earned (minimum of $2,871 per week × 1.5 = $4,306.50 in four quarters) and an alternate earnings qualifier (minimum of 20 × $860.34 = $17,206.80) comparing the applicant’s wages to the state average weekly wage calculation.

Claimants must be unemployed and are able to and available to actively seek full-time work. The amount of unemployment benefits are calculated by multiplying the highest amount of wages paid to the claimant in the any base period quarter by 4.1%. A total of six dollars is added for each dependent claimed, up to five dependents and the maximum weekly benefit amount granted is $362. To determine how many weeks of benefits are paid, the total base period wages are multiplied by 43% and then divided by the weekly benefit amount. The number of weeks cannot be less than 14 weeks or greater than 20 weeks.

Part-time workers are also allowed unemployment benefits in Michigan. If a claimants wages are less than or equal to their weekly benefits, then their benefits are reduced $.040 for every dollar they earn. If the claimants’ wages are greater than their weekly benefit, as long as the combination of both their unemployment weekly benefits and wages are not greater than 1.6 times their weekly benefit, they can still draw unemployment. The weeks of benefits will still be reduced, however, one full week for any week that any amount of benefits is paid. Temporary or probationary employees can qualify for unemployment benefits as long as the wages fall within the base period and the employee had enough period wages to establish the claim and the claimant worked in covered employment under the law. President Obama worked with Congress to extend unemployment benefits through the end of 2010 and each fiscal year after this until the end of 2013. However, the Congress set stipulations on the scale of unemployment that must exist
in order for states to qualify for the extended benefits program. The state of Michigan has met the qualifications for all of the unemployment extensions.

**Michigan: Job Assistance Programs**

Michigan’s state population was estimated in 2011 at 9,876,187 and it is the eighth largest state (IPL2 2010). When comparing Michigan’s population from April 1, 2010 to July 1, 2011, Michigan had a decrease of -0.1% as compared to the national population change rate of an increase of 0.9%. The female population was 50.9% (U.S. 50.8%) in 2011 with 76.4% Caucasian Americans (non-Latino) (U.S. 63.4%), 14.3% African-Americans (U.S. 13.1%), 4.5% Latino Americans (U.S. 16.7%), 2.5% Asian-Americans (U.S. 5%), 0.7% American Indian and Alaska Native Americans (U.S. 1.2%) and Native Hawaiian/Pacific Islander; negligible (U.S. 0.2%) . Therefore, in terms of diversity the state of Michigan has a slightly higher Caucasian-American and African-American population than the national average. In 2011, the state of Michigan had a population of 14.1% (U.S. 13.3%) of Michigan residents who are 65 years of age or older and 23.2% of the population under the age of 18 (U.S. 23.7%), reflecting that the state of Michigan has a slightly older population than the U.S. average (USA Quickfacts 2013).

The percentage of Michigan residents aged 25 and older with a high school diploma or higher is relatively high at 88.4% (U.S. 85.4%) and those with a bachelor degree or higher ranges marginally below the national average at 25.3% (U.S. 28.2%). In terms of per capita income and the poverty rate, Michigan residents fall below the national average. The per capita income over a 12 month period, reported in 2011 was $25,482 (U.S. $27,915) and the median household income, averaged from 2007–2011 was $48,669, ranging behind the U.S. average of $52,762. Michiganders living below the poverty level as averaged between 2007–2011 was 15.7%, higher than the U.S. average (U.S. 14.3%).
In 2008, out of $28 billion in economic stimulus, Michigan received $847 million. Mike Nystrom, a spokesman for the Michigan Infrastructure and Transportation Association, estimates 20,230 jobs will be created in Michigan as result of this American Reinvestment and Recovery Act (ARRA) funding. The funding came in handy in Michigan as about 25,000 road construction jobs had been lost in the state in the past five years before Michigan received the ARRA funding in 2008. Michigan’s funding was disbursed in three areas: $25.4 million for “mandatory transportation enhancements,” such as bike paths and streetscapes; $567.6 million for use in any part of the state; and the last allocation was based on population, with $139.5 million for areas with more than 200,000 residents; $96 million for areas with less than 200,000 residents; and $19 million for areas with fewer than 5,000 residents.

Overall, in federal American Reinvestment and Recovery funds, the state of Michigan was awarded over $8,700,000 and 2,664 jobs were created through these funds in the fourth quarter of 2012. Of the funds allocated to diverse categories of reinvestment, the state of Michigan was awarded almost $300 million for employment and job training activities (Recovery.gov 2013). The Democratic Policy Committee reported several uses of ARRA funds to create jobs in Michigan including creating clean energy jobs. Examples are that Great Lakes Industry of Jackson, Michigan was awarded $2,000,000 in grants and $500,000 in loans in 2010 to develop utility-grade wind turbine gears to position GLI to be able to assemble and distribute wind gearboxes in the future, being the first to have this capability in Michigan. The project funded by ARRA through the Clean Energy Advanced Manufacturing (CEAM) Renewable Energy Systems grant program was expected to create 50 new clean energy jobs and retain 50 more. Nine West Michigan manufacturers were also awarded $20 million in 2011 in seed money and $4.2 million in grants and loans to design and manufacture biomass gasification systems to transform waste materials into a gas that powers a turbine to create electricity. One of the
manufacturers, Heat Transfer International of Kentwood, Michigan, stated that the federal stimulus funds would allow for them to hire between 60 and 100 employees in the five years succeeding the funding, many of which being highly compensated engineers, CAD designers and skilled trade workers.

Other diverse uses of the ARRA stimulus funds were $12 million in federal Recovery Zones Bonds issued to Great Lakes Capital Development LLC, of South Bend, Indiana, in 2010 that would assist in processing frozen blueberry and cranberry in a new processing plant in Van Buren County in Michigan that would add 45 jobs to the county and generate about $188,000 in personal and property taxes. The auto maker Ford also agreed to add 170 blue-collar jobs in 2010 with the help of ARRA funds to develop and manufacture battery pack and gas-electric hybrid transmission assemblies for hybrid and electric vehicles in Ypsilanti, Michigan, and Sterling Heights, Michigan. There are many other examples including road and bridge construction throughout Michigan during 2009 and 2010 and summer jobs programs for disadvantaged youth in Otsego and Clinton counties as well as the city of Detroit.

While Utah was granted over 15 million in Temporary Assistance for Needy Families Employment Funds, Michigan was granted $10.8 million in basic assistance yet granted much more than Utah at $221.3 million in non-recurrent short-term benefits. A total of $500,000 was devoted towards subsidized employment programs, constituting less than 1% of Michigan’s TANF EF funds. The programs were administered by the workforce development agencies and Michigan placed 1,365 adults in jobs, with no youth placements. However, Michigan discontinued the program after all of the TANF EF funds were dispersed (Pavetti et al. 2011).
Michigan Business Climate and Economic Development Activities

The Macomb-OU Incubator opened in 2008 as a business support program that accelerates the successful development of start-up companies by providing entrepreneurs with an array of targeted resources and services. Joint partnership with Oakland University, the City of Sterling Heights and Macomb County nurtures companies focused on defense and homeland security issues. The Macomb Incubator is one of five state incubators to receive funding from the Michigan Economic Development Corporation (MEDC). The Macomb Incubator was provided a 250,000 grant from the MEDC to continue its operation in April 2009. There is also the creation of Michigan’s University Research Corridor that collaborates efforts from Michigan State University, Wayne State University and the University of Michigan. The URC is an alliance of Michigan universities that aligns their collective resources to transform, strengthen and diversify Michigan’s economy.

The Michigan Economic Growth Authority (MEGA) is an economic development program created in 1995 to facilitate job creation and retention in Michigan through offering tax incentives to businesses that are willing to expand their operations or move them to Michigan. The authority that was authorized by the 1995 Public Act 24 statute is administered by the Michigan Economic Development Corporation and is comprised of an eight member board that analyzes business applications for tax credits. The board evaluates businesses planned and current operations and in order to meet the qualifications for a MEGA tax credit, businesses within and outside of the state are required to create 50 new qualified jobs. The exception is for businesses that are only required to create 25 jobs because they are located or re-locating to an area where there is a neighborhood enterprise zone, federal empowerment zone or a renaissance zone. In order for businesses to receive a “high-technology” or “rural” MEGA grant they must create five new qualifying jobs at the facility and 25 new jobs in five years.
MEGA also offers “job retention” grants for those businesses that can maintain 100 to 500 jobs, and if “it has recently shed jobs at a rate that qualifies it as a distressed business under the law” (LaFaive and Hohman 2009). If a company is approved by the board they sign a “MEGA Tax Credit Agreement” outlining the responsibilities of both the company and the state (LaFaive and Hohman 2009). However, according to LaFaive and Hohman, the agreements have become less restrictive and more flexible in later years. The statute has been amended 20 times to expand the program’s offerings. LaFaive and Hohman provide the example of Alson Corporation where although they were required to add 75 new qualified jobs by July 2000, they were unable to meet the requirements due to a lack of qualified workers in a tight labor market. As a result of the circumstances Alson Corporation was facing, the MEGA board amended the agreement and extended the timeframe.

Another example is AGC America Inc. that formalized their MEGA grant in September 2000. AGC America Inc. agreed to pay average weekly wages of $1,889. However, by 2004, MEGA allowed AGC to pay average weekly wages $1,442 because they were replacing its Japanese labor force in Michigan with American workers which the board views as “a positive development” (LaFaive and Hohman 2009). Through the MEDC the MEGA tax credit recipients can receive “state property taxes; job subsidies to improve the skills of the workers; Community Development Block Grants to improve the business’s location if it is a low-income area; or even transportation-related work from the Michigan Department of Transportation” (LaFaive and Hohman 2009). MEGA has offered more than 3.3 billion in business tax breaks from April 1995 to December 2008. They have offered another $58 million in job training subsidies, $221 million in state education property tax abatements and $1.6 billion though other state and local incentives, such as local property tax abatements and transportation infrastructure improvements. According
to LaFaive and Hohman, a conservative estimate of MEGA program incentives through 2008 has been upwards of $5.2 million.

However, studies have shown that the tax credits provided to businesses are largely unsuccessful. While the MEDC has provided $3.3 billion in tax credits over the past 14 years including $1.6 billion in outlays to incentivize businesses to create and retain jobs, a study by the Mackinac Center for Public Policy found that for every 100 jobs pledged over the 14 years, only 20 have come to fruition. Some of the programs Michigan has implemented are the 21st Century Jobs Fund where companies that are seeking to re-locate or expand in Michigan in the areas of the life sciences, alternative energy, manufacturing, automotive, materials, homeland security and defense, partner with the state, and may receive incentive packages.

Economist and business school professor Michael Hicks found that for every $1 million in tax credits awarded there was a loss of 95 manufacturing jobs in the counties where the corporate beneficiaries were located. Of course this could involve other factors. Some of the programs have ranged from up to a 42% tax credit for film companies to make films in Michigan. Yet, the Michigan Fiscal Agency, found “if a film production company spent $10 million in Michigan, the State will gain less than $700,000 in income and sales tax revenues but will pay out about $4 million to the production company” (“The Michigan Example” 2009). Michigan spent $48 million in film production credits in 2008, when the unemployment rate was over 15%. While in Michigan 0.25% of all new jobs created in the last decade were a result of tax incentive programs, according to the Mackinac study, Michigan taxpayers paid $1.4 billion to fund these programs (“The Michigan Example” 2009). The larger problem is that it is the taxpayers that fund these initiatives and if the payoff is not there in terms of job creation, then it is the taxpayers that lose and state revenues continue to decline.
Despite the tax incentives offered to businesses, Michigan was rated only 46 out of 50 in terms of its business-friendliness as a state by an annual CEO opinion poll for both 2011 and 2012. The poll is conducted by *Chief Executive* and had a response rate of 650 CEOs, up from 550 in 2011. CEOs grade states in categories such as tax and regulation, quality of workforce and living environment. Texas and Florida held the number one and two spots for business friendliness and New York and California were ranked 49 and 50, respectively. Since Governor Scott took office in Florida, his administration enacted business tax and regulatory reforms that manifested in 140,000 private sector jobs being added and a 2.1% reduction in the unemployment rate. Both Texas and Florida also had the highest migration rate to their states from 2001 to 2009 in comparison to New York that lost 1.6 million and California that lost 1.5 million during the same timeframe.

Michigan received two out of five stars for taxation and regulation, three out of five stars for workforce quality and three out of five stars for living environment. Some of the comments made by CEOs in regards to Michigan’s business climate include “California and Michigan are predatory in their approach to business.” Other comments included “Michigan—ridiculous amount of red tape to start a business. Getting licensed as a builder, process, training, testing is so rigorous and time consuming that it is ridiculous. Plus the penalties for not following the rules are strict” (ChiefExecutive.net 2012). The outlook for Michigan, however, is viewed as positive according to *Chief Executive* due to tax cuts and simplification strategies implemented by Republican Governor Snyder, since his election in 2010. Most of the states in the top 20 are also right to work states translating to corporate CEOs as labor market flexibility. After Governor Scott Walker won the battle to reduce union rights, Wisconsin emerged into the top 20 on the list. Being a neighboring state to Michigan, this may have influenced the Republican legislature in
Michigan to vote in right-to-work legislation, making Michigan the 24th right-to-work state on December 6, 2012.

The Chamber of Commerce ranked the state of Michigan in their lowest tier category as poor. Justifications provided for the poor ranking include that Michigan was not a right-to-work state (ranking was prior to Michigan’s policy change in December 2012). Michigan has one of the largest union worker populations at around 13% of the private-sector workforce and a large public sector workforce at around 48.9%. Michigan WARN act requirements exceed federal law and mandate notifications of layoffs to employees by employers with only 25 employees. Other reasons provided for the poor ranking include that Michigan has wide-ranging employment discrimination laws that exceed beyond the federal requirement such as the Elliot-Larsen Civil Rights Act and the Persons with Disabilities Civil Rights Act that allows for a large number of labor and employment lawsuits. The Elliot-Larsen Civil Rights Act is considered more wide-sweeping than federal requirements. Michigan also has uncapped damage awards for findings of discrimination in these claims. Finally, Michigan has a state-wide taskforce for pursuing independent contractor misclassifications (Eisenach et al. 2011, 62).

The State of Michigan has attempted to broker other innovative partnerships including in 2009, Lt. Governor John D. Cherry launched a “Green Jobs for Blue Waters,” an industry diversification initiative where the cities of Detroit and Farmington Hills would partner with Miya, a global leader in water loss technologies. The initiative was a result of former Michigan Governor Jennifer Granholm traveling to Israel and the Middle East in 2008 to meet with government officials and encourage investment in Michigan. The partners planned to engage in demonstrations that center around lowering energy costs through the reduction of water loss that naturally occurs though aging infrastructure. Water technologies include water pressure management, leak detection and selective pipe replacement. With water technologies representing
a $500 billion global market that is expected to grow to $1 trillion by 2020, the partnership according to the former Detroit Mayor Ken Cockrel, Jr., will lead to industry diversification, create jobs and result in cost savings for consumers. This industry is especially useful as 36 states are projected to suffer water shortages by 2014. Other industries the Michigan Economic Development Corporation has identified as high-growth sectors include biofuel, wind and advanced batteries (Kohrman 2009).

Michigan Case Study: Concluding Comments

The state of Michigan was particularly devastated during the 2007 to 2009 recession. With heavy dependence on manufacturing industries as its economic base, Michigan’s economy was not diversified enough to sustain itself during the Great Recession. During this recession jobs were lost in Michigan as employers closed their doors or relocated to right-to-work states and overseas to avoid high unionization and business regulation in states such as Michigan. At the height of the recession, Michigan’s unemployment rate was over 15%, with the unemployment rate of the national economy being over 10%. At the beginning of the recession, Michigan’s gubernatorial and legislative leadership was primarily democratic.

During the 2007 to 2009 recession, Democratic Governor Jennifer Granholm, unlike the Republican governmental leadership of the state of Utah, accepted all of the unemployment extension assistance and loans from the federal government. However, during the midterm elections in 2010, with the state of Michigan still suffering from the effects of the recession, Michiganders voted in a republican governor and Republican dominated legislature. These changes brought on a change in policy direction for the state and in 2011 republican Governor Rick Snyder reduced the number of weeks that Michiganders were eligible for unemployment benefits from 26 weeks to 20 weeks. As the Michigan state governmental budget diminished, the
federal government poured resources into the state of Michigan through the American Reinvestment and Recovery Act, unemployment insurance extensions and through competitive job and training grant programs. Michigan utilized the billions of dollars in investment to slow down the budgetary bleeding and assist jobless workers through unemployment insurance, job training programs, targeted and/or subsidized job opportunities, infrastructure investments that led to job opportunities and so on. The state of Michigan also became to invest heavily in diversifying its industrial base, whether through providing tax incentive packages to recruit alternative energy, advanced manufacturing and homeland security industries to the state of Michigan or through providing training and educational opportunities in these STEM fields to ready Michigan workers for available jobs in these critical industries. The state of Michigan still has not recovered fully from the 2007 to 2009 recession and the state is altering its strategic plan to meet the challenges of the 21st century.

Utah and Michigan Outcomes – Analysis

The independent variables analyzed in Chapter III included socioeconomic variables such as income, the unemployment rate, the poverty rate and education. When comparing the data from 2007 to 2009, in the state of Utah, income per capita in the data set (adjusted for inflation) ranged from $35,541 in 2007 to $33,549 in 2010. In the state of Michigan the average real income per capita in the dataset ranged from $37,339 in 2007 to $35,805 in 2010. The data is consistent with what was expected as the state of Utah has a lower per capita income than the national average, primarily due to its younger population. Therefore, it is not a surprise that Michigan yielded a greater per capita income than Utah throughout the data sample, although Michigan has a lower household income than the state of Utah. The unemployment rate ranged from 2.8% to 8% in Utah and from 7.1% to 12.7% in Michigan from 2007 to 2009. The poverty
rate was higher in Michigan than in Utah throughout the 2007 to 2009 recession. The poverty rate ranged from 9.8% to 13.3% in Utah compared to 13.9% to 16.7% in Michigan from 2007 to 2009. The data from the 1990–2010 sample was again consistent with the case study findings as the state of Michigan fared worse in the 2007 to 2009 recession than the state of Utah.

Education of a bachelor degree or above was 37.8% in 2007, 38.5% in 2008, 37.6% in 2009 and 37.6% in 2010 in Utah. For the state of Michigan, 34.2% of residents obtained a bachelor degree or above in 2007, 34.1% in 2008, 34% in 2009 and 34% in 2010. The state of Michigan has slightly lower educational levels of a bachelor degree or higher than the state of Utah. This would potentially have an adverse effect on the type of jobs that Michiganders would be qualified to hold, especially with high tech jobs on the rise, that require advanced education.

The demographic variables included the senior population, aged 65 and older and the minority population. The state of Michigan has a larger minority population than Utah. The minority population consisting of African-Americans, Asian-Americans and Hispanic-Americans ranged from approximately 22% in Michigan in 2007 to 23% in 2010. In contrast, Utah’s minority population ranged from approximately 16% in 2007 to approximately 17% in 2010. The senior population of aged 65 and older is also larger in Michigan ranging from approximately 13% in 2007 to 14% in 2010 in comparison to Utah’s senior population, aged 65 and older, ranging from approximately 8.5% to 9% from 2007 to 2010. The data again mirrors the findings in the case study, as Utah has a younger population than the national average, and the state of Michigan.

The final independent variables assessed in the statistical analysis include union membership and citizen and governmental leadership political ideology. The level of union membership from 2007 to 2010 was much lower in Utah, a state that became a right-to-work state in 1955, versus Michigan that has been at the center of the pro-union industrial labor movement,
until right-to-work legislation was passed by the Michigan legislature in December 2012. The state of Utah’s unionized workforce ranged from 5.9% in 2007 to 7% in 2009, lowering to 6.5% in 2010. In comparison, the state of Michigan’s union membership rate ranged from 19.6% in 2007 and it lowered to 19% in 2008 and lowered again to 18.8% in 2009, ending up at a low of 16.5% in 2010.

The state of Utah has a more conservative citizen and governmental leadership ideology than Michigan. The Berry ideology scores used in the data analysis range from one to one hundred with one being the most conservative and 100 being the most liberal on the ideological scale. Utah’s score for citizen ideology was estimated for 2007–2009 at 27 out of 100 and the governmental leadership ideology score was even more conservative at 13 out of 100 for the years of 2007 to 2009. Michigan has a more liberal ideological base with a score estimated at 60 out of 100 for citizen ideology and 63 out of 100 for government leadership ideology from 2007 to 2009. What this implies for unemployment insurance is that per the quantitative analysis in Chapter III, liberal states paid out more in unemployment benefits per capita and had a higher average weekly unemployment insurance benefit. Also while conservative states tend to have more initial claims, liberal states have more continued claims. In the sections below, I will compare the Michigan and Utah case study findings to the results of the statistical analyses in Chapter III.

Unemployment Insurance Monthly Expenditures and Average Weekly Payments

When examining unemployment insurance benefit expenditures per month, per capita, Michigan expended a rate of approximately $16 per capita in 2007, $27 in 2008, $28 in 2009 and $17 in 2010 compared to approximately $5 per capita in Utah in 2007, $12 in 2008, $15 in 2009 and $10 in 2010. When considering overall expenditures, Michigan has a much larger population
than the state of Utah and paid out substantially more in unemployment expenditures if we multiply the per capita amount by the population (see Figure 1). For example, from 2007 to 2009, the state of Michigan paid out a range from $159,520,000 (using the 2009 population as a baseline) at its lowest to $279,160,000 at its highest during this timeframe. In comparison, overall, Utah paid out $13,925,000 overall at its lowest and $36,205,000 at its highest from 2007 to 2009. However, the unemployment benefit expenditures are measured per capita, adjusting for the size of the population. The state of Michigan expended substantially more in unemployment insurance benefits per capita than the state of Utah during the 2007 to 2009 recession, based upon this metric.

![Monthly Unemployment Expenditures per Capita](chart.png)

**Figure 1.** Monthly Unemployment Expenditures per Capita

Yet, the state of Utah provided a higher average weekly benefit for eligible beneficiaries (see Figure 2). For the state of Utah, the average weekly benefit for eligible beneficiaries was $327 in 2007, $328 in 2008, $333 in 2009 and $323 in 2010. The state of Michigan’s average weekly benefit for eligible beneficiaries in 2007 was approximately $318, in 2007, $315 in 2008, $316 in 2009, and $298 in 2010. The state of Utah’s weekly average benefit amount ranged from
$9 to $25 greater than the average weekly benefit awarded in the state of Michigan. Utah’s poverty rate was 11.4% in 2011 compared to the national average of 14.3%. The poverty rate was greater in Michigan than in Utah. According to the statistical analysis in Chapter III, the higher the levels of poverty the lower the unemployment insurance expenditures and average weekly benefit paid by state. Also, per the statistical analysis, the greater the personal income per capita, the lower the expenditures per capita and the average weekly benefits. This again held true for the average weekly benefit. It would follow that since the state establishes the amount of the average weekly benefit paid out per state that poorer states or states with the most challenged economies would have lower average weekly benefits and offer a lower number of state-funded weeks of eligibility. Michigan allocated a lower average weekly benefit than the state of Utah.

Figure 2. Average Weekly Unemployment Benefit Expenditures per Eligible Beneficiary

However, in the case of the overall expenditures by the federal and state governments per month, Michigan’s expenditures were greater per capita. However, overall expenditures per capita included both federal and state combined expenditures and because Michigan’s economy was devastated to a greater level, they were eligible for a greater level of federal unemployment
insurance assistance and they accepted that assistance. The state of Utah has not always qualified for the federal unemployment insurance extended benefits assistance, based upon their low unemployment rate. The state of Utah also chose to not accept unemployment assistance that they were eligible for in 2011.

The unemployment rate was 4 to 5% higher in Michigan than in Utah during the recessionary period. The direction of the effect of the unemployment rate was consistent in statistical analysis—the greater the unemployment rate the greater the unemployment expenditures and average weekly benefit payments by state. The unemployment rate is a driver for unemployment expenditures and weekly benefit amounts yet the average weekly benefit was higher in Utah than in Michigan, although the unemployment rate was higher in Michigan. Most states allow the unemployed to apply for up to 26 weeks of unemployment benefits. However, the state of Michigan lowered the number of eligible weeks from 26 weeks to 20 weeks. This changed occurred in 2011, to be effective January of 2012 while Utah still allows claimants to apply for up to 26 weeks of benefits. The state of Michigan, however, has a greater level of poverty and unemployment and as a result of these conditions, their state-budget has been diminished, increasing their dependence on the federal government. Michigan still expended a higher amount per capita, in part because Michigan received a larger amount of assistance from the federal government.

The statistical analysis provides that the greater the education level, the greater the average weekly unemployment benefits and the greater the overall unemployment expenditures per capita. The state of Utah had about 3 to 4% higher rates of education of a bachelor degree or above that the state of Michigan. Yet, of course while the state of Utah was prepared to pay a higher average weekly unemployment benefit, the state of Michigan had a higher level of expenditures per capita. This of course has partially to do with the level of economic devastation
in Michigan and the influx of federal government funding. However, if education is tied to an understanding of eligibility requirements that would result in a higher degree of eligible applicants, then the state of Utah should have expended more in unemployment insurance benefits per capita than Michigan, based upon their higher levels of educated residents. Michigan, however, paid out a greater level of expenditures.

When examining the results of the statistical analysis, Michigan is an outlier in that although the minority population of African-American, Asian-American and Hispanic-American was fairly high at approximately 22% from 2007–2009, compared to an approximately 16% minority population in Utah, the state of Michigan expended substantially more unemployment benefits per capita than Utah during the Great Recession. There have been studies that analyze social welfare benefits that have found that in states with a higher percentage of minorities, especially African-Americans, social welfare benefits by states are paid at a less generous rate when compared to more homogeneous environments such as within the state of Utah (Plotnick and Winters 1985, 471; Brown 1995, 30; Radcliff and Saiz 1994; Grogan 1994; Hero and Tolbert 1996). This held true for the average weekly benefit amount as Utah was more generous in terms of the average weekly benefits allocated by the state. However, this did not hold true for unemployment expenditures per month, per capita. However, the unemployment expenditures per capita were not just a measure of state generosity; the expenditures included both state and federal assistance. The duration of federal unemployment benefits assistance depends, however, upon the level of devastation in the state, that was clearly greater in Michigan than in Utah. Therefore, Michiganders remained on unemployment benefits for a longer duration than Utahans. Furthermore, the state of Utah did also turn down federal unemployment insurance extension assistance in 2010 and this impacted the amount of benefits paid out in the state of Utah as well.
Finally, the more liberal the citizen and government ideology, the greater the level of unemployment expenditures and the greater the average weekly unemployment benefit. This was the case in terms of the generosity of unemployment insurance expenditures in Michigan, a more liberal state than the state of Utah. This was not the case with the average weekly benefit. In fact, Michigan not only has a lower average weekly benefit than Utah, Michigan cut the number of weeks that claimants would be eligible for state-level benefits. However, rather than a measure of how liberal or conservative the citizens or the government leadership is in that state, this could be simply a factor a budget in Michigan that was strained beyond the limit.

**Initial and Continued Unemployment Claims**

Initial unemployment claims per one thousand persons in the population for one week ranged from .7 to 1.13 claims in Utah from 2007 to 2009. The continued claims per one thousand persons in the population for one week ranged from approximately 5 claims per week at the lowest to 13 claims per week at the highest from 2007 to 2009. In Michigan initial claims range from 5 claims per one thousand persons in the population per week in 2007 and lowered to 2.4 claims in 2010. For continued claims, the range was approximately 16 claims per one thousand persons in the population per week in 2007, increasing to 22 claims in 2008 and lowering to 15 claims in 2010.

The median household income is higher than the national average in Utah; however, the income per capita was $1,800 to $2,000 higher from 2007 to 2010 in Michigan than in Utah. According to the statistical results, the greater personal income per capita, the lower the initial and continued unemployment claims should be. However, again, this is where the state of Michigan is a statistical outlier, because the personal income was higher in Michigan than in Utah.
yet Michigan had higher initial and continued unemployment claims during the Great Recession from 2007 to 2009 (see Figures 3 and 4).

Also according to the Chapter III analysis, the greater the level of poverty, the lower the initial and continued unemployment claims. The poverty rate was also 3 to 4% higher in Michigan than in Utah throughout the 2007–2009 recession, however, although Michigan had a higher rate of poverty, the average personal income per capita was also higher than Utah and Michigan had a higher number of initial and continued unemployment insurance claims. Therefore, in Michigan there were dire economic conditions during the 2007–2009 recession; however, its residents’ capacity to be sustained in the market was mixed and the differences in income and poverty were stark relative to individuals’ level of employment or non-employment.

**Figure 3.** Weekly Initial Unemployment Claims per Thousand Persons of the Population
As with unemployment insurance claim expenditures, the level of initial and continued unemployment claims should increase with the level of education of a bachelor degree or above. The state of Utah enjoyed around a 3 to 4% higher rate of education of a bachelor degree or above than Michigan from 2007 to 2010. Therefore, the initial and continued unemployment claims should be greater. However, Michigan again had greater initial and unemployment claims.

An interesting statistical finding was that the more liberal the government ideology, the greater the continued unemployment claims. The governmental leadership may influence the number of weeks that claimants are eligible for state-subsidized unemployment benefits. The state of Michigan transferred power from democratic gubernatorial leadership and a democratically controlled legislature to republican gubernatorial leadership and a republican controlled legislature during the midterm elections in 2010. After which, in 2011 the state legislature in Michigan changed the number of state-subsidized weeks of unemployment insurance payments that claimants are eligible for from 26 to 20 weeks to be effective in January 2012. This may be a function of republican dominated governmental leadership in Michigan.

**Figure 4.** Weekly Continued Unemployment Claims per Thousand Persons of the Population
contracting social welfare benefits as a philosophical value, yet it may also be an effort for a conservative government to begin to balance Michigan’s budget that had been in the red since the previous administration. However, the state of Utah that has both a republican governor and republican controlled legislature remains at 26 weeks of state-level unemployment insurance benefits that claimants are eligible to apply for.

What is interesting is that for initial claims, the less liberal the citizen ideology, the more initial claims there are. Therefore, in states where citizens hold more conservative political ideology, there are more initial claims, yet they claimants don’t continue the claims as long as in states with liberal dominated governmental leadership. The minority population variable was not significant for unemployment insurance claims.

**Unemployment Eligibility Rules**

The state of Utah does require that the first week of unemployment be considered a waiting week and therefore claimants are prohibited from filing for unemployment insurance benefits for this week. The state of Michigan does not have this requirement; therefore, claimants can file for unemployment benefits the week they become unemployed, a week before the state of Utah. In terms of generosity of benefits, Utah was named one of the best states for unemployment benefits in 2011 because the maximum weekly benefit amount is $479 a week with an average weekly benefit of $316 in 2011. Another reason for this high ranking is because 27% of its unemployed were covered by this insurance with 43.1% of their wages covered (D. McIntyre 2011). However, the maximum amount of unemployment in Michigan is $362. Also while the maximum number of weeks the unemployed are eligible for state-level benefits are 26 weeks nationally, the Michigan legislature changed the maximum number of weeks in 2011 to 20 weeks for Michiganders while Utahans can still apply for up to 26 weeks of benefits. In the statistical
analysis employed in this study, the state of Utah’s average weekly benefit was higher during the 2007 to 2009 recession. This follows in a state that is more homogeneous than Michigan and while Utah has a lower per capita personal income than Michigan, its households have a median income of almost $10,000 higher than Michigan households. However, the state of Michigan still expended more in unemployment insurance benefits during the 2007–2009 recessionary period when both state and federal funding streams were considered.

**Unemployment Assistance and Job Development Programs**

Utah unveiled some innovative job search assistance and job procurement programs including focusing the majority of their Temporary Assistance for Needy Family Emergency Funds (TANF-EF) on youth employment. This strategy aligns with the fact that Utah has one of the youngest populations and highest rates of marriage. Utah developed many programs during the 2007 to 2009 recession that benefitted the family including cash assistance and job search assistance to single and two-parent households that met the qualifications. Utah also coordinated efforts with nonprofits and the private industry by developing a program where parents could drop their children off for daycare for a couple of hours if they had to perform job search and/or interview activities. The state of Utah also coordinated with nonprofits and the private industry in select counties, where persons living with disabilities could obtain jobs and support services such as childcare to assist them in sustaining their jobs.

Utah and Michigan were awarded similar amounts for TANF-EF. Utah was designated subsidized employment funds of $400,000 in comparison to $500,000 for Michigan. However, in basic assistance, Michigan was granted only $10.8 million compared to Utah that was granted $14.2 million. However, due to the high unemployment and high poverty in Michigan during the 2007 to 2009 recession, Michigan was granted an enormous amount of federal TANF-EF grant
funds for non-recurrent short-term assistance at $221.3 million while Utah was granted only $900,000. This enormous assistance to the state of Michigan allowed them more flexibility in assigning funds to needed areas. Michigan was also awarded almost $9 million in American Reinvestment and Recovery Act funds in relation to over $2 million in ARRA funds for the state of Utah. Because Michigan had an unemployment rate of almost 13% at the height of the recession and a poverty rate of almost 17%, a generous amount of state and federal funds were poured into Michigan’s economy in attempts to halt the bleeding.

Because a large part of Michigan’s economy has been so auto industry intensive, the state of Michigan used ARRA funds in particular to diversify its industry base into clean energy, service and technological industries. The state of Utah was already very diverse in their economic base with its strengths in mining, agriculture, timber, defense and aerospace. However, the Utah Technology Council is also devoted to growing the state’s jobs and industry in the life sciences, clean technology and information technology industries. This economic diversity helped to keep the state of Utah afloat during the 2007 to 2009 recession. The state of Utah is also generally considered by the business community as having a business friendly state with low corporate taxes, and a low regulatory environment. Utahans are also considered to be a resourceful pool of professional and educated workers that are not highly unionized in this longstanding right-to-work state.

Michigan, on the other hand, has been viewed by the business community as having an enormous amount of red-tape in a highly regulatory environment that is perceived as obtrusive to businesses that may consider locating in Michigan. Also these regulatory restrictions such as WARN laws that require additional notifications to employees in the event of a layoff or factory closing and high rates of unionization have driven some businesses to reduce their operations in
Michigan or to close down and move their operations to other locations domestically and internationally.

**Conclusions**

The United States has long been considered a liberal market economy because its’ governing institutions according to Hall and Soskice’s definition, direct economic behavior towards the market. The United States labor market policies have been perceived as hierarchical, competitive, and geared towards means tested and particularistic distribution of benefits and have not been viewed as generous as the social welfare states of Denmark, Sweden and Germany. Social Democratic countries on the other hand are viewed as having more horizontal structures that allow for greater coordination amongst business, labor and the state.

However, with the advent of the 2007 to 2009 economic recession, this case study of the policy responses utilized by the state governments of Michigan and Utah to intervene in the labor market in order to cushion the impact of joblessness provides support that during times of economic recession states are more coordinated in their efforts with nonprofits and businesses. The federal government also coordinated efforts with the states during the 2007 to 2009 economic recession in order to expand assistance to the unemployed and facilitate job creation and public service delivery. An example of this coordination is during periods of high unemployment, the federal government has stepped in and used the fiscal stimulus funds designated by the American Reinvestment and Recovery Act to support the states in their endeavors to jumpstart the economy by funding all of the emergency unemployment compensation, instead of enforcing their agreement with the states to split the cost 50-50, according to the Social Security Act. The use of the ARRA funding to infuse state economies with assistance with social welfare needs and job recovery is an example of where the federal governmental instituted non-incremental policy in a
punctuated fashion in an attempt to bring state economies back into equilibrium, during the advent of the 2007 to 2009 recession (Baumgartner and Jones 1993). The American Reinvestment and Recovery Act was passed during the 2007 to 2009 recession where the social problems that came about as a result of the recessionary climate such as joblessness, hunger and homelessness, met a political climate palatable to pass the stimulus plan, in a time of unified government. The multiple streams of a problem, policy solution and political environment that was ripe for policy change joined together (Kingdon 1995).

It was found that during the 2007 to 2009 economic recession, state and federally funded unemployment insurance programs, job search assistance, and job creation programs were implemented through state funded unemployment insurance programs and federally funded emergency unemployment insurance programs as well as grant and loan assistance from the Unemployment Emergency Fund, the American Reinvestment and Recovery Act and the Temporary Assistance to Needy Families Emergency Fund. However, even with the financial assistance of federally funded programs, the power to determine programmatic eligibility rules and to administer the programs, were often devolved to the states. In addition, federal grants such as clean energy grants funded by ARRA were competitive grants that states had to apply for.

It is evident from this analysis of U.S. governmental labor policy intervention during the 2007 to 2009 economic recession, that the federal, state and local governments have responded with urgency to the economic recession through administrative reform efforts and legislative initiatives geared towards providing financial support to sustain displaced workers that were unemployed due to no fault of their own while they searched for re-employment and to provide job opportunities for adults, youth and the disabled by coordinating programmatic efforts with multiple levels of government and with nonprofits and businesses. This assistance was delivered through streamlined efforts to offer services at one-stop Workforce Development Agencies within
the states, where individuals can apply for unemployment, request job search assistance, training/re-training assistance and/or educational assistance at one convenient location.

As Jacoby and Schneider’s study shows, states designate funding according to areas of concern that are designated as policy priorities based upon the state’s infrastructure, industrial economic base, public opinion and the influence of interest group pressures (Jacoby and Schneider 2001). In addition, the state governments have delegated more authority to local governments and as a direct result of the economic recession, all governmental levels are coordinating efforts with business and industry to develop innovative approaches to provide solutions to problems associated with joblessness.

In analyzing the states of Michigan and Utah, both state gubernatorial leaders have supported tax cuts to businesses that pledge to continue doing business in their state or agree to add jobs. However, these policies have appeared to be more effective in drawing businesses and jobs in Utah due to the combination of Utah’s tax incentive packages and their business friendly regulatory environment. With Michiganders voting in a republican governor in 2010 and a republican-led state legislature, policies have been implemented such as right-to-work legislation in an attempt to change the regulatory environment. Because Michigan is larger, more diverse, and has more of its citizens living in poverty, based on the statistical analysis, we would expect that there would be less unemployment claims and benefit expenditures in Michigan. However, although Utah has a more homogenous state and a higher median income, only when it came to the average weekly benefit were expenditures higher. Because of the devastation of unemployment in Michigan during the 2007 to 2009 economic recession, the state of Michigan had substantially higher claims than the state of Utah and received an influx of assistance from the federal government in order to expend greater unemployment benefits during the recession. However, the state of Michigan had to contract the maximum number of state funded weeks of
unemployment that were offered to their residents due to the burden of paying the additional weeks from the state budget and of the burden of paying back funds borrowed from the federal government through the Unemployment Emergency fund. The state of Utah’s conservative government did influence the state of Utah refusing governmental unemployment extended benefits in 2011. This also lessened the amount of benefits they expended and the state of Utah was not eligible for the same tier of federal benefit assistance as the state of Michigan due to their relatively low unemployment.

Both the states of Michigan and Utah have followed the model of targeting unemployment benefits in a particularistic manner toward the neediest and most disadvantaged segments of their populations and the federal government has delegated stimulus funds based on state-based means-tested criteria. However, the number of benefits and the resources provided by the federal and state governments have expanded in response to the economic recession in an effort to lower the unemployment rate by targeting efforts to address the level of joblessness and social welfare programs have expanded to assist the poor and disenfranchised who are living at or below the poverty line.
CHAPTER V

VARIETIES OF LABOR POLICY COORDINATION IN RESPONSE TO THE 2007–2009 ECONOMIC RECESSION: TRAINING POLICY IN CALIFORNIA AND SOUTH CAROLINA

Introduction

In 2009, there were 15 million unemployed workers and nine million additional workers who were involuntarily working part-time in the nation. There have been deficiencies in U.S. high school preparation, job training programs and college preparation for middle-skilled or highly-skilled jobs that increasingly require greater technical skills. Although educational research concentrates on the income gap between those with a high school education and those with a four year college degree, there are a growing number of middle-skilled jobs that require some technical training but not necessarily a four year degree (Lerman 2009). In fact, “nearly half of all workforce vacancies in the next decade are likely to demand serious occupational skills that are generally acquired with a combination of postsecondary courses and learning on the job” (Lerman 2009, 8). According to the Bureau of Labor Statistics, “ninety percent of the fastest growing jobs in the United States require some level of education or training beyond high school” (Federal Register 2007). The types of occupations that require this occupational and technical training range from “health and information technology workers to electricians, and maintenance workers, and to mid-level office occupations, including supervisors and middle managers” (Lerman 2009, 8). As a result, the federal and state governments are seeking ways to expand the population of workers that have middle-skills and technical skills by providing pathways to vocational training programs, apprenticeship programs and college preparatory programs that will prepare workers to become employed in critical industries. Below I will outline several vocational
training and collegiate programs including WIA Programs, Community-Based Job Training Grants, the President’s High Growth Job Training Initiative, The Community College Initiative and apprenticeship programs.

One of the ways that U.S. states coordinate training efforts is through Workforce Investment Act (WIA) programs. The Workforce Investment Act of 1998 through amending the former Wagner Peyser Act, created one-stop delivery systems across the U.S. states that provided a venue for unemployed non-disabled and disabled workers to apply for unemployment benefits yet also to seek services that will assist them in re-employment including job searching, job counseling, skills assessment, testing, referrals to employers, referrals to training programs and to obtain occupational and labor market information (DOLETA, WIA 2010). There are specialized services for persons with disabilities, migrant and seasonal farm workers, ex-offenders, youth, minorities and older workers. The one-stop service centers also assist employers with handling layoffs and with recruitment needs. These services are administered by state labor departments and overseen by the U.S. Secretary of Labor and Comptroller General. The states under WIA implemented performance incentives for direct and indirect placement of workers into jobs, incentives based on the wages acquired for workers and employment retention. Under WIA, state governments can contract with other state, federal and local public agencies, private and nonprofit organizations (DOLETA, WIA 2010; DOLETA, WPA 2008).

From 2005 to 2008 Community-Based Job Training Grants were awarded to community, technical colleges and one-stop service centers that worked with the public, private and nonprofit sectors to provide education and training to workers for emerging industries. In 2007, $125 million was allocated from the Department of Labor’s, Employment and Training Administration for competitive grants of $500,000 to $2 million per grantee. Through the President’s High Growth Job Training Initiative, the Employment Training Administration identified high-demand,
high-growth industries where funding was available for strategic partnerships that provided job
training skills for individuals in order to open up career pathways. Partners included “employers,
educators at all levels, including community colleges; economic development entities; local,
regional, and state government; the philanthropic community; faith-based and community
organizations; research institutions; and other civic leaders with a state in economic growth and
talent development.” Examples of programs included apprenticeship programs, One-stop Career
Center vocational rehabilitation, adult education, and Department of Education Pell grants.

The U.S. Congress authorized $730 million per year for The Community College
Initiative as part of the Student Aid and Fiscal Responsibility Act of 2009. This initiative was
enacted to fund programs that would assist students in the completion of post-secondary degrees,
certifications and licensures especially in high demand industries. Some of the funds were also
earmarked for community college reform efforts including construction improvements. President
Barack Obama stated, “In the coming years, jobs requiring at least an associate degree are
projected to grow twice as fast as jobs requiring no college experience. We will not fill those
jobs—or keep those jobs on our shores—without the training offered by community colleges”
(Whitehouse.gov-Community Colleges 2013).

Apprenticeship programs are often tied to the completion of a post-secondary degree,
certification or license. About one third of apprenticeships where employees train underneath
experts in the field to earn paid on the job experience and training are in conjunction with
community college academic instruction. For example, the Utility Workers of America require
that apprentices earn an associate degree along with their on-the-job training. Community
colleges often provide college credit for apprentice classes and industry experts and technicians
teach courses at the community college as well as provide training on the job. Some advantages
to apprenticeship programs include opportunities for apprentices to receive paid training on-the-
job while pursuing their education and opportunities for full-time employment after their apprenticeships are completed. Apprenticeships have been a way of providing inroads for minorities, especially minority men, into careers. Apprenticeships can also be a way of re-entering criminal offenders into society. According to the National Center for Education Statistics, some of the career and technical education credentialing were offered in the following fields: Agriculture and Natural Resources, Business Management, Business Support, Communications and Design, Computer and Information Sciences, Education, Engineering, Architecture and Science Technologies, Manufacturing, Construction Repair and Transportation, Marketing, Protective Services and Public, Legal and Social Services (Lerman 2009).

While some states offer well-coordinated technical college systems that provide tailor-made apprenticeship programs to cater to employer needs, often employers do complain that the course content and equipment at community colleges may be outdated and that there is a lack of regular rotational courses offered. However, there are collaborative efforts with state governments and community colleges. The states of Florida and Washington, for example, provide tuition subsidies to community colleges for apprentices. Apprenticeships are regulated by the Office of Apprenticeship at the federal level and there are also state apprenticeship offices.

Supporters of the apprenticeship model advocate for more state and federal resources being allocated to increasing apprenticeships. Some examples of resources could be the state or federal government providing tax incentives for businesses that develop or expand apprenticeship programs. The argument is that if employers increase the number of apprenticeships offered, this adds jobs to the state, along with tax revenue at level that that offsets the tax incentives. In an age where state-level financial support of higher education is declining, resources such as states offsetting the cost of tuition for those employers that train and hire apprentices would not only benefit institutions of higher education but the state as well, again, through tax revenue and
through an increased percentage of state-level residents with associates degrees. Funding for collaborative partnerships between the state, community college and businesses offering apprenticeships can also be gleaned through discretionary use of state level Workforce Investment Act funds. The American Council on Education has developed a National Guide to College Credit for Workforce Training that suggests college credit equivalencies for apprenticeship programs to encourage more employer sponsored apprenticeship programs to work with community colleges to require students to earn an associate degree while simultaneously receiving on-the-job training (Lerman 2009).

This research examines the coordination between the state governments of California and South Carolina with the business and nonprofit sectors in their efforts to train workers in order to assist with job recovery in their respective states in response to the 2007 to 2009 economic recession. The states of California and South Carolina are distinctive for a number of reasons. Based on the statistical analysis in Chapter III, the state of California yielded lower levels of adult disabled and non-disabled training participation in WIA training programs per capita. The state of California also yielded lower employment retention rates after training. This is a surprising finding as the overall results of the statistical analysis in Chapter III found that as states become more liberal adult non-disabled participation rates should increase and non-disabled and disabled adult employment retention rates after training should increase. The state of California is a technological leader and holds a prominent position in the research and development as well as energy diversification fields. However, with these advancements emerges the need for a skilled and reliable workforce. With severe budget cuts during the 2007 to 2009 recession and with problems with secondary school college and career preparation, there is a shortage of state-sponsored training programs and skilled workers in the state of California. The state of South Carolina, on the other hand, yielded higher rates of adult non-disabled and disabled adult training
participation in WIA training programs and higher rates of employment retention after training. Again, this finding was inconsistent with the Chapter III statistical analysis findings that overall, liberal states in general yield greater training participation and employment retention after training. The state of South Carolina, however, is known for its business friendly regulatory environment and has institutionalized some long standing successful state-sponsored training programs that customize its services for employers that seek to locate or expand their operations in the state. The states of California and South Carolina were outliers in the statistical analyses and it will be important to examine the contextual differences through in-depth case studies. The case study analyses will not only assess Workforce Investment Act training programs yet will address a variety of training and educational methods that have been employed in the states of California and South Carolina that fit the unique workforce development needs in each respective state.

State-level Case Studies: South Carolina and California

South Carolina: State Problems and Opportunities

The Governor of South Carolina from 2003 to 2011 was Republican Mark Sanford. When the succeeding Republican Governor Nikki Haley took office in January 2011, unemployment in the state of South Carolina was in double digits at 10.5%. However, by December 2012 the unemployment rate fell to 8.4% (Heraldonline.com 2011). The state of South Carolina was ranked 24 out of 50 in the population size with a population of 4,723,723 in 2012 and 4,625,364 in 2010; an increase of 2.1%. The percentage of the population in 2011 under 18 years of age was 23.1%, compared to 23.7% for the U.S. population. The percentage of the population aged 65 and over is 14.1%, slightly higher than the U.S. population at 13.3%.
In terms of the diversity, the state of South Carolina has a larger African-American population and a lower Caucasian-American population than the U.S. national average. However, the state of South Carolina has a lower percentage of other minority groups that the U.S. national average. The population of South Carolinians in 2011 was 68.4% Caucasian-American as compared to 78.1% of the U.S. and 28.1% African-American compared to 13.1% of the U.S. There were 0.5% American Indian and Alaska natives living in South Carolina in 2011 as compared to 1.2% living in the U.S. and 1.4% Asian-Americans in comparison to 5.0% in the U.S. There were 5.3% persons of Hispanic and Latino descent living in South Carolina in 2011 as compared to 16.7% of the U.S. and 1.4% of individuals identified themselves as being representative of two or more races as compared to 2.3% of the U.S (USA Quickfacts 2013).

The educational attainment of South Carolina residents was slightly lower than the national average. Out of adults aged 25 and older, an average of 83.6% of South Carolinians from 2007 to 2011 possessed a high school diploma or higher compared to 85.4% for the entire U.S. Compared to 28.2% of the U.S., 24.2% of South Carolinians hold a bachelor degree or higher. The average income per capita and median household income of South Carolina residents is over 10% lower than the U.S. average. The average income per capita from 2007 to 2011 was $23,854 compared to an average of $27,915 of the U.S. with an average median household income from 2007 to 2011 being $44,587 in South Carolina as compared to $52,762 for the U.S. The average poverty level from 2007 to 2011 was higher in South Carolina at 17%, than the U.S. average of 14.3%.

**South Carolina: Economic Growth and Business Environment**

With the second lowest unionization membership rate behind North Carolina, the state of South Carolina had a membership rate of 3.4% in 2011 and 3.3% in 2012. As a right to work state
with very low union membership, South Carolina is viewed favorable by businesses as there is a very low rate of work stoppage and minimal work time lost due to strikes (BLS Union Rates 2012; SCCommerce 2011).

In terms of industry, there is a high concentration of technical, industrial and mechanical jobs in South Carolina including “industrial and mechanical engineers and technicians, engine and machine assemblers, computer controlled machine tool operators, machinists and materials scientists” (SCCommerce 2011, 5). There are also 180 aerospace related companies in South Carolina employing more than 20,000 people. The top five reasons aerospace companies give for locating their operations in South Carolina is that South Carolina has a business friendly climate and the business regulatory environment has a low cost to operate in. They also cite that South Carolina is a right-to-work state that prohibits mandatory union membership being imposed on workers as attractive to businesses. In addition, they noted market access and quality infrastructure, a skilled and reliable workforce and affordable energy as advantages to doing business in the state of South Carolina. A Human Resources Director for Lockheed, Stephanie Moody states, “Lockheed Martin’s Greenville, South Carolina workforce is highly skilled in the areas of aircraft maintenance modifications and upgrades. Over our 28 years in South Carolina, we have continued to grow thanks to our local workforce and synergies with local and state workforce development entities” (SCCommerce 2011, 5).

The 2010 Business Facilities State, Metro and International Ranking Report on economic development highlighted economic growth potential across the states in the face of the economic downturn. The state of South Carolina was ranked number one for economic growth potential largely due to the aerospace giant Boeing deciding to locate a second 787 factory in North Charleston in lieu of its traditional manufacturing base of Washington. The state of South Carolina was already home to 100 aerospace industry companies that employed over 16,000
employees in 23 counties before Boeing committed to a potential additional 12,000 direct and indirect additional jobs, with projections of adding almost $7 billion in economic investments to the state over the next 10 to 15 years. This announcement by state officials was “the largest single economic development announcement in South Carolina’s history” (Rogers 2010, 12). In the 2011, Business Facilities rankings, the state of South Carolina captured the number three spot, yet they were not ranked in the top ten for economic growth potential in 2012.

The state of South Carolina also earned fourth place in the ranking for the best state-level business climate in 2010. The former governor of South Carolina, Mark Sanford stated “Boeing’s decision to expand their presence in our state with an infusion of jobs and capital investment represents not only enormously good news for our state’s economy, but also a telling dividend from our state’s continued efforts to better our business climate” (Rogers 2010, 12). In 2011, the state of South Carolina fell slightly to the number five spot for the best business climate and to number seven in 2012.

In automotive manufacturing strength, the state of South Carolina ranked number three in 2010 and number two in 2011 and three again in 2012, outranking the Midwestern manufacturing centers of Michigan, Ohio, and Indiana. In the area of workforce training leadership, the state of South Carolina ranked number eight out of the top ten in 2011 and in 2012. The state of South Carolina also ranked number eight in the lowest cost of labor in 2011 and 2012. In comparison, the state of California ranked number six in the highest average wages in 2011 and 2012. The city of Greenville, in South Carolina was ranked the ninth fastest growing U.S. city in 2012. The city of Charleston, South Carolina was the fifth as a leader in logistics as a foreign trade zone and tenth in port logistics.

Pollina Corporation, an Illinois based real estate firm, ranks the top ten states in business friendliness based on 30 factors including taxes, human resources, right-to-work legislation,
energy costs, infrastructure spending, unemployment insurance tax rates, worker compensation laws, job training efforts, economic incentive programs and state economic development efforts (Southern California RDA 2013). The importance of the factors are determined by the personal experience of the Pollina Corporation with their clients and with previous projects, informal interviews that are undertaken with corporate decision makers and surveys of other site selectors across the country (Pollina Corporation Report 2010). Brent Pollina Vice-President of Park Ridge real estate, of Pollina Corporation states, that the top 10 pro-business rankings report “[d]etails how many state governments have the resources but not the will, to keep Americans employed in high paying 21st century jobs.” In 2011, the state of South Carolina was listed as the ninth pro-business state in the union behind Virginia, Utah, North Dakota, Wyoming, Nebraska, Kansas, South Dakota and Missouri, with the tenth spot awarded to the state of Indiana. However, the state of South Carolina did not rank in the top 10 for the 2012 list. The state did, however, rank number four in 2010 whereas in 2010 the state of California ranked number fifty as the least pro-business friendly state (Pollina Corporation Report 2012; Pollina Corporation Report 2010; Pollina 2010).

South Carolina: Training and Workforce Development

Under the Workforce Investment Act (WIA), the Employment Services Division of the Department of Employment and Workforce in South Carolina administers training programs across 12 regions. There is a statewide board that is appointed by the governor that includes “business owners, state government officials, educators and private citizens” that governs WIA program policy in the state (SCCommerce 2011). There are 56 South Carolina Workforce Centers and training is provided by certified training providers throughout the state of South Carolina. In 2012, $12,076,612 was awarded for adult Workforce Investment Act Services, $12,754,206 for
youth services and $17,247,928 for dislocated worker services for a total distribution of $42,078,746.

South Carolina’s workforce training program, readySC is a nationally recognized program that serves more than 2,000 companies and has trained over 266,000 workers. Another program, Apprenticeship Carolina is nationally recognized as well. The ready SC program partners with 16 technical colleges to provide customized recruitment, screening and training services for little to no cost for employers. For example, Trident Technical College in Charleston, South Carolina, works with Boeing to train its workers yet also offers academic programs through its Aeronautical Studies Division in Aircraft and Avionics Maintenance and Aircraft Assembly Technology. Clemson University also partners with three technical colleges around the state to provide training for aviation and automotive technicians.

According to Governing.com, the Southeast of the country has become a leader in job training and job creation. Additional recognitions of South Carolina’s business environment and workforce development practices include that Chief Executive magazine’s annual poll ranked South Carolina as one of the best states in the nation to do business. The CE poll is based on state ratings of taxation and regulation, workforce quality and quality of life. The state of South Carolina has also ranked as a top state for business climates by Site Selection magazine and was ranked 5th in 2011. In 2011 the state of South Carolina was ranked 9th by Forbes magazine for pro-business regulatory environment based on the state’s regulatory laws, tort climate and economic incentives. Finally CNBC, ranked South Carolina as the best state in the country for the availability and quality of its workforce (SCCommerce 2011, 2).

The states of Alabama, Georgia, Louisiana and South Carolina were also ranked by Business Facilities as being in the top 10 for the best workforce training programs. All four states combined were able to train 70,000 workers in the 2011 alone; adding a net 23,300 jobs from
January 2011 to January 2012 (Scott 2012). Scott (2012) notes that although these four states account for 8% of the country’s manufacturing workforce, they added 11% of manufacturing jobs in 2011. What has helped the South in drawing businesses includes their lower regulatory environments, tax incentives, less expensive resources and lower unionization of workers. These states in particular have increased their attractiveness to businesses seeking to relocate or expand operations, by developing specialized work training programs that are tailored to the industry-level or even tailored to meet company-level needs. Training programs are developed in conjunction the state and organizations and to prepare workers for actual positions that are open to be filled. However, it is the company’s final decision who they will hire.

South Carolina’s readySC was founded in 1961 and is the oldest of the southern state training programs highlighted in Business Facilities. The 82 training projects completed by readySC in 2011 created 6,000 jobs and 45 of those jobs were for businesses already established in the state that were interested in expansion. Like Alabama’s and Georgia’s programs, training programs are coordinated through the state’s community and technical college system. One of the major companies South Carolina has been able to draw to its state is Boeing that has established a second production facility in North Charleston in 2010 and contracted with readySC to train 2,000 workers and are considering opening a third production center in North Charleston in future years. The Vice-President of Boeing South Carolina, Tim Doyle, spoke of their appreciation to the State of Carolina, saying “I’ve had experiences with training across many of our facilities, and what we have here in South Carolina is by far the best I’ve seen” (Scott 2012, 3).

South Carolina Apprenticeship Programs

South Carolina began their apprenticeship program in 2007 with a $1 million a year in state funding and employer tax credits of $1,000 per apprentice. Some of the sectors that have
benefited from apprentices have been advanced manufacturing, health care and information technology. The state of South Carolina legislature grants funding to Apprenticeship Carolina, an initiative where the South Carolina technical college system markets their ability to coordinate apprentice programs, and they may also recruit apprenticeship sponsors and students for the program. The technical colleges may additionally offer college credit for completion of the program.

In 2003, a Research and Development facility at Clemson University, the Clemson University International Center for Automotive Research was funded by public and private sources to house the country’s first automotive engineering department. Forty percent of the graduate students that are trained at CU-ICAR remain in-state after completing the program. Training is provided through Clemson University, South Carolina State, the University of South Carolina and ready SC. The BMW is a crucial auto manufacturer in South Carolina. To construct a timeline, the BMW arrived in South Carolina in 1993 and other original equipment manufacturers (OEMs) arrived in the state after this. The inception of CU-ICAR was ten years later and within five years, CU-ICAR was admitting its first cohort of graduate students.

After considering over 250 sites in the 1990s, amongst the reasons that BMW cites for choosing to locate operations in South Carolina are because of the personal attention from Governor Carol Campbell at that time, the auto parts manufacturers that were present in the state including Michelin and Bosch, the transportation systems including airports, interstate rail and deep water ports as well as the existence of the South Carolina Technical College and right-to-work legislation. However, the primary incentive was that the state of South Carolina offered BMW an incentive package of $130 million in 1992 that included 900 acres of farmland worth $25 million near the interstate, infrastructure and utilities, negotiated fees instead of property taxes, airport land and improvements and worker training. In the auto industry, on the supply
side, the ready SC targeted training program is viewed as a strength. Other strengths in the view of the auto industry are that the state has low unionization and right-to-work laws. However, the quality of education rate is viewed as a weakness as the K-12 high school graduation rate in South Carolina is one of the lowest in the country. In addition, on the lower side comparatively, 24% of the state’s population has bachelor degrees compared to over 28% on average for the U.S. The state also ranks 40th in science and engineering graduates. On the demand side it is viewed as a weakness that the average wages are $34,000 for the population and that the state of South Carolina is 43rd in job creation.

South Carolina Case Study: Concluding Comments

The state of South Carolina was able to remain competitive for jobs during the 2007 to 2009 recessionary period. Although the state did experience double digit unemployment at 10.5% by the end of 2010, by the end of 2012, the unemployment rate had dropped 2 percentage points to 8.4%, which was below the state of California’s unemployment rate and the national unemployment rate. What contributed to South Carolina’s competitiveness was its well-developed workforce development system where the state government, state community college and technical systems and employers combined resources to ensure that workers received the education and training required to meet the changing industrial base of the state, and to staff critical industries such as aerospace and advanced automotive manufacturing and engineering. An example of this joint policy coordination is that the state made a $1 million investment in state apprenticeship programs as well providing employer tax credits of $1,000 per apprentice. In many of the apprenticeship programs, while the state provides subsidization of education and training costs, the state’s college and technical systems train and educate workers along with employer provided training and compensation for work. The state of South Carolina as well as
other Southeastern states have become leaders in providing workforce development systems that add to a package of incentives to draw employers and jobs to its states.

**California: State Problems and Opportunities**

The state of California was previously was under the Democratic leadership of Governor Gray Davis, who was recalled in 2002, a year after being placed in office—after large budget deficits ensued, including the tripling of car tax, after which Republican Governor Arnold Schwarzenegger was elected (State of States 2010). Governor Edmund G. Brown, a Democrat who previously served as the Governor of California in 1974 and 1978, was re-elected in 2010 and developed a plan to solve California’s budget problems by 2013–2014 (Office of the CA Governor 2013).

After the 2010 census, the state of California was ranked as having the largest state population size in the nation. The population of California was 38,041,430 in 2012. This was a 2.1% increase from 37,253,956 in 2010. Of this population, 24.6% were under age 18 compared to 23.7% of the U.S. Therefore, compared to the U.S. population, the state of California has a slightly younger population. The U.S. population was comprised of 13.3% persons aged 65 and older compared to only 11.7% of Californians in 2011.

The state of California has the third highest number of minorities in a U.S. state. As a diverse state, the state of California has almost double the Hispanic- and Latino-American population residing in the state as compared to the average in the U.S. The state of California also has a greater percentage of the Asian-American population and the Native Hawaiian and Pacific Islander population than the U.S. The Caucasian-American population was 74% in 2011, compared to 78.1% for the U.S.; the African-American population was 6.6% in comparison to 13.1% for the U.S. The Native Hawaii and other Pacific Islander populations were 0.5% in
comparison to 0.2% for the U.S. population and the Asian-American population is 13.6% in comparison to 5.0% for the U.S. population. The Hispanic population is 38.1% compared to 16.7% of the U.S. population and 3.6% of Californians consider themselves to be representative of two or more races in compared to 2.3% of the U.S. population.

The state of California has the world’s eighth largest economy. However, California closed a $60 billion deficit in 2009 and projected $20 billion a year shortfalls through 2014. State services in California were reduced, including the closing of driver’s license bureaus and courts on some of the weekdays. In 2009, the state board of regents approved a 32% tax increase in tuition at colleges and universities beginning in 2010 that sparked student protests. The state of California’s employment level fell by 9% during the peak of the recession. From December 2007 to June 2009, private employment in California declined 1,094,300 jobs or a decrease of 8.6% in jobs. Public sector employment declined 9.8 million jobs or -0.04%. However, from June 2009 to May 2012 in California, private sector jobs increased by 314.4 million jobs or 2.7% while public sector jobs decreased by 125.8 million jobs or -5.6%.

The average of Californians from 2007 to 2011 with a high school diploma or greater is 80.8% compared to 85.4% of the U.S. population. From 2007 to 2011 the average of Californians with a bachelor degree or above is 30.2% compared to 28.2% of the U.S. population. Therefore, while the rate of Californians with a high school diploma lags behind the U.S. average, the rate of Californians with a bachelor degree or higher trends slightly higher than the U.S. average. Both the average per capita income and median household income of Californians range higher than the U.S. average. The average per capita income from 2007 to 2011, in 2011 dollars was $29,634 compared to $27,915 for the U.S. The average median household income from 2007 to 2011 is $61,632 which is higher than the national average of $52,762. The average poverty level from 2007 to 2011 was comparable to the U.S. at 14.4% with the U.S. poverty rate being 14.3%. At the
height of the recession, the average unemployment rate in 2009 was 11.3% in California. After
the official end to the recession, the unemployment rate in California had risen to 12.4% when the
U.S. unemployment rate was at 9.6%.

California: Business Environment and Economic Growth

In the 2010, 2011 and 2012 Business Facilities economic growth ranking report, the
number one ranking for Biotechnology Strength went to the state of California that was described
in the report as the “undisputed birthplace of biotech” (Rogers 2010, 15). Even with California’s
financial woes during the economic recession, the state of California has sustained more than a
third of the leading biotechnology firms and utilized its university systems to establish and
maintain “world-class” genomics labs. The state of California also ranked number three in
biotechnology strength specialization leadership, number one for biotechnology strength in the
pharmaceuticals industry and medical devices industry as well as being number one as a
biotechnology employment leader in 2012. The state of South Carolina, however, did rank
number six in the biotechnology strength for emerging biotech hubs in 2012. Yet, it comparison,
the state of California is a dominant force in biotechnologies.

The state of California took the eighth spot of the top ten producers of alternative energy
sources followed by South Carolina in the ninth spot in 2010. In 2011 and 2012, the state of
California moved up in the rankings to number five for both years and the state of South Carolina
was not ranked in the top ten for alternative energy source production in 2011 and 2012.

In solar energy manufacturing in 2010, the state of California ranked number three and in
wind energy production, South Carolina ranked number two. In solar power generation, biomass
power generation and geothermal power generation, the state of California ranked number one in
2010. In leadership in installed wind power capacity, the state of California ranked number three
in 2011 as well as in 2012 and in installed solar power capacity leadership, number one. In 2012, California ranked number three in the number of wind projects under construction. Many of California’s solar farms are located in the Mojave Desert, close to Los Angeles. In April 2011, Google announced that it would be investing $168 million in the world’s tallest solar power, the BrightSource Energy solar farm in the Mojave Desert. The sun’s rays will be directed towards the top of the tower and then converted into steam to power a turbine and a generator as conductors for electricity. By 2013, it is projected to be producing 392W of solar energy.

As a digital media leader, California held the rank of number five out of ten designated leaders in 2012. The state of California ranked number one in the best transportation infrastructure in 2010 and subsequently dropped to number four in 2011 and dropped again to number seven in 2012. The state of California ranked number one in the most business start-ups in 2012.

While Charleston, South Carolina; Seattle, Washington; and Oklahoma City, Oklahoma are aerospace hubs, the Aerospace Industries Association (AIA) released a report in March 2012 prepared by Deloitte confirmed that Southern California, Washington and Dallas as well as Fort Worth, Texas are the leading regional aerospace and defense hubs. In fact, the state of California employs more than 162,000 workers in aerospace industries (Business Facilities 2012). The state of California was ranked number one as an aerospace and defense industry leader in 2012. The city of Irvine, California was ranked as the tenth U.S. city that offers the best quality of life in 2012 and San Diego, California was ranked as the 10th top manufacturing city. As an air cargo hub logistics leader, the city of Los Angeles, California was ranked number five in 2012. As a port logistics leader, the city of Los Angeles, California was ranked number one, the city of Long Beach, California was ranked number two and the city of Oakland, California was ranked number
eight in 2012. In addition, the city of Los Angeles, California was ranked third as a food processing industry leader.

In the 2011 Silicon Valley CEO Business Climate Survey, of the 16% (or 1 in 6) of businesses that responded that they moved jobs out of the country since January 2010, the number one reason cited was for reduced labor costs. Around 50% of businesses moved out of the country for reduced labor costs yet 11% did so to seek out a more available workforce (Silicon Valley Business Climate CEO Survey 2011). Of the top 5 business challenges faced in Silicon Valley, 67% stated that high housing costs were the biggest challenge, and 54% stated that recruitment/retention costs were the second largest challenge. Other challenges included business taxes, state budget structure and business regulations. Of those CEOs that responded that business regulations were their primary challenge, the top business regulatory laws cited were state-level wage and hour laws, the Sarbanes-Oxley financial reporting standards (federal legislation) and the California based Assembly Bill 32, Global Warming Solutions Act.

California: Training and Workforce Development: Concluding Comments

In 2009, with 2 million residents out of work, only 38% of California workers were trained to acquire 47% of the “middle skill” jobs that “require more than a high school education, but not necessarily a four-year degree” (America’s Edge 2011). The trend is leaning heavily towards middle-skills jobs and California has more low skilled workers than they have low skilled jobs. It is projected that 200,000 middle skill jobs will be added each year during the recession recovery to the tune of 2.2 million new and replacement jobs from 2008 to 2018 and that there will be 50% more middle skill jobs than low skill jobs. From 2010 to 2040, California’s population aged 60 or older is projected to double. With this highly trained baby boom generation retiring, 175,000 jobs will open up annually. Examples of “middle-skill” jobs include jobs such as
an EMT, firefighter, police officer, carpenter, electrician, plumber, dental hygienist, medical lab technician, aircraft mechanic, heating and AC installer, heavy truck driver, machinist, legal secretary and computer support specialist (America’s Edge 2011).

There is an extreme shortage of workers in the science, technology, engineering and math (STEM) fields and California is not prepared to fill in gap. California was ranked 14th at the end of the 1990s for the number of bachelor degrees awarded for science and engineering fields. By 2011, the state of California was 45th in this ranking yet by 2018, three out of 5 California jobs will require education beyond high school. Additionally by 2025 California is predicted to have a shortage of 1 million college graduates. The state of California’s educational levels are a detriment to meeting these benchmarks as the state went from ranking seventh in the nation for the percent of the workforce with a high school education in 1970 to being ranked last in 2008. Of high school graduates in California, only 33% were eligible for California State University admission and only 13% were eligible for the more competitive admission at the University of California system. Additionally over 70% of California’s community college students require remedial math and English courses (America’s Edge 2011).

In emerging health care and clean energy fields, employers in Sacramento, California are reporting shortages in hiring. During the 2009 recession, 57% of health care employers reported that there was a deficit of entry-level registered nurses. Additionally while entry-level medical imaging positions are expected to grow 14% by 2014, 78% of Sacramento employers’ report that they are struggling to find qualified talent. The clean energy field is expanding in Sacramento and there are projections of a 43% growth rate by 2014 yet in 2009, 60% of employers reported problems with finding workers to fill the top eight critical occupations.

Examples of innovative programming that state business leaders are exploring are Linked Learning that allows for career and technical preparation curriculum that can be delivered through
such entities as California Partnership Academies, Career Academies, charter schools and small themed high schools. Programs in Career Academies have increased labor force participation by youth, including increasing real earnings for this demographic by 17%—an approximately $175,000 increase over a participant’s work career (America’s Edge 2011).

**South Carolina and California Training Outcomes Analysis**

When examining adult participation in Wagner-Peyser Act state training programs, the statistical analysis in Chapter III found that the greater the income the greater the adult training participation there is. The average median household income is greater than $15,000 more in California than in South Carolina, as well as being almost 10,000 more than the national average. Even when you consider the number of adult participants per capita, from 2000 to 2006, the state of California still had an overall higher adult participation in training programs than the state of South Carolina. However, from 2007 to 2010, the state of California and South Carolina’s number of adult participants per capita ranged from 1.8 to 8 adult training participants per capita. However, the state of South Carolina’s number of adult training participants per capita was .7 to 1.0 percentage points higher than in California from 2007 to 2010. Training participation in South Carolina was also almost three times the participation than in California in 2008 and the participation was over twice as large in 2009 (see Figure 5).

For the disabled training participation, except for the year 2000, the state of South Carolina had greater training participation than the state of California (see Figure 6). For the years of 2000 to 2010, disabled training participation in South Carolina for every 1,000 persons grew from 30% to 50% greater than disabled adults training participation in California, ranging from .5 to 3.5 disabled adults participating in training for every 1,000 persons from 2000 to 2010.
Figure 5. Annual Adult Non-Disabled WIA Training Participants per Thousand Persons

Figure 6. Annual Disabled Adult WIA Training Participants per Thousand Persons
When examining adults’ retention of employment after training, the retention of employment has been greater in South Carolina each year from 2000 to 2010 (see Figure 7). The adult retention of employment after training in South Carolina from 2000 was 3 to 5% higher in than in California, ranging from 80% to over 89%. With disabled adult retention of employment after training, the employment retention was higher again on average in South Carolina from 2000 to 2010 than in California (see Figure 8). The employment retention percentages after training in South Carolina from 2000 to 2010 ranged from were 84.5%, to 94.4%.

Figure 7. Annual Percentage of Non-Disabled WIA Training Participants that Retained Employment after Training

My statistical analysis indicated that the greater the union membership the greater the participation by persons with disabilities in training programs. The union membership rate from 2000 to 2010 was almost four times higher in California than in South Carolina. The state of South Carolina is a right-to-work state where forced union shops are illegal and employees are not required to join a union in order to work for an employer. The state of California enforces
union shops where if a union has been elected to represent the employees of that organization then after a probationary period, employees would be required to join the union and to pay union dues. The state of California is also pro-union and possessed one of the highest union membership rates during the period of data collection from 2000 to 2010, of all of the states. The state of California’s union membership rate ranged from 16% in 2000 to 17.5% in 2010. In comparison, South Carolina had the second lowest union membership rate in the nation ranging from 3% in 2004 to its highest union membership rate of 4.6% in 2010.

![Annual percentage of disabled adult WIA training participants that retained employment after training](image)

**Figure 8.** Annual Percentage of Disabled Adult WIA Training Participants that Retained Employment after Training

However, although the statistical indicators lead us in the direction that as union membership rises, the number of disabled persons participating in training programs increases, the number of disabled participants per capita was greater in South Carolina than in California from 2001 to 2010. This is the case although South Carolina had the second lowest union membership rate in the U.S. The raw number of training participants was greater in the state of
California due to the difference in population size but in every year of the sample except for one, South Carolina had a greater number of disabled training participants per capita. The statistical analysis additionally found that the lower the union membership, the greater the retention of employment after training for both non-disabled and disabled adults. This statistical analysis is consistent in the cases of California and South Carolina. The state of California has considerably lower union membership than the state of California and the employment retention of non-disabled and disabled adults in South Carolina was consistently higher than in the state of California from the years 2000 to 2010. The state economic growth literature indicates that union states with higher union membership have more depressed economic growth than right to work states. The lack of an intermediary that employers have to bargain with over wages, benefits and working conditions is viewed as a positive for states trying to woo employers to their state. The state of South Carolina at times had higher unemployment than California but most of the time South Carolina had lower unemployment, especially succeeding the recessionary period.

The statistical analysis in Chapter III indicated that the more liberal the citizen and government ideologies the greater the employment retention after training for both disabled adult and non-disabled adult training participants. Additionally, the more liberal the government ideology, the greater the adult training participation there is as well. California has a more liberal government and citizen ideology score. The Berry et al. citizen ideology scores range from 0 that is more conservative to 100 more liberal. The state of California’s citizen ideology scores from 49.6 in 2000 to 59.5 in 2010 and government leadership ideology scores range from 83 in 2000 to 93 from 2001 to 2003 and then lowered to over 50 from 2004 to 2010. The state of South Carolina’s citizen ideology scores in comparison are more conservative and fluctuated from 45 in 2000 to 49 in 2002 to 40 in 2004 to 45 in 2010. The government leadership ideology scores in

**Conclusions**

There were innovative training and workforce development initiatives employed in order to combat the effects of joblessness due to the 2007 to 2009 economic recession. Many of the initiatives involved coordinated efforts between the state and local governments, the nonprofit and private sectors. While state government leadership and economic development authorities have made efforts to recruit businesses to their states through offering tax incentive packages, they have also implemented workforce development training programs to assist new and existing companies with obtaining trained and skilled workforces. The nonprofit sectors, public sectors—including the state and public community and technical college systems and private industry have been instrumental in designing and providing training to the unemployed, underemployed, students, current and prospective employees.

The states of California and South Carolina are fruitful cases to examine because both states are very diverse in their makeup yet in different ways. The state of California holds a large Latino and Hispanic-American population and South Carolina holds a large African-American population in comparison to the national averages. However, the difference in state size is vast. The state of California is the most populated state in the U.S. while South Carolina ranks at approximately 24th in terms of population size. During the 2007 to 2009 economic recession, both the states of South Carolina and California’s unemployment rates ranked above the national average, including unemployment rates ranging in double digits from 10% to 12% in 2009, when the U.S. average fell slightly below double digits. However, after the scandal with previous Republican Governor Mark Sanford, the state of South Carolina changed gubernatorial leadership.
in 2010 to Republican Governor Hailey and soon afterwards began to recover jobs at a slightly faster rate than California. By the end of 2012, both states were out of double-digit unemployment and by in December 2012, California’s unemployment rate was 9.8% and South Carolina’s was 8.4%.

The state of California is in a unique position being that it is home to an industrial base that requires advanced technological education and training including computer science, biotechnology, aerospace, food science and more. The state of California is the “undisputed birthplace of biotech” (Rogers 2010, 15). However, with this technological advancement follows the need for strong secondary education systems with college preparatory programs that guide students towards careers in the science, technology, engineering and math (STEM) fields. Additionally, a well-developed system of vocational education at the secondary and post-secondary levels provided by vocational/technical schools and community colleges is essential. These schools provide career training to prepare workers with the “middle skills” and certifications required that provide inroads to technological and trade-based careers. There are innovative approaches being explored in the state of California to address the need for college preparation and vocational training such as “linked learning” programs that are instituted through career academies, charter schools or themed high schools that provide training and academic support resources to prepare students to enter into critical and emerging industries. Apprenticeship programs that are regulated and/or partially financed by the state that collaborate with community and technical colleges, nonprofits and the private industry are also a career pathway for many to follow. The Apprenticeship Carolina program is an example of a long-standing, successful, cross-sectorial apprenticeship program that is a feeder to many technological and trade-based industries. The University of California system has world-class research facilities and is a great provider of post-secondary four-year and advanced degrees in the STEM fields.
However, secondary schools must prepare high school students in a way that feeds them successfully into the University system. Yet, constrained budget capacity impacts the ability of the state of California to effectively develop vocational and college preparatory programs. This same problem of K-12 educational deficiencies exist for the state of South Carolina that has low K-12 graduation rates; however, they have a well-established workforce development and career education system. By many accounts, the state of California is lacking in the pool of qualified and trained workers to fill jobs in critical emerging fields. This is evidenced by the *Silicon Valley CEO Business Climate Survey*, where of the 16% of businesses that responded that they moved jobs out of the country since January 2010, the number one reason cited was for reduced labor costs yet 11% did so to seek out a more available workforce (Silicon Valley 2011).

California is additionally challenged with having one of the largest union membership rates for their workers in the nation. Some businesses view this as a burden to them being able to effectively manage the costs of wages and benefits while bargaining with an intermediary. In the *Silicon Valley CEO Business Climate Survey*, business challenges noted by CEOs were not only the high cost of labor but the costs of recruitment and retention, high housing costs, the state budget structure, business taxes and a high regulatory environment. The state of California has had budget problems that have not allowed them to sponsor as many state-aided training and apprenticeship programs. Businesses do consider the fiscal financial health of a state before deciding to move their operations there (Silicon Valley 2011).

The state of South Carolina, while much smaller than the state of California has a long-established workforce development and training system that works cooperatively with business and industry as well as the community and technical college systems in South Carolina. With South Carolina having a conservative Republican governor and legislature, the governmental leaders in the state support a low business regulatory environment and offer enticing tax incentive
packages that are attractive to businesses considering expanding current operations or developing new operations in the state of South Carolina. Additionally, South Carolina is a longstanding right-to-work state that has one of the lowest union membership rates in the union. The state of South Carolina offers many of the same standard of living attractions as the state of California, with a sunny climate and beautiful waterways. However, many geographic areas in South Carolina also have a lower cost of living than residing in the major hubs of California. However, the public secondary educational systems in South Carolina are not rated very highly in all parts of the state, causing residents to seek out private education for their children. All of these factors play a significant role in employers’ decisions whether to re-locate all or branches of their businesses to a state.

The investments of South Carolina’s readySC program and apprenticeship programs include working with community and technological colleges to customize training programs for employers seeking to locate, re-locate or expand their operations in South Carolina. This training is provided at low or no cost to employers and the state will also provide recruitment and candidate screening services. These workforce development programs in addition to tax incentive packages, a low regulatory environment, low unionization and a low cost of labor have all been acknowledged as reasons that the presence of emerging industries such as aerospace and alternative energy production have been growing within the state. The automobile manufacturing industry has also expanded greatly within South Carolina and the state and private sponsored automotive engineering graduate program at Clemson University as well as other automotive manufacturing and engineering training programs offered by colleges and universities across the state, supports these expansion efforts by supplying automobile manufacturers with trained and educated workers.
In this case analysis of workforce development and training in California and South Carolina, the state of South Carolina has been able to promote their long-standing state-supported training and apprenticeship programs that have added value to the package of low cost labor, tax incentives and a low regulatory environment that has made them attractive to business and industry. While South Carolina has been able to tap into emerging industries such as aerospace and aviation technology, alternative energy, logistics and port transportation, California still reigns supreme as the leader in many of these same industries. A bottleneck in California is the lack of state funded and organized career preparation and workforce development systems in place to provide inroads for students at the secondary level to gain vocational training and post-secondary education that will prepare them for careers in critical industries in science, technology engineering and math. The state of California has also enacted what are perceived as restrictive wage and hour laws in addition to the Global Warming Solutions Act that are viewed as restrictive by businesses. The labor policy decisions that are made are influenced by the political ideologies of governmental leadership and the citizenry in each respective state. Employers will be more likely to re-locate or expand in states where the business climate is viewed as favorable and there is a trained, qualified workforce, available at a reasonable cost. The growth of jobs and industry in South Carolina has been partially due to the low regulatory environment yet also due to the state’s strategic efforts to diversify their industries and to prepare their workforce to meet the challenges of filling critical technological oriented jobs that are required for the United States to excel in the 21st century.
CHAPTER VI

VARIETIES OF LABOR POLICY COORDINATION IN RESPONSE TO THE 2007–2009 ECONOMIC RECESSION: OLD AGE SOCIAL SECURITY RETIREMENT, DISABILITY AND SUPPLEMENTAL SECURITY INCOME POLICY: THE CASES OF NEW YORK AND FLORIDA

Introduction

The states of New York and Florida are similar in terms of their population size, poverty levels and diversity yet they differ in some unique ways. Florida has an older population than the state of New York that presents unique challenges for Old Age (OA) Retirement Social Security (SS) Administration. Also, in terms of Supplemental Security Income (SSI), New Yorkers earn a higher per capita income and New York State tends to offer a more generous state supplement than the state of Florida and expends much higher SSI benefits. It will be fruitful to ascertain some of the social, political, economic and cultural differences between the two states in this examination of OA Social Security retirement and disability insurance (DI) administration and Supplemental Security Income administration for the disabled and persons aged 65 and older during the 2007 to 2009 economic recessionary period.

Although the states of Florida and New York are similar in some manners, including population size, poverty levels and diversity, they also embody distinct differences that mattered in their responses to the 2007 to 2009 recessionary period and played a role in how OA-SS retirement and DI expenditures, although administered through a federal program, varied. These differences including per capita income, union membership levels and government leadership and citizen ideologies, also impacted how SSI expenditures, administered through a federal and state funded program varied as well. Some of the key findings in the chapter are that although OA-SS
retirement and DI programs are federally funded, spending on these programs in the states do vary in terms of expenditures outcomes and they vary according to consistent patterns that were not always consistent with the results of the statistical analyses or my original hypotheses. For example, within states where there is a high per capita income, the federal government disburses a greater level of OA-SS retirement and DI expenditures. This, however, may be a result of legacy payments that residents of affluent states have paid into the Social Security system prior to retiring and collecting federal retirement or disability benefits. In addition, as could be expected, in states with a larger population of residents that are aged 65 and older, the federal government expends higher levels of OA-SS retirement benefits, such as the state of Florida. However, an unexpected finding is that this effect holds even when the state of Florida has lower per capita income than the state of New York. Finally, ideology and unionization levels matter. Although unionization is supposed to depress OASDI and SSI outcomes for the disabled and the state of New York maintains substantially higher unionization membership rates than the state of Florida, the federal government expended a similar level of OASDI benefits for the disabled in New York as the state of Florida and the federal and state governments expended substantially greater SSI benefits in New York than in the state of Florida. The support provided by unions for programs for the disadvantaged did matter in this analysis. The state of New York has more liberal governmental leadership and citizen ideologies than the state of Florida and not only did the state expend a much higher level of state-supported SSI benefits to the poor, they also offer an additional general assistance program for those residents that do not qualify for other social welfare assistance that the state of Florida does not provide. In the liberal state of New York, governmental intervention in the labor market to provide social welfare assistance to the poor and vulnerable populations are supported during times of increased joblessness, such as recessionary periods.
In the succeeding sections of the chapter, first, there will be a brief description of the Social Security OASDI retirement and disability programs as well as Supplemental Security Income programs. Following, there will be a discussion regarding the impact of the 2007 to 2009 recession on older workers and the most vulnerable populations in society. The case studies of Florida and New York will succeed, followed by concluding comments.

**Social Security (OASDI) Retirement Program and Supplemental Security Income**

**Social Security Administration**

In 2010, 56 million retired and disabled Americans received Social Security benefits on a monthly basis (StrengthenSocialSecurity.org 2011). From 2009 to 2011, Social Security kept 21 million people out of poverty, according to the Center on Budget and Policy Priorities, with the greatest impact being on older workers. For children under aged 18, the poverty rate without Social Security was 23.4% in 2011, and 21.9% with Social Security, with the impact of Social Security lifting 1,107,000 children out of poverty. For adults aged 18 to 64, the poverty rate without Social Security was 16.7% and 13.7% with Social Security, lifting 14,489,000 adults out of poverty. Finally, adults aged 65 and older, the poverty rate without Social Security was 21.9% and 15% with Social Security, significantly lifting 21,415,000 of the nation’s elderly out of poverty (Van de Water and Sherman 2012).

OASDI Social Security is financed through employee payroll taxes and provides cash retirement benefits to workers upon retirement at a designated age. OASDI Social Security benefits may also be paid to workers that become disabled before they reach retirement or to the eligible workers’ dependents, including their children, spouse or widow(er). OASDI Social Security is the largest source of retirement income for persons aged 65 and older. Other financial assets that older workers use for retirement income include “employer-sponsored retirement
plans, private savings, and assets such as home equity” (GAO-12-445, 6, 2012). In 2008, the sources of aggregate income for households aged 65 and older included 36.5% Social Security income, 29.7% employment earnings, 18.4% pensions and annuity income, 12.7% income from assets, 2.1% other income and 0.6% cash public assistance (GAO-12-445, 7, 2012). According to the Social Security Administration, “23 percent of married couples and 46 percent of single individuals receive 90 percent or more of their income from Social Security” (Sullivan 2012). Additionally, 53% of married couples and 74% of unmarried individuals receive half of their income or more from the program (Sullivan 2012).

**Implications of Early Retirement or Labor Force Exit**

Full retirement age ranges from age 65 to 67 depending upon the claimants’ date of birth and payments increase if workers wait to draw benefits after their date of eligibility, up to age 70 (GAO-12-445, 2012). Currently the earliest age an older person can retire is at age 62. However, retiring earlier does have financial repercussions. Individuals that decide to collect their Social Security retirement benefits earlier receive “20 to 30 percent less a month than if they waited until full retirement age, which varies by the year of birth” (Rich 2012). According to Alicia H. Munnell, director of the Center for Retirement Research at Boston College, individuals will gain a more secure retirement income if they can postpone filing for OASDI Social Security until full retirement.

Although the monthly amount of OASDI Social Security retirement received varies based on the payee’s employment earnings record, the average monthly payment was $1,200 per payee in 2012. This average monthly amount equates to $14,400 annually, which was just above the federal individual poverty line of $10,890 in 2012 and is not adjusted for geographic cost of living differences (Sullivan 2012).
Reliance on OASDI Social Security and SSI

According to the legislative policy director of the AARP, David Certner, millions of retired Americans are relying solely on their OASDI Social Security check to pay bills month to month and retired single women are one of the most vulnerable populations, even more so than racial ethnic and minority groups. Some stay at home mothers or single men that have earned minimal income, also qualify for Supplemental Security Income (SSI), which helps to subsidize their monthly Social Security retirement check. Married couples tend to fair better because their Social Security benefits are calculated independently based on their individual earnings and if one spouse earned less than the other one or did not qualify for Social Security, they may choose to receive benefits as a spouse (SS Marriage 2013). Married couples often fair better as well by not only having two Social Security checks but because they share household resources and expenses. The largest expenses for retired persons include housing, medical bills including prescription drugs, food and transportation. Retirees with homes may tap into home equity loans, or sell their homes in order to have additional money to live off of, holding on to hope that their savings will last them the remainder of their lives, if they budget appropriately (Sullivan 2012).

State SSI supplemental benefits range from $10 to $400 for those states that offer a supplement. Some states only offer supplements to residents that live in a nursing home such as Texas and Georgia and Maine pays $10 additional to those living independently and living in a nursing home. The states that don’t offer an SSI supplement include Arizona, Mississippi, North Dakota, Oregon, Tennessee and West Virginia. Effective January 1, 2013 there was a Consumer Price Index increase in the federal calculation of SSI. The maximum benefit was $710 for an individual monthly and $8,529.32 annually. For couples, the maximum benefit was $1,066 monthly and $12,792.55 annually. The monthly income is reduced by deducting “countable”
income (SSI Federal Amounts 2013). The benefit approval rates vary based upon “income, living arrangements and other factors” (SSI Benefits 2013).

**The Impact of the 2007 to 2009 Economic Recession on Vulnerable Populations: OASDI Social Security and SSI Outcomes**

**Older Workers and the 2007 to 2009 Recession**

According to Steve Goss, chief actuary for the Social Security Administration, “about 200,000 more people filed initial claims in 2009 and 2010 than the agency had predicted before the recession” (Rich 2012). Mr. Goss also indicated that although it is difficult to project, “the trend is more likely continued in 2011 and 2012” and “the most likely reason is joblessness” (Rich 2012).

Older persons are living longer and many older workers would like to refrain from drawing Social Security in order to shore up their savings and personal IRA, 401K and 403B retirement accounts through continuing to work. Also due to the cost of medical expenses, it may be more beneficial for older workers to maintain medical coverage from their employers. However, during the 2007 to 2009 recession, many older workers along with younger workers found their jobs eliminated, downsized, or their work hours substantially reduced. Older workers, however, had a harder time finding re-employment than younger workers.

Richard W. Johnson, director of the retirement policy program at the Urban Institute stated that “37 percent of older workers who lost their jobs between 2008 and 2011 and did not return to work ended up claiming Social Security as soon as they turned 62” (Rich 2012). Older workers are finding that employers are unwilling to compensate them commiserate to their experience levels as employers are able to hire younger, less experienced workers for lower compensation. Employers are also deeming older workers as over-qualified for choice positions that they are granting to younger less experienced workers.
Prospects for Reemployment and Remedies

A Government Accountability Office report entitled “Many Experience Challenges Regaining Employment and Face Reduced Retirement Security,” found that “just under a third of those 55 to 54 who lost their jobs from 2007 to 2009 had found full-time work by January 2010 compared with 41 percent of people 25 to 54” (Rich 2012). Additionally, according to the Department of Labor, in May 2012, the “median duration of employment for those 55 and older was 34.1 weeks” compared to “22 weeks for all jobless people over 16” (Rich 2012).

The Government Accountability Office (GAO) found that long-term employment rose considerably higher for older workers in comparison to younger workers during the 2007 to 2009 recessionary period. The GAO found that by 2011, “55 percent of unemployed older workers had been actively seeking a job for more than half a year” (GAO-12-445, 2012). The GAO examined national unemployment and demographic data from 2007 to 2011 from the Current Population Survey (CPS), the Job Openings and Labor Turnover Survey (JOLTS), and the 2008 to 2010 Displaced Worker Supplement (DWS). Additionally the GAO analyzed retirement savings data from the 2007 Survey of Consumer Finances and interviewed officials at the Social Security Administration and the Department of Labor to ascertain what policies had been implemented by the SSA to assist in older workers’ regaining unemployment. Furthermore, the GAO interviewed employees at state one-stop career centers and held focus groups in four metropolitan areas in order to communicate with older workers directly to determine how the 2007 and 2009 recession impacted their short- and long-term employment.

In this GAO performance audit completed from October 2010 through April 2012, some of barriers identified that prevented older workers from becoming re-employed that were cited in the interviews and focus groups included “out-of-date skills, discouragement, and depression, and inexperience with online applications” (GAO-12-445, 2012). The staff at one-stop career centers
additionally noted the increased time that it takes to work with older adults in resolving some of these issues. It was also identified that employers were reluctant to hire older workers due to some of these challenges.

Long-term unemployment affects older workers in many ways including that older workers are not able to work and save for unemployment as long as they have planned for. Older workers will also withdraw money from their retirement accounts to finance living expenses while unemployed and looking for work. Both of these options reduce the overall retirement resources older workers planned to have to be able to fully retire. Often as a last resort, older workers will apply for early disability, causing them and their survivors to receive reduced benefits for the remainder of their lives. Proposed solutions to the re-employment problems older workers have faced since 2007 include allotting temporary wage or training subsidies provided to employers to incentivize them to hire older workers. These solutions have been implemented in many instances; however, there still have been limited job openings.

**State-level Case Studies: Florida and New York**

**Florida: State Problems and Opportunities**

The population of Florida in 2012 was 19,317,568 compared to a population of 18,802,690 in April 2010 which was a 2.7% increase. According to Beitsch (2010), Florida has been projected as being one of the fastest growing states, poised to outgrow New York in terms of population by 2015. However, in 2008, for the first time since 1940, there were more people exiting the state of Florida than entering Florida, causing the Bureau of Economic Research and the University of Florida to project slowing growth rates through 2035. The U.S. Census Bureau additionally projected a negligible increase in population from 2008 to 2009.
The state of Florida has distinctive demographic characteristics in two ways: they have a diverse and older than average population. There are 21% of individuals under the age of 18 compared to 23.7% in the U.S. and 17.6% persons aged 65 and older living in Florida in 2011 compared to 13.3% in the U.S. The population of Florida is diverse in comparison to the U.S. population. The state of Florida’s population of aged 65 and older has expanding and by 2015 will be 19% of the state’s population and by 2030, 27% of the state’s population (SS Florida Quickfacts 2011). The population of African-Americans in 2011 was 15.5% in Florida in comparison to 13.1% in the U.S. The Hispanic and Latino population in Florida is large at 22.9% compared to 16.7% of the U.S. population in 2011. The American Indian and Alaska Native population was 0.5% as compared to 1.2% in the U.S. and the Florida population has 2.6% Asian Americans as compared to 5% in the U.S. Finally the state of Florida has a population of 0.1% Native Hawaiian and Other Pacific Islander Americans as compared to 0.2% in the U.S. and 1.8% persons that report being two or more races versus 2.3% of the U.S. population.

The percentage of Floridians with a bachelor degree or above is slightly below the U.S. rate of 28.2%, at 26% of Florida’s population. The average per capita income of Floridians from 2007 to 2011 (in 2011 dollars) is a marginally lower than the U.S. average of $27,915 at $26,733 per capita for Florida residents. However, the average median household income was just under 10% lower from 2007 to 2011 in Florida at $47,827 compared to $52,762 in the U.S. The poverty level was also slightly higher in Florida at 14.7% in comparison to 14.3% of the U.S (USA Quickfacts 2013).

**Florida’s Population of Older Retired, Unemployed and Underemployed Workers during the 2007 to 2009 Economic Recession**

Prior to the 2007 to 2009 economic recession, the unemployment rate in Florida remained low and there were a plethora of jobs available drawing migrants to the state. The rate of
unemployment in Florida was 5.9% in 1990 and then it lowered to 4.3% in 1998 and rose to 6.3% in 2008, and then rose significantly to 10.5% in 2009 and 11.3% in 2010. The state of Florida exceeded the national unemployment rates for a large portion of the 2007 to 2009 recession.

As the state of Florida has the oldest residents, one in five residents of the “Sunshine State” received an Old Age Social Security retirement check in 2010 (Cauchon 2011a, 2011b; Gibson 2013). In 2010 there were 3,784,225 beneficiaries of OA-SS in Florida, with 20.1% of their residents receiving benefits, while the national rate was only at 17% of individuals in the U.S. collecting benefits (SS Florida Quickfacts 2011). A total of $49.2 billion in OA-SS benefits were paid in Florida in 2010, encompassing 6.7% of Florida’s annual GDP. Sixty-nine percent of Florida’s OA-SS beneficiaries were retired in 2010. However, 31% were not retirees, with 277,117 being widowers and 458,526 persons with disabilities, 161,506 spouses and 235,834 children receiving OA-SS benefits in 2010 (SS Florida Quickfacts 2011). When measuring the poverty rate from 2006 to 2009 for Florida residents aged 65 and older that have OA-SS, the rate is 10.3%. However, this poverty rate jumps to 46.4% for those older persons aged 65 and older that do not receive OA-SS. For women aged 65 and older, the difference is even more stark at 12.5% of poverty for those that receive OA-SS compared to 50.7% for older women in Florida that do not receive OA-SS. Outside of retired workers, in 2010, 13% of OA-SS beneficiaries in Florida were disabled, 7% widowers, 6% children and 4% were spouses. The average benefit in Florida was $11,393 in the year of 2010.

The Reliance of Vulnerable Populations on OASDI Social Security and SSI in Florida and Concluding Comments

The benefit of OASDI-SS on vulnerable populations in the state of Florida is substantial. Ninety-two percent of Floridians aged 65 and older receive OASDI-SS benefits, with 84% of slightly less older residents collecting benefits. OASDI-SS encompasses 50% of more of the
income of six in ten Floridians, aged 65 and older and 37% of this population would have
incomes below the poverty line without OASDI-SS (SS Florida Quickfacts 2011). Furthermore,
Social Security benefits brought 625,000 women out of poverty in 2008. The elderly poverty rate
would have increased from 10.3% to 46.4% if those that were eligible had not received OASDI-
SS benefits. To compound the effects, the poverty rate would have increased from 12.5% to
50.7% had eligible elderly women not received OASDI-SS.

The Social Security program provided 12.9% or 488,461 of Florida residents with
disability benefits in 2010 with the average annual benefit being $11,393. Social Security
encompasses a major portion of the income of African-Americans in Florida that meet the
qualifications for the OA retirement and/or disability programs. One in eight or 12.9% of African-
Americans in the state of Florida received Social Security benefits in 2009. However, for elderly
African-American couples and unmarried persons there is a heavy reliance on Social Security
with 73.7% of the income sources for these demographic groups coming from Social Security and
for over half of these demographic populations, 90% of their income sources coming from Social
Security. In addition, to compare African-American and Caucasian American households, 32.1%
of African-Americans received disability benefits in 2009 compared to half of this percentage, at
15.8% of Caucasian Americans.

There is a large Latino population in Florida and the numbers of Latino Americans
receiving benefits are higher than African-Americans in Florida. One out of four or 23% of
Latino households received Social Security benefits in 2010. Again for elderly and unmarried
couples, Social Security encompassed the majority of their income sources, at an average of 77%
of their income in 2010. Social Security provided 90% of the income for 55.1% of elderly and
single unmarried Latino households in 2010. Additionally the Social Security Administration has
estimated that the Latino population is the highest population served by Social Security
contributions. These factors are attributed to Latinos having “lower lifetime income, longer life expectancies, higher incidence of disability and larger families” (StrengthenSocialSecurity.org 2011, 5).

Three out of ten or 28.3% of American Indians and Alaska Natives in Florida received OASDI-SS benefits. The American Indian and Alaska native population tend to have lower earnings than other demographic groups. In 2010 the median household income for American Indian and Alaska Native working age populations was around $34,000 compared to the average of $41,300 for all working age persons. Therefore, 15% of the elderly American Indian and Alaska Native married couples receive OASDI-SS and 57% of elderly unmarried persons in 2010. OASDI-SS also replaces more of the income for those with lower wages and has replaced “more pre-retirement earnings for this demographic group than the overall population” (StrengthenSocialSecurity.org 2011, 6). For Floridians of Asian-American, Native Hawaiian and Pacific Islander descent, 16.3% or one out of 7 of this population received OASDI-SS benefits in 2010. OASDI Social Security provided 67.2% of the total household income for this demographic group for persons aged 65 and older in 2010 and 90% of the income for 41.7% of Asian-American elderly households. Asian-Americans have high life expectancies as an Asian American or Pacific Islander men, aged 65 in 2010, “can expect to live until age 85, compared to age 82 for all men” and women can expect to “live until age 88, compared to age 85 for all women” (StrengthenSocialSecurity.org 2011, 6). Therefore, Asian-American men and women receive a higher percentage return on their Social Security investments.

In the state of Florida, the maximum combined Supplemental Security Income (SSI) state and federal benefit for an individual in an adult family care home or assisted living facility was $752.40 a month in 2011, when considering a potential maximum state supplemental benefit of $78.40 for individuals that includes a $54 personal needs allowance. Couples are viewed as two
individuals once they leave an independent living arrangement, to receive $156.80 (State Assistance FL 2011). An additional $5 is allotted for individuals in a Medicaid facility and $10 for couples in a Medicaid facility. Florida residents that are eligible for SSI also have dual eligibility for Medicaid.

**New York: State Problems and Opportunities**

The population of New York was similar to Florida in 2012 at 19,570,261 and at 19,378,104 in 2010, which is a population change of 1%. The age ranges of New Yorkers are very comparable to the U.S. population with 22% persons under age 18 and 13.7% over aged 65 compared to 23.7% and 13.3% in the U.S., respectively. Similarly to the state of Florida, the state of New York is diverse compared to the U.S. population especially as it relates to the African American and Hispanic and Latino American populations but also with the Asian American population. The Caucasian American population in Florida was 71.5% in 2011 as compared to 78.1% of the U.S. population. The African American population was 17.5% compared to 13.1% of the U.S. and the Hispanic and Latino American population is 18% as compared to 16.7% of the U.S. population in 2011. The Asian American population was 7.8% as compared to 5% of the U.S. and the American Indian and Alaska Native population was 1.0% in 2011 as compared to 1.2% of the U.S. population. Finally, the Native Hawaiian and Other Pacific Islander American population was 0.1% as compared to 0.2% of the U.S. population and 2.2% of Floridians reported being two or more races in comparison to 2.3% of the U.S. in 2011.

New Yorkers are highly educated and relatively affluent. The average population from 2007 to 2011 of New Yorkers with a bachelor degree or above for aged 25 and older was 32.5%, compared to the average of 25.4% of the U.S. The average per capita income from 2007 to 2011 (in 2011 dollars) was higher in New York than in the U.S. at $31,796 compared to $27,915 in the
U.S. The average median household income from 2007 to 2011 was again higher in New York than in the U.S. at $56,921 in New York as compared to $52,762 in the U.S. The poverty level in New York is comparable, however, to that of the average in the U.S. at 14.5% for New Yorkers and 14.3% for the U.S. overall (USA Quickfacts 2013). The unemployment rates in New York ranged from 5.2% to 8.6% from 2000 to 2010.

**Poverty and OASDI Social Security and SSI in New York**

A *USA Today* report found that New Yorkers gained more government aid in 2011 than any other state in the union. The state of New York has a tradition of caring for the poor and Medicaid is its greatest expenditure at an average cost of 9,442 per resident (Cauchon 2011a). The state of New York ranked twenty-eighth in federal Social Security expenditures in 2011 (Cauchon 2011a). In 2011, 2.3 million New Yorkers were beneficiaries of Social Security with an average annual benefit of $14,600. The $45.6 billion in federal Social Security benefits that contribute to New York’s economy, lifts more than 800,000 New Yorkers out of poverty. For the average New Yorker, Social Security encompasses 58% of their retirement income and the for low income New Yorkers the reliance on Social Security is heavier, encompassing 76% of their retirement income (Gadoua 2012). Social Security reduced the number of elderly poor in the state of New York by 820,000 from 2009 to 2011 (Van deWater and Sherman 2012).

In terms of Supplemental Security Income, the state of New York offers a Supplemental Personal Needs Allowance of $25 to some SSI recipients in nursing homes and $5 for those recipients in other medical facilities. In New York, the maximum SSI benefits for both federal and state benefits were $797 monthly for an individual and $1,170 for the monthly benefit for a couple in 2013. In addition, based on 2011 rates, the individual state supplement ranged upwards to $87 for individuals living by themselves and up to $23 for individuals living with others. The
state supplement in New York also ranged upwards to $104 in 2011 for couples living alone and up to $46 for couples living with others. There are increased amounts available for residents living in various classified congregate care facilities that also vary based on the county of residence for the aged, blind and disabled. The number of SSDI recipients have increased from 486,631 in 2006 to 572,318 in 2010.

**New York Programs for the Disabled**

The state of New York offers some innovative Workforce Investment Act training programs and supported job placement programs along with other assistance for the disabled. However, persons with disabilities still struggle to obtain employment opportunities, especially during recessionary climates. The working age civilian population of aged 21 to 64 in New York State in 2010 was 11,438,600 of which 969,900 or 8.5% self-report as having one or more disabilities. This is lower than the national rate of 10.3% in 2010. The level of persons with disabilities also rises as age increases. For example in New York in 2010 there were 4.3% disabled persons from aged 25–34 in comparison to 16.2% of disabled persons in the 55–64 age group. Through calculations computed by the Cornell University, Employment and Disability Institute, there were negligible differences between the percentage of disabled men and women. However, there were distinct differences in racial groups. Of groups that reported having at least one disability, 8.4% were Caucasian Americans, 17.1% of American Indians and Native Alaskans, 10.6% of African-Americans, 3.8% of Asians and 9% of persons that identified with one or more races. Additionally out of 476,900 civilian working age veterans, 69, 400 or 14.6% had a service-related disability in 2010.

In New York there were 31.3% employed persons with disabilities in comparison to 74.4% of employed persons without disabilities in 2010. These rates were comparable to the
national rate of 33.8% employed persons with disabilities and 75.3% without disabilities. Of those disabled persons that are unemployed, around 7.2% in New York were seeking work compared to 7.1% with no disability. However, there are a substantially higher percentage of persons with disabilities that are out of the workforce, meaning they are not actively seeking work. The percentage of disabled persons that are out of the workforce are 61.5% compared to 18.2% of non-disabled persons. To place these percentages into context, New Yorkers with disabilities were employed at a rate of 50% less than the non-disabled New Yorkers.

Additionally, only 10% of disabled persons were likely to be employed in the previous 12 months compared to 25.4% of nondisabled persons. Both the states of New York and Florida have an employment gap between the disabled and the non-disabled of approximately 40.6% to 43.4%.

For example, in 2009, the state of Florida had an unemployment rate of 11.7% yet the employment rate of persons with disabilities was only 32% (Heidkamp and Mabe 2011).

When examining the employment levels of women and men with disabilities, generally women with disabilities tend to be employed at a lesser rate. In New York State, women with disabilities were employed at a rate of 30% as compared to 32.7% of men. Racial and ethnic minorities with disabilities in New York were employed at a rate of 28.5% as compared to the higher rate of Caucasian Americans with disabilities at 32.8% yet there are variances across racial groups. In New York State the rates of employment include 43.5% of American Indians and Native Alaskans, 26.6% of African Americans, 37.5% of Asian Americans and 28.2% of Hispanic Americans.

One of the most influential factors on the employment levels of persons with disabilities in the state of New York was the economic climate during the 2007 to 2009 recession. According to the 2011 Empire State Poll, “New Yorkers with disabilities were more likely to be dissatisfied with the quality and availability of jobs in their community (71.8% compared with their non-
disabled peers (58.2%)” (Sheldon and Lopez-Soto 2010, 8). Other considerations are that educational attainment rates may be lower in some categories with persons with disabilities than persons without disabilities: 16.1% of persons with disabilities that have obtained a bachelor degree or higher compared to 36.1% of persons with no disability; 26.4% of persons with disabilities with some college or an Associate degree compared to 27.9% of non-disabled persons; 32.6% of disabled persons with a high school diploma versus 24.6% of non-disabled persons and finally 24.9% of disabled persons with less than a high school diploma compared to 11.5% of non-disabled persons (Sheldon and Lopez-Soto 2010, 9). Other factors that impact the ability of disabled persons to become employed include the nature of their disability, workplace discrimination, access to workplace accommodations and transportation. In the one-stop service centers in Florida, there were reports that during the recession there was influx of disabilities involving “mental health issues, including drug addiction and the abuse of prescription drugs, such as pain, anti-depression, and anti-anxiety medications” which many one-stop service assistance applicants attributed to problems developed because of the stress of being unemployed and the challenges of the job search. The servicing of persons with disabilities was made more difficult because during the recession, some social service organizations and mental health facilities had been closed (Heidkamp and Mabe 2011). Close to one in four or 23.8% of New Yorkers with disabilities receive Supplemental Security Income (SSI) as well. However, there has been a decline in the number of working age New Yorkers from aged 18 to 64 actually working while receiving SSI. The rate of employment while receiving SSI in 2006 was 6.2%, declining to 6% in 2007, 5.9% in 2008 and 5.6% in 2009. By 2010, “of the 556, 085 SSI recipients with disabilities in New York State, 27, 435, or about 4.9 percent, worked” (Sheldon and Lopez-Soto 2010, 13). During this timeframe there was an underutilization of the Impairment Related Work Expense incentive, “which encourages SSI
recipients to work by allowing specific expenses to be deducted from the earnings used to calculate one’s SSI benefit” and the Blind Work Expense incentive and Plan to Achieve Self-Support, an “SSI work incentive that allows one to use income or assets to help reach work goals,” only had modest increases from 2009 to 2010 (Sheldon and Lopez-Soto 2010, 13).

**New York General Assistance Programs and Concluding Comments**

In addition to Social Security retirement and disability programs and SSI, the state of New York offers a general assistance program to provide cash and non-cash benefits to very poor residents who do not qualify for other public assistance aide. Often times eligible beneficiaries of state-level general assistance programs are childless adults. Thirty states offer general assistance programs with varying levels of benefits and qualifications that must be met. However, the goal of general assistance programs are to help these residents meet their basic needs for shelter, rent and utilities. The state of Florida does not offer a general assistance program. Twenty states with general assistance programs only serve those residents that are employable and are unable to find work yet have exhausted or are not eligible for other public assistance. Other states only provide benefits to those residents that are unemployable. However, the general assistance program in New York offers benefits to individuals that are disabled and to those who are employable and unemployable.

In 2011, after the 2007 to 2009 economic recession, many states either eliminated their general assistance programs, restricted eligibility, reduced benefit levels or imposed time limits or caps on benefits. This reduction in benefits or elimination of programs occurred despite there being many employable workers that exhausted their unemployment benefits yet were unable to find work. Many of these employable workers are from vulnerable populations including very poor elderly and childless adults. The state of New York does impose a time limit of two years
maximum for cash assistance unless the head of household is disabled. However, the state has no
time limit for vouchers that the state provides beneficiaries for housing, rent and utilities. The
benefits provided, however, may vary by county. The general assistance benefit is typically very
low, with states and counties establishing eligibility for individuals who were at “below half of
the federal poverty level in most of the states but one and below one-quarter of the federal
poverty level in most of the states” (Schott and Cho 2011, 6). The median benefit for
unemployable persons across the 30 states is $215 monthly and the median benefit for
employable individuals across the 30 states is $381. The state of New York’s maximum monthly
benefit payment is $381. However, over the past two decades states have been retracting general
assistance programs. In New York state in 1989, benefit levels were at $479 monthly (when
adjusted to 2011 dollars). In most of the states with general assistance programs, the beneficiaries
may be eligible for Medicaid or state-sponsored health care and in some states these health care
benefits are guaranteed. In New York State, most general assistance beneficiaries received
Medicaid as well.

**Florida and New York OASDI Social Security and SSI Outcomes – Analysis**

The four OASDI Social Security models assessed in the Chapter III quantitative analysis
include expenditures per capita for OA-SS retirement, DI, SSI for aged 65 and older and SSI for
disabled persons. The expenditures were adjusted for inflation using 2011 dollars. In the state of
Florida, federal SS retirement OASDI expenditures ranged from over $1,600 in 1990 to over
$1,900 in 2010 per capita. In the state of New York the range of federal Social Security
retirement expenditures ranged lower than Florida, which is not surprising given the higher
percentage of seniors aged 65 and older residing in Florida (17.6%) versus the senior population
in the state of New York (13.6%). The federal OA retirement expenditures in New York ranged
from over $1,300 in 1990 to over $1,600 in 2010. For the state of Florida, the federal Social Security DI expenditures ranged from over $177 per capita to over $403 per capita from 1990 to 2010. For Social Security DI, federal expenditures in New York ranged from over $168 per capita to $415 per capita from 1990 to 2010. Therefore, the federal government expended similar amounts of disability insurance per capita in Florida and New York (see Figure 9). OASDI Social Security outcomes per capita were similar and varied in consistent ways for both states for disability insurance. However, for OA-SS retirement, the federal government’s outcomes in Florida were much greater than the state of New York although the state of New York has a higher per capita income (see Figure 10).

![Annual OASDI disability expenditures per capita](image)

**Figure 9.** Annual OASDI Disability Expenditures per Capita
Yet when examining the Supplemental Security Income outcomes, the states of Florida and New York vary substantially, especially SSI for disabled persons. For SSI for aged 65 and older, in the state of Florida, the assistance per capita ranged from over $26 to $29 per capita in the 1990s and then lowered to $25 in 2000 and decreased to $23 in 2003 and then raised again to $26 per capita in 2009 and 2010. In the state of New York, SSI expenditures funded by the federal and state governments for aged 65 and older raised were significantly higher than the state of Florida at over $32 per capita in 1990 rising to over $40 towards the end of the 1990s and then lowering to over $35 per capita towards the middle to end of the 2000s (see Figure 11). For SSI disability models, the state of Florida expended from over $58 per capita in 1990 to over $124 per capita in 2010. The state of New York expended almost double on SSI for disabled persons than the state of Florida, ranging from over $114 per capita in 1990 to over $200 per capita in 2010 (see Figure 12).
**Figure 11.** Annual SSI Expenditures per Capita for Aged 65 and Older

**Figure 12.** Annual SSI Expenditures per Capita for Disabled Persons
According to the Chapter III quantitative results, as personal income per capita increases, Social Security OA retirement expenditures, OA-DI and SSI for persons with disabilities increase as well. However, for SSI for retired persons, the greater the personal income, the lower the expenditures are. Therefore, the federal government pays out more in Social Security in states with richer residents. This may be a legacy issue, however, with SS retirement and disability because the level of individual SS retirement and disability benefits is dependent in part upon how much the individual has paid into the federal SS system and their age at retirement. However, some beneficiaries are disabled before they have had an opportunity to contribute much if anything into the OASDI-SS system. Minors that are disabled receive OASDI-SS disability based upon their parent’s earnings.

The personal income per capita from 1990 to 2010 in New York ranged from just over $30,000 in the 1990s to just over $50,000 in 2010 when adjusted for inflation. In comparison, the personal income per capita in Florida ranged from over $32,000 to over $42,000 in 2006 to 2007 then reducing to just over $39,000 in 2009 and 2010 after being adjusted for inflation. The residents of New York average a higher personal income per capita than the residents of Florida. However, the cost of living is also lower in the state of Florida in comparison to New York especially when considering rental costs. Although the personal income per capita is higher in the state of New York, the federal government expended less OA-SS retirement per capita in New York than the state of Florida and had similar levels of payouts for SS disability. Therefore, this finding was inconsistent with the quantitative findings; however, this may be attributed to the significant number of persons aged 65 and older in Florida compared to the state of New York.

Supplemental Security Income, however, is not funded by individual contributions; it is funded by general tax revenues and corporate taxes. Not all states contribute to SSI and therefore richer states, or perhaps those states with greater residents’ needs, tend to offer a state benefit in
addition to the federal benefit and tend to pay out more in benefits. Both the states of Florida and New York provide a state SSI supplement. According to the quantitative analysis, states with a higher per capita income such as the state of New York should expend more in federal and state SSI benefits for disabled persons yet less SSI for those persons that are aged 65 and older. This is an interesting finding and possibly income is not as important of a factor when persons are aged 65 and older because they are already retired and have saved retirement income in the form of personal investments and federal governmental Social Security. However, in the cases of New York and Florida, the state of New York that has a higher personal income per capita expended more in federal and state funded SSI for disabled persons and SSI for persons aged 65 and older than the state of Florida. However, each respective state’s citizen and governmental leadership ideologies also plays a role in terms of public support for social welfare funding. In liberal states there is support for labor market intervention through social welfare outcomes. Not only liberal, but richer states may offer a broader safety net for the poor and the disabled.

According to the Chapter III statistical results, the greater the level of poverty, the more Social Security and Supplemental Security Income expenditures are disbursed. The state of Florida and the state of New York have very similar poverty rates of over 14% and they trend very slightly above the national average. It is interesting that states with higher per capita income pay out more in federal and state benefits. However, this may be due in part to more affluent residents paying more into the federal Social Security system. Yet, for Supplemental Security Income this may simply mean that states that have more affluent citizens also have a greater tax base from which to offer a state-level SSI supplement. However, for states that have a higher poverty rate, the federal government pays out significant levels of OASDI-SS and the federal and state governments pay out significant levels of SSI. This dichotomy may be attributed the fact that in states where there is greater poverty, there is a greater need for means-tested social welfare
assistance as provided with SSI. Again in the case of New York and Florida, the federal
government expended less per capita of OA-SS in the state of New York than in the state of
Florida in OA-SS retirement and had similar levels of payouts for SS disability. With these states
that are similar in terms of size and poverty levels, the difference at least for OA-SS retirement is
that the state of Florida has a higher percentage of older persons that may qualify for OA Social
Security retirement, in some cases. Additionally with Social Security, government administrative
agencies have provided evidence that during the 2007 to 2009 recessionary period, applications
for OA-SS retirement increased, as a result of increased and persistent joblessness, that is greater
for older workers and disabled workers. The state of Florida did have an increased level of
joblessness than New York State as evidenced by the increase in the unemployment rate during
the 1990 to 2010 recessionary period. In terms of Supplemental Security Income, the state of
New York paid out substantially more than the state of Florida for both SSI for aged 65 and older
and for the disabled. These findings are consistent with the fact that the state of New York has
more liberal citizen and government leadership ideologies and is more expansive in aiding its
poor than the state of Florida. Yet this is an important finding given the similarities in the poverty
rate within both states across time.

As the level of union membership increased, the level of OA Social Security retirement
and disability and Supplemental Security Income disability expenditures decreased according to
the Chapter III statistical results. However, as the percentage of union membership increases, the
expenditures increase as well for SSI for aged 65 and older. This is an interesting finding as
would be presumed that in states with a large union presence that wages would be higher and
therefore, state budgets would benefit from this. Yet increased union membership depresses
expenditures on OASDI-SS and SSI, except in the case of SSI for aged 65 and older. This may be
because this age group is typically out of the workforce and more dependent on both OASDI-SS
and SSI income sources. There are vast differences in the union membership rates between the states of Florida and New York. The state of New York has among the highest union membership rates in the country ranging from 29% in the 1990s to 24% to 25% in the 2000s. The union membership rate in Florida ranged from over 8% in the early 1990s to 6.4% in 2008 and then reduced to 5.8% in 2009 and 5.6% in 2010. The union membership rate therefore is much lower in Florida than in New York. Consistent with the quantitative findings, the state of New York has a higher union membership rate and expended fewer resources in OA-SS, yet they expended similar levels of resources SS-DI and much more for SSI disability. Therefore, the level of union membership did not depress the state of New York’s spending on Social Security disability and SSI disability to the levels that the quantitative analyses suggest. Yet, inconsistent with the literature and the quantitative analyses, the state of New York expended more than Florida in SSI for aged 65 and older.

The greater the percentage of unemployment within a state, the more generous federal OASDI-SS and retirement and disability payments are. This finding may be reflected when unemployment is high and workers are displaced long-term and find themselves applying for OA-SS retirement earlier than they planned or applying for disability. However, the greater the unemployment rate, the lower the SSI benefits for aged 65 and older. This may be because the more unemployment states have, the more resources the federal and state governments are pouring into unemployed and underemployed programs such as Unemployment Insurance and not into SSI benefits for the poor aged 65 and older that are typically out of the workforce. Retired persons that are outside of the workforce are typically relying on other revenue streams such as private retirement funds as well as Social Security. The unemployment rates in New York ranged from 5.2% to 8.6% from 2000 to 2010.
The unemployment in Florida ranged from 5.9% in 1990 to 4.8% in 1997 and 4.3% in 1998 to 6.3% in 2008, 10.5% in 2009 and 11.3% in 2010. Therefore, unemployment ranged relatively higher in Florida than in New York during the 2007 to 2009 recession and we should then expect higher levels of federal Social Security retirement and disability payments than the state of New York. This was the case with federal Social Security retirement payments. However, SS disability claims again were relatively similar to the state of New York. The federal government expended lower payments in Florida than the state of New York, however, in SSI for aged 65 and older, which was consistent with quantitative findings as well.

As the minority population increased in the Chapter III statistical analysis, the OASDI-SS retirement expenditures decreased. This result may be because diverse groups have not paid into the OASDI-SS Retirement system at the same rate as non-minority groups. However, as the minority population increased the SS disability and SSI disability and SSI for aged 65 and older increased as well. Both the states of New York and Florida are diverse especially as it relates to African-Americans, Hispanic and Latino Americans and Asian Americans in New York and African-Americans and Latino-Americans in Florida. As both states are similar in this regard, it is interesting to note that the federal government paid out similar SS disability expenditures yet the state of New York and the federal government paid out more in both SSI disability and SSI for aged 65 and older.

According to the Chapter III statistical analysis, the more liberal the government leadership ideology, the lower the SS disability and SSI for aged 65 and older. This finding is profound as the perception is that more liberal states tend to be more expansive with their social welfare benefits. For the state of New York the citizen ideology ranges very liberal averaging from over 60 to over 70 from 1990 to 2010 (with 100 being most liberal). The citizen ideology of the state of Florida ranged between 40 and 50 during the 1990 to 2010 data range in the statistical
analysis. There the citizen ideology has ranged from moderate to conservative for the state of Florida. The governmental leadership ideology in Florida ranged from over 50, over 60 and over 70 in the 1990s to single digits in the 2000s and 14 in 2007. The governmental leadership in Florida ranged from more liberal to extremely conservative during the 1990 to 2010 timeframe, although they maintained Republican governmental leadership throughout. In New York, the governmental leadership while still considered liberal was still more conservative than their citizen ideology ranging from over 70 and over 80 in the 1990s to between 35 and 50 in the 2000s, although the state has maintained Democratic gubernatorial leadership throughout the time period. In terms of the expenditures paid out, although the state of New York generally holds more liberal governmental leadership and citizen ideologies than the state of Florida, the federal government did not pay out lower OASDI-SS disability relatively than the state of Florida and the state of New York and the federal government actually expended significantly more resources per capita in SSI for aged 65 and older than in the state of Florida.

**Conclusions**

The states of Florida and New York are similar in terms of population size, levels of poverty and diversity. The state of New York has relatively greater income per capita than Florida; however, the cost of living difference between the states of Florida and New York are considerable. However, the state of Florida has maintained higher levels of unemployment than the state of New York at intervals during the twenty year timeframe assessed, especially during the 2007 to 2009 economic recession. The state of New York is relatively more liberal in terms of its governmental leadership and citizen ideologies and this liberal base provides support for expanded social welfare programs that benefit vulnerable populations. The state of New York also has a much larger unionized workforce than the state of Florida and based on the statistical
analysis and my hypothesis this high level of union membership should depress social welfare expenditures; however, this was not the case with the state of New York’s SSI program expenditures. However, while there are similarities between the two states, it is important to examine how each state varies in terms of how federal and state dollars were allocated for OASDI Social Security retirement and disability and SSI for disabled persons and for persons aged 65 and older, during the 2007 to 2009 economic recession.

One of the overall statistical findings was that states where residents earn higher per capita income are projected to expend more in OASDI-SS and SSI benefits. However, states that have the highest poverty rate, or where residents are the poorest are also supposed to disburse significant levels of OASDI-SS and SSI benefits as well. This begs to question, where do poor states receive the resources to expend higher levels of Supplemental Security Income, which is has a state-funded supplement? Or perhaps because the level of expenditures includes both state and federal funds, it is due to an increase in applications from citizens that the federal government responds by expanding its financial support to poor states that have increased levels of need.

Social Security retirement and disability benefits as well as SSI for aged 65 and older and for disabled persons helps reduce poverty in the overall population, yet this especially true for minority groups. The benefit of federally funded OASDI Social Security on vulnerable populations in the state of Florida is substantial. The state of Florida had amongst the highest percentages of foreclosures from 2007 to 2009 and also had a higher unemployment rate during the 2007 to 2009 recession than the state of New York–ranging from 6.3% in 2008 to 10.5% in 2009 and 11.3% in 2010 which was higher than the national unemployment rate in 2009 and 2010. However, Social Security benefits were credited with bringing 1,070,000 Floridians aged 65 and older out of poverty in 2008. Furthermore, Social Security benefits brought 625,000 women out of poverty in 2008.
The impact of OASDI-SS benefits on the minority population is telling as one in eight or 12.9% of African-Americans in the state of Florida received OASDI-SS benefits in 2009. One out of four or 23% of Latino households received OASDI-SS benefits in 2010. Three out of ten or 28.3% of American Indians and Alaska Natives in Florida received OASDI Social Security benefits. Finally for Floridians of Asian-American, Native Hawaiian and Pacific Islander descent, 16.3% or one out of 7 of this population received OASDI Social Security benefits in 2010. Both the States of New York and Florida are diverse especially as it relates to African-Americans, Hispanic and Latino Americans and Asian Americans in New York and African-Americans and Latino-Americans in Florida. As both states are similar in this regard, it is notable that the federal government expended similar amounts of OASDI-SS disability, yet the state of New York and the federal government paid out significantly more than Florida in both SSI disability and SSI for aged 65 and older, in deference to the findings in the Chapter III statistical analyses. This finding is substantial and per my original hypothesis, the state of New York’s strong liberal governmental leadership and citizen support are a conduit for support for expansion of programs for the poor. In addition, the state of New York has a highly unionized labor force, a base that has been historically supportive of programs for the disadvantaged.

The state of Florida has an additional kind of diversity in that it has a higher than average older population. There were 17.6% persons aged 65 and older living in Florida in 2011 compared to 13.3% in the U.S. and compared to 13.7% in the state of New York. This older population directly contributed to the state of Florida’s expenditure outcomes departing from the directions of the statistical analyses derived in Chapter III. For example, although the personal income per capita is higher in the state of New York and based on the results of the statistical analysis, the federal government should have expended more in OASDI benefits in the state of New York, not less per capita than the state of Florida in OASDI retirement. The federal
government had similar levels of payouts for SS-DI in both states. The federal government expended more OA-SS retirement in the state of Florida because of the sheer number of older Floridians eligible for retirement. Some of these same retirees are also eligible for SS disability and therefore instead of New York outpacing the state of Florida in spending, the federal levels of disbursement were virtually even. In addition, considering the increased levels of unemployment in the state of Florida, the Social Administration has revealed that the levels of Social Security retirement applications increased during the 2007 to 2009 recessionary period (Rich 2012). The state of Florida, however, offered a lower maximum SSI benefit at $78.40 for individuals compared to $87 for the state of New York in 2011. The maximum monthly benefit for individuals is $752.40 for Floridians versus $797 for New Yorkers. However, in Florida, couples are processed as individuals so couples have the opportunity to earn more than the maximum in the state of New York of $1,170 a week.

Although union membership is much higher in the state of New York than in the state of Florida, the quantitative results project that as the level of union membership increases the levels of expenditures on OASDI Social Security and Supplemental Security Income for the disabled should decrease. However, while the levels of federal spending in New York were lower in OASDI Social Security retirement, the federal government expended similar levels of OASDI Social Security disability in New York as Florida and much more than Florida for SSI disability. The state of New York is also committed to vocational training for the disabled that would assist SS-DI recipients in working while they receive SS-DI and would decrease the amount of funding the state has to expense to persons with disabilities. There is also the possibility that the state can eliminate some of the SS-DI expenses for persons with disabilities that are completely rehabilitated and fully employed. Several of these programs are facilitated by governmental agencies including state administered one-stop service centers and are financed through public
programs. Unlike the state of Florida, the state of New York also offers a general assistance program to those residents that do not otherwise qualify for public assistance. Many other states do not offer such programming.

Finally, the quantitative analyses project that more liberal governments would pay out less in SS-DI and in SSI for aged 65 and older. However, although the state of New York generally holds more liberal governmental leadership and citizen ideologies than the state of Florida, the federal SS disability payments were similar to the state of Florida and in New York state, the state and federal governments actually expended significantly more dollars per capita in SSI for aged 65 and older than in New York than the state of Florida. Therefore, the state of New York with its liberal leaning government leadership and citizen base, actually paid extensively more OA-SS, DI and SSI benefits than predicted.

The states of Florida and New York were chosen as case studies because while they have similar characteristics in some regards, they vary in terms of the how each state responded and the federal government responded in each state to the 2007 to 2009 economic crisis. The federal government had an increase in Old-Age Social Security retirement expenditures due to an influx of new OA retirement applicants during the 2007 to 2009 recession. This effect was compounded in Florida, because with Florida’s older population, they have a greater number of eligible applicants, than the state of New York. The state of New York, however, had the administrative control to expand its expenditures, benefit levels and budget for the state-level supplement provided to SSI beneficiaries. The state of New York was more generous in its benefit level for individuals than the state of Florida and also expended much more SSI for the disabled and for aged 65 and older.

Although the per capita income was higher in the state of New York, the federal government still expended more in OA-SS in the state of Florida as they Florida has an older
population that exceeds the national average and New York’s older population. Although the state of New York has a highly unionized environment it did not affect its levels of OASDI-SS and SSI expenditures and although Florida has a much lower percentage of unionization. Both the states of Florida and New York are uniquely diverse and although existing literature and the statistical analysis in Chapter III projects that in most cases as the minority percentage increases, OASDI-SS and SSI expenditures should decrease, the state of New York and the federal government expended much more than the state of Florida in SSI benefits and the federal government expended much more in the state of Florida than the state of New York in OA-SS retirement benefits. Also in the liberal state of New York, the SS-DI outcomes went against projections from the statistical analyses that less should be expended in SS-DI benefits in the diverse state and in fact the federal government paid out similar SS disability expenditures in New York as in Florida. The states of Florida and New York both present fruitful cases for analysis as some of the state and federal government responses to the 2007 to 2009 economic recession were consistent with my hypotheses and others were not. The state-level population and demographic makeup, governmental leadership and citizen political culture, budgeting capacities and priorities for governmental programming all played significant roles in how both states and the federal government responded.
CHAPTER VII
CONCLUSION—THE WAR AGAINST JOBLESSNESS: U.S. INTERVENTION IN STATE LABOR MARKETS IN RESPONSE TO ECONOMIC RECESSIONS

Introduction

The primary general research question to be assessed in this dissertation research is to what degree and in what causal directions do state-level responses vary when responding to citizen needs over time and during recessionary periods? The outcomes of the three labor policy areas of unemployment insurance, training and OASDI Social Security/Supplemental Security Income were specifically examined across time using quantitative analysis as well as state-level case studies of the 2007 to 2009 economic recession. The “Varieties of Capitalism” typology constructed by Hall and Soskice (2001), categorized advanced industrial countries into liberal market economies (LMEs) and coordinated market economies (CMEs), with LMEs primarily directing their resources towards the economic market and CMEs coordinating governmental efforts with private and nonprofit sectors. While the U.S. has been classified as a liberal market economy and this remains undisputed in this research analysis, there has been research that challenges whether the binary division categorized by Hall and Soskice fully accounts for countries that operate in a “mixed” market or hybrid fashion and if the model properly considers the role of independent state action (Skocpol 1982; Gingrich and Hall 2002; Schmidt 2007).

It is important to examine independent and collaborative state action in facilitating labor market growth during times of economic recession. It is also critical to ascertain what are the impetuses and constraints to horizontal coordination and governmental policy intervention at the national and subnational levels. The comparative public policy literature assesses countries at the
national level. Yet, when considering the how the U.S. states differ in their policy responses, the U.S. state politics and policy literature indicates that we must also account for the state-wide, regional and sectoral agency of culture, interest group influence and public opinion on state policy priorities as well (Jacoby and Schneider 2001; Amberg 2004). When considering comparative state level action, I hypothesized that while U.S. state responses vary, during times of economic recession, state governments can be more coordinated and collaborative in their efforts to respond to citizens’ needs as evidenced through their labor market interventions. State level variations depend upon many factors including the state’s historical development, culture, demographic makeup, political leadership and citizen ideologies, interest group activity, elite influence and the economic health of the state (Elazar 1966, 1980; Skocpol 1987; Nardulli 1990; Lieske 1993; Macridis 1990; Hero and Tolbert 1996; Jacoby and Schneider 2001; Amenta et al. 2001; Amberg 2004; Lieske 2010).

The quantitative analysis employed, analyzed the variation across the U.S. states over a 20-year period from 1990 to 2010 of governmental intervention in the labor market through unemployment insurance, training and OASDI Social Security/Supplemental Security outcomes. Using the quantitative indicators, six states were selected to complete case studies of how state governments responded to labor market supply and demand problems and the human externalities of market failure during the 2007 to 2009 economic recession. The states that were selected to examine unemployment insurance policy outcomes during the 2007–2009 recession were Michigan and Utah. Subsequently, the states that were selected to examine training policy outcomes during the 2007 to 2009 recession were California and South Carolina. Finally, the states that were selected to examine Social Security/Supplemental Security Income policy outcomes during the 2007 to 2009 recession were Florida and New York.
Unemployment Insurance Policy Findings

The facilitation of unemployment insurance is a prime example of how the federal and state governments coordinated efforts with one another and other sectors to assist the jobless poor during the most recent economic recession. In non-recessionary climates, the federal and state governments normally divide the expenditures for unemployment in equal parts. However, as states experienced budget shortfalls during the 2007 to 2009 recession, the federal government appropriated stimulus funding to provide for 100% of the unemployment benefit extensions either through grants or loans to state governments through various federal funding sources, even after the recession’s official end. This stimulus funding was appropriated through punctuated, non-incremental policy action by Congress through the American Reinvestment and Recovery Act that occurred when the problem of a recessionary climate, met a policy solution appropriate to slow down the economic decline and jumpstart the economy in a receptive political environment (Baumgartner and Jones 1993; Kingdon 1995). There was also an increased level of coordination amongst the federal and state governments with the nonprofit and private sectors during the 2007 to 2009 economic recession, or as the period has come to be known as the Great Recession. In addition to unemployment insurance, Social Security and Supplemental Security income, the federal and state governments fully or partially funded programs that assisted residents with job search assistance, educational assistance and job training and re-training with service delivery facilitated through public, nonprofit and private mediums.

One of the important unemployment outcomes was the finding that poverty was a driving factor in the magnitude of unemployment expenditures disbursed and in the level of unemployment claims initiated by displaced or underemployed U.S. workers, yet in a way that was unexpected given my hypotheses. As poverty increased, overall unemployment expenditures and average weekly benefits decreased. It was the same effect for initial and continued
unemployment claims. Therefore, poorer states not only expended less in unemployment benefits during the 20-year timeframe, they also yielded less citizen claims. I hypothesized that in poorer states there would be an increase in the number of initial and unemployment claims and that subsequently there would be a greater level of unemployment expenditures as more of these claims were approved. However, the empirical research did not bear this out.

When incorporating the case study analysis, Michigan’s poverty rate was 15.7% by 2012 as compared to 11.4% for the state of Utah yet Michigan was an outlier in that Michigan actually expended more unemployment benefits than the state of Utah, despite its higher poverty rating. It is possible that poorer states in general simply don’t have the budgetary capacity to pay out more generous unemployment benefits. It is critical for states to manage their fiscal budgetary health, in order to survive during tough economic times and to remain attractive to businesses. When businesses are deciding which states to locate or re-locate to or to expand their operations in, they consider the financial health of the state and what economic incentives are available to them. For example, while both the states of Michigan and Utah provided tax incentives to businesses during the 2007 to 2009 economic recession, the business regulatory environment in the state of Utah was viewed as more business friendly than in Michigan. The state of Michigan’s economy was also steeped in manufacturing and was not as diversified as the state of Utah. With its highly unionized environment and higher WARN notification requirements, Michigan was not viewed as attractive to businesses that preferred to relocate or expand its operations in right-to-work states, with low regulatory environments such as the state of Utah.

Hence the finding that richer states expend more on unemployment insurance programs should not have come as a surprise. The quantitative analysis found that as the level of per capita income rises, so does the level of unemployment expenditures per capita and average weekly benefits. States where citizens had a higher level of income paid out more in unemployment
benefits. It follows that the budgetary capacities would be increased in these states, affording them the ability to expend more on unemployment insurance benefits. However, the opposite was true for initial and continued unemployment claims. The greater the level of income, the lower the unemployment claims were. This finding could be because richer states may tend to have lower unemployment.

The unemployment rate was a significant predictor for unemployment benefits and claims in much of the ways that were expected. Unemployment expenditures and average weekly benefits increased as the unemployment rate increased. This effect and direction was found for the unemployment continued claims as well; as the unemployment rate rose so did continued claims. However, interestingly, the unemployment rate was not a significant driver of initial claims. At the height of the recession, Michigan’s unemployment rate was at 14% compared to 8% for the state of Utah and over 10% for the nation. The state of Utah, however, had a more diversified economy than Michigan, being well diversified in mining, agriculture, timber, defense, aerospace and other technological industries, whereas Michigan’s economy pre-recession, was very manufacturing based. As a result, Utah fared better in terms of jobs made available during the height of the recession. Therefore, the empirical data in the case study confirms the statistical findings as the state of Michigan had a substantially higher unemployment rating than Utah during the recession, yet they provided a larger level of unemployment insurance benefit expenditures.

The findings for the minority population followed existing literature in most of the statistical models in that as the percentage of minorities increased, both unemployment insurance expenditures and the average weekly benefits decreased (Sullivan 1973; Gray 1990; Lieske 1993; Lutberg 1992; Hero and Tolbert 1996; Liekse 2010). This finding did not hold up in my case study of the states of Michigan and Utah, however. The state of Michigan has a more diverse
population than the state of Utah, with 24% minorities, yet they still expended more in unemployment benefits and in average weekly benefits. Educational attainment may be a mitigating factor between how workers are educated or have an understanding about the process of obtaining state-level unemployment benefits and in meeting the qualifications for these benefits. As the level of educational attainment rises, so does the unemployment expenditures and the average weekly benefit. The number of initial and continued unemployment claims rise as well.

The quantitative analysis found that as government leadership becomes more ideologically liberal, expenditures on unemployment insurance rise and as citizen ideology becomes more liberal, average weekly benefits increase. This finding is not surprising as it has been widely perceived that liberal states are in favor of expending more on social welfare benefits. However, it was a confounding finding that the more liberal the citizen ideology, the lower the initial unemployment claims. However, the more liberal the government ideology, the higher the number of continued claims. Therefore, a question to be pondered is: can a conclusion be drawn that more conservative states yield a higher number of initial claims, yet in liberal states, residents continue claims for longer periods of time? In the case study analysis, while I did not find vast differences in unemployment insurance programmatic rules between the states of Michigan and Utah, what was found was that Michigan’s economy was more devastated economically than Utah, resulting in a much higher level of unemployment. However, due to the health of its economy, the state of Utah was able to pay over $100 more per month to its residents in unemployment insurance benefits than the state of Michigan. Taking a conservative ideological stance, however, the state of Utah at one point refused federal unemployment insurance assistance, thereby restricting the amount of weeks of unemployment that their residents would be eligible for. Utah’s governmental leadership made the decision to begin to “wean” its residents off
of social assistance (IBEW 2011). Therefore, the empirical case study research bears out the quantitative analysis in that the state of Utah’s average weekly benefits are more attractive than the state of Michigan; however, the government of the state of Utah made conservative budget choices that limited social welfare benefits residents received in the state as well as the expenditures paid out from Utah’s budget. The statistical finding was strengthened by this case study finding in that the conservative government of Utah paid out less in unemployment expenditures than the more liberal leaning state of Michigan. However, in the state of Michigan, the liberal governor that served during the height of the recession, democratic Governor Jennifer Granholm as well as the republican Governor Rick Snyder that preceded Governor Granholm both accepted all of the federal assistance in order to cushion the blow of joblessness on the residents of Michigan.

When considering the increased level of joblessness and poverty in Michigan and the larger maximum weekly amount of benefits available in Utah, we would expect that the state of Utah would have expended more in unemployment assistance than Michigan during the 2007 to 2009 economic recession; however, this was not the case. However, further substantiating the role of ideology in unemployment insurance policy decisions, with an unemployment rate trending above the national unemployment rate and record job loss, liberal leaning Michiganders voted in a Republican governor, Rick Snyder and a Republican dominated legislature in the midterm elections in 2010. Following this state leadership ideological shift in power, the state of Michigan’s governmental leadership lowered the number of weeks of benefits that Michigan residents are eligible for from 26 weeks to 20 weeks.
Training and Workforce Development Policy Findings

In the statistical analyses, socioeconomic variables such as income, the unemployment rate and education were not as important in training models as they were in the unemployment insurance and OASDI Social Security/Supplemental Security Income models. However, poverty did influence the training participation for non-disabled adults. As the poverty rate rose, non-disabled training participation increased as well which provides evidence that as U.S. states are stricken with poverty, state residents are seeking out training and development opportunities. The average poverty rate from 2007 to 2011 in the state of California was 14.4% compared to 17% in South Carolina and 14.3% in the U.S. Therefore, we would expect that adult non-disabled training participation would be greater in the state of South Carolina. Additionally as the poverty level increased, so did disabled adults’ employment retention after training. This may be due to governmental partnerships with the nonprofit and private sectors that facilitate accommodated employment opportunities for the disabled.

However, as the rate of unemployment rose, disabled persons’ job retention after training declined. This finding is logical because if there are fewer opportunities for employment, then there will be a diminished ability for disabled persons to retain these jobs after employment and especially during a recessionary climate, where there is an increase in jobs being downsized or eliminated. At the height of the recession, the average unemployment rate in 2009 was 11.3% in California and 11.5% in South Carolina. After the official end to the recession, the unemployment rate in California had risen to 12.4% when the U.S. average was 9.6%. The state of South Carolina averaged 11.2% in 2010. While the average unemployment rate in South Carolina in January 2011 was 10.5%, it lowered to 8.4% by December 2012. The unemployment rate in California was 10.7% in December 2012 versus 9.4% in March 2013. Therefore, the states of California and South Carolina were similar in their levels of unemployment; however, the state of
California ranged at about 1% higher than the state of California in 2010 and then South Carolina’s unemployment rate lowered 2 percentage points lower than California in 2012. Therefore, based on the statistical analysis, disabled persons job retention after training should be slightly lower in the state of California than in South Carolina.

As income increased so did adult training participation, which follows as state budgets require the resources of tax dollars in order to provide training programs. The per capita income from 2007 to 2011, (in 2011 dollars) in California was $29,634 compared to $27,915 for the U.S. The per capita income in South Carolina during this timeframe was $23,854. The average personal income per capita was higher in the state of California; however, the cost of living is also much higher in California than in South Carolina. Based on the statistical analysis, the state of California should theoretically then be in a more favorable position to afford training for adults and therefore, there should be more adults participating in training programs in the state of California than in South Carolina. However, with the budget woes in the state of California during the economic recession, this finding could be disputed.

In terms of demographics as the senior population increased, the level of disabled adult retention of employment after training declined. This finding is expected, given the fact that there are many seniors that are effectively out of the workforce as they are not actively seeking work. The minority population variable was not significant for training. As union membership increased, however, disabled adults’ participation in training increased. Yet, increased union membership had the effect of depressing both disabled and non-disabled adult retention of employment after training. California’s union membership rate was 17.2% in 2009 compared to a very low 4.5% in South Carolina. By 2012, the state of California maintained a 17.2% union membership rate compared to an even lower rate of 3.3% in South Carolina. Based on the statistical results, then in California the union presence should depress the ability for persons with
or without disabilities to be able to retain employment after training, while this should be much less of the case in South Carolina. However, in California disabled adults participation levels in training should be increased.

Overwhelmingly as citizen and government ideologies become more liberal, training outcomes improve. Adult training participation increases in environments where citizens are more liberal. Non-disabled adult and disabled adult retention of employment after training also increased when states are led by liberal government leadership. Therefore, based on the statistical analysis, the state of California with its high per capita income and liberal government ideology should be primed to provide an environment conducive to state spending on training and workforce development systems. However, in constructing the case studies, I found that although the state of California requires a well-established and state-supported workforce development system to prepare current and future generations of its residents for high technologically oriented jobs, during the economic recession the state suffered from budgetary shortfalls that have halted the state-level investment in training. Additionally the K–12 educational system in the state of California requires some reform. Although the state of South Carolina is more conservative and has a lower per capita income rate, they do have a substantially lower union membership rate than California that should assist them in having greater retention of employment after training. In addition, the state of South Carolina has long-standing and well-developed workforce development and apprenticeship programs that have contributed to the state’s success in drawing business and industry and jobs to the state. The state of South Carolina, however, requires K–12 education reform as well.

As the home of biotechnology, in the state of California there is a clearly a skills gap between the training and education of the current workforce pipeline and what is required for the state of California to have a competitive workforce primed to fill highly technological and
scientific positions that are needed by high-tech industries. Many CEOs report that the primary reasons why they chose to re-locate their businesses from California to other states or overseas are to benefit from reduced labor costs and to obtain a highly educated, well-trained and available workforce. Other areas of opportunity that CEOs noted for the state of California and businesses there are a greater investment in advanced recruitment processes and a focus on worker retention. Some of the other barriers to locating and maintaining their businesses in California are the high housing costs for their workforce, the state budget structure, including the fiscal health of the state of California, high business taxes and a high regulatory environment. The state of California, with its liberal citizen ideology, is highly supportive of unions which can at times be a barrier to businesses choosing their locations of operation. The state of California’s secondary education system also needs to prepare students to enter into 21st century technological industries including the STEM fields. The teaching of advanced science and math courses in secondary education as well as investing in vocational education programs that prepare California students for “mid-skill” technological, computer-based, math and engineering jobs are also essential. According to Estevez-Abe et al. (2001), workers will invest in obtaining industry specific or vocational skills if this training will provide protections against unemployment. The state of California has begun to institute innovate “linked learning” programs that are designed to begin working with students at secondary levels to train them through career preparation academies and themed high schools to enter critical vocations and/or to be able gain admittance into the University of California and California State University systems.

The state of South Carolina maintains a very different labor market structure than the state of California in that while they also prepare workers for highly technologically oriented positions, they are primarily preparing workers for mid-skill jobs such as manufacturing and service oriented jobs. The state of South Carolina has already established a reputable
apprenticeship program, “Apprenticeship Carolina” and a workforce development and career education system, “readySC.” In Apprenticeship Carolina, students may obtain education and training as well as often times, college-credit, through partnerships with the state’s community colleges and career and technical education systems. At the same time, the students gain practical experience as an apprentice working in industry in the private or public sectors. The state-run collaborative vocational systems are attractive to employers if they propose to re-locate or expand their operations in a state. It is important to employers to be able to have a well-structured system of support designed to assist in providing them with a trained and available workforce.

South Carolina’s workforce development system, readySC is also well-respected and one of the oldest workforce development programs in the U.S. Through readySC, the state of South Carolina offers free to low cost training to employers and prepares potential workers for positions organizations have available for hire. These training programs are custom designed for the employer and are often incorporated into recruitment packages for employers seeking to locate or re-locate their businesses to the state of South Carolina and/or to expand operations there. These packages usually include tax incentives and at times land grants and other perks. The employer, however, makes the final decision on what workers they will hire for their open positions.

South Carolina is also a right-to-work state and is thought of as having a low regulatory and business friendly environment that attracts businesses to the state whereas the state of California may be viewed through the alternative lenses which has implications for its success in recruitment and retention of businesses. However, the state of South Carolina does have challenges with its K–12 system, that needs improvement in order to prepare students for highly technological positions and to steer them into vocational and preparatory systems.
Social Security/Supplemental Security Income Policy Findings

Although OASDI Social Security and Supplemental Security Income programs are applicant driven, during times of recession the government has experienced an increased burden of applications (Rich 2012). Based on the quantitative analysis, as poverty levels increase, there is also an increase in the magnitude of OASDI Social Security retirement and disability expenditures as well as and SSI expenditures. Therefore, the federal government in the case of OASDI-SS and the state government in the case of SSI respond to an increased level of poverty and citizen demand by expanding the level of resources available to society. The states of Florida and New York both ranged around 14% poverty in 2011 and they were very close to the average national unemployment rate. Although there were similarities in their poverty ratings, the state of Florida despite having lower personal income per capita, paid out more in OASDI Social Security retirement expenditures per capita than the state of New York. The average per capita income from 2007 to 2011 was $31,796 in New York compared to $26,733 per capita income for Florida and $27,915 for the U.S. Although the quantitative indicators provide that in all cases except SSI for aged 65 and older, richer states should pay out more in Social Security retirement and OASDI Social Security disability, Florida paid out more in OASDI-SS retirement and disability due in part to having over 17% seniors aged 65 and older residing in the state, which is greater than the national average and the percentage of seniors in New York, which both ranged around 13% in 2011. Therefore, the age of citizenry mattered in the magnitude of OASDI Social Security benefits expended in the state of Florida.

In addition, although the states of Florida and New York had similar poverty ratings, the state of New York paid out substantially more in expenditures for SSI disability and SSI for aged 65 and older. This finding is in spite of the statistical finding that as the personal income increases, SSI expenditures for persons aged 65 and older should decline. However, the state of
New York State is also very diverse, including having a significant immigrant population that may be initially in need of social welfare resources. Also with the liberality of the government leadership and citizenry in the state of New York, the citizens and state government are generally supportive of providing social welfare resources to the poor. The state of New York also offers a slightly larger state SSI supplement for individuals than the state of Florida. The greater investment in SSI by the state of New York held despite the statistical findings that in states that are highly unionized such as New York, there should be decreased levels of SS and SSI expenditures. The state of Florida is much less unionized than the state of New York, yet the state of New York expended substantially more SSI benefits for the disabled and similar SS disability benefits as Florida. The state of New York experienced an influx of OASDI-SS disability and SSI disability applications during the 2007 to 2009 economic recession and responded with an influx of governmental assistance. The state of New York additionally offers a general assistance program that many states including the state of Florida do not provide, as a further social safety net for those residents that do not qualify for other public assistance. This benefit was decreased during the 2007 to 2009 recession due to budgetary constraints, yet it was not eliminated.

A contributing factor to the generosity of Florida and New York SSI benefits are that there were an influx of displaced disabled persons and older persons that were unable to find employment within the same timeframe as non-disabled and younger workers. This increased the number of applications of Social Security retirement and disability and SSI applications that were submitted and therefore increased the burden on the state to respond to citizen economic distress during the Great Recession.

Another major finding that is important to note in this analysis of OASDI Social Security and Supplemental Security Income is that diversity matters. Both the states of Florida and New York are racially and ethnically diverse. The statistical analysis projected that as the minority
population rises, that OASDI-SS retirement expenditures should decrease. However, with similar levels of diversity, Florida expended a much higher level of OASDI-SS retirement benefits than the state of New York and strength of its elderly population influenced these findings.

Policy Implications

Unemployment Insurance Policy

Existing research has shown that the party-in-power or the party-in-government influences the direction of governmental policy decisions (Castles 2002, 2003). One of the major findings when examining unemployment insurance policy was that citizen and governmental leadership political ideologies matter when accounting for state budgetary choices and whether states will choose to accept federal funding along with the proverbial “strings” attached. Accordingly, in the case study analysis, the conservative led state of Utah decided not to accept federal funding in 2011. Conservative governments such as Utah are centered around trying to maintain a balanced budget and with Utah choosing not to continue to accept governmental assistance and/or loans, it had the effect of limiting the number of weeks of unemployment assistance that Utahans were eligible for during the Great Recession. However, the liberal governmental leadership in Michigan accepted all of the unemployment insurance assistance from the federal government that they were eligible for during the Great Recession. However, with 15% unemployment at the height of the recession, nearly 5 percentage points above the national average, liberal leaning Michiganders switched power during the 2010 midterm elections to a Republican governor. With Michigan’s economy in peril and increased joblessness, Michiganders voted with their feet and turned over gubernatorial and legislative power in the state, similarly to the state of Wisconsin, its border state in the Midwest. However, shifts in government leadership may have long-term policy implications. In the state of Michigan,
Republican Governor Snyder who was voted in during the 2010 midterm elections and the Republican led state legislature eventually changed the number of weeks of unemployment assistance that Michigan residents are eligible for from 26 weeks of unemployment to 20 weeks. The conservative legislature and the governor also approved legislation changing Michigan, a bastion of union organization, to a right-to-work state where workers are not required to pay dues to a union in order for them to bargain with employers over wages, benefits and working conditions. Governor Snyder stated after the right-to-work vote in December 2012, that he supported the legislation as an effort to attract businesses and jobs to the state. His view is similar to how government leadership in conservative states such as Utah view right-to-work legislation. Governor Snyder voiced his support for the legislation, commenting that “This is good legislation for two main reasons: First and foremost, it’s about giving hard-working Michigan workers the freedom to choose to have the resources go to a union or not. Secondly, this is about more and better jobs coming to Michigan” (Hobson 2012). Representative Sander Levin (D-Mich) voiced his opposition to the right-to-work legislation and support for “The effort to reverse this wrong-headed action and restore a Michigan that encourages middle class jobs and race to the top for its workers—not a crash to the botto[m]” (Terkel 2012). During hard economic times in a democratic society, citizens may choose to turnover power, yet with a turnover in power, may come a reversal in ideologies that has long-term policy consequences. Yet, retrenchment of social welfare benefits also has political consequences that may reveal themselves during the 2014 midterm elections (Hacker 2004).

Another advantage that Utah had was a diversified economy. A diversified economy helps to keep unemployment down, even during times of recession. Utah’s economy fared much better than Michigan’s economy which was very manufacturing dependent. The state of Michigan is, however, working to diversify its economy and expand its service and technologically oriented
industries and to draw companies from these industries to the state of Michigan. It is somewhat controversial, however, whether the tax incentive programs the state of Michigan devised to draw industries such as television and film to the state had any positive effect on economic growth and whether longstanding profitable commitments were really established. State governments, however, do have to consider the fiscal health of their budgets, what incentives can be offered for businesses, the restrictiveness of the regulatory environment, and their ability to produce an available and trained workforce when attempting to recruit industries and employment opportunities to the states.

Training

Businesses want highly trained and educated workforces. A state such as South Carolina that has a well-structured, state-led workforce development system and apprenticeship program has the competitive advantage. It is definitely in all parties’ interests for state governments’ to collaborate with the nonprofit and private sectors, including colleges and universities, to solve collective labor policy problems, such as providing training for sectors that are critical for the advancement of the state. Collaboration on workforce development plans happen at the company level, the industry or sectoral levels as well as the macro state level. The development of cross-sectoral partnerships, are especially important during times of recession as evidenced by the success of South Carolina’s apprenticeship program.

At a national level, the Obama administration has been emphasizing that there are critical skills that need to be developed and industries that require trained and qualified workers in order to strengthen America’s future. Some of the areas that require attention include the development and manufacture of clean energy sources, technological advancements of the health sciences and preparation of high school and college students for entry into Science, Technology, Engineering
and Math (STEM) and the Social, Behavioral and Economic Science (SBE) fields. It is also important for the government, the private industry, vocational educational systems, community college and other colleges and universities to collaborate and facilitate innovation in engineering and manufacturing systems. However, in order to prepare adult vocational and college students for high-tech career tracks, states also have to possess sound K–12 education systems that provide “feeder” programs that vocationally and academically prepare students to enter into these STEM and SBE fields through apprenticeship programs or formal university-level education. Both the states of California and South Carolina require improvements in their K–12 education and based on its labor market structure, the state of California more than South Carolina needs highly skilled, trained and educated workers for high-tech science, technology, engineering and math careers.

The “Skills for America’s Future” initiative was introduced by President Obama in 2010 and is an effort to “improve industry partnerships with community colleges to ensure that America’s community college students are gaining the skills and knowledge they need to be successful in the workforce.” President Obama made remarks in a speech before the President’s Economic Recovery Advisory Board meeting on October 4, 2010, stating,

And all over the country, we know that the most successful community colleges are those that partner with the private sector. So Skills for America’s Future would help build on these success stories by connecting more employers, schools, and other job training providers, and helping them share knowledge about what practices work best. The goal is to ensure that every state in the country has at least one strong partnership between a growing industry and a community college. (Sabochik 2010)

President Obama emphasized the importance of his “Building Skills for America’s Future” initiative during his speech on June 28, 2011 at Alcoa Davenport Works in Bettendorf, Iowa as well, stating,

Now, we also know that strengthening our manufacturing sector requires workers getting the skills and training they need. Today, there are more than four job-seekers for every job opening in America. Every one job, there are four folks looking for work. But when it
comes to the high-tech fields, the opposite is true: Businesses say they’re having trouble finding enough skilled workers to fill the openings that they have. (Sabochik 2010)

OASDI Social Security/Supplemental Security Income

OASDI Social Security is an applicant driven program; however, based on the statistical analysis, as poverty increased, so did applications for OASDI Social Security retirement and disability. The Social Security Administration is also acknowledging the hike in applications during the 2007 to 2009 Great Recession. Therefore, correlation exists between the recessionary economic climate that included high unemployment and poverty and the increase in citizens’ demand for retirement and disability benefits. In the case study analysis of California and Florida, although it was not reflective in the statistical results, the age of the citizenry mattered in determining the magnitude of the federal governments’ contributions of OASDI-SS Retirement to Florida residents. Due to the state of New York having a higher per capita income than Florida, based on the statistical results, New York should have expended more in OASDI Social Security Retirement and Disability than the state of Florida. However, not only did the state of Florida expend more in OASDI-SS retirement to its residents, they also paid out an equal amount of OASDI-SS disability as New York. These findings suggest that age does matter in the determination of whether and to what extent citizens’ apply for OASDI-SS retirement and disability and the amount of both benefits that are paid out; it matters even more than citizens’ per capita income, in the cases of Florida and New York.

It is the choice of state governments whether they offer a state SSI supplement. Both the states of Florida and New York offer a state SSI supplement with the state of New York having a more generous supplement for individuals than the state of Florida which has contributed to its substantially larger expenditures on SSI for aged 65 and older and SSI disability expenditures. However, some states have a higher degree of poverty such as the states of Mississippi with an
average of 21.6% poverty from 2007 to 2011 and West Virginia with 17.5% poverty, yet they do not offer an SSI supplement. Other states that do not offer the supplement include the states of Arizona and North Dakota. Some states, even if they have high poverty will choose to not only offer a supplement to residents in need, they offer additional general assistance programs such as the state of New York that offers this assistance to its residents that do not meet the qualifiers for other social welfare assistance programs. New York State offered additional programs to the needy as well as a higher SSI supplement than the state of Florida. However, on the other hand, the state of Florida offered substantially more OASDI-SS retirement benefits than the state of New York.

Conclusions

Overall, labor market structures have distinct variations across the U.S. states. Therefore, it is important not only to assess the market structure of the United States as a whole, yet to assess the factors that allow for diversity in the U.S. including the political and social culture, the primary industries within the state, the political ideologies of governmental leadership and the citizens of the state, the demographic characteristics of the people in the state and indicators of economic health at the state level (Grant and Wallace 1994; Jacoby and Schneider 2001; Amberg 2008). I selected the three policy areas of unemployment insurance, OASDI Social Security/Supplemental Security Income and training to be able to examine how U.S. states and the federal government have intervened in the labor market over a 20-year period of time, with specific attention to the 2007 to 2009 economic recessionary period. I examined supply side governmental responses through governmental expenditures on social programs such as unemployment insurance and OASDI Social Security and Supplemental Security Income expenditures for the disabled and non-disabled. In addition, in evaluating training outcomes, I
examined adult participation in state-led training programs, which could be viewed as demand and supply side as there is a demand for training from citizens when the economy is down and jobs are scarce (Estevez-Abe et al. 2001). However, the training of workers also supplies critical industries within a state with qualified workers to fill needed jobs in order to grow and strengthen state economies. My evaluation of training also extended to training performance measurement outcomes, by examining the percentage of disabled and non-disabled adults that retained employment after participating in state-led training programs.

With the case studies I was able to focus specifically on state and governmental intervention into state labor markets along with their coordination with other public and also private and nonprofit industry actors in order to solve collective labor market problems in response to the 2007 to 2009 economic recession. Although I found general trends in the quantitative analysis that informed my case study selection, the case studies at times confirmed the quantitative indicators and my initial hypotheses and at times differed from them. The case studies were especially revealing in providing a more rigorous cross-measurement to test the validity, reliability and falsifiability of the study.

Through the quantitative analysis I was able to ascertain that economic characteristics matter. However, an example of how both the quantitative and qualitative analyses of economic characteristics informed each other was that although the general trend was that richer states paid out a higher level Unemployment Insurance program expenditures, the state of Michigan that was particularly devastated during the 2007 to 2009 economic recession and expended substantially more UIC than the “richer” state of Utah in response to the recession. Demographics also matter as the quantitative analysis yielded that states with a larger percentages of minorities generally paid out less in social welfare program expenditures. However, again the case studies revealed that the state of Michigan was an exception to this general trend because although the state of
Michigan had approximately 24% minorities in comparison to approximately 8% of minorities in Utah, at the height of recession, the state of Utah paid out $14 per capita (or approximately $38,700,000) in monthly unemployment insurance expenditures compared to $20 per capita (or $200,000,000) in monthly unemployment expenditures when considering their respective populations.

As the baby boom generation continues to retire and Americans live longer, there is the consideration of how to best care for our older population in the U.S. During times of recession when resources become scarce, how the needs of the extremely poor in society are provided for is a conundrum for federal and state governments. Based on the quantitative analyses, richer states, or states with a higher per capita income, should pay out more in OASDI Social Security retirement and disability. This may be because of the legacy payments of citizens that paid into the OASDI Social Security insurance system while they were working, that are recouping their investment upon retirement. However, although the state of Florida had a substantially lower per capita income than the state of New York, they expended more in retirement benefits due to the sheer number of retirement eligible individuals residing in the state. Therefore, demographics of a state matter as well. The state of New York was an example of how a state goes beyond the typical social welfare benefits for its residents by offering a general assistance program for residents that don’t otherwise meet the qualifications for standard social programs such as Supplemental Security Income and TANF cash assistance yet they are still in need of food, shelter and medical care resources for example.

This research has substantiated that tough economic times have led to state and federal governmental labor market investment and intervention. The quantitative analysis and training case studies provided support that as poverty increases, so does governmental coordination with the private sector and nonprofit sectors including educational institutions. During recessionary
periods states increase efforts in conjunction with other public, private and nonprofit partners to train its citizens to meet the demands of a cyclically changing labor market. From 1990 to 2010 as states increased in poverty, they also increased in adult training participation. For disabled adults, their employment retention after training also increased. This increase may be driven by the increase in state and federal training and employment programs to support disabled adults to assist them in earning income while drawing governmental benefits. The state of Utah was used as an example of a state that provides jobs to persons with disabilities through innovative governmental partnerships with the private sector.

The states of California and South Carolina are examples of how the labor market structures can vary by state and require distinctive workforce development systems. However, while there are still opportunities for growth, the state of South Carolina has positioned its development of state-led and customized training and apprenticeship workforce development programs as an incentive to add to a package of benefits that employers find attractive when making a decision to locate, re-locate or expand its operations in the state. Having access to an available and trained workforce at a reasonable cost in a low regulated environment are critical to organizations’ operations. Being one of the lowest unionized states in the union and a right-to-work state, South Carolina markets what they view as strengths to businesses: the ability for businesses to streamline decisions with very little to no bargaining with intermediaries and without the high costs of regulation to manufacturing, service and technological organizations they are seeking to recruit to the state of South Carolina, along with the jobs and tax contributions they are bringing with them. Southern states such as Alabama, Georgia, Louisiana and South Carolina have carved out a niche and are now considered to be leaders in workforce development.

States compete to stay resilient during economic recessions and to grow, and therefore there states are preparing a package of incentives for businesses that will increase its appeal to
organizations offering jobs and tax revenue. The state of California is diversified in its industries and is a leader in many of the high-skill science, technology, engineering and math industries that are critical for the success and advancement of America’s future. However, states are challenged with strengthening K–12 educational systems in order to assist students in building the math and science skills and in developing vocational programs to “feed” these students into the university-level and technological preparatory programs. However, after enduring a recession, many state budgets such as the state of California were and still are struggling to recover and have been unable to make the full scale of investments in their workforce development systems that are required for short- and long-term economic growth and sustainability. Although California’s government has made strides to resolve its severe budgetary problems, there are states that do not have the budget flexibility to proactively address training needs.

Overall, in the “War Against Joblessness,” U.S. federal and state governments have intervened in the labor market during times of economic recession through labor policy intervention measures. The state and federal governments respond during economic recessions in a non-incremental fashion at times such as with the state unemployment extensions and the federally funded American Reinvestment and Recovery Act stimulus used to develop technologies, provide jobs and extend unemployment insurance benefits in the states during the 19-month Great Recession from 2007 to 2009. Economic recessions are times when the nature and magnitude of social and economic problems, meets a social and political climate that is palatable for labor policy intervention (Kingdon, 1995; Baumgartner and Jones 1993).

The federal government also funded a variety of training initiatives and provided competitive grant opportunities for the states, for instance, to develop technologies that could be used in providing alternative energy sources. However, states’ ability to be competitive for federal grants and states government decisions on budgeting priorities for training, were based on
whether the local labor market structure had the technical expertise, educational systems, geographic and natural resource capacity and potential workforce to be trained effectively in order to advance critical industries. All states are not equally capable nor do they all have the current capacity to not only develop, but to sustain and advance critical industries. With the decline of unionization in the U.S., it is also paradoxical that increases in union membership provided a subsequent increase in training participation; however, unionization depressed employment retention after training.

While OASDI Social Security is applicant driven, expenditures on Social Security increased during the Great Recession which provides evidence that there is a link between economic recession and a severe lag in citizens becoming re-employed. The lack of work during recessionary periods has a disparate impact on older workers and the disabled as younger workers are able to gain re-employment after being laid off or downsized at a faster rate than older and disabled workers. The state and federal governments have to then become leaders in providing avenues for partnership with the nonprofit and the private sectors to create pathways for older and disabled workers to become employed, even if they are still underemployed. When dealing with the economic realities of survival, older workers and the disabled will seek solutions outside of the market, such as applying for early retirement, causing an older worker to receive less benefits over the course of their lives or even for those workers that are at full retirement age, retiring earlier than they anticipated or applying for OASDI Social Security disability, if they are unable to find work that accommodates for their disabilities. While all states, even some of the most poor, do not offer a state supplemental security income benefit, there are many states that do prioritize their spending on SSI. There are also approximately 30 states including New York that provide a general assistance programs to the poor who do not qualify, or have exhausted all other social welfare benefits. States such as New York invest in providing some measure of assistance
to the very poor. Liberal governmental leadership and citizen ideology may be the greatest influence here.

Demographics do matter, yet not always in the ways that we think. As the minority population increases in a state, the expenditures on social welfare benefits generally decline. The statistical analyses yielded a decline in overall unemployment expenditures, the average weekly unemployment benefit, and OASDI Social Security Retirement expenditures as the minority population increased. However, the reverse trend was statistically the case with OASDI Social Security disability, SSI for aged 65 and older and the disabled. Additionally, the unemployment insurance case study revealed that there are times when other factors, such as the level of economic devastation and the ideology of the government leadership and the citizens of a state dictate the response to citizen demands during a recession and post-recession. These factors contributed to a higher percentage of unemployment insurance benefits being expended in the more diverse state of Michigan than in the less diverse state of Utah.

As the percentage of seniors aged 65 and older increased, the average weekly unemployment benefits and the retention of employment after training, declined. This makes sense as a lower percentage of older persons may be receiving unemployment benefits as they may have taken themselves out of the workforce to rely on retirement income especially during an economic recession when older persons are re-employed at a lower rate than younger workers. However, paradoxically, although the senior population was not significant in the OASDI-SS models, the OASDI-SS case studies revealed that the population of older persons in the state of Florida impacted the state spending much more than the state of New York in OASDI-SS retirement benefits although New York had a higher per capita income, which was a significant factor in the OASDI-SS models.
Increased levels of education clearly provided an advantage in expanding the levels of state and federal expenditures on unemployment insurance, OASDI Social Security and in training outcomes including adult participation levels for the disabled and the non-disabled as well as employment retention after training for the disabled. The only two areas where education was not significant were in expenditures for SSI for aged 65 and older and in non-disabled adult training retention after training. Union membership decreased OASDI-SS retirement and disability benefits as well as SSI for the disabled yet interestingly increased SSI for aged 65 and older. Union membership did not matter for unemployment insurance expenditures or claims. However, high union membership increased disabled adult training participation yet decreased both non-disabled and disabled adult employment retention after training.

Socioeconomic characteristics matter as the unemployment rate, poverty rate and per capita income were strong drivers of labor policy intervention in the statistical models and in the case studies. In general, richer states or states with a higher per capita income and lower poverty had the budgetary ability to expend higher levels of social welfare benefits including overall unemployment insurance benefit expenditures and had a higher average weekly unemployment insurance benefit. What was interesting was that while a higher per capita income also yielded higher returns on OASDI Social Security retirement and disability benefits, as well as for SSI for the disabled, so did a higher poverty rate. Therefore, although OASDI Social Security is a federal benefit, when states were burdened with higher poverty, there was an increase in Social Security retirement and disability benefits as well as Supplemental Security Income for the aged 65 and older and the disabled. There is a correlation between poverty and increased expenditures on these benefits. The only deviance to the trend of states with higher per capita income expending more in benefits was for SSI for aged 65 and older. Greater per capita income, allowed for lower expenditures in this category and this follows as SSI is not a social insurance benefit and it is not
directly contributed to by the citizens of the state. It is also probable that richer states have a lesser amount of seniors aged 65 and older that live in persistent poverty and require SSI assistance.

The unemployment rate was clearly a driver for unemployment expenditures, the average weekly benefit provided by states and the level of continued claims. However, an increase in the unemployment rate had a negative impact on Supplemental Security Income for aged 65 and older, again because older persons may be outside of the workforce at times because of a lack of employment alternatives during a recessionary climate. However, there was a polarizing effect of the unemployment rate on training outcomes as an increase in the unemployment rate, drove up disabled adult training participation, but then as disabled persons have a difficult time finding employment, a high unemployment rate drove down disabled persons employment retention after training.

Finally, ideology matters significantly. We found that as citizens become more liberal in a state, average weekly unemployment benefits increase and as the governmental leadership liberali
ty in a state increases, so does the overall unemployment benefit expenditures. What is interesting is that as citizens become more liberal, a state’s initial unemployment insurance claims decrease while as government leadership becomes more liberal continued claims increase. The question follows then in conservative states are citizens approved at a greater rate initially for unemployment insurance benefits, but they stay on those benefits longer in liberal states? The cases studies did not identify vast programmatic differences between liberal and conservative states yet they did reveal in the case studies of Michigan and Utah during the 2007 to 2009 recession that the state of Utah did in fact provide a higher average weekly benefit than the state of Michigan which is enticing to applicants. However, the liberal state took advantage of all of the federal governmental unemployment extension assistance whereas the conservative state did
not, thereby limiting the amount of weeks its residents were eligible for unemployment insurance assistance from both the state and federal governments. Additionally, as governmental leadership became more liberal, however, SSI for the disabled declined and as citizen ideology became more liberal SSI for aged 65 and older declined. This was a perplexing finding as it is often presumed that liberal states would be more supportive of expanded social welfare benefits for the poor, yet this result may also be a factor of states’ limited budgetary capacity and a shift in budgeting priorities when they are expending funds for other needed programs, including social welfare programs, especially when resources are scarce during recessionary periods. Finally, liberal citizen ideology yielded increased levels of employment retention post-training for disabled and non-disabled adults and a liberal governmental ideology not only yielded increased employment retention for both categories of trained workers, it also increased adult non-disabled training participation.

**Future Research**

Future goals for this research would be first to extend the research beyond the 1990 to 2010 timeframe to include previous recessions such as the 1980s recessionary period and to project the research forward in years as data becomes available. It would also be beneficial to construct an interrupted time series analysis to examine various intervals of recessionary periods specifically to test policy responses during a targeted period of time during and immediately following recessionary periods. In addition to examining specific time recessionary time periods, measuring the benefits received by applicants in addition overall benefit expenditure would be a helpful measure. Adding measures of left party governmental party-in-power and women and minorities in power would also enhance future models. It would also be fruitful to apply this research model to other state-led policy programs or other programs with combined federal and
state jurisdiction. Examples of policy areas that could be examined include expenditures and policy outcomes associated with environmental, education, health care and transportation policy. A Republican dominated legislature in Michigan voted in right-to-work legislation in December 2012 and joined 23 other right-to-work states, including several of the states that were included in my case study analyses: Florida, Michigan, South Carolina and Utah (Flesher and Karoub 2012). The question remains whether this new legislation will improve Michigan’s reputation with the business community as it has with Utah and other conservative states, and will it ultimately bring an influx of jobs to the state? On the other hand, however, will Michigan’s wages and working conditions decline over time? With the competition between states in the “race to the bottom,” the attempts to pass right-to-work legislation and the social, economic and political effects of its implementation will be important to examine in future research.
REFERENCES


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Appendix A

List of Acronyms
## List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ADA</td>
<td>Americans for Democratic Action</td>
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<td>ALMP</td>
<td>Active Labor Market Policy</td>
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<td>ARRA</td>
<td>American Reinvestment and Recovery Act</td>
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<tr>
<td>BAM</td>
<td>Benefits Accuracy Measurement</td>
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<tr>
<td>BRFH</td>
<td>Berry, Rinquist, Fording and Hanson</td>
</tr>
<tr>
<td>CME</td>
<td>Coordinated Market Economy</td>
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<tr>
<td>COPE</td>
<td>Committee on Political Education</td>
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<tr>
<td>CPS</td>
<td>Current Population Survey</td>
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<tr>
<td>CPS MORG</td>
<td>Current Population Survey Merged Outgoing Rotation Group</td>
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<tr>
<td>DI</td>
<td>Disability Insurance</td>
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<tr>
<td>DOLETA</td>
<td>Department of Labor Employment and Training Administration</td>
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<td>DWS</td>
<td>Displaced Worker Supplement</td>
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<tr>
<td>EUC</td>
<td>Emergency Unemployment Compensation</td>
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<td>FUA</td>
<td>Federal Unemployment Account</td>
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<td>FUTA</td>
<td>Federal Unemployment Tax Act</td>
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<tr>
<td>GAO</td>
<td>Governmental Accountability Office</td>
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<tr>
<td>JCWAA</td>
<td>Job Creation and Worker Assistance Act of 2002</td>
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<td>JOLTS</td>
<td>Job Openings and Labor Turnover Survey</td>
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<td>JTPA</td>
<td>Job Training Partnership Act</td>
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<tr>
<td>LME</td>
<td>Liberal Market Economy</td>
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<td>MEDC</td>
<td>Michigan Economic Development Corporation</td>
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<tr>
<td>MEGA</td>
<td>Michigan Economic Growth Authority</td>
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<td>SME</td>
<td>State Market Economy</td>
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<tr>
<td>OA</td>
<td>Old-Age</td>
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<tr>
<td>OA-SS</td>
<td>Old-Age, Social Security</td>
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<tr>
<td>OASDI</td>
<td>Old Age, Survivor and Disability Insurance</td>
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<tr>
<td>PRT</td>
<td>Power Resources Theory</td>
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<td>PT</td>
<td>Part-time</td>
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<td>SS</td>
<td>Social Security</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>SS-DI</td>
<td>Social Security Disability Insurance</td>
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<tr>
<td>SSI</td>
<td>Supplemental Security Income</td>
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<tr>
<td>TANF</td>
<td>Temporary Assistance for Needy Families</td>
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<td>TARP</td>
<td>Troubled Asset Relief Program</td>
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<tr>
<td>UI</td>
<td>Unemployment Insurance</td>
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<tr>
<td>VOC</td>
<td>Varieties of Capitalism</td>
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<tr>
<td>WARN</td>
<td>The Worker Adjustment and Retraining Notification Act (WARN)</td>
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<td>WIA</td>
<td>Workforce Investment Act</td>
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<tr>
<td>WPA</td>
<td>Works Projects Administration</td>
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</tbody>
</table>
Appendix B

Data Sources
Data Sources

Independent Variables:

- Citizen Ideology Scores
  - Berry Rinquist, Fording and Hanson ideology scores accessible through the Richard C. Fording Dataverse at the University of Kentucky at: [http://thedata.harvard.edu/dvn/dv/rfording/faces/study/StudyPage.xhtml?globalId=hdl:1902.1/10570](http://thedata.harvard.edu/dvn/dv/rfording/faces/study/StudyPage.xhtml?globalId=hdl:1902.1/10570)

- Education - Bachelor Degree or Greater Advanced Degree (%)
  - U.S. Census Bureau accessible at: [http://www.census.gov/compendia/statab/cats/education/educational_attainment.html](http://www.census.gov/compendia/statab/cats/education/educational_attainment.html)

- Government Leadership Ideology Scores
  - Berry Rinquist, Fording and Hanson ideology scores accessible through the Richard C. Fording Dataverse at the University of Kentucky at: [http://thedata.harvard.edu/dvn/dv/rfording/faces/study/StudyPage.xhtml?globalId=hdl:1902.1/10570](http://thedata.harvard.edu/dvn/dv/rfording/faces/study/StudyPage.xhtml?globalId=hdl:1902.1/10570)

- Income by state (per capita) ($)
  - U.S. Department of Commerce, Bureau of Economic Analysis, accessible at: [http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1](http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1)

- Minority Population(%) - The African-American, Asian-American and Hispanic-American populations as a percentage of the population
  - U.S. Census Bureau, population data

- Population (#)
• Poverty Rate (%)

• Senior Population (%) Age 65 & Older as a percentage of the population, by state
  o U.S. Census Bureau, population data

• Unemployment Rate (%)
  o Department of Labor, Employment and Training Administration (DOLETA), accessible at: http://www.ows.doleta.gov/unemploy/claimssum.asp
  o and http://www.workforcesecurity.doleta.gov/unemploy/claims_arch.asp
  o and http://www.workforcesecurity.doleta.gov/unemploy/claims.asp

• Union Membership (%)
  o Hirsch and Macpherson’s unionization estimates accessible at: http://www.unionstats.com/

Dependent Variables:

• Old-Age Disability ($)
  o Social Security Administration (SSA), accessible at: http://137.200.4.16/policy/docs/statcomps/supplement/
  o and http://www.socialsecurity.gov/policy/publications-list.html
  o and http://www.socialsecurity.gov/policy/docs/statcomps/oasdi_zip/index.html

• Old-Age Retirement ($)
  o Social Security Administration (SSA)

• SSI Aged 65 & Older ($)
  o and http://137.200.4.16/policy/docs/statcomps/supplement/

• SSI Disability ($)
  o Social Security Administration (SSA)
• Training: Disabled Adult Participation (%)
  o Department of Labor, Employment and Training Administration (DOLETA), accessible at: http://www.doleta.gov/Performance/results/Reports.cfm#wiarankings
  o and http://www.doleta.gov/performance/results/

• Training: Non-disabled Adult Participation (%)
  o Department of Labor, Employment and Training Administration (DOLETA)

• Training: Adult Employment Retention (%)
  o Department of Labor, Employment and Training Administration (DOLETA)

• Training: Non-disabled Adult Employment Retention (%)
  o Department of Labor, Employment and Training Administration (DOLETA)

• Unemployment: Average Weekly Benefits (Per Capita)
  o Department of Labor, Employment and Training Administration (DOLETA), accessible at: http://www.workforcesecurity.doleta.gov/unemploy/claimssum.asp

• Unemployment: Continued Claims (#)
  o Department of Labor, Employment and Training Administration (DOLETA), accessible at: http://www.workforcesecurity.doleta.gov/unemploy/claims_arch.asp
  o and http://www.ows.doleta.gov/unemploy/claimssum.asp
  o and http://www.workforcesecurity.doleta.gov/unemploy/claims.asp

• Unemployment: Initial Claims (#)
  o Department of Labor, Employment and Training Administration (DOLETA)

• Unemployment: Overall Benefits (Per Capita)
  o Department of Labor, Employment and Training Administration (DOLETA)
Appendix C

Descriptive Statistics – Variable List
### Descriptive Statistics - Variable List

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citizen Ideology (0 - Most Conservative to 100 - Most Liberal)</td>
<td>50</td>
<td>15</td>
</tr>
<tr>
<td>Education - Bachelor Degree or Greater (%)</td>
<td>31</td>
<td>8</td>
</tr>
<tr>
<td>Government Leadership Ideology (0 - Most Conservative to 100 - Most Liberal)</td>
<td>48</td>
<td>26</td>
</tr>
<tr>
<td>Income by state (per capita) ($)</td>
<td>36,486</td>
<td>6,228</td>
</tr>
<tr>
<td>Minority Population (%)</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>Poverty Rate (%)</td>
<td>13</td>
<td>3.4</td>
</tr>
<tr>
<td>Senior Population (%)</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Union Membership (%)</td>
<td>13</td>
<td>6</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old-Age Disability ($)</td>
<td>285</td>
<td>114</td>
</tr>
<tr>
<td>Old-Age Retirement ($)</td>
<td>1,315</td>
<td>247</td>
</tr>
<tr>
<td>SSI Aged 65 &amp; Older ($)</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>SSI Disability ($)</td>
<td>107</td>
<td>48</td>
</tr>
<tr>
<td>Training: Disabled Adult Participation (%)</td>
<td>0.002</td>
<td>0.005</td>
</tr>
<tr>
<td>Training: Non-disabled Adult Participation (%)</td>
<td>0.01</td>
<td>0.03</td>
</tr>
<tr>
<td>Training: Adult Employment Retention (%)</td>
<td>84</td>
<td>5</td>
</tr>
<tr>
<td>Training: Non-disabled Adult Employment Retention (%)</td>
<td>88</td>
<td>6</td>
</tr>
<tr>
<td>Unemployment: Average Weekly Benefits (Per Capita)</td>
<td>290</td>
<td>52</td>
</tr>
<tr>
<td>Unemployment: Continued Claims (#)</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Unemployment: Initial Claims (#)</td>
<td>2</td>
<td>1.3</td>
</tr>
<tr>
<td>Unemployment: Overall Benefits (Per Capita)</td>
<td>12</td>
<td>7</td>
</tr>
</tbody>
</table>