

One-Two Punch: As States Cut Unemployment Benefit Weeks, Jobless Also Lose Federal Aid, Even as Jobs Remain Scarce

By Mike Evangelist

In recent years, state lawmakers throughout the country have made sweeping changes to state unemployment insurance (UI) programs.¹ One aspect of recent legislation that sets this round of benefit cuts apart from previous attacks on the program is the willingness of lawmakers to reduce the maximum duration of UI benefits to less than 26 weeks.

The rationale for undermining the single most important lifeline for out-of-work Americans, during the worst downturn in recent history, is the poor financial condition of the state UI trust funds that finance the program.² Indeed, state trust funds have never been in worse shape.³ But this reality has little to do with the alleged “generosity” of UI benefit levels, which have remained relatively flat over recent decades, and everything to do with the fact that state legislatures reduced employer UI taxes to unprecedented lows over the years leading up to the Great Recession.⁴

Lawmakers in these predominately red states were not about to let a crisis (even a manufactured one) go to waste. Rather than take a balanced approach—a mix of additional tax revenues and benefit freezes—to restore state UI trust funds, these states chose instead to make *permanent* cuts to their UI programs. The purpose of these cuts is simple: pay a lesser amount of UI benefits, to a smaller share of unemployed workers, for a shorter period of time.

This policy brief identifies those states that shortened the duration of state UI benefits and explains how this policy will limit the availability of *federal* UI benefits, which were extended through the end of 2013, while undermining economic recovery. We conclude with a discussion of pending legislation in North Carolina that proposes the harshest cuts yet.

IMPACT OF STATE CUTS

- > Since the 1950s, nearly all state programs offered up to 26 weeks of UI benefits.¹
- > In recent years, seven states (**Arkansas, Florida, Georgia, Illinois, Michigan, Missouri, and South Carolina**) permanently reduced the duration of UI benefits by varying degrees, making cuts ranging from one week up to a potential of 14 weeks.
- > At a time when the average unemployed worker has been jobless for 35 weeks, fewer weeks of state UI guarantees that more workers will exhaust state benefits before finding work.
- > Unemployed workers in states that cut the duration of UI benefits are eligible for fewer weeks of federally funded UI benefits, which were reauthorized through 2013.
- > State benefit cuts, particularly during periods of high unemployment, undermine the dual purposes of the UI program: to provide income support enabling unemployed workers to provide for their families while looking for new jobs, and to help maintain consumer spending—the mainstay of the local and national economies.

Seven States Shorten Duration of State Unemployment Benefits

At the onset of the Great Recession, all states offered workers up to 26 weeks of unemployment insurance (UI) protection. This standard, which dates back to the 1950s in nearly all states, has come under unprecedented attack in state legislatures across the country.⁵ Over the past three years, seven states have cut the maximum number of UI weeks available, with additional cuts on the horizon in other states. The previously unassailable 26-week standard was endorsed by the Advisory Council on Unemployment Compensation, appointed jointly by Presidents George H.W. Bush and Bill Clinton.⁶

- > **Michigan**,⁷ **Missouri**, and **South Carolina** permanently eliminated a full six weeks of benefits.
- > **Arkansas** and **Illinois** took away one week.
- > **Florida** adopted a range from 12 to 23 weeks. The number of weeks is determined by the state's unemployment rate during the third quarter of the previous calendar year.
- > **Georgia** adopted a range from 14 to 20 weeks. The number of weeks is determined by the state's unemployment rate at the time a worker files an initial UI claim.⁸
- > **North Carolina** lawmakers proposed a range from 12 to 20 weeks. The number of weeks would be calculated twice a year. The state unemployment rate in October would determine the number of weeks available from the following January through June, while the unemployment rate in April would determine the number of weeks available from the following July through December.⁹

Weeks of Unemployment Insurance Benefits Lost in 2013 as a Result of Cuts to State Programs

States that Reduced Number of Weeks	State Unemployment Rate (Dec 2012)	Actual Federal and State UI Benefits ^c			Potential Federal and State UI	Weeks of UI Benefits Lost			Potential Per-Person State and Federal UI Benefits Lost ^d
		State ^a	Federal ^b	Total		State	Federal	Total	
Arkansas	7.1%	25	27	52	54	1	1	2	\$582
Florida	8.0%	19	27	46	63	7	10	17	\$3,867
Georgia	8.6%	18	26	44	63	8	11	19	\$5,251
Illinois	8.7%	25	36	61	63	1	1	2	\$682
Michigan	8.9%	20	29	49	63	6	8	14	\$4,161
Missouri	6.7%	20	22	42	54	6	6	12	\$2,934
South Carolina	8.4%	20	29	49	63	6	8	14	\$3,408

^a The number of weeks of state benefits available to claimants as of the first week of January 2013. All seven states offered 26 weeks of UI benefits prior to making cuts.

^b The number of weeks of federal UI benefits is a fixed percentage of the number of weeks of state benefits. Partial weeks of federal UI are rounded to the nearest week.

^c States are eligible for up to four tiers of federal unemployment benefits, depending on each state's unemployment rate. Based on current unemployment rate trends, we assumed that for the remainder of 2013, tier two will be available in Arkansas and Missouri, while tier three will be available in Florida, Georgia, Michigan, and South Carolina.

^d Product of state average weekly benefit amount and maximum number of weeks of state and federal benefits lost.

Eliminating Weeks of State Unemployment Benefits Leads to Fewer Weeks of Federal Unemployment Benefits

Congress reauthorized federally funded unemployment insurance (UI) benefits for 2013. All states are eligible for the first tier of benefits, which provides up to 14 weeks of benefits. States with higher unemployment rates are eligible for additional weeks, with a maximum of 47 weeks for states with an unemployment rate of at least 9 percent. Because the number of weeks of federal UI benefits is linked to the number of weeks provided at the state level, unemployed workers in states that made the harshest cuts are hit twice. Not only do jobless workers receive fewer weeks of state benefits, those struggling with long-term unemployment also lose precious weeks of federal UI.

Lawmakers could hardly have picked a worse time to undermine their state UI programs. Several of the states that made the most damaging cuts, including **Georgia**, **Michigan**, and **South Carolina**, are also suffering from the highest unemployment rates. As recently as December 2012, workers in all three states qualified for the fourth tier of federal benefits. Because unemployment remains high in these states, they are likely to qualify for the third tier of federal benefits through most of 2013, as is Florida.

Long-term unemployed workers in **Michigan** and **South Carolina**, which each cut six weeks of state benefits, could lose out on as many as 14 weeks of combined state and federal UI benefits (see table). Eight of those weeks would have been entirely financed by the federal government at no cost to the states. All told, UI claimants in Michigan who cannot find work may have \$4,000 less to spend on basic needs as a result of state cuts, while workers in South Carolina will have \$3,400 less.¹⁰

The situation in **Florida** and **Georgia**, the two states that implemented sliding scales, is even worse. In 2013, Florida will offer a maximum of 19 weeks of benefits. Georgia, where the maximum number of weeks depends on the state unemployment rate when a claim is filed, offered only 18 weeks for those starting a claim at the beginning of 2013 and could offer fewer weeks going forward. The impact on federal benefits is considerable, with Florida and Georgia forgoing 10 and 11 weeks, respectively, of federally financed benefits (see table).

All told, jobless workers in these two high-unemployment states will have fewer weeks of UI benefits to rely on than workers in states with substantially lower unemployment rates, but where state benefits were not cut. For example, states with unemployment rates as low as 6 percent are eligible for up to 54 weeks of state and federal UI benefits. Whereas UI claimants in **Florida**, **Georgia**, **Michigan**, and **South Carolina**, where unemployment is at least two percentage points higher, will be eligible for less than 50 weeks.

Fewer Weeks of Federal Unemployment Benefits Harms Vulnerable Workers and State Economies

Despite an improving national economy, unemployment remains well above normal in nearly all states. State lawmakers who singled out the unemployment insurance (UI) program for deep cuts reveal a particular insensitivity to the prevalence of long-term unemployment as well as the strain that prolonged periods of joblessness places on the health and wellbeing of unemployed workers and their families. Unemployment insurance may not alleviate all of these problems, but it does buy individuals time as they search for work in a difficult labor market.

- > Almost 4 out of 10 unemployed workers have been jobless for 27 weeks or more, while the average unemployed worker has been out of work for 35 weeks.
- > Individuals who have been out of work for over six months have less than a 15 percent chance of finding work the following month, with the odds falling to less than 1 in 10 for those who have been

unemployed for over a year.¹¹

- > Research connects unemployment with higher mortality rates, higher divorce rates, increased health risks and negative impacts on the achievement of children with an unemployed parent.¹²

Jobless workers are not the only ones harmed by state cuts. The reauthorization of federally funded UI benefits in 2013 will increase the nation's economic output, thereby saving or creating 400,000 jobs.¹³ While the economic impact of cuts to state programs may be smaller in comparison, the consequences for communities are real. At an average benefit amount of \$230 per week in **Florida**, losing a combined 17 weeks of federal and state benefits would reduce income by nearly \$3,900 (see table), leaving families less able to meet mortgage payments and purchase goods and services from local businesses.

North Carolina Next in Line to Eliminate Weeks of Unemployment Insurance

North Carolina lawmakers are considering a package of cuts that will dramatically reduce the value of unemployment insurance (UI) benefits to working families and introduce a sliding scale that ties the maximum number of weeks of state benefits to the state's unemployment rate.¹⁴

- > Not only are the proposed among the most damaging ever enacted by a state, North Carolina lawmakers¹⁵ intend to make the benefit cuts effective July 2013, causing the state to run afoul of federal guidance and potentially forcing the forfeiture of all weeks of federal UI benefits.¹⁶
- > The effective date will cause an estimated 80,000 workers to be immediately cut off federal benefits in July 2013, costing the state approximately \$25 million of federal funding per week, \$650 billion over the second half of the year.¹⁷
- > North Carolina, with the fifth-highest unemployment rate (9.2 percent) in the nation, would provide unemployed workers with just 20 weeks of UI benefits—half the number of weeks available to an unemployed worker in North Dakota, where the state unemployment rate is 3.2 percent.

North Carolina's proposed sliding scale begins with a maximum of 20 weeks when the unemployment rate exceeds 9 percent. A week of UI is deducted for each half-a-percentage-point decrease in the unemployment rate until the maximum duration of benefits falls to 12 weeks at an unemployment rate of 5.5 percent. Based on the state's current unemployment rate, if North Carolina's legislative proposal were in place today, the state would immediately cut the maximum duration of benefits from 26 to 20 weeks, with further reductions phasing in as the unemployment rate declines.

The sliding-scale proposals adopted in Florida and Georgia and under consideration in North Carolina suggest that the severity of the recent downturn—with unemployment reaching double digits in many states—distorted lawmakers' perceptions of what constitutes high unemployment, or worse yet, hardened their attitudes toward the unemployed. If the state unemployment rate were at 7.5 percent, Florida would offer workers only 17 weeks of state UI benefits, while Georgia would provide only 16 weeks.

To put the new sliding scales in a historical perspective, there was a time when a 7.5 percent unemployment rate was a major cause for concern. The national unemployment rate peaked at 7.8 percent following the 1990 recession and at 6.3 percent in the aftermath of the 2001 recession. Congress and both Republican presidents responded to this threat to the economy and well-being of unemployed workers by approving additional weeks of federal UI benefits, beyond the standard 26 weeks of state benefits. Meanwhile, *no* states cut the duration of benefits. Had North Carolina's proposed sliding scale been in place, benefits would have maxed out at 14 weeks during the earlier downturn and at 15 weeks during the later.

Conclusion

Lawmakers in an alarming number of states have bought into the misguided notion—exemplified by the deep cuts made to benefit weeks—that we must decimate state unemployment insurance programs in order to save them. Owing to still-elevated state unemployment rates, jobless workers in states with the harshest cuts are likely to run out of state benefits long before they find work. State cuts carry over to the federal program, which was reauthorized for 2013, resulting in fewer total weeks of UI support available to long-term unemployed workers and less federal money flowing into these states. Because these short-sighted cuts can only be reversed through new legislation at the state level, unemployed workers must contend with a hobbled UI program for the foreseeable future.

About NELP

The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. In partnership with grassroots and national allies, NELP promotes policies to create good jobs, enforce hard-won workplace rights, and help unemployed workers regain their economic footing. For more about NELP, please visit www.nelp.org.

ENDNOTES

-
- ¹ Claire McKenna and George Wentworth (2011), "Unraveling the unemployment insurance lifeline," New York, NY: National Employment Law Project, http://nelp.3cdn.net/833c7eeb782f18bdb3_a5m6b0wvp.pdf. Katelin P. Isaacs (2011), "Unemployment insurance: Consequences of changes in state unemployment compensation laws," Washington DC: Congressional Research Service, http://www.uwcstrategy.org/Home/pdfs/CRS_Report_Changes_UI_Benefit_laws2011.aspx.
- ² For a recent example of rhetoric supporting cuts to state unemployment insurance programs visit the North Carolina Chamber of Commerce's website: <http://www.ncchamber.net/mx/hm.asp?id=UnemploymentInsuranceReform> (accessed January 23, 2013).
- ³ Michael Evangelist (2012), "Lessons left unlearned," New York, NY: National Employment Law Project, http://nelp.3cdn.net/152f96d06b6cb2f4e4_bzm6bew0o.pdf. Government Accountability Office, 2010, "Unemployment insurance trust funds: Long-standing state financing policies have increased risk of insolvency," GAO-10-440, Washington, DC: GPO, <http://gao.gov/assets/310/303305.pdf>. Wayne Vroman (2011), "Unemployment Insurance and the Great Recession," Washington, DC: Urban Institute, <http://www.urban.org/UploadedPDF/412450-Unemployment-Insurance-and-the-Great-Recession.pdf>.
- ⁴ Ibid.
- ⁵ Vroman, 2011.
- ⁶ Advisory Council on Unemployment Compensation (1995), *Unemployment insurance in the United States: Benefits, financing, and coverage*, Washington, DC.
- ⁷ Michael Evangelist and Rick McHugh (2011), "Coming back for more," New York, NY: National Employment Law Project, http://www.nelp.org/page/-/UI/2011/MI_UI_Report_Back_for_More.pdf. Michael Evangelist and Rick McHugh (2011), "Can't get there from here," New York, NY: National Employment Law Project, http://www.nelp.org/page/-/UI/2011/MI_UI_Report_Cant_Get_There_From_Here.pdf.
- ⁸ Claire Richie (2011), "New law unfairly burdens the unemployed," Atlanta, GA: Georgia Budget and Policy Institute, <http://gbpi.org/new-law-unfairly-burdens-the-unemployed>.
- ⁹ Alexandra Sirota (2012), "Ignoring lessons from the past in unemployment insurance financing," Raleigh, NC: North Carolina Justice Center, http://www.ncjustice.org/sites/default/files/BTC_Reports_-_UI_-_Ignoring_Lessons_from_the_Past.pdf.
- ¹⁰ The dollar amount lost in South Carolina is lower than the amount lost in Michigan, because South Carolina's average weekly benefit amount (\$245) is lower than Michigan's (\$290).
- ¹¹ Michael Greenstone and Adam Looney (2012), "Shrinking job opportunities," Washington, DC: Brookings Institution, <http://www.brookings.edu/blogs/jobs/posts/2012/01/06-jobs-greenstone-looney>.
- ¹² Dean Baker and Kevin Hassett, "The human disaster of unemployment," *New York Times* (12 May 2012), http://www.nytimes.com/2012/05/13/opinion/sunday/the-human-disaster-of-unemployment.html?_r=2&ref=opinion&.
- ¹³ Lawrence Mishel and Heidi Shierholz (2012), "Labor market will lose 400,000 jobs in 2013 if UI extensions expire," Washington, DC: Economic Policy Institute, <http://www.epi.org/files/2012/ib346-labor-market-lose-400000-jobs-ui-extensions.pdf>.
- ¹⁴ Sirota, 2012.
- ¹⁵ Laura Leslie, "McCrory: Emergency benefits will end in July," *WRAL* (1 February 2013), <http://www.wral.com/gov-emergency-benefits-will-end-in-july/12055330/>.
- ¹⁶ As a condition for receiving federal UI benefits, a state cannot pass legislation that will lower its average weekly UI benefit amount. While cuts to the number of weeks of benefits are permissible, North Carolina's legislative proposal has other provisions (e.g., lowering the maximum benefit amount) that will lower the average weekly benefit, putting the state in conflict with the federal guidelines. Federal UI benefits will end when the benefit cuts become effective.
- ¹⁷ North Carolina Justice Center (2013), "Don't Hurt Unemployed NC Workers and Their Families," <http://tarheelworkers.org/wp-content/uploads/2013/01/Dont-Hurt-Unemployed-Workers-2.7.13.pdf>.