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# Unemployment Reform: Do the Job Now

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Vermont could get almost $14 million in federal money to help laid-off workers if it reforms its unemployment insurance law to provide new or expanded jobless benefits. These changes are laid out in the federal Unemployment Insurance Modernization Act (UIMA), which is part of the stimulus package that became law in February.[1] The package also includes money to give laid-off workers an additional $25 a week.

Washington's assistance will help the jobless weather the current recession, while also injecting money into Vermont's economy to help the state move toward recovery.

But the new parameters for eligibility also represent an understanding that work and family life have changed for good. Montpelier should adopt these reforms, not because it is being paid to do so, but because they are sound policy for now and for the future.

Vermont already qualifies for some of the new money—about $4.6 million—because it has adopted more timely methods for calculating a person's eligible work history, as is required to get stimulus money.

To receive the remaining $9.3 million in federal funds, Vermont must make additional reforms, all of which are designed to increase benefits or expand the pool of workers eligible for benefits. The UIMA outlines four reforms; to qualify for funding, states must adopt two:

- Cover part-time workers.
- Provide benefits of $15 per week for each dependent.
- Allow unemployed workers enrolled in training programs to continue to be paid if their benefits are otherwise exhausted before training is completed. The training must be either a state-approved program or one authorized under the Workforce Investment Act.
- Provide benefits to workers who leave a job for compelling family reasons, including domestic abuse, following a spouse who must relocate for work, and illness or disability of the worker or a family member.

These new provisions reflect the changing nature of the workforce and a broader concept of compensation for unemployment. In the past, employers have been expected to contribute to the cost of unemployment for workers they laid off. The new rules reflect reasons for leaving a job that are not only beyond the worker's control, like a layoff, but also beyond the employer's.

Since the unemployment insurance system was established in 1935, many more women and part-time and temporary workers have joined the workforce—so more people now are potentially eligible for unemployment benefits. Another change from decades past is that people tend to remain without work for longer periods of time. Many are exhausting standard benefits, which run for 26 weeks. And although two-worker families are common, there is no help for a person who is forced to give up a job because a spouse has been relocated, even if the relocated worker is in the military. One of the proposed reforms would address this problem.

Vermont does better than many states in providing for its jobless workers. While its weekly dollar benefit is about average for the country, Vermont covers more laid-off workers than many other states. Still, fewer than half of unemployed Vermonters receive benefits, and its benefit amount is below average for New England, where costs of living are higher than the national average (**Figure 1**).

Vermont has a head start on qualifying for federal funds. It already covers part-time workers, which meets the requirement of one of the four reforms. It needs to enact one more reform to get the additional $9.3 million. Since the state allows benefits for workers who leave a job because of domestic abuse or the

**Figure 1. Comparison of New England Unemployment Programs**

| State | Percentage of unemployed receiving benefits [2] | Unemployment Rate [3] | Maximum Weekly Benefit [4] | Average Weekly Benefit [5] |
|---|---|---|---|---|
| Massachusetts | 56% | 7.8 | $628-942 | 405.64 |
| Vermont | 46% | 7.0 | $425 | 308.60 |
| Connecticut | 44% | 7.4 | $519-594 | 342.06 |
| Rhode Island | 36% | 10.5 | $528-660 | 380.12 |
| New Hampshire | 34% | 5.3 | $427 | 273.00 |
| Maine | 33% | 8.0 | $344-516 | 273.20 |
| United States Average | 37% | 8.1 | | 306.15 |

Data source: National Employment Law Project, February 2009

worker's illness or disability,[6] it is part of the way to meeting a second federal requirement: broadening the definition of "compelling family reasons" for leaving a job. The state could complete this requirement or do one of the other two.

The Vermont Department of Labor has estimated that adopting the new compelling family reasons would run at least $1 million a year; so would extending benefits to a worker completing training. Providing additional benefits to dependents could reach $5 million. The stimulus money could be used to offset any or all of these costs initially. But Vermont would have to pay them when federal funds run out.

These costs may look daunting at a time when unemployment is rising: Vermont's jobless rate is now 7 percent, and the state is paying over $6 million a week in unemployment benefits.[7] That is stressing its unemployment trust fund. In good times, the trust fund grows and serves as a reserve against the next economic downturn. During times of high unemployment, though, the fund can be depleted—as is likely to happen later this year. (**Figure 2.**)

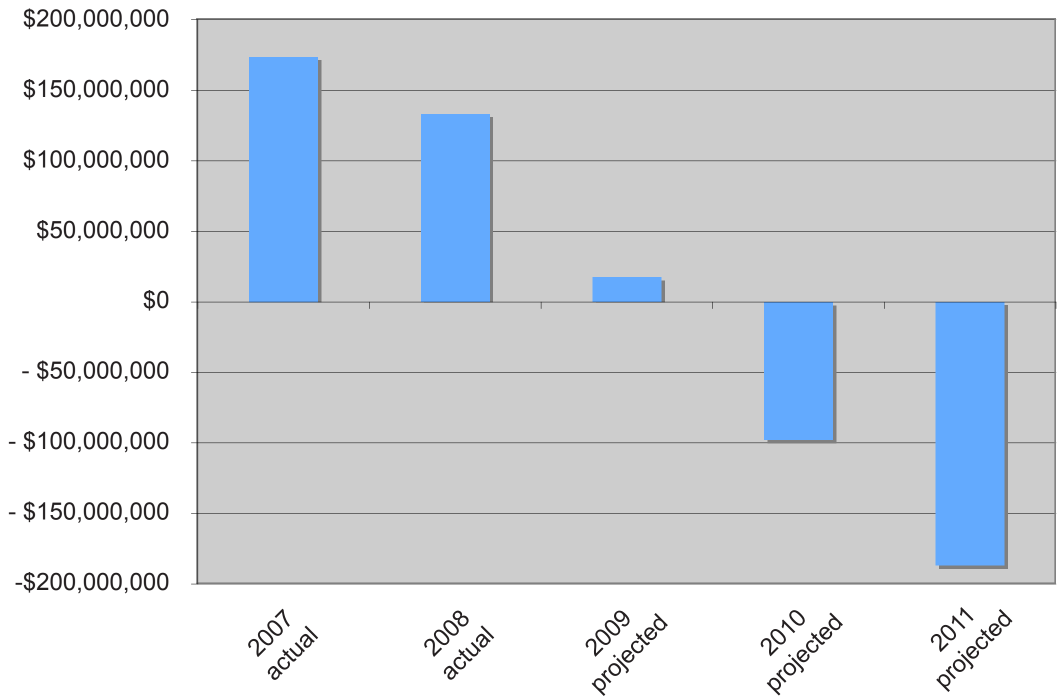
States can borrow from the federal trust fund to meet their obligation to unemployed workers. Those borrowed funds usually must be repaid with interest. As part of the federal stimulus package however, through 2010 Washington will waive these interest charges.

To try to head off the shortfall, the Vermont Department of Labor has proposed increasing the taxes that employers pay into the fund and reducing benefits for unemployed workers.[8] Currently, employers pay the tax on the first $8,000 of earnings; the rate is determined by the employer's history of layoffs and, in part, by how much those layoffs have cost the unemployment fund.

The department is recommending increasing the wage base, the amount of wages on which employers pay taxes. That amount would rise to the first $14,000 of earnings in 2010 and the first $20,000 in 2011. In 2014, the wage base would drop to half the average wage, which is currently about $36,000. The department estimates that expanding the wage base would generate an extra $44 million in the first year and an additional $4l million the second year. The department also proposes an administrative fee on employers who lay workers off and a charge to those who do not respond promptly to requests for verification information.

Raising these new revenues is a good idea. But Montpelier also wants to achieve savings by hitting jobless workers when they can least afford it. The department wants to reduce weekly and total benefits,

**Figure 2. Vermont Unemployment Insurance Trust Fund Calendar Year-End Balance**




Data source: Vermont Department of Labor

**Latest official projections from the Vermont Department of Labor, published in February, show the fund being depleted in early 2010. However the 2009 unemployment rate already is higher than the estimate used in these projections and department officials expect the fund to be depleted before the end of the year.**

tighten eligibility, and increase penalties. Currently, weekly benefits are figured as 57 percent of a worker's former earnings. The department would lower that to 50 percent. It also has proposed changes that would make it harder for people to qualify for benefits, penalize them more for part-time work, and increase work requirements to qualify for unemployment compensation. And unemployed workers would be liable for paying back any benefits paid in error.

The department estimates these changes could reduce jobless benefits by $20 million in 2010. But it's counterproductive to enact the reforms recommended in the stimulus package and then take away existing benefits.

Vermont should adopt the federal reforms, even though they will cost the state money when the stimulus funds run out. Putting more dollars into the hands of laid-off workers is an effective way to boost the economy because it leads to immediate spending. The money tends to get spent locally, where it is then recycled within the community, keeping local businesses afloat and their employees in jobs. According to the National Employment Law Project, every dollar paid to the unemployed gets spent immediately on basics like food, gasoline, diapers, and heating bills and puts $2.15 into the local economy.[9]

But the immediate boost is not the only reason to adopt the federal reforms. Work and family life have changed not just since last year, but in the three-quarters of a century since Unemployment Insurance was established. In fact, in December Governor Douglas joined 17 other governors in urging Congress to pass the Unemployment Insurance Modernization Act. It is time to bring that commitment home, and take the protection of jobless workers into the 21st century.

ENDNOTES

[1] http://nelp.3cdn.net/c763952a5b73e8852c_3iim6sj65.pdf

[2] U.S. Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services, December 2008

[3] Bureau of Labor Statistics, Local Area Unemployment Statistics, February 2009, www.bls.gov/lau

[4] U.S. Department of Labor, Office of Workforce Security, (Note: when two amount are given, the higher includes a dependent allowance).

[5] U.S. Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services, monthly program data, January 2009. http://atlas.doleta.gov/unemploy/claimssum.asp

[6] Although Vermont provides benefits for workers who leave a job because of domestic abuse, the benefits are not paid directly from the unemployment insurance fund and therefore may not satisfy the requirements of the UIMA.

[7] As of week ending March 21, 2009.

[8] http://labor.vermont.gov/Portals/0/UI/UI%20Brief.pdf

[9] http://www.nelp.org/index.php/site/issues/category/modernizing_unemployment_insurance

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