



Falling Short: Michigan's Unemployment Insurance System Compares Poorly With Other Midwestern States

EXECUTIVE SUMMARY

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For more than five years, Michigan has had the highest unemployment rate in the Midwest. Yet when its Unemployment Insurance system is compared with seven other Midwestern states on its ability to help unemployed workers as they look for work, it ranks last on four measures. Michigan's low ranking is due partly to the state's failure to update its maximum benefit and other aspects of its UI system, and partly to the passing of laws that directly weaken UI's effectiveness.

Experts recommend that state UI systems replace at least 50 percent of eligible workers' lost earnings over a six-month period, and that the way to do this is to set a maximum benefit equal to two-thirds (66%) of the state's average weekly wage. Michigan has not met either standard since 1989. If the maximum weekly benefit were equal to two-thirds of the average weekly wage (currently \$823), it would be \$549 per week. In 2011, however, the maximum benefit is \$362 and the average benefit is \$291 (only 44% and 35% of the average wage, respectively).

When compared to Illinois, Indiana, Iowa, Minnesota, Ohio, Pennsylvania and Wisconsin, Michigan ranks last in the following four indicators:

Indicator 1: Maximum Benefit Amount

Michigan Pays the Lowest Maximum Benefit, Resulting in a Low Average Benefit

Michigan's maximum weekly UI benefit of \$362 ranks last, both as a nominal amount and as a percent of the state average weekly wage. Four

Midwestern states have maximum benefits equal to more than 60 percent of their average weekly wage while Michigan's is well below half. Partly as a result of the low maximum benefit, Michigan's average weekly wage is second to last among the eight states, higher than only Illinois (whose percentage is lower due to Chicago's unusually high average weekly wage).

Indicator 2: UI Coverage

A Michigan Unemployed Worker is Least Likely to be Eligible for UI

Michigan's covered employment (defined as the number of employees who are covered by the UI system should they become unemployed) is the lowest in the Midwest. When comparing Michigan's Insured Unemployment Rate against its Total Unemployment Rate, Michigan has a percentage point gap far larger than the gap in the other Midwest states. A Michigan unemployed worker is much less likely to be eligible for UI than those in the other seven states.

Indicator 3: UI Dollars Spent Per Unemployed Worker

Michigan Pays the Least in UI Benefits Relative to Unemployment

From 2006 to 2011, all eight states saw an increase in unemployed workers. However, while the seven other Midwestern states increased the total amount

paid out in state UI benefits (those paid out to workers unemployed 26 weeks or less), Michigan decreased the amount, falling from 3rd to 8th among the eight states in the amount of UI benefit dollars spent per unemployed worker. Even when federal benefits are included, Michigan continued to pay the lowest amount per unemployed worker among the eight Midwestern states.

Indicator 4: Length of Benefits

Michigan Will Allow the Fewest Weeks of Basic UI

Earlier this year, Michigan's Legislature voted to make Michigan the first state to reduce the maximum number of weeks of Basic UI from 26 weeks to 20 weeks. This put the state last in the Midwest; while having the highest unemployment rate, Michigan provides the fewest weeks of Basic UI benefits.

A number of decisions have contributed to Michigan's last place standing in the Midwest:

- a) Failure to update the maximum weekly benefit to keep up with wages.
- b) An eligibility system that makes it difficult for workers to be eligible for UI.
- c) Failure to modernize the UI system.
- d) A reduction in the number of weeks of Basic UI available to workers.

To strengthen UI effectiveness, the League recommends the following:

- a) Do not pass legislation that will further reduce UI access, weeks or benefits.
- b) Restore the 26 week maximum for Basic UI.
- c) Peg the maximum benefit to the average weekly wage.
- d) Lower the minimum base period and quarterly earnings requirements for unemployed workers to collect UI benefits.
- e) Implement a work sharing system in Michigan to help avert layoffs.
- f) Expand eligibility for UI to unemployed workers seeking part-time work, workers who left their jobs for compelling family reasons, and/or unemployed individuals acquiring new skills rather than looking for immediate re-employment.
- g) Raise the dependent allowance from \$6 to \$15.