



## Michigan Must Reform Its Unemployment System Now

Michigan's 12.6 percent unemployment rate leads the nation. The Detroit metropolitan area has an unemployment rate of 14 percent. The recent news of automobile plant closings, along with the continuing ripple effect of past layoffs in manufacturing and other industries, is likely to worsen the state's unemployment situation.

### Unemployment Insurance Can Provide Relief

During challenging times such as this, laid off workers have depended on unemployment insurance (UI) to replace part of their salaries. As a temporary form of relief, it helps workers and their families avoid financial catastrophe (enabling them to keep their homes, for example) while they look for new employment. Currently, however, only about half of unemployed workers in the state collect UI benefits because many unemployed workers are ineligible.

Michigan has recently made two important updates to its UI program. First, on March 23, 2009, UI benefits were raised by \$25 per week, increasing the maximum weekly benefit from \$362 to \$387. This was part of the American Recovery and Reinvestment Act of 2009 (ARRA) signed by the President in February 2009. The increase, known as Federal Additional Compensation, is taxable and creates no additional cost to employers.

Secondly, on April 13, 2009, the governor signed legislation expanding the extended benefit program from 13 weeks up to 20 weeks, taking effect immediately. This brings the total number of weeks an unemployed worker can receive benefits from 72 to 79 weeks (up to 26 weeks of state unemployment

benefits, up to 33 weeks of federal emergency unemployment compensation and up to 20 weeks of extended benefits).

While these changes provide substantial help to many workers who are currently eligible for UI, there are many other unemployed workers who do not qualify for benefits. However, by adopting some reforms, Michigan can cover those workers, boost its UI trust fund, receive an additional \$139 million in UI benefits covered by stimulus dollars and stimulate the economy.

### The Unemployment Insurance Modernization Act (UIMA)

The Unemployment Insurance Modernization Act (UIMA) is included in ARRA. It provides \$7 billion to states to strengthen their unemployment insurance (UI) programs, and an additional \$500 million in administrative funding for state agencies. Michigan is currently eligible to receive \$69,428,000 of its allotment. If the state adopts at least two additional reforms, it will be eligible for an additional \$139 million, and will receive a total of \$208,283,000 in UI funding and \$14,877,000 to cover administrative costs.

**To access the first one-third of funds:** In order to receive one-third of UIMA stimulus package funds, a state must have adopted the Alternate Base Period (ABP). Without adoption of this reform, a state will not be able to qualify for either the first one-third or the additional two-thirds of UIMA incentive funds. Adoption of the ABP means a state can use earnings from a worker's most recent four quarters of employment in determining unemployment benefits, if that amount is higher than the

amount computed using the Standard Base Period (the first four of the last five completed calendar quarters prior to the file of a claim). This reform allows more workers to qualify for UI. Because Michigan adopted the ABP in 2001, it will automatically receive the first one-third of its UIMA allotment.

**To access the remaining two-thirds of funds:** If a state has adopted the ABP, it must then choose to adopt two out of the following four UI reform provisions. Michigan at this time does not have any of these provisions, but bills have been introduced in the Legislature to provide at least two of them:

- Allow benefits for part-time workers:** Many states, including Michigan, deny benefits to part-time workers and require them to seek full-time work. Some workers, however, choose to work part-time for family or other reasons, while others prefer to work full-time but are unable to find full-time positions. This reform would allow workers to get benefits for past part-time employment, and to seek part-time employment if they choose. (This reform has been introduced in the Legislature as House Bill 4786 and Senate Bill 445.)
- Allow benefits for individuals who leave work for compelling family reasons:** These include domestic violence, severe illness of a loved one, or following a spouse to a different place of residence for work-related reasons.
- Allow benefits for training:** This provision is for permanently laid-off workers who need to build or update their skills in order to become employable. It provides 26 additional weeks of unemployment benefits to workers who participate in vocational training. (This reform has been introduced in the Legislature as House Bill 4785 and Senate Bill 444.)
- Institute a weekly \$15 minimum dependent allowance.** This is for unemployed workers who care for dependent family members. Michigan law currently provides a \$6 dependent allowance, but to get credit for adopting this reform it needs to raise that allowance to \$15.

## The Necessity of Action

Michigan has the opportunity to receive a very significant amount of money to help its unemployed workers. Adoption of reforms would bring the state's unemployment system more in line with 21st century realities. Expanding eligibility to include part-time workers, for example, would address the fact that an increasing number of workers in Michigan work part time, and many employers have replaced full-time positions with part-time positions. Allowing workers to receive extra weeks of UI while in vocational training addresses the fact that we are moving into an economy in which postsecondary skills are increasingly required—the days of going directly from high school into a low-skill automobile manufacturing job providing good pay and benefits are past. Allowing workers who must leave work for compelling personal and family reasons would provide relief to workers currently not covered.

Reforming our UI system to respond to the new labor force realities would help our state both immediately and in the long run. As the state with the highest employment rate and the most significant challenges in its manufacturing sector, we need to accept any federal funds available that would stimulate the economy and help unemployed workers and their families. Adopting at least two of the four reforms would enable the state to do both. The Legislature must act now, by either passing the two UI reform bills that have been introduced, or initiating new ones that would qualify Michigan for the UIMA funds. Refusing to pass UI reform legislation cannot be an option—there is too much at stake for Michigan and its working families.

### Estimated amount to Michigan

1/3 UIMA incentive for the ABP:	69,428,000
2/3 UIMA incentive payment:	\$138,855,000
<b>Total Incentive Payment:</b>	<b>\$208,283,000</b>
Administrative Allocation:	\$14,877,000

*Source: National Employment Law Project*