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Editorial

More Help Needed for Tougher Times

If the job market weakens further, more Americans may soon need to turn to unemployment compensation. And many of them will be shocked at the system's painful inadequacies. To ensure fairness and avert a crisis, Congress should act now to reform the ailing program.

Ostensibly, most workers have unemployment insurance because their employers pay a federal unemployment tax on their behalf — \$56 per employee per year — and state unemployment taxes as well. On average, benefits replace about a third of a worker's previous weekly earnings and run out after 23 weeks.

In practice, however, only about one-third of jobless workers qualify to collect benefits. Women, especially, are routinely denied because many states' rules disqualify groups that are largely female, including low-income employees, part-timers and trailing spouses — including military wives who leave their jobs when a husband must relocate. Those gaps came about because the program — a joint federal-state effort — has been largely unchanged for decades, even as the work force and economy have changed dramatically.

Both the House and Senate are now considering bills that would allocate \$7 billion over five years to states that enact sensible and needed reforms to their programs. The money would come from extending a surtax on employers that expires this year and accounts for about \$14 of the per-person federal unemployment tax. Extending the surtax is so uncontroversial that even President Bush's latest budget assumes it will happen.

Attaching strings to the money is important because in the past, states have used federal unemployment funds primarily to lower employers' taxes, not to broaden coverage.

The most important provision in Congress's bills calls on states to update a rule that denies compensation to some 300,000 low-wage workers. When today's system was adopted 30 years ago, the states devised eligibility formulas based on a person's previous earnings and hours worked. But they did not count the last three to six months of work history because in a precomputer age, those records were often unavailable. Today, 31 states still omit the most recent data, which often disqualifies low-income people from receiving benefits because without that information they are not deemed to have worked enough to qualify. Under the bills, states would be required to count the latest work history if they want to receive new federal funds.

To get even more federal money, states would have to enact two more reforms from a menu of reforms that includes better coverage for part-time workers, families with children, workers who enter retraining programs and the long-term unemployed.

Lawmakers should move ahead quickly with this wise and much-needed legislation.

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