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JOB OPPORTUNITIES TASK FORCE
Advocating better skills, jobs, and incomes

PUTTING THE UNEMPLOYMENT SYSTEM BACK TO WORK FOR MARYLAND'S ECONOMY

January, 2007 – For more information contact Andrea Payne at 410-234-8303, andrea@jotf.org

Unemployment insurance (UI) is a critical safety net for workers forced to leave their jobs involuntarily. It provides a bare bones level of support, which allows workers to seek out the job that best matches their skills, rather than the job they can get most quickly. Unemployment insurance also buffers our economy, by preventing sudden drops in consumer spending due to layoffs in economic downturns. Employers pay into the system, but benefit from the economic stimulus UI provides.

In Maryland, unfortunately, the UI system gives only minimal support to a fraction of workers facing this sudden hardship. Only one-third of unemployed workers receive benefits, with an average weekly payment of just $275. This is not enough to keep workers and their families out of poverty as they transition into new jobs, or to bolster the economy in times of recession.

To ensure that Maryland workers are able to get back on their feet and reenter the labor market, JOTF recommends adopting the following best practices:

1. ***Provide benefits to workers who are only available part-time.*** Even though part-time wages are taxable, all workers must seek full-time jobs in order to receive UI benefits. This penalizes workers who can only work part-time because of personal, family or medical circumstances.
2. ***Support new workers by counting recent earnings.*** The current system ignores up to ten months of earnings, which disadvantages those who have just entered the mainstream labor market.
3. ***Expand and index benefit amounts to ensure adequate support.*** Benefits in Maryland are too low, and in many cases do not even cover a family's basic cost of living.
4. ***Fund training to ensure that workers seeking reemployment can meet the changing needs of employers.*** Maryland does not receive enough federal funding to provide adequate training for unemployed workers. The lack of a skilled workforce increases the cost of doing business and fails to meet employer demand for trained employees.
5. ***Ensure stable financing by indexing the taxable wage base.*** Since the taxable wage base is not regularly adjusted, it has fallen far behind wage growth. This means that benefit payments will structurally outpace revenues. The current system also places a disproportionate burden on lower-wage employers.

With this series of small changes, the state can reinvigorate its unemployment insurance system and create a more stable, efficient economy.

Ensuring Economic Security for All Workers

In Maryland, only about one-third of unemployed workers are actually eligible to receive benefits.

Maryland employers must pay UI taxes on the wages of almost all employees. This is supposed to provide security when these workers are forced to leave their jobs involuntarily. In Maryland, however, only about one-third of unemployed workers are actually eligible to receive benefits. Part-time workers and workers who have recently entered the labor force are denied benefits. Even for workers who are eligible, UI benefits are minimal. Payments cover only about one-third of the average worker's previous earnings.[1]

Provide Benefits to Part-Time Workers

In Maryland, part-time workers are not eligible for unemployment benefits. Employers pay taxes on the wages of almost all employees no matter how many hours they work, but when someone is laid off, they must seek full-time work in order to receive benefits. There are personal, family, medical, and economic circumstances that prevent many workers from fulfilling this requirement.

The full-time only restriction is outdated, and was established in an era when it was assumed that one full-time breadwinner would support the family. Today, almost one fourth of workers are part-time. While some of these workers would prefer full-time work, others can only accommodate part-time schedules. In fact, fourteen percent of all workers are part-time for non-economic reasons such as health limitations, family obligations, or schooling.[2] These workers have legitimate reasons for working only part-time, but are excluded from the unemployment system due to outdated assumptions about family and labor. The state continues collecting the tax on their wages without crediting any benefit.

Maryland is behind the curve on updating this element of the UI system. As of 2006, 22 states plus the District of Columbia and Puerto Rico provided benefits to workers available only part-time.[3,4] The charts at the end of this paper give an overview of which states provide this and other benefits, both across the nation and in Maryland's neighboring states. Many states treat full-time and part-time workers equally, while others offer benefits for part-time workers under at least some conditions. Most commonly, workers must have a history of part-time work in order to be eligible for UI payments while seeking part-time work.

The cost of providing benefits to unemployed workers seeking part-time jobs would be relatively small. As of 2002, there were 373,000 Marylanders working part-time for non-economic reasons. This is the group that would be eligible for benefits. These workers represent about 13 percent of the civilian labor force in the state.[5]

Only a portion of these workers would actually qualify for benefits and those who did would receive relatively low payments. Most part-time workers are lower-wage, and since they work fewer hours, their overall earnings are much lower than those of the workers currently receiving benefits. These lower earnings would result in an average weekly benefit significantly smaller than the current average benefit for full-time workers. In fact, in a 2000 study, the Department of Labor estimated that extending eligibility to part-time workers would benefit 1000 Marylanders per week, but would cost just $4.4 million per year.[6] This represents an increase in payments of less than two percent.[7]

Extending UI eligibility to part-time workers would make the system fairer to the large portion of workers currently excluded based on scheduling needs. Employers need part-time staff, and the UI system should support rather than discourage their participation.

Maryland continues collecting taxes on the wages of part-time workers without crediting any benefit.

Support New Workers by Counting Recent Earnings

When a company if forced to make lay-offs, the most recent hires are almost always the first to go. Unfortunately, if these new workers have not been on the job long enough, they may not be eligible for UI benefits. This is because, in Maryland, a worker's most recent earnings are not considered when determining UI eligibility and calculating benefits. Some people who were working recently, but were out of work or did not earn enough in earlier months, are therefore denied benefits. Many states use the Alternative Base Period method to avoid this problem. This system counts recent work for individuals ineligible under the traditional system, and should be adopted in Maryland.

Under the current system, known as the traditional base period, the state can ignore anywhere from six to nine months of full-time work. Only the first four of the last five *completed* quarters of work are counted when determining UI benefits, and the worker must have earnings in at least two of these quarters. The last completed quarter, and any work in the current quarter, are excluded from all calculations.

For example, if a worker loses their job and files a claim on the first day of a new quarter,

An Intro to the Unemployment System

Unemployment insurance was established in 1935 with the passage of the Social Security Act. UI was intended to achieve two goals:
1) to provide temporary wage replacement for unemployed workers; and
2) to keep the economy stable during times of recession.

The Department of Labor oversees the system on the federal level, but each state administers its own program and creates its own policies on funding, eligibility, and benefit structure.

The program funds benefit payments to laid off workers though employer taxes on wages. While there is a small federal tax that pays for program administration, extended benefits, and loans to states (FUTA), a separate state tax funds the bulk of the program (SUTA).

1. Employers Pay Into the UI Trust Fund

Each employer is given an "experience rating" based on the company's history of lay-offs. The more lay-offs, the worse a company's experience rating.

The experience rating determines each employer's tax rate. The worse the rating, the higher the tax. Tax rates are re-adjusted each year.

Employer taxes are funneled into a dedicated unemployment trust fund.

2. Benefits are Paid Out of the Trust Fund

When a worker is laid off, they may file a claim for unemployment benefits.

If eligible, they can receive payments of up to $340 per week for up to 26 weeks. Benefit amounts are based on the worker's previous earnings.

Only about one-third of unemployed workers in Maryland actually receive benefits. The average weekly benefit is around $275.

The benefits a worker receives are "charged" to the employer(s) responsible for the lay off. This impacts the employers experience rating.

While receiving benefits, the worker must show proof that they are actively seeking full-time re-employment.

If a new worker has not been on the job long enough, they may not be eligible for UI benefits.

they would need to have worked for at least seven months to qualify for benefits. Their earnings from the last three months will not be counted. If a worker loses their job and files a claim on the last day of a quarter, they must have been working for at least ten months to qualify for benefits. Their earnings from the previous six months will not be counted.

This disadvantages new workers, and denies a safety net to those who need it most. Many workers impacted by these restrictions are low-wage and already have a tenuous connection to the labor market. When Georgia adopted the Alternative Base Period, for example, over half of those who benefited had wages under $9.00 per hour in their former jobs.[8] Those most likely to have limited work experience include young people just out of school, adults transitioning from welfare to work, ex-offenders reentering the community, and parents retuning to work after caring for young children. Workers in industries with sporadic demand, such as construction, tourism, and retail, may also be impacted.

The Alternative Base Period counts the four most recent completed quarters, thus including another three months of work in the UI calculation. This system supports recent entrants to the labor market, and has been adopted by 19 states and the District of Columbia.[9] A few of these states go even further, looking at the three most recent completed quarters and any weeks worked in the current quarter.

Implementing the Alternative Base Period would have a modest impact on UI costs. A recent analysis found that across six states, claimants eligible under this system made up only 2.1 to 6.5 percent of all recipients. However, since this group tends to have lower wages, their benefits account for only 1.1 to 5.2 percent of all UI payments.[10]

Looking at data from 2001 to 2006, even if Maryland were on the high end and saw a five percent increase in benefit payments, this would have cost around $5.5 million per quarter. This would have increased average trust fund deductions only slightly, from 14.8% to 15.5% of the total trust fund balance per quarter.[11] This small expense would provide a significant benefit to workers with low wages and fragile labor market connections. Providing UI benefits may help encourage ongoing participation in the mainstream economy.

Expand and Index Benefit Amounts

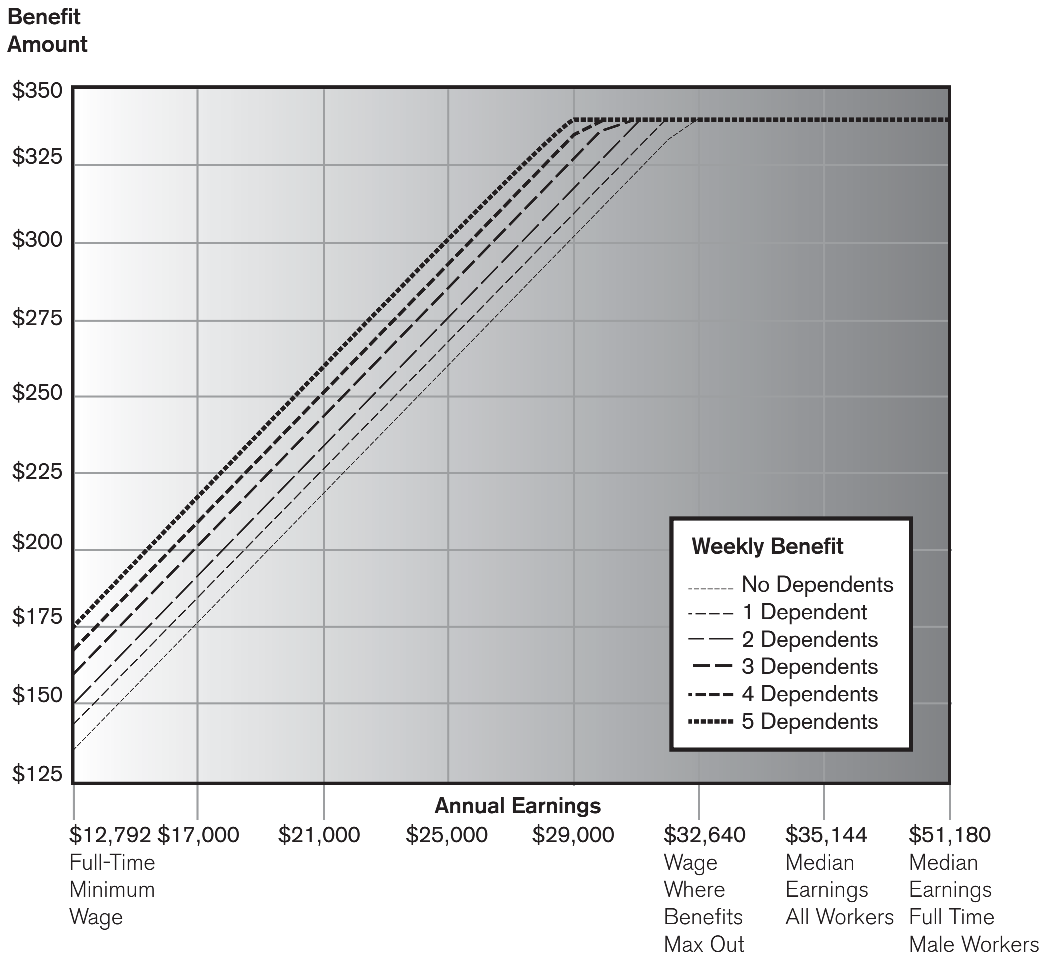
Unemployment benefits in Maryland are already low, and there is no mechanism to ensure that they increase over time to keep pace with wage growth and inflation. New legislation must be passed each time the state wants to adjust benefits. In order to keep up with the growing economy, bills to increase the maximum weekly benefit amount had to be passed in 2000, 2002, and again 2005. Instead of this cumbersome and inefficient system, 31 other states and the District of Columbia index benefits to wage growth so that necessary increases are automatic.[12] Maryland should implement this system to ensure that unemployed workers have enough to get by in times of crisis.

Benefits Max Out Too Soon

Currently, the state's UI benefits replace only about one-third of a laid-off worker's previous wages. This places Maryland as the 37th lowest state for wage replacement.[13] The state's benefit formula is actually set to replace 54% of a worker's previous wages, plus a dependent allowance of $8 per child per week.[14] However, because the maximum weekly benefit is capped at $340, any worker making more than $32,640 per year will receive a smaller portion of their wages in UI benefits, as seen in the adjacent table. People earning more than this will face a dramatic drop in income, which could jeopardize their ability to keep up with basic expenses such as housing and utilities.

Maryland should ensure that moderate-income workers are eligible to receive adequate benefits. In the 3rd quarter of 2006, the average worker earned $839.62 per week.[15] Because of the low benefit cap, however, this middle-income worker is only eligible to receive 40% of their previous wages in benefits. In order for the average worker to receive a reasonable wage replacement rate—the 54% the state's benefit formula is intended to cover—the maximum weekly benefit would need to be raised to about $450. This would keep most families just above the poverty level, and would provide for basic needs without discouraging recipients from seeking new jobs.

Low UI benefits could jeopardize a family's ability to keep up with basic expenses such as housing and utilities.



Indexing benefits to wages ensures that the average worker receives this level of support. Most states re-set the maximum weekly benefit amount annually based on the average weekly wage of the previous year. The maximum benefit amount is then set to represent anywhere from 49.5 to 70% of the average weekly wage. Most states set their rates at 60% or higher.[16] Maryland should adopt a similar system of annual increases to avoid sharp drops in the income of moderate-wage workers when they are temporarily unemployed.

While average earners need indexed maximum benefits to ensure an adequate wage-replacement rate, this still leaves Marylanders with below-average wages at significant risk for falling deep into poverty while unemployed. Because many UI recipients are low-income workers, and since the benefit cap is low, the average weekly benefit in Maryland is around $275. This is the benefit a worker with two children previously earning $25,000 would receive. This family would need at least $293 per week to stay out of poverty, and would fall short by almost $20 per week while unemployed. Even the maximum weekly benefit of $340 would still place a family of four in poverty.[17,18]

There are a few small changes the state could make to better support the lowest earners. First, Maryland could replace wages at a slightly higher rate. Replacing 58% of the above family's wages—just a four percent increase for families under the benefit cap—would be enough to boost them out of poverty. Alternately, a small increase in the dependant allowance could have the same effect.

Meeting the Changing Workforce Needs of Employers

Maryland needs to invest in training to address worker skill shortages.

Many states use the unemployment system to fund worker training. This serves the workforce needs of employers, and helps laid-off workers upgrade their skills to keep up with the changing economy. This is especially important in a state like Maryland, where unemployment is low and many industries are already facing a labor shortage. The state economy would benefit from investing in worker training fund to fill these gaps.

Gaps in the Maryland Workforce System

The new model for Maryland's workforce system is demand driven. The goal of our state and local workforce programs is to meet the changing needs of employers in order to keep us competitive and grow our economy. While Maryland has a large proportion of highly educated people—34.5% of Marylanders have at least a Bachelor's degree—this still leaves a large number of workers with only a basic education. Almost 40% of Marylanders (1.4 million individuals) have no more than a high school education, and 13% have not even completed high school.[19]

We need to upgrade the skills and training of these workers in order to meet the needs of employers. In a 2001 survey, over 20% of employers ranked improving and expanding state training programs as the most important policy action the state could take. Overall, this was ranked as the 4th most important policy goal. Furthermore, almost three-quarters of businesses said they would be willing to collaborate with government, educators, or other businesses to address worker skill shortages.[20]

Despite the need for worker training, and employer interest in expanding programs, Maryland still provides only minimal funding for such services. Currently, the federal Workforce Investment Act (WIA) is the largest source of worker training funds in the state. In 2006, Maryland was allotted

Strengths of the Maryland UI System

The Maryland UI system offers a limited number of supports beyond the traditional benefit structure. Maryland is one of only 13 states to extend additional benefits to families with children, although the amount is quite low. It is also one of 14 states that has eliminated a waiting week between filing a claim and receiving benefits.

The Dependent Allowance

In Maryland, laid off workers with dependent children are eligible to receive an additional $8 in benefits per child per week, for up five children. This policy helps reduce the strain of unemployment on the lowest income families. It helps these families keep food on the table. Raising the dependent allowance to a more substantial amount would help the policy go further in supporting the basic needs of families with children.

No Waiting Week

When first designed, most unemployment systems included a waiting week between the time a worker filed a claim and the time they could receive benefits. This was done primarily for administrative reasons, which no longer apply thanks to technological advancement. Since the waiting week forces families to dip sooner into any available savings, and does not increase benefit eligibility, states are starting to do away with this outdated measure.

State funds give more flexibility to respond to changing local needs.

just under $30 million dollars for services to adult job seekers, dislocated workers, and youth with education and training needs.

Because Maryland has relatively low poverty and unemployment rates, however, we receive less money than most other states, and our allotments are reduced nearly every year. Overall, WIA funds have gone down 33 percent since the program was implemented in 2000. This means that while almost 5,000 WIA clients received training services in 2000, just over 1,100 received training in 2005. This represents about 17% of all adult program entrants.[21]

Expanding State Support for Worker Training

To increase access to training, most other states supplement their WIA funds with state money. State funds help make up for declining WIA allocations, and also give the state more flexibility to respond to changing local needs. These state funds allow for the expansion of programs targeted toward specific industries, and the development of larger statewide programs. Since only 15 percent of WIA funds can be used for statewide initiatives, most programs must currently be established as stand-alone local projects.

Many states fund additional worker training through the unemployment system. In fact, 21 states plus the District of Columbia and Puerto Rico used the UI tax system to collect dedicated taxes for workforce development in 2006.[22] In most cases, these states offset a portion of incoming UI revenue for a special training fund. The offset amount is relatively small—usually around one tenth of one percent of taxable wages. Under Maryland's current system, the individual impact would be small, as this would represent less than $10 per covered employee per year. The cumulative effect, however, would be significant. This small tax could generate over $19 million in training funds each year.

Other states do not use the UI tax system, and instead funnel their UI penalty fees and trust fund interest money into worker training programs. This system would avoid any changes in UI taxes, and could still generate over $10 million in worker training funds each year. This mechanism may be more politically viable, but it would be less fiscally reliable.[23]

During an economic downturn, the trust fund is used to support UI benefit payments for large numbers of laid off workers. At these times, the trust fund balance will drop, and with it, so will interest earnings. This means that money flowing into the worker training fund will decrease at the same time as unemployed workers need it most. Such a system may be well suited as a mechanism for temporary training supplements, but not very reliable as a long-term program sustainer.

Maryland workers are not being fully served by the current system, and this puts local businesses at a competitive disadvantage. The state already has a relatively low unemployment rate, which leaves many industries with a shortage of skilled workers. Expanded training funded through flexible state dollars can address this problem and maximize Maryland's economic potential. Maryland should explore options for creating a worker training fund supported through the unemployment system.

Weaknesses of the Maryland UI System

There are a number of flaws in the current UI system.
As discussed in this paper, the most significant problems include:

- No coverage for part-time workers
- New workers denied benefits
- Low benefit amounts
- No funding for worker re-training
- Insecure long-term financing system

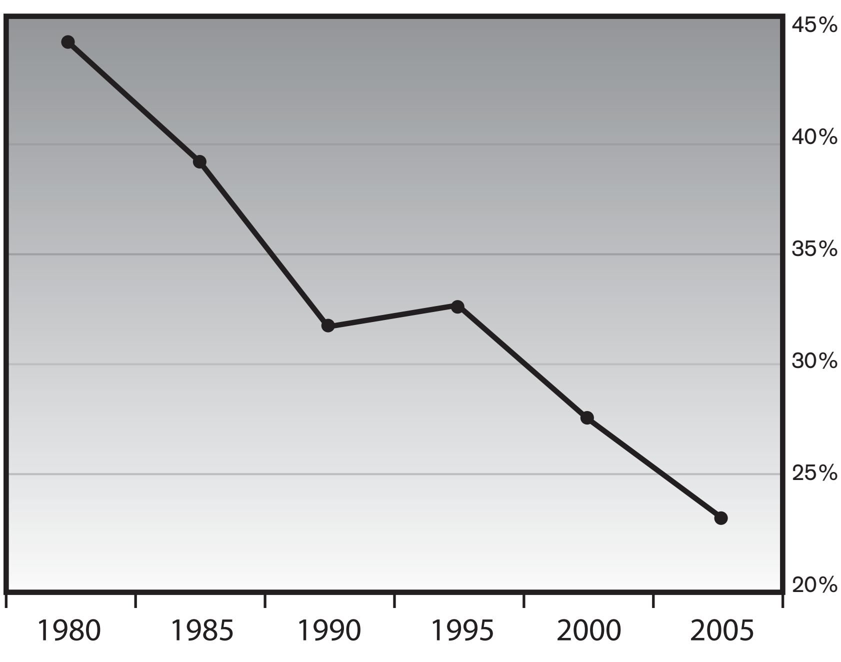
Creating a Stable Financing System

Maryland needs to build a stronger trust fund reserve in order to avoid levying extra taxes at the worst times.

In order to effectively serve both workers and employers, the UI system needs a foundation of stable financing. Currently, the state collects some of lowest unemployment taxes in the country. First, the percentage rate employers pay is less than the national average. Second, they pay this rate on a smaller portion of wages than employers in most other states. Overall, this means that Maryland expected to collect less than one-half of one percent of all wages to fund the unemployment system in 2006. Only five states have rates lower than this.[24]

Over the past few years, Maryland has been working to make the unemployment system more secure and equitable. In 2005, a series of changes adjusted the tax rates for employers. First, the minimum and maximum rates were increased slightly to bring more revenue into the system.

Without Indexing, the Percent of Wages Taxed Continues to Drop



Second, the new rate structure shifted more of the burden to employers with a worse experience rating—those employers with the worst history of layoffs. This means that in most years, fewer employers will have to pay the maximum tax rate.

There was a similar change in the system for replenishing the Unemployment Insurance Trust Fund. Previously, when the trust fund balance was low, an equal surcharge was levied on all employers to rebuild the fund. Companies with no layoffs paid the same surcharge as those with significant layoffs. The new rate tables require employers with the most claimants to face a larger increase in order to replenish the fund.

These changes are a first step in stabilizing Maryland's unemployment system, but more needs to be done. Since the current system actually lowers taxes once the trust fund stabilizes, it never has the opportunity to build up a solid reserve. When hard economic times hit and unemployment rises, the sudden increase in payouts can quickly erode the trust fund, and trigger a return to higher tax rates at a time when business is already struggling. Maryland needs to build a stronger trust fund reserve in order to avoid levying this extra burden at the worst time.

Increase & Index the Taxable Wage Base

Adjusting the taxable wage base will help ensure the trust fund's solvency and protect businesses from poorly timed tax increases. Currently, Maryland only taxes the first $8,500 of an employee's annual wages. This is just above the federally mandated minimum of $7,000, and far below the highs of over $25,000 found in six other states. Overall, 29 states have a higher taxable wage base than Maryland. It has not been adjusted since 1993.

Since the taxable wage base is not regularly adjusted, it has fallen far behind wage growth.

In 1980, the taxable wage base was $6000. This meant that covered employers paid taxes on 43 percent of all wages. By 2005, total wages had increased almost 500 percent, but the taxable wage base had only increased by $1500. This means that today only 23 percent of wages paid by covered employers are subject to any UI tax.[25] Just to keep pace with wage growth since the last increase in 1993, the current taxable wage base would need to be at least $12,500.[26] This would still be less than the taxable wage base in 20 other states. It would create an infusion of millions of new dollars into the trust fund.

Indexing the taxable wage base would ensure that it does not fall so far behind in future years. Sixteen other states and the Virgin Islands have already adopted this system. When a state's taxable wage base falls out of line with growing wages, there are a number of risks. First, it is more difficult for states to maintain a large enough trust fund balance when they are only taxing a small portion of wages. It also takes longer to replenish the trust fund after periods of high unemployment. Most importantly, it means that benefit payments will structurally outpace revenues. Since benefit amounts are based on earnings, economic growth and inflation will push people into higher benefit categories over time. Indexing ensures that revenues increase at the same pace.

How would this impact employers? Although the taxable wage base would go up, it would eventually cause tax *rates* to go down for employers with consistent experience ratings. Since the schedule of employer rates is based on the solvency of the trust fund, this new money could help keep the lowest rate scale in place for longer periods, and facilitate quicker return after periods of high unemployment. Furthermore, it would have no impact on payments for part-time or part-year employees earning less than $8,500 per year.

Comparison of UI Provisions in Neighboring States

	Part-Time Workers Eligible?	Alternative Base Period?	Indexed Weekly Benefit?	Dependent Allowance?	Waiting Period Eliminated?	UI-Funded Workforce Programs?	Indexed Taxable Wage Base?	Taxable Wage Base	Average Employer Tax Rate, Taxable Wages	Average Employer Tax Rate, All Wages
Maryland	×	×	×	Yes	Yes	×	×	$8,500	2.17	0.44
Delaware	Yes	×	×	×	Yes	Yes	×	$8,500	2.20	0.49
DC	Yes	Yes	Yes	×	×	Yes	×	$9,000	2.38	0.42
New Jersey	Yes	Yes	Yes	Yes	Yes	Yes	Yes	$25,800	1.78	0.81
New York	Yes	Yes	×	×	×	Yes	×	$8,500	4.01	0.72
Pennsylvania	Yes	×	Yes	Yes	×	×	×	$8,000	5.57	1.30
Virginia	×	Yes	×	×	×	×	×	$8,000	0.25	0.14
West Virginia	×	×	Yes	×	×	×	×	$8,000	2.84	0.86
Region (7 States + DC)	5	4	4	3	3	4	1	$10,538	2.65	0.65

Sources: McHugh, Rick and Andrew Stettner. "How Much Does Unemployment Insurance for Jobless Part Time Workers Cost?" National Employment Law Project, May 2005; U.S. Department of Labor, Employment and Training Administration. "Comparison of State Unemployment Insurance Laws, 2006."; and U.S. Department of Labor, Employment and Training Administration, "Average Employer Contribution Rates by State CY 2004-2006."

Comparison of UI Provisions – All States (53 including DC, PR, & VI)

	Part-Time Workers Eligible?	Alternative Base Period?	Indexed Weekly Benefit?	Dependent Allowance?	Waiting Period Eliminated?	UI-Funded Workforce Programs?	Indexed Taxable Wage Base?	Taxable Wage Base	Average Employer Tax Rate, Taxable Wages	Average Employer Tax Rate, All Wages
Alabama	×	×	×	×	Yes	Yes	×	$8,000	1.53	0.42
Alaska	×	×	×	Yes	×	Yes	Yes	$28,700	2.43	1.55
Arizona	×	×	×	×	×	Yes	×	$7,000	1.47	0.36
Arkansas	Yes	×	Yes	×	×	×	×	$10,000	2.45	0.88
California	Yes	×	×	×	×	Yes	×	$7,000	4.49	0.91
Colorado	Yes	×	Yes	×	×	×	×	$10,000	2.11	0.61
Connecticut	×	Yes	Yes	Yes	Yes	×	×	$15,000	2.64	0.76
Delaware	Yes	×	×	×	Yes	Yes	×	$8,500	2.20	0.49
DC	Yes	Yes	Yes	×	×	Yes	×	$9,000	2.38	0.42
Florida	Yes	×	×	×	×	×	×	$7,000	1.92	0.47
Georgia	×	Yes	×	×	Yes	×	×	$8,500	1.87	0.49
Hawaii	Yes	Yes	Yes	×	×	Yes	Yes	$34,000	1.25	0.85
Idaho	×	×	Yes	×	×	Yes	Yes	$29,200	1.22	0.82
Illinois	×	Yes*	Yes	Yes	×	×	×	$11,000	5.03	1.26
Indiana	×	×	×	×	×	Yes	×	$7,000	2.95	0.70
Iowa	Yes	×	Yes	Yes	Yes	×	Yes	$21,300	1.42	0.72
Kansas	Yes	×	Yes	×	×	×	×	$8,000	3.29	0.87
Kentucky	×	×	Yes	×	Yes	×	×	$8,000	2.72	0.74
Louisiana	Yes	×	Yes	×	×	Yes	×	$7,000	1.40	0.36
Maine	Yes	Yes	Yes	Yes	×	×	×	$12,000	1.80	0.71
Maryland	×	×	×	Yes	Yes	×	×	$8,500	2.17	0.44
Massachusetts	×	Yes	Yes	Yes	×	×	×	$14,000	4.51	1.32
Michigan	×	Yes	×	Yes	Yes	×	×	$9,000	4.95	1.14
Minnesota	Yes	×	Yes	×	×	Yes	Yes	$24,000	2.04	0.97
Mississippi	×	×	×	×	×	Yes	×	$7,000	1.88	0.56
Missouri	×	×	×	×	×	×	×	$11,000	2.15	0.65
Montana	×	×	Yes	×	×	×	Yes	$21,600	1.39	0.84

Conclusion

The Maryland UI system is not fully serving workers, employers, or the state economy. All workers deserve a basic safety net to help them get by after the involuntary loss of a job, and employers pay the tax on their wages to provide this. Nonetheless, only one-third of unemployed workers actually receive benefits.

For those who do receive benefits, the amount is so low that many families face a dramatic drop in income and are at risk for falling into poverty. The lack of worker training makes it difficult for low-skill workers to find new jobs, and also makes it harder for employers to find staff that meet their needs. The state economy needs better-trained workers in order to stay competitive and minimize the impact of labor shortages. None of this can be achieved without a stable, equitable system for long-term financing.

The five best practices JOTF recommends in this paper can help bring the UI system back on track. By adopting these small changes, the state can reinvigorate its unemployment insurance system and create a more stable, efficient economy.

	Part-Time Workers Eligible?	Alternative Base Period?	Indexed Weekly Benefit?	Dependent Allowance?	Waiting Period Eliminated?	UI-Funded Workforce Programs?	Indexed Taxable Wage Base?	Taxable Wage Base	Average Employer Tax Rate, Taxable Wages	Average Employer Tax Rate, All Wages
Nebraska	Yes	x	x	x	x	x	x	$8,000	2.52	0.62
Nevada	x	x	Yes	x	Yes	Yes	Yes	$24,000	4.01	0.72
New Hamp.	x	Yes	x	x	Yes	x	x	$8,000	1.92	0.46
New Jersey	Yes	Yes	Yes	Yes	Yes	Yes	Yes	$25,800	1.78	0.81
New Mexico	Yes	Yes	Yes	Yes	x	x	Yes	$17,200	0.87	0.67
New York	Yes	Yes	x	x	x	Yes	x	$8,500	4.01	0.72
North Carolina	Yes	Yes	Yes	x	x	x	Yes	$16,700	1.70	0.75
North Dakota	x	x	Yes	x	x	x	Yes	$19,400	1.37	0.75
Ohio	x	Yes	Yes	Yes	x	x	x	$9,000	2.76	0.76
Oklahoma	Yes	Yes	Yes	x	x	x	Yes	$13,500	1.29	0.56
Oregon	x	x	Yes	x	x	x	Yes	$28,000	2.19	1.36
Pennsylvania	Yes	x	Yes	Yes	x	x	x	$8,000	5.57	1.30
Puerto Rico	Yes	x	Yes	x	x	Yes	x	$7,000	3.90	1.39
Rhode Island	Yes	Yes	Yes	Yes	x	Yes	x	$16,000	3.43	1.37
South Carolina	x	x	Yes	x	x	Yes	x	$7,000	2.18	0.57
South Dakota	Yes	x	Yes	x	x	Yes	x	$7,000	0.78	0.22
Tennessee	x	x	x	x	x	Yes	x	$7,000	1.82	0.45
Texas	x	x	x	x	x	Yes	x	$9,000	2.24	0.56
Utah	x	x	Yes	x	x	x	Yes	$24,000	1.19	0.70
Vermont	Yes	Yes	Yes	x	Yes	x	x	$8,000	2.56	0.71
Virgin Islands	x	x	Yes	x	x	x	Yes	$18,600	1.62	0.38
Virginia	x	Yes	x	x	x	x	x	$8,000	0.25	0.14
Washington	x	Yes	Yes	x	x	Yes	Yes	$30,900	2.38	1.45
West Virginia	x	x	Yes	x	x	x	x	$8,000	2.84	0.86
Wisconsin	x	Yes	x	x	Yes	x	x	$10,500	2.90	0.92
Wyoming	Yes	x	Yes	x	Yes	Yes	Yes	$16,400	1.61	0.75
United States	24	20	34	13	14	23	17	$13,487	2.77	0.78

Sources: McHugh, Rick and Andrew Stettner. "How Much Does Unemployment Insurance for Jobless Part Time Workers Cost?" National Employment Law Project, May 2005; U.S. Department of Labor, Employment and Training Administration. "Comparison of State Unemployment Insurance Laws, 2006."; and U.S. Department of Labor, Employment and Training Administration, "Average Employer Contribution Rates by State CY 2004-2006."

**Alternative Base Period has been adopted in Illinois, but the policy will not take effect until 2008.*

About JOTF

The mission of JOTF is to develop and advocate policies and programs to increase the skills, job opportunities, and incomes of low-skill, low-income workers and job seekers.

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