

September 13, 2005

**REFORMING DISASTER UNEMPLOYMENT ASSISTANCE
TO SUPPORT FAMILIES LEFT JOBLESS AFTER HURRICANE KATRINA,
THEIR EMPLOYERS & THE REGION'S ECONOMY**

by

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In just four years, the nation has suffered the devastating effects of two major disasters. Nonetheless, there remains no effective national program in place to provide the families left jobless from a disaster with the financial support they need to survive and rebuild their lives. Instead, because of major restrictions adopted in the late 1980's to the federally-funded Disaster Unemployment Assistance (DUA) program, the state unemployment insurance (UI) programs are left primarily responsible for providing their only regular source of income support.

As a result of the program's restrictions, only 3,280 individuals received DUA in New York after the September 11th attacks (totaling \$13 million in benefits) and another 3,386 were denied disaster benefits. Most workers left jobless as a result of Hurricane Katrina will similarly be required to rely on state UI benefits, not DUA. Those who collect DUA will be limited to the self-employed and other special categories of workers who do not qualify for UI. As a result, most families left jobless as a result of Hurricane Katrina will receive especially limited financial assistance given the low level of UI benefits provided by the impacted states.

Thus, as Congress debates the relief to be provided the survivors of Hurricane Katrina, the time has come to fix the DUA program. Reform of the DUA program is also critically important to have in place a meaningful national response in the event of another major disaster. What follows is an outline of the necessary reforms to the DUA program which benefit not only the estimated 400,000 workers left jobless as a result of the hurricane, but also their employers and the Gulf Coast states and other communities where the evacuees have relocated.

- The DUA reforms are critical to support the families left jobless as a result of the disaster because they provide far more adequate income support without putting additional pressure on the state UI programs to restrict UI benefits.
- The DUA reforms benefit employers by moving workers off the UI program where the disaster has been declared and in neighboring states, thus eliminating pressure to raise state UI taxes.
- The DUA reforms support the Gulf Coast states and other communities where evacuees have relocated because the increased benefits help boost the region's economy, while removing the pressure on these states to provide additional assistance to supplement the limited UI benefits currently available.

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#1: Remove the federal restriction requiring unemployed families from the disaster areas to collect limited state unemployment benefits rather than DUA.

Given the magnitude of the disaster on businesses in Louisiana, Alabama, Mississippi and other neighboring states, it is necessary to first ensure that the federal DUA program, not the state UI programs, provides benefits to unemployed disaster victims.

This requires a change in federal law adopted in 1988 (P.L. 100-707, Section 102(f), 102 Stat. 4704), which shifted all workers who are eligible for state unemployment benefits off the DUA program. If these families are required to collect UI instead of DUA, they will receive extremely limited financial support despite the significant level of need caused by the hurricane's devastation. UI benefits average between \$171 to \$193 week in Alabama, Louisiana and Mississippi, which are the lowest levels in the nation.

In addition, if the UI requirement is not removed allowing all workers unemployed as a result of the disaster to collect DUA, the costs of the UI benefits will be passed on to the state unemployment systems which are funded by a state payroll tax. As result, there will be increased pressure to raise state unemployment taxes, which will hurt employers seeking to rebuild after the devastation. In addition, the significant demand for unemployment benefits will also produce pressure to further restrict UI benefits to control the cost of the state programs.

#2: Establish a minimum DUA benefit of at least \$270 a week providing far more adequate income than the minimum benefit of \$85 to \$97 currently available in the disaster states.

Although the federal DUA law (42 U.S.C. Section 5177(a)) allows the Department of Labor (DOL) to provide DUA up to the "maximum weekly amount authorized" by a state's UI program, the agency's regulations currently limit the weekly DUA benefits to a far lesser amount that is insufficient for the victims of Hurricane Katrina to survive in the wake of this major disaster.

Specifically, the agency's regulations limit the minimum weekly amount of DUA benefits to 50% of the average weekly payment of regular UI in the state (or, if higher, to the same amount that the individual would have collected under the state's UI program). However, because of the limited UI benefits provided in Alabama, Mississippi, and Louisiana, the minimum DUA benefit ranges from just \$85 to \$97 a week. Thus, for the disaster victims to survive on their DUA benefits given the unique scope of the hardship, it is necessary to raise the minimum weekly DUA benefit to at least the national average UI benefit of \$270.

Table 1: Weekly State UI Benefit Levels

	Minimum Weekly UI Benefit	Maximum Weekly UI Benefit	Average Weekly UI Benefit
Alabama	\$45	\$220	\$180
Louisiana	\$10	\$258	\$193
Mississippi	\$30	\$210	\$171
U.S. Average	\$44	\$377	\$270

#3: Remove the unfair offsets to DUA benefits that far exceed the comparable offsets required by state UI laws.

By regulation (not the DUA statute), DUA benefits must be offset dollar for dollar by several sources of income, including private insurance payments, supplemental unemployment benefits provided by employers, and a certain amount of pensions and annuities. (20 C.F.R. Section 625.13). These DUA requirements conflict with state UI laws, which require offsets in more limited situations that are considered a proxy for wages, like severance payments. The state UI laws do not require offsets for private insurance payments or, in most cases, for supplemental unemployment benefits. Thus, the regulations requiring these offsets to DUA benefits should be repealed and DUA recipients should be subject to the same offset rules that apply to the state's unemployment benefits.

#4: Extend the maximum duration of DUA benefits from 26 to 52 weeks to account for the especially difficult transition of the evacuees and the new realities of long-term joblessness.

By all accounts, the process of rebuilding the communities and businesses that have been destroyed as a result of Hurricane Katrina will take longer than any other major disaster on record in the United States. The families of the disaster have now been entirely uprooted from their communities, which makes their transition to find new work even more difficult as they make hard choices about where to settle and whether to pursue new careers.

Moreover, today's labor market has been producing jobs at only a moderate pace, at best, compared to prior recoveries. In addition, long-term unemployment has never remained this high for this long following a recession (with more than 20% of the unemployed out of work for six months or long for nearly three years after the recession officially ended). Thus, even before the disaster, an average of 40% of Louisiana workers exhausted their 26 weeks state unemployment benefits.

Given these difficult new realities facing the families left jobless as a result of Hurricane Katrina, it is necessary to also extend the maximum number of weeks of DUA assistance from the current 26 weeks (i.e., the same number of available to all UI recipients) to 52 weeks. Prior to the 1988 Amendments to the DUA program (P.L. 100-707, Section 102(f), 102 Stat. 4704), DUA recipients were entitled to 52 weeks of disaster benefits.

#5: Supplement the UI benefits provided to those workers unemployed before Hurricane Katrina with at least 20 weeks of DUA.

Thousands of struggling families are now in the situation where they were unemployed before the disaster hit, thus they cannot qualify for DUA because they were not laid off as a direct result of the disaster. However, because their unemployment will be significantly prolonged as a result of the disaster, they too will require additional weeks of income support once they exhaust their maximum 26 weeks of UI benefits.

In Louisiana alone, more than 29,000 workers were collecting DUA before Hurricane Katrina hit the Gulf Coast, and another 57,000 were collecting UI in Alabama and Mississippi. Although a significant proportion of these workers will not require a supplement to their state UI benefits, large numbers certainly will given the high rates at which workers exhaust their UI benefits. By comparison, during the six-month period from October 2004 to March 2005, about 44,000 workers exhausted their UI benefits in the three major hurricane states. Accordingly, DUA should supplement the UI benefits of these workers by up to 20 weeks at the \$270 minimum weekly DUA benefit proposed above (#2).

Table 2: Number of Unemployed Collecting & Exhausting UI Benefits

	Number of Unemployed (July 2005)	Number Receiving UI Benefits (August 20, 2005)	Number Exhausting UI Benefits (October 2004 to March 2005)
Alabama	85,300	27,602	15,732
Louisiana	117,000	29,340	17,933
Mississippi	86,800	18,162	10,136
Totals	289,100	75,104	43,801

#6: Expand DUA to cover more workers employed outside the disaster areas who were laid off because of the loss of business generated from the disaster area.

Because the hurricane’s devastation will extend to businesses far beyond the borders of the flood areas, even to other neighboring states and communities that have not been officially declared disaster areas, it is important to clarify that "secondary workers" who lost their jobs because of the loss of revenue from businesses in the disaster area are also entitled to DUA benefits.

Currently, the federal law is broad enough to cover any worker “unemployed as a result of a major disaster” (42 U.S.C. Section 5177(a). However, DOL regulations (20 C.F.R. Section 625.5(c)) mandate that the workers be unemployed as a “*direct* result” of a major disaster, requiring proof that the employer "received at least a majority of its revenue or income from an entity that was either damaged or destroyed in the disaster." This inflexible numerical standard makes it especially difficult for most unemployed “secondary” workers to qualify for DUA benefits.

Thus, the federal law should first be clarified to expressly cover workers unemployed outside an officially-declared disaster area if they too can establish that they are unemployed a result of a disaster. In addition, the federal law should allow workers to establish that the loss of revenue or income from the client company of the employer “contributed importantly” to the layoff or reduced hours off work. This is the same standard that applies to workers seeking to prove that they were left unemployed as a result of trade in order to collect Trade Adjustment Assistance training and income support.