

Indiana Unemployment Insurance Program At A Glance

By National Employment Law Project

Unemployment insurance (UI) is an important tool in fighting recession. By maintaining spending power, UI benefits help jobless workers, affected communities and a state's economy. As unemployment rose in 2008, Indiana's UI program paid \$971.7 million in benefits to unemployed Hoosiers.

- **Economy and Unemployment.** Employment in Indiana peaked at 3.083 million in December 2006 and had declined to 2.993 million by December 2008. In that month, the unemployment rate in Indiana reached 7.8 percent, rising from a low of 2.7 percent in September 2000. The number of unemployed persons was 254,360 in December 2008, an increase of 108,482 since the official start of the U.S. recession in December 2007. Layoffs have reached all regions of the state.
- **UI Claims Overview.** By mid-February 2009, there were about 155,000 individuals receiving weekly UI benefits in Indiana, up about 75,000 insured claims a week from one year ago. New UI claims are running at over 15,000 for every week since mid-November 2008, more than doubling from levels in mid-February 2008. In CY 2008, there were 261,334 "first payments" of unemployment benefits, and over 93,086 exhaustions of UI benefits. Average weekly UI claims were 74,000, compared to 54,900 weekly claims in CY 2007. An estimated 13,000 weekly claims for Emergency Unemployment Compensation were paid in December 2008.
- **UI Benefit Amounts.** Indiana's average weekly UI benefit for 2008 was \$298, which was 41% of the statewide average weekly wage. The national average weekly benefit amount for 2008 was \$297. Indiana's maximum weekly benefit was \$390 a week in 2008. The traditional rule of thumb called for UI benefits to replace 50% of pre-layoff wages up to a maximum weekly benefit rate equal to two-thirds of the statewide average wage. Notably, Indiana's benefit levels have improved since the early 1990s and now provide more adequate levels of income support for jobless workers.
- **UI Financing Overview.** State UI benefits are financed by payroll taxes paid by employers. Two-thirds of Indiana's employers paid UI tax rates that were less than 0.51% of total wages in 2008. UI payroll taxes are paid on the first \$7000 earned by employees in each year (taxable wage base). In Indiana, 2008 average taxes on taxable wages were 2.71%, or \$227 per employee. In comparison, national average tax rates on taxable wages were 2.26% but average taxes amounted to \$274 because many states have higher taxable wage bases. U.S. average tax rates on total wages in 2008 were 0.65 percent, while they were 0.61 percent in Indiana.
- **Trust Fund Borrowing.** Benefit payments have exceeded UI payroll tax revenues for several years. As a result, in late 2008 Indiana started borrowing federal loans to pay UI benefits because its state trust fund had no remaining reserves. The American Recovery and Reinvestment Act suspended federal interest on UI trust fund loans through 2010. This should relieve some pressure on Indiana and other insolvent states. Indiana's low taxable wage base, lower than average tax rates, and low maximum UI payroll tax rate (5.6%) limit its ability to return to financial solvency.

- **Duration of Benefits.** Despite the recession, Indiana's average duration of UI claims was only 12.8 weeks in 2008, two weeks less than the national average claim duration of 14.9 weeks. Indiana pays from 8 to 26 weeks of regular UI benefits. The number of weeks of benefits is calculated as 28 percent of base period wages. This is less than the most common formula, which calculates weeks of benefits based upon 33% of base period wages. Indiana's formula for figuring the number of weeks in a claim means that lower paid or part year workers get shorter durations of benefits. At least 31 states have more generous formulas for calculating duration of benefits than Indiana.
- **Proportion of Unemployed Workers Receiving UI Benefits.** The proportion of unemployed workers getting UI benefits is measured by comparing Insured Unemployment with Total Unemployment. For 2008 in Indiana, this ratio was 39. An IU/TU ratio at this level means that roughly 39 of 100 jobless workers got UI benefits in Indiana last year. Indiana's UI reciprocity rate ranked 19th out of the 53 UI jurisdictions (D.C., Puerto Rico, and Virgin Islands and the 50 states).

New Options for Long Term Unemployed Workers and for UI Modernization

New options for improving state UI programs are provided in the American Recovery and Reinvestment Act. In particular, by adopting an added total unemployment rate trigger, Indiana could make added weeks of Extended Benefits available to long-term unemployed workers with full federal funding of these benefits.

In addition, ARRA provides financial incentives to states with UI programs that have selected "modernization" elements that will increase access to UI benefits. Indiana's portion of these incentives amounts to \$148.5 million. By putting some of these elements into its UI law, Indiana could assist more jobless workers and get added federal funding for its UI program. More information on UI modernization is available at http://www.nelp.org/index.php/site/issues/category/modernizing_unemployment_insurance.

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Note: All UI statistics are provided by the U.S. Department of Labor, Office of Workforce Security. Labor market statistics are from Bureau of Labor Statistics.