

2002 State Legislative Highlights: Expanding Unemployment Insurance for Low-Wage, Women & Part-Time Workers

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In recent years, policy makers in the states have actively debated unemployment insurance (UI) reform to fill the gaps in the program that penalize low-wage, women and part-time workers. In 2002, as a result of the recession, state legislative activity increased even more significantly. According to a survey of the National Conference of State Legislatures, UI reform topped the list of active employment legislation in 2002, resulting in substantial policy reforms.

This increase in state activity was coupled with the passage in March 2002 of a temporary federal extension of UI benefits and the distribution of \$8 billion in new federal UI funds (“Reed Act”) for the states to spend on the UI program. What follows is a round-up of the state legislative reforms that have been enacted and proposed in 2002, focusing on those policies of special significance to low-wage, women and part-time workers.

Summary of Key State Reforms

- **Low-Wage Worker Eligibility Reforms:** In 2002, at least 10 states actively debated the alternative base period (ABP), which expands eligibility for those workers who need their most recent earnings to qualify for UI. The legislation was enacted in Oklahoma and Georgia (creating an 18-month pilot program beginning in January 2003). It is still pending in the District of Columbia.
- **States Extend UI Benefits:** While Congress debated proposals to extend unemployment benefits beyond the 26 weeks of regular state UI, six states (including Hawaii, Oregon, Minnesota, New Jersey, Vermont and Wisconsin) enacted state-funded extended benefits programs for the long-term unemployed. A number of states (California, District of Columbia, New Jersey, New York, Virginia) also suspended their “waiting week” temporarily. In 2002, New Jersey eliminated the waiting week permanently.
- **States Increase Weekly UI Benefits:** In 2002, six states and jurisdictions enacted significant increases in the weekly amount of UI of benefits (California, District of Columbia, Michigan, New Hampshire, Vermont, and Virginia), while several others enacted more moderate benefit increases (Alabama, Georgia, Maryland, Oregon).
- **Cutting UI Payroll Taxes:** Despite the recession, many states continued to provide significant UI tax breaks to employers, thus reducing their UI funding. For example, Georgia extended its “tax holiday” another year, saving employers \$139 million. In Wisconsin, all UI payroll tax increases were suspended until 2004. In other states, such as Florida, scheduled tax increases were avoided because the new federal UI funds were deposited in the state UI accounts and benefits were not increased.

Expanding Eligibility for Low-Wage & Part-Time Workers

- **Alternate Base Period**

Due to outdated methods of processing UI claims, most states ignore three to six months' of a worker's most recent earnings when a worker's eligibility for UI is determined. As a result, many low-wage workers with recent earnings are denied UI even though they may have worked and had substantial recent earnings that would otherwise be sufficient to qualify for UI. Prior to 2002, twelve states had enacted the "alternate base period" (ABP), which counts the workers' more recent wages when needed to qualify for UI (including Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Rhode Island, Vermont, Washington and Wisconsin).

In 2002, at least 10 states proposed adoption of the ABP. The legislation was enacted in Oklahoma (effective November 2002) and Georgia (creating an 18-month pilot program beginning in January 2003). A bill is also still pending in the District of Columbia. Alternative base period legislation was actively debated in Arizona, Colorado, Florida and Minnesota, where bills passed at least one House of their respective state legislatures. Aggressive campaigns were also waged in Connecticut, Maryland and New Mexico. In California, legislation was enacted late last year creating a commission to study the alternative base period and provide recommendations to the Legislature by December 2002.

- **Part-Time Workers**

Looking for Part-Time Work: Nearly one-fifth of workers are part-time, often including large numbers of women and low-wage workers. However, part-time workers cannot collect UI in many states because the rules require them to be "able and available" for full-time work, even if they meet the monetary eligibility requirements through part-time work. About 20 states allow workers to look for less than full-time work under various circumstances to qualify for UI, including two states (California and Minnesota) that enacted laws in 2001.

In 2002, at least nine states considered UI legislation to allow part-time workers to seek less than full-time work (Colorado, Connecticut, Georgia, Maine, Maryland, Michigan, New Hampshire, New Mexico, New Jersey). Although none of the 2002 bills was enacted into law, New Jersey's legislation is still pending and several others progressed close to passage. Maine's bill was passed by its legislature, but vetoed by the Governor. New Hampshire's bill was defeated in conference committee after passing the relevant legislative committees, and Colorado's bill passed the Senate.

Disregarding Part-Time Earnings While Collecting UI: Workers can collect UI while working part-time, thus providing support to workers whose hours are reduced from full to part-time work. Many workers are often denied these "partial" UI benefits because of special state rules that significantly limit the amount of part-time earnings a worker may receive while collecting UI. At least seven states considered measures in 2002 to reform their partial UI programs (Arizona, California, Colorado, District of Columbia, Georgia, Maryland) focusing on those workers whose

hours were reduced as a result of the recession. Georgia enacted a law increasing the earnings disregard from \$30 to \$50, and the District of Columbia implemented a temporary increase of \$20 (lasting September 2001 to March 2002).

Leaving Work for Compelling Domestic Reasons

While still in the minority, many states provide UI benefits to individuals who leave work due to compelling domestic circumstances, including child care, domestic violence and other situations that significantly impact women workers.

In recent years, the number of states that have adopted laws expressly covering domestic violence survivors who leave work for “good cause” has increased significantly. In 2001, five new states enacted domestic violence provisions (Connecticut, Massachusetts, Minnesota, Montana, Oregon), bringing the total to 17 states. In 2002, Washington also enacted legislation, providing one of the most comprehensive of the domestic violence laws that now exists. Domestic violence legislation was defeated this year in a number of other states (Georgia, Hawaii, Iowa, Maryland, New Mexico, Tennessee, Vermont, West Virginia).

Increasing the Amount & the Duration of Unemployment Benefits

- **State Legislation Extending Unemployment Benefits**

While Congress debated proposals to extend unemployment benefits beyond the 26 weeks of regular state UI, six states (including Hawaii, Minnesota, New Jersey, Oregon, Vermont and Wisconsin) enacted state-funded extended benefits programs for the long-term unemployed. There are some variations among these programs worth emphasizing.

The Hawaii extension lasts from September 11th to June 2002, providing up to 13 weeks of additional UI. However, workers who became eligible for federal extended benefits (which began March 10th and expire December 2002) do not qualify to receive the Hawaii extension. In Oregon, the extension lasts from April 2002 to December 2002, also providing up to 13 weeks of benefits. Oregon workers may collect the state-funded extension after their federal extended benefits run out. Wisconsin’s law also runs from March 2002 to December 2002, providing up to eight weeks of UI to those individuals who have run out of all state and federal UI benefits.

In contrast, New Jersey’s law provided 10 weeks of extended benefits, paid retroactively to all workers who exhausted their state benefits between December 2001 and March 9, 2002 (that is, just before the federal extension went into effect). Minnesota and Vermont enacted laws providing extended benefits to workers who collected regular UI but failed to qualify for the federal extension of benefits because of the federal rule requiring at least 20 weeks of work during the base period of employment. In addition, Minnesota enacted a new temporary extension, lasting through 2003 and providing an additional 13 weeks of benefits to workers in selected industries hardest hit by the recession.

Other states, including Maine and Illinois, considered bills to create state-funded extensions, and legislation is still pending in New York. California and New Jersey also have legislation pending to reduce the unemployment level required to qualify for the Extended Benefits (EB)

program, the permanent federal program providing 13 weeks of extended benefits to high unemployment states. The cost of the EB program is shared half by the federal government and half by the states.

- **Repealing the “Waiting Week”**

Most states prevent workers from receiving UI benefits during the first week of their unemployment, which means that they receive one week less in benefits unless they stay on regular UI for the full 26 weeks. Prior to September 11th, twelve states (Alabama, Connecticut, Delaware, Georgia, Iowa, Kentucky, Maryland, Michigan, Nevada, New Hampshire, Vermont and Wisconsin) limited or eliminated their waiting week. In the aftermath of September 11th, a number of states (California, District of Columbia, New Jersey, New York, Virginia) responded immediately by suspending their “waiting week” temporarily. In 2002, New Jersey eliminated the waiting week permanently, and similar legislation was considered in several other states (Arizona, Colorado, Florida, Indiana, Mississippi, New Mexico, Virginia and Washington).

- **Increasing the Weekly Amount of Benefits**

In 2002, six states and jurisdictions enacted significant increases in the weekly amount of UI of benefits (California, District of Columbia, Michigan, New Hampshire, Vermont, Virginia), while several others enacted more moderate benefit increase (Alabama, Georgia, Maryland, Oregon).

In California, a weekly benefit increase of up to \$100 took effect January 2002. As a result of the law enacted in 2002, the increase in benefits will also be paid retroactively to all workers who collected unemployment starting after September 11th. In Michigan, the maximum weekly benefit was increased from \$300 to \$362, and in Virginia, benefits were increased by over 37%, from a maximum of \$268 to \$368, lasting through January 2003 (also reaching back to September 2001 to March 2002). In New Hampshire, benefits were increased significantly as well, from a maximum of \$331 to \$372 a week.

In Vermont, all workers were provided with an \$18 increase in their weekly benefit and the maximum benefit was increased by 13% increase (to \$369), with both provisions lasting for one year. Thereafter, the maximum benefit will increase permanently by 7.5% in Vermont. Weekly benefits in the District of Columbia were increased for the period from September 2001 to March 2002 by 25%. Alabama’s increased its maximum benefits from \$190 to \$210, moving Arizona to last place in the national rankings with the lowest maximum weekly benefits at \$205 a week.

States Cut Employer Payroll Taxes

At the same time that many states strenuously resisted proposals to expand unemployment benefits, during the current recession they continued the trend of the last decade to significantly reduce UI payroll taxes. In several states, the payroll tax cuts (or, in some cases, increases in taxes that were deferred), were made possible by the substantial surplus federal UI funding the states received in March 2002.

For example, in Georgia, the “tax holiday” that has been in place for the past several years was extended another year, saving employers \$139 million. In Wisconsin, all UI payroll tax increases were suspended until 2004, and similar legislation was enacted in New Jersey and Michigan. In other states, such as Florida, scheduled tax increases were avoided because the new federal funds were deposited in the state accounts and benefits were not expanded.