

Fact Sheet on Louisiana Unemployment Insurance Program

By National Employment Law Project

Introduction

The advantages of having a strong safety net are often missed in discussions about unemployment insurance (UI). 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, Louisiana's UI program paid \$213.7 million in benefits to unemployed Louisianans, making a significant contribution to the state's economic picture.

Despite this positive contribution, Louisiana's current UI program falls short in several respects. By making better use of the state's \$1.4 billion UI trust fund to fight the growing impact of recession, Louisiana could help keep the growing ranks of jobless workers from getting even bigger in the months and years to come. This fact sheet collects information about Louisiana's UI program and labor market from several sources to give readers a concise overview of information about this critical safety net program.

- Economy and Unemployment.** The current recession officially started in December 2007, but its impact has come later to Louisiana than to many other states. Unemployment has risen throughout 2008, rising from only 3.8 percent in January 2008 to 5.5 percent by December 2008. By December, there were 116,350 unemployed individuals in Louisiana, an increase of 39,219 since the beginning of last year. As production and employment is further impacted by a severe U.S. recession, Louisiana's economy will continue to decline and increased numbers of Louisiana residents will need to rely upon UI benefits for their economic survival.
- UI Claimants Overview.** By January 2009, there were 38,300 individuals receiving weekly UI benefits in Louisiana, up by about 15,900 insured claims a week from one year ago. New UI claims averaged about 4600 a week in January 2009, up from 3200 a week in January 2008, constituting over a 40 percent increase over the last year. In 2008, there were 75,494 "first payments" of unemployment benefits, and over 24,000 exhaustions of UI benefits in Louisiana. Average weekly UI claims for the year were 26,000, compared to 20,600 weekly claims in 2007. In 2008, just more than half of UI recipients were women (51.4%) in Louisiana. Fifty-five percent of UI claimants were black, while 43 percent were white and 2.1 percent were Hispanic. The state's UI recipients were formerly employed in construction (13.9%), manufacturing (9.2%), health (8.8%), and retail trade (7.6%), and other occupations.
- UI Benefit Amounts.** Louisiana's UI program fails to pay adequate UI benefits and this hurts the program's ability to help unemployed workers and the state's economy. Louisiana's average weekly UI benefit for 2008 was only \$209, ranking 49 out of the 53 UI jurisdictions (states plus D.C., Puerto Rico, and Virgin Islands). In comparison, the national average weekly UI benefit amount for 2008 was \$297. This benefit level was only 28 percent of the statewide average weekly wage, while nationally average UI benefits replaced about 35 percent of average wages. Louisiana's maximum weekly benefit is currently \$284 a week in 2008—below the national *average* weekly benefit. In the field of UI administration, the rule of thumb called for UI benefits to replace 50 percent of pre-layoff wages up to a maximum weekly benefit rate equal to two-thirds of the statewide average wage. Notably, Louisiana's maximum weekly benefit is less than half of its state average weekly wage.

- **UI Financing Overview.** State UI benefits are financed by payroll taxes paid by employers. UI taxes in Louisiana are extremely low. In Louisiana, UI payroll taxes are paid on the first \$7000 earned by employees in each year (taxable wage base). In Louisiana, 2008 average taxes on taxable wages were 1.40 percent, or \$98 per employee. In comparison, national average tax rates on taxable wages were 2.26 percent, and average taxes per employee 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 in Louisiana they were less than half the national average—only 0.30 percent.
- **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 Louisiana, this ratio for the state's UI program was 29. An IU/TU ratio at this level means that only 29 of 100 jobless workers got UI benefits in Louisiana last year. Louisiana's UI reciprocity rate ranked 42 out of the 53 UI jurisdictions and compares unfavorably to a national IU/TU of 37 for regular state UI programs. Low UI reciprocity is just one more indicator showing how stingy Louisiana's UI program has grown over recent decades.
- **Trust Fund Reserves.** At the close of 2008, Louisiana had \$1.46 billion in its state trust fund. This ranked as the nation's third largest trust fund. Nonetheless, some in Louisiana claim the state can't afford to improve its UI program. It is not an oversimplification to say that Louisiana has set up its own peculiar set of rules UI rules designed to ensure its trust fund is always flush, UI taxes and benefits are extremely low, and the state can never afford to improve its UI program. In effect, this is like setting up a rainy day fund and then not using the funds when it starts to rain. Given the growing numbers of jobless workers, and the gaps in Louisiana's UI program, now is the time to make a better use of trust fund dollars to pay for adequate benefits to reasonable numbers of the state's jobless workers.
- **UI Modernization.** Louisiana's low UI reciprocity rate and restrictive UI program can be changed for the better by adopting modernizing reforms like those featured in the American Recovery and Reinvestment Act. In particular, by adopting a few modest reforms, Louisiana can not only improve its UI program, it can receive up to \$98.4 million in federal financial incentives for UI modernization while supporting more of its jobless residents and helping businesses in their communities. Depending upon the timing of these changes and the overall shape of the state's labor market and economy, these changes would be very affordable to Louisiana. 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.