

Unemployment Insurance Modernization: \$33 Million at Stake for WV Workers

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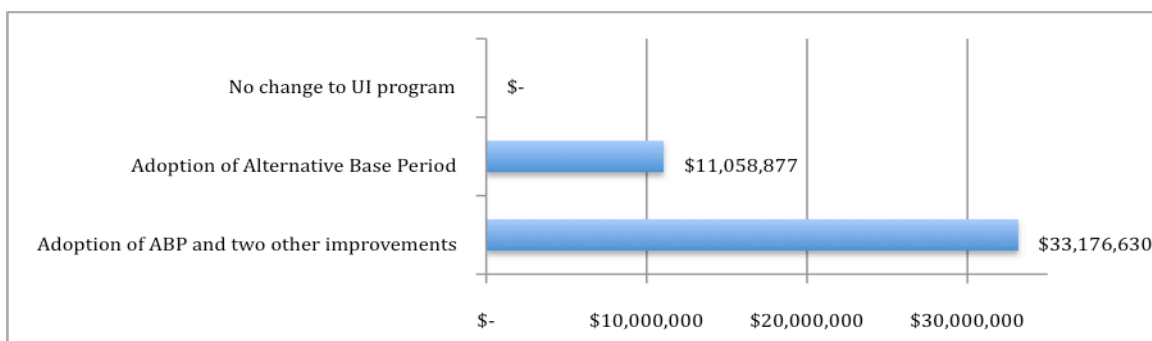
The American Recovery and Reinvestment Act of 2009 includes important provisions to help jobless workers, including raising weekly unemployment benefits by \$25, extending the Emergency Unemployment Compensation Fund through December, suspending taxation on the first \$2,400 of unemployment benefits, and subsidizing health insurance premiums under COBRA. In West Virginia, these provisions are expected to help nearly 90,000 who are or become unemployed this year.

In addition, the Recovery Act includes \$7 billion in incentives for states to modernize their unemployment insurance (UI) programs. Only 37 percent of jobless workers in the U.S. (and 36 percent in West Virginia) collect state unemployment benefits, due largely to the failure of the program to keep up with changes the economy and workforce.ⁱ West Virginia's UI program is in urgent need of re-tooling, especially with the state's rapidly rising unemployment.ⁱⁱ West Virginia's current program:

- relies on an outmoded method of calculating unemployment benefits;
- excludes most part-time workers, as well as workers who leave their jobs due to domestic violence, to care for an ill or disabled family member, or to relocate with a spouse who has a job elsewhere;
- does not cover workers enrolled in certified training programs to upgrade their skills and training in order to find work in growth industries; and
- does not provide a dependent allowance for jobless workers with children.

West Virginia is eligible for \$33.2 million if it enacts certain program improvements. To receive the first third of its allocation, the state must adopt an Alternative Base Period for calculating benefits. To receive the remaining two-thirds, the state must adopt at least two of four possible improvements specified in the Recovery Act. The funds provided would cover the cost of these improvements for seven years. States may apply for the funds as soon as their laws meet the modernization requirements.

Figure 1: Funds available if West Virginia improves its UI program



Source: U.S. Department of Labor, Employment and Training Administration, February 26, 2009.

Improvements Funded under the Recovery Actⁱⁱⁱ

The Recovery Act delineates five UI program improvements for which states may receive incentive funds. West Virginia has not adopted any of these measures to date.

Figure 2: Modernization provisions included in Recovery Act

Modernization provision	# of states (inc. D.C.) with provision	West Virginia?
Alternative Base Period (required)	19	NO
Plus at least two of the following four:		
1. Part-time worker coverage	20	NO
2. Compelling family reason to leave job:		
• domestic violence	29	NO
• family illness, disability	16	NO
• spouse relocates	15	NO
3. Extended UI while in training	5	NO
4. Weekly dependent allowance	4	NO

Source: National Employment Law Project, February 17, 2009.

Base Period Provision

In order to qualify for any UI modernization funds, a state must either use a regular base period for calculating benefits that includes the most recent quarter of employment or adopt an Alternative Base Period. This action allows the state to draw down one-third of its allotment and would benefit an estimated 512 West Virginia workers. West Virginia's current system does not count the most recent quarter of work when calculating a worker's UI benefits. This "lag quarter" was once needed for records and payments to be updated and transmitted manually, but is unnecessary with today's technology. Further, the method penalizes workers by not allowing them to include the most recent quarter, which may have been their highest paid. In some cases, exclusion of the most recent quarter causes the worker to not meet the minimum income threshold for the program.

Additional improvements, of which the state must adopt at least two:

1. Part-time workers

Under this provision, states must allow for payment of unemployment benefits to certain individuals seeking only part-time work. At a minimum, people who worked part-time during the majority of weeks in their base period must be allowed to seek only part-time work if they so choose. An estimated 1,850 West Virginia workers would benefit from this improvement.

The state's definition of "seeking only part-time work" must include one or more of the following:

- Situations where the person is willing to work at least 20 hours per week.
- Situations where the person is available to work a comparable number of hours as worked during the base period. (For example, the state could require a person who worked 30 hours per week during the base period to seek jobs offering at least 30 hours of work.)
- Situations where the person is available to work a comparable number of hours as worked at the time he or she became unemployed.

The state could also adopt a broader definition of part-time work, which could take into account the decline of full-time jobs during a recession. Nationally, the number of part-time workers who were involuntarily substituting part-time work for full-time employment increased 42 percent in 2008. By comparison, the recession of 2001 resulted in an increase of 28 percent of part-time workers who were unable to find full-time work.^{iv} The magnitude and duration of the current recession is likely to result in thousands of additional involuntary part-time workers in West Virginia.

2. Unemployment due to compelling family reasons

Under this provision, states must cover people who leave their employment for family circumstances specified in the Recovery Act. An estimated 513 West Virginia workers would benefit from this provision. "Compelling family reasons" include the following:

- Domestic violence that causes persons to reasonably believe that their continued employment would jeopardize their safety or the safety of immediate family members. The state may require a statement from a qualified professional and must keep all information confidential.
- The illness or disability of a member of the person's immediate family, which at a minimum must include spouses, parents and minor children. "Illness or disability" means a verified condition which necessitates care of the ill or disabled person for a period of time longer than that which the employer is willing to grant (paid or otherwise).
- The need for the person to accompany his/her spouse due a change in location of the spouse's employment at a distance too far to commute.

3. Extended benefits while in training

Under this provision, the state must provide a training benefit to any individual who is unemployed, has exhausted all rights to regular UI benefits, and is enrolled and making satisfactory progress in a state-approved training program or job training program authorized under the federal Workforce Investment Act. The state may target this assistance to persons unemployed from declining or relocated industries to enable them to enter high-demand occupations. The weekly benefit paid under this option must, at a minimum, equal the person's weekly benefit amount for the most recent year, less any deductible income as specified by state law.

4. Weekly dependent allowance

The final provision that states may adopt is a dependent allowance of \$15 per dependent per week. The state may cap the allowance paid to an individual for dependents at \$50 per week of unemployment or 50 percent of the individual's weekly benefit amount, whichever is less. The term "dependent" is the definition included in state law.

Accessing UI modernization funds

States must apply to the federal Department of Labor to receive incentive payments. States may submit separate or combined applications for the one-third portion (Alternative Base Period) and two-thirds portion (additional improvements). Within 30 days of receiving a completed application, the Department of Labor will notify the state as to whether or not it qualifies for an incentive payment. If it does, the U.S. Treasury will transfer the incentive payment to the state within seven days.

The federal government has expedited the application review process in order to respond to the rapidly growing number of jobless workers who would benefit from the reforms. State allocations that have not been claimed by the end of September 2011 will be redistributed to those states that meet the requirements.

West Virginia will gain \$33.2 million once it adopts the necessary improvements. Nearly 3,000 jobless workers would benefit from the provisions regarding base period, part-time workers, and compelling family reasons for leaving a job. West Virginia workers and their families would be well-served by prompt state action to adopt all of the recommended reforms.

ⁱ National Employment Law Program. "The Unemployment Insurance Modernization Act: Filling the Gaps in the Unemployment Safety Net While Stimulating the Economy," February 17, 2009. Accessed at <http://www.nelp.org/page/-/UI/uima.fact.sheet.jan.09.pdf?nocdn=1>.

ⁱⁱ Workforce West Virginia press release, February 26, 2009, indicates that unemployment jumped from 4.4 percent in December 2008 to 6.2 percent in January 2009; January's seasonally adjusted 5.3 percent unemployment rate is the highest in more than four years. Accessed at <http://www.wvbep.org/bep/lmi/datarel/DRNEWS.pdf>

ⁱⁱⁱ U.S. Department of Labor, Employment and Training Administration. Unemployment Insurance Program Letter No. 14-09, February 26, 2009. Accessed at <http://wdr.doleta.gov/directives/attach/UIPL/UIPL14-09.pdf>.

^{iv} WV Center on Budget & Policy analysis of Bureau of Labor Statistics data, Accessed at <http://data.bls.gov/PDQ/servlet/SurveyOutputServlet>

The West Virginia Center on Budget and Policy is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families. The Center is supported with funding from the W.K. Kellogg Foundation, Claude Worthington Benedum Foundation, Sisters of Saint Joseph Charitable Fund, Annie E. Casey Foundation, Center on Budget and Policy Priorities, Service Employees Union International 1199, and West Virginia Affiliated Construction Trades Foundation.