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Last Chance for Unemployment Modernization

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West Virginia's unemployment rate remained high in 2010, averaging just over nine percent.¹ The number of state residents without work continued to climb, rising from a monthly average of 63,000 people in 2009 to nearly 71,000 in 2010.²

The Unemployment Insurance (UI) program currently serves as a critical lifeline for many jobless workers and their families, but does not benefit all who are in need of assistance. Under the existing system, only one-third of West Virginia's workers would qualify for UI benefits if they lost their jobs. The state's UI program must be modernized to provide assistance to even more West Virginians who have lost their jobs during these tough times.

Federal funding can help West Virginia achieve this aim, but reforms must be made before August 22, 2011 in order to receive these funds. The 2011 Legislative Session is the last chance for West Virginia to reform its UI program and help struggling state residents get back on their feet, all without spending a dollar of state funds.

Federal incentives help the unemployed and bolster UI trust funds

The American Recovery and Reinvestment Act of 2009 included \$7 billion in incentive payments for states to modernize their UI programs to cover certain groups of workers who are currently excluded. The federal dollars go into a state's UI trust fund where they can be used to cover all jobless workers and prevent insolvency of the fund. This enables states to provide crucial support to jobless workers and their families without having to tap into rainy day funds or general revenue.

As of December 2010, 32 states and the District of Columbia had completed the necessary steps to draw down their entire allotment of available federal incentive

payments (Figure 1). Modernization reforms have been supported by both Democrats and Republicans.

West Virginia's share of the allotment is \$33 million. The state met its initial prerequisite for funding by adopting the Alternative Base Period, which enabled West Virginia to receive \$11 million from the federal government. This change allowed for the inclusion of a worker's most recent quarter of earnings when calculating his or her eligibility for benefits. Previously, the state had counted only income earned in the first four of the last five calendar quarters.

The remaining \$22 million can be received if the state enacts two of the four remaining UI modernization reforms. The four options include (1) compelling family reasons, (2) part-time workers, (3) extended training, and (4) dependent allowance. West Virginia needs to adopt any two of these reforms before August 22, 2011 to qualify for the remaining funds, which would cover the entire cost of the reforms for four to seven years.³

Possible reforms that West Virginia could enact

Compelling family reasons

To qualify for UI benefits, workers must become unemployed through no fault of their own. Traditionally this has meant layoffs, work stoppages, and employers going out of business. The Recovery Act allows states to add “Compelling Family Reasons” to the list of covered circumstances.

This provision includes:

- Domestic violence and/or sexual assault – a person believes that continued employment would jeopardize his or her own safety, or that of his or her immediate family.
- Care for family member – a person must care for a member of his or her immediate family, due to an illness or disability, for a length of time longer than allowed leave (paid or not).

Part-time workers

Currently, part-time workers who lose their jobs must seek full-time work in order to keep their unemployment benefits. The Recovery Act allows states to provide benefits to certain individuals seeking only part-time work. An estimated 1,900 West Virginia workers would benefit from this provision.

West Virginia could also adopt a broader definition of part-time work, which would cover workers who prefer full-time employment but can only find part-time jobs. Nationally, the number of workers who involuntarily substituted part-time work for full-time employment increased 42 percent in 2008.

Conclusion

The window of opportunity to adopt UI modernization reforms and receive federal funds is almost closed. Action must be taken during the 2011 Legislative Session to ensure that West Virginia benefits from this generous incentive. Modernizing UI serves a dual purpose. The resulting federal funds will shore up West Virginia’s UI trust fund without the state needing to use general revenue or rainy day funds. The reforms also provide needed coverage to more than 2,000 of West Virginia’s jobless workers and their families.

Endnotes

- 1 Workforce West Virginia, “West Virginia’s Unemployment Rate at 9.5% in December” (January 18, 2011), downloaded from <http://workforcewv.org/lmi/datarel/DRNEWS.pdf>. See table: West Virginia Labor Force Statistics - Seasonally Adjusted.
- 2 U.S. Department of Labor, Employment & Training Administration, downloaded from <http://www.doleta.gov/unemploy/chartbook.cfm>.
- 3 National Employment Law Project, “Unemployment Insurance Modernization: Filling the Gaps in the Unemployment Safety Net while Stimulating the Economy” (December 2010), downloaded from <http://www.nelp.org/page/-/UI/2010/NELP-UIMAFactSheet2010.pdf>. Further analysis by the West Virginia Center on Budget and Policy, and Michael Moore, Director of Unemployment Compensation, Workforce West Virginia.
- 4 National Employment Law Project, “Model State Legislation Implementing the UI Modernization Provisions of the Recovery Act” (February 2010), downloaded from http://www.nelp.org/page/-/UI/2010/uima_state_legislation.lawonly.pdf?nocdn=1.

