


Connecticut Speaker's Taskforce on Children in the Recession

Connecticut's Unemployment Insurance Program

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Goals of UI Program

- Provides partial income replacement for workers who are unemployed through no fault of their own
- Stimulus for local economies: maintains consumer spending & prevents ripple effects on area businesses
- Promotes attachment of unemployed workers to the labor market & sometimes specific employers

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Importance of Unemployment Insurance in a Recessionary Economy

- UI benefits represent first line of defense against wage loss, homelessness and poverty. Maintains dignity and living standards of jobless workers and families.
- UI benefits automatically stimulate business: \$1.00 in UI benefits = \$1.65 in additional GDP.
- Strong UI programs protect jobless workers and impacted communities.
- Somebody is going to pay. Weak UI programs hurt helping agencies, increase state and local social program costs and contribute to economic decline.

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Unemployment Insurance: Poverty Prevention

- Unique: One of the only programs with mission to prevent families from falling into poverty.
- Intercepts family poverty:
 - UI cuts family poverty in half from 50% to 25% after job loss.
 - Average family income drops 40% for long-term unemployed receiving UI vs. 60% for unemployed not receiving UI.

(Source: Congressional Budget Office)

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UI Eligibility Requirements

- **Monetary entitlement: Recent wage history**
- **Reason for separation that is non-disqualifying**
- **Meet continuing labor market attachment requirements on a week-by-week basis**

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Monetary Entitlement: Establishing a Weekly Benefit Rate

- **Calculation based on wages paid in a Base Period, which is the first 4 of the last 5 completed calendar quarters**
- **Also, alternate base period for recent workforce entrants.**
- **Benefit rate calculation is generally designed to approximate 50% of claimant's average weekly wage.**
- **Weekly Benefit Rate ranges from \$15 to \$537.**
- **Dependency allowance: additional \$15 per dependent (up to 5 and capped at weekly benefit rate)**
- **Duration of benefits: 26 weeks.**

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Reason for Unemployment: Separation

- State UI law intended to pay benefits to individuals who are unemployed involuntarily, including workers who lose their jobs due to a layoff, business closing, reduction in force, reorganization or other economic reasons.
- Disqualification from benefits when workers:
 - Leave work voluntarily without good cause, or
 - Are discharged for willful misconduct in the course of employment.

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Continuing Eligibility: Availability for Work

- Once the claimant has established monetary entitlement and eligibility based on the reason for separation, the claimant must certify each week that he/she is able and available for full-time work and actively seeking work.
- The claimant must also certify that he/she has not refused an offer of suitable work.

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Federally-Funded Extension Benefits

Emergency Unemployment Compensation (EUC)

- Tier I (20 weeks of benefits)
- Tier II (14 weeks of benefits)
- Tier III (13 weeks of benefits)

Extended Benefits (EB) - 20 weeks – normally 50/50 state-federal split but funding is 100% federal under the American Recovery & Reinvestment Act (ARRA).

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More on Federal Benefits

Federal Additional Compensation (FAC): ARRA provision currently adds \$25 to every UI check through CY 2009.

Reauthorization: Federal authorization of EUC program (and all UI provisions in the ARRA) scheduled to expire on 12/31/09. Without reauthorization, CT workers exhausting state UI benefits after 1/1/10 will qualify for only EB which will be charged 50% to CT employers.

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Connecticut UI Program at a Glance

- CT Unemployment rate: 8.4% (US—10.2%)
- Average weekly benefit rate : \$339
- Number of Workers filing for state UI benefits weekly: 91,000
- State UI benefits paid out in October 2009: \$86 million
- Estimate over \$1.3 billion in state benefits will be paid in CY2009.
- UI Trust Fund became insolvent and began borrowing from Federal government in October. (Note: 24 states currently borrowing.)

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CT Workers Currently Receiving Federal Extension Benefits

- Approximately 51,000 workers currently receiving EUC benefits.
- Approximately 11,000 workers currently receiving EB benefits.

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How Effective is Connecticut's UI Program?

- **Reciency rate** is the percentage of unemployed workers who are actually receiving UI benefits.
- CT's reciency rate is 49% which ranks 12th in the country. (US average is 45%)
- MA:62%, RI:43%, NY: 46%, PA: 69%, VT:58%

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Effectiveness in Wage Replacement

- **Replacement rate** is the percentage of a worker's former wages that is made up by the worker's UI benefit.
- CT's replacement rate is 29.9% which ranks 44th in the country (US average is 34.9%)
- MA: 36.9%, RI: 46.4%, PA: 40.5%, VT: 41.6%, NY: 26.8%

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Unemployment Insurance Modernization under the ARRA

- Alternate Base Period
- Dependency allowances
- Extended Benefits for training
- Compelling family reasons for separation
- Eligibility for part-time workers

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Unemployment Insurance Modernization in Connecticut

Public Act 09-3

- **Compelling family reasons**
 - (1) Leave to relocate with spouse's new employment (NEW)
 - (2) Leave to care for ill or disabled spouse, child or parent (Revision to 1985 law)
 - (3) Leave to escape domestic violence (Revision to 1999 law)
- **Alternate base period & dependency allowance** already in law
- **\$87.8 million transfer** from Federal Unemployment Account (FUA) to CT UI Trust Fund

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Issues Facing Connecticut's UI Program in the Fight against Poverty

- Availability for part-time work as an eligibility condition
- Coordinating UI eligibility with education and occupational training
- Examining CT's low replacement rate
- Maintaining a strong UI program in the face of insolvency

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