

Alabama Fails to Make the Grade in Meeting the Needs of Its Unemployed Workers

Alabama's unemployment insurance system, like that of 22 other states, fails to meet the needs of out-of-work Americans and is in urgent need of repair, particularly given the increase in workers losing their jobs or exhausting their unemployment benefits since September 11.

A newly released report, "Failing the Unemployed: A State-by-State Evaluation of Unemployment Insurance Systems," grades Alabama and the other 49 states on five criteria, listed below, that determine how much families are helped by a state's unemployment insurance program. Alabama – with an unemployment rate above 6.0% – is one of only two states that fail on all five criteria (Missouri is the second state).

Exhaustions:

Thousands of workers in each state have seen their unemployment insurance benefits run out before they are able to find work. In Alabama:

- ✘ Between September 11, 2001 and January 31, 2002, about 15,600 laid-off workers exhausted their unemployment benefits – an increase of 43% over the same period last year.
- ✘ 19,250 unemployed workers are expected to run out of benefits in the first half of 2002 – an increase of 11% over the same period last year.
- ✘ Each week, 740 laid off workers are expected to run out of unemployment benefits.

1. State's Eligibility Policies. GRADE: FAIL

States establish eligibility policies to determine under what circumstances workers can qualify for assistance. Badly structured eligibility requirements often end up denying benefits to the workers who are likely to need them most: low-wage and part-time workers, even if they have substantial earnings and work histories.

- ✘ Only 31.2% of the unemployed receive unemployment insurance benefits in Alabama; nationally 43.3% of workers receive UI benefits.
- ✘ Alabama does not use an alternate base period, which is a fairer way of calculating a worker's eligibility for unemployment benefits. It requires the state to use the worker's most recent earnings prior to layoff – which are typically higher – to calculate eligibility.
- ✘ Alabama does not level the playing field for workers searching for part-time work. These workers – who are disproportionately women – are denied benefits even though taxes are paid into the UI system on their behalf. For workers constrained by family and care-giving responsibilities, this exclusion poses a particular hardship.

2. Adequacy of Unemployment Benefits. GRADE: FAIL

Paying workers adequate benefits when they are unemployed may mean the difference between moderate hardship and an inability to pay bills, buy sufficient food or meet other minimal needs. If states provide particularly low benefits, middle-income families are forced to spend their savings or live at poverty levels, while low-wage workers may have no alternative but to seek welfare/TANF assistance.

✘ Alabama is one of only eight states where the maximum weekly benefit is lower than the poverty level for a one parent, two child family. Alabama's weekly benefit falls \$84 below that level, making it particularly difficult for its unemployed families to make ends meet.

✘ Alabama also fails to index its maximum state benefit, leading to a situation where over time the percentage of lost income replaced by UI benefits steadily declines.

3. Recession Preparedness. GRADE: FAIL

During a recession it is critical that states have strategies in place to help families who are temporarily out of work. Some states have adopted measures that trigger automatically when unemployment exceeds a certain level or that may suspend the regular one-week waiting period before workers can receive any benefits.

✘ Alabama has not adopted any provisions that automatically extend benefits to workers in a time of recession.

✘ Alabama is one of 34 states that received a FAILING grade on this measure.

4. Employer Tax Practices. GRADE: FAIL

The report calls attention to the disturbing inequity between the treatment of workers seeking to collect unemployment benefits and employer tax rates used to fund the unemployment insurance system.

✘ Alabama is one of nineteen states where employers have benefited significantly from low tax rates, while over two-thirds (68.8%) of the state's workers failed to collect unemployment benefits.

5. Solvency of UI Trust Fund. GRADE: FAIL

The report finds that most state UI trust funds have sufficient monies to provide nine months or more of benefits.

✘ Alabama is one 12 states receiving a failing grade on UI trust fund solvency, thereby failing to assure the solvency of its trust fund. This is due, in part, because of low tax rates on employers even during times when the economy was doing well.