

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

Arkansas'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 Arkansas and the other 49 states on five criteria, listed below, that determine how much families are helped by a state's unemployment insurance program. Arkansas fails on three of the five criteria.

Exhaustions:

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

- ✘ Between September 11, 2001 and January 31, 2002, over 13,000 laid-off workers exhausted their unemployment benefits – an increase of 45% over the same period last year.
- ✘ 23,050 unemployed workers are expected to run out of benefits in the first half of 2002 – an increase of 56% over the same period last year.
- ✘ Each week, 890 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.

- ✘ Arkansas 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.

2. Adequacy of Unemployment Benefits. GRADE: PASS

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.

- ✓ Arkansas receives a passing grade because it indexes its maximum benefit to the state's wages
- ✓ The state also provides a maximum weekly benefit amount that puts a one parent, two children family above the poverty level, although only by about \$60.

- ✓ The state fails, however, in having a benefit level that replace more than 50% of lost wages for median wage workers.

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.

- ✘ Arkansas has not adopted any provisions that automatically extend benefits to workers or improve access to benefits in a time of recession.

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

4. Employer Tax Practices. GRADE: PASS

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.

- ✓ Arkansas received a passing mark on factors used to gauge the equity of a state's tax practices.

5. Solvency of UI Trust Fund. GRADE: FAIL

If there is any good news in this report, it is in the finding that most of the state UI trust funds have nine months or more of benefits available, with just 12 states falling below that mark.

- ✘ Arkansas is one of 12 states falling below this mark, thereby failing to assure the solvency of its trust fund.

- ✘ Arkansas is one of 19 states providing larger than average UI tax cuts in the 1990s; it now has a trust fund insufficient to pay UI benefits for more than nine months.