

Arizona Fails to Make the Grade In Meeting the Needs of Its Unemployed Workers

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

- ✘ Between September 11, 2001 and January 31, 2002, close to 14,500 laid-off workers exhausted their unemployment benefits – an increase of 80% over the same period last year.
- ✘ 25,300 unemployed workers are expected to run out of benefits in the first half of 2002 – an increase of over 100% (139%) over the same period last year.
- ✘ Each week, 970 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.

- ✘ Arizona 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.
- ✘ Arizona 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.
- ✘ Only 28.2% of the unemployed receive unemployment insurance benefits in Arizona; nationwide 43.3% of workers receive UI. Men are more likely to receive benefits than women are – 32.9% reciprocity rate for men versus 23.6% rate for women.

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.

- ✘ Unemployed workers in Arizona have a particularly difficult time making ends meet. For example, maximum weekly benefit amounts for unemployed workers result in a below poverty level standard of living.

- ✘ Arizona joins 8 other states in receiving a FAILURE mark overall on this measure.

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.

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

- ✘ Arizona 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.

- ✘ Arizona's employers have benefited from low tax rates, while more than two-thirds of the state's workers (71.8%) failed to collect unemployment benefits.

5. Solvency of UI Trust Fund. GRADE: PASS

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.

- ✓ Arizona stands out as a state that after 12 months of recession still has a large surplus of money in its UI accounts.
- ✓ Despite this surplus, the state is providing poverty level UI benefits even to workers who receive the maximum UI benefit.
- ✓ **Arizona has the funds to change its UI policies and provide a real safety net for its workers, without cost to the state's general fund.**