

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

Colorado'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 Colorado and the other 49 states on five criteria that determine how much families are helped by a state's unemployment insurance program.

Exhaustions:

Thousands of workers in each state have seen their unemployment insurance benefits run out before they are able to find work. In Colorado, the number of workers exhausting benefits has more than doubled:

- ✘ Between September 11, 2001 and January 31, 2002, more than 17,000 laid-off workers exhausted their unemployment benefits – an increase of 123% over the same period last year.
- ✘ 34,000 unemployed workers are expected to run out of benefits by July 1, 2002 – an increase of 181% over the same period last year.
- ✘ Each week, 1,310 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. Failing on the Eligibility Measure means policies such as extending benefits and raising benefit amounts will have virtually no impact on workers who are not eligible for benefits.

- ✘ Colorado does not have 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

Unemployment Insurance (UI) is the first line of defense during economic downturns --- not only because it provides vital income support to laid off workers, but also because the money workers receive from UI goes right back into the community, which boosts and stabilizes the economy. 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 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.

- ✓ Colorado's unemployment insurance benefits are indexed to the state wage, which ensures that unemployment benefits will rise as average wages rise. Colorado also receives a passing grade because it has a benefit level that replaces more than 50%

of lost wages for low-wage or median wage workers. Since most low-wage workers hover on the brink of poverty even when they are working, replacing half or less of their lost income leaves them struggling to meet their families' needs.

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 such 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.

- ✘ Colorado has failed to adopt any provisions that automatically extend benefits to workers or improve access to benefits in a time of recession.

- ✘ Colorado 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. Systems that do not collect enough revenue during periods of economic expansion will not be able to expand coverage during a recession, and will fall far short of meeting the needs of unemployed workers.

- ✘ Colorado earns failing marks on employer taxation because employers pay less than 0.2% of their total wages in unemployment taxes. At the same time, only one-third of Colorado's laid off workers are able to collect unemployment insurance (compared to 43.3% nationally).

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 18 states falling below that mark.

- ✘ Colorado FAILS to ensure the solvency of its trust fund because of employer tax cuts; as a result, the state will not be able to pay unemployment benefits to workers if the recession lasts another nine months.