

Unemployment Insurance Reform

Research Findings & Recommendations

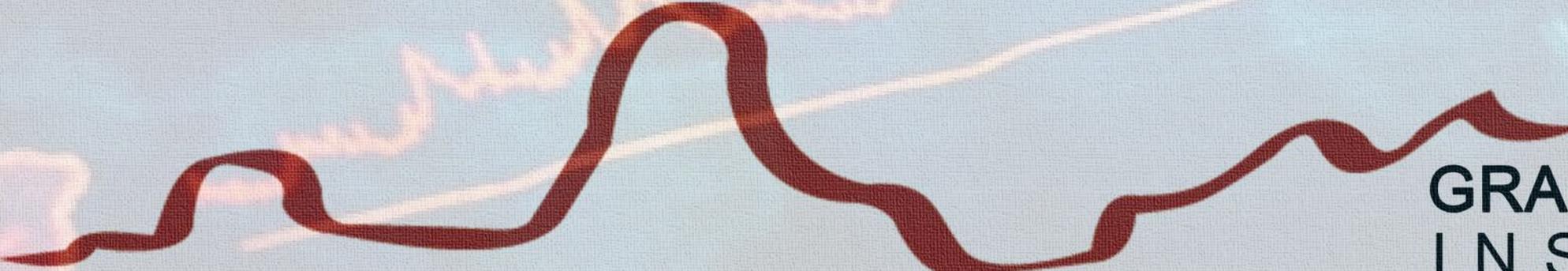
June 26, 2020

Contact:

Dave Wells, Ph.D., Research Director

Phone: (602) 595-1025 ext. 2

Email: dwells@azgci.org



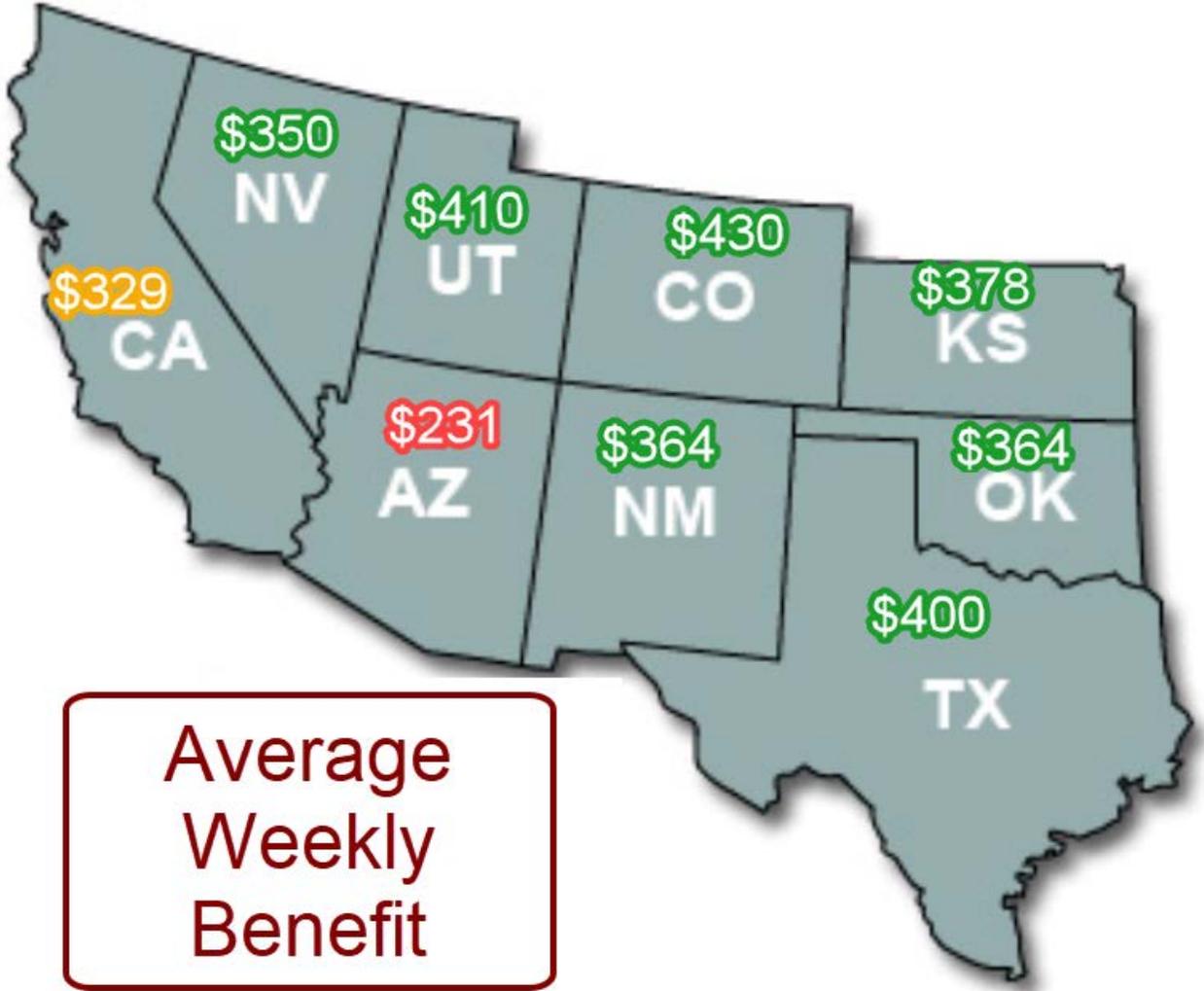
GRAND CANYON
INSTITUTE

Unemployment Insurance Overview

- **Person must lose job through no fault of your own**
 - Can't quit or be fired
 - Those who refuse to report back to work will lose unemployment benefits
 - Clarity needed for workers whose health is endangered — can they refuse work and keep benefits?
 - Amount people can earn before losing benefits must be increased substantially so people who return to work at partial hours can still make ends meet
- **Unemployment formula is supposed to replace half of prior earnings up to a cap**
 - **In Arizona, anyone working full-time for any amount more than minimum wage quickly reaches benefit cap and receives a lot less than half their prior weekly wage.**
 - **Current benefits mitigated by \$600 federal weekly supplement**
- **ONE MONTH until federal financial assistance ends:** July 25th is the last week for the \$600 federal weekly supplement—after that, the massive numbers of unemployed will have to live off only \$960 p/mo (\$240x4)
- **Inexpensive to fix:** Moving Arizona to a UI policy in line with most states would cost an estimated additional \$100 per covered employee p/yr (on top of a very small existing employer contribution).

Not a Red-Blue State Issue

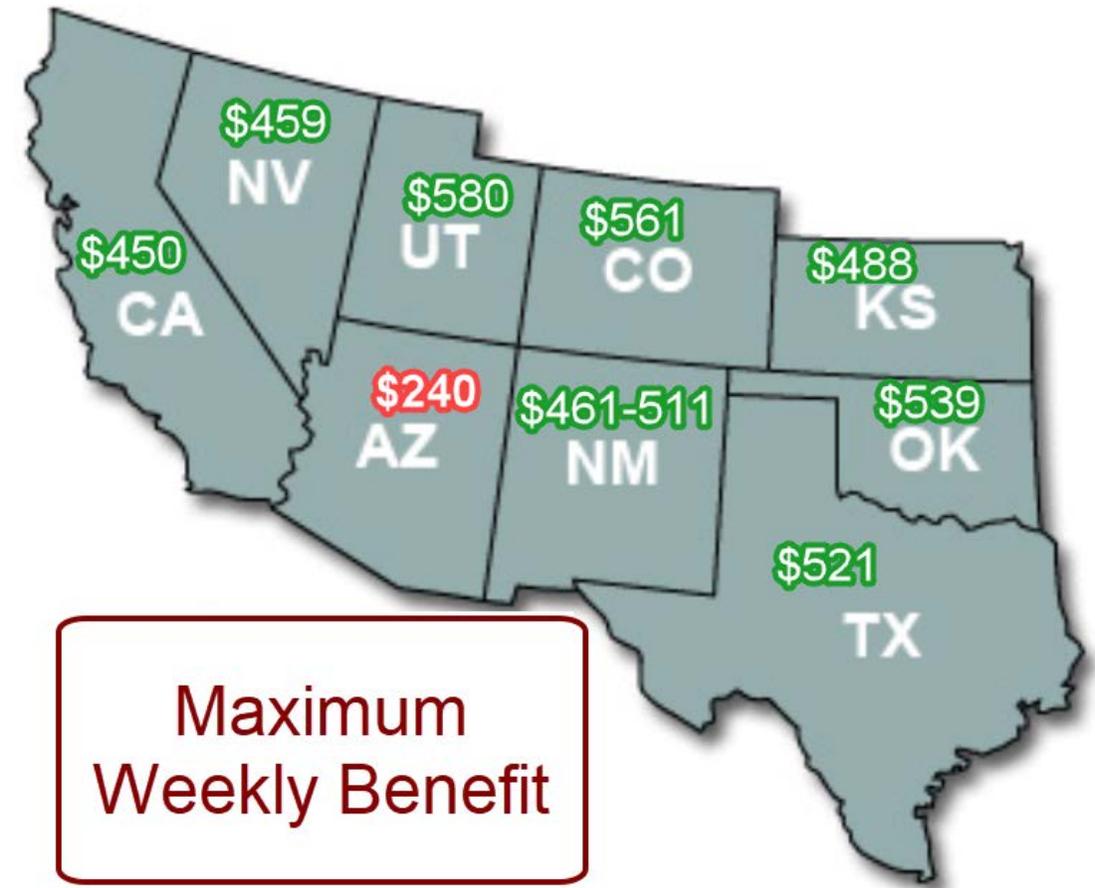
It is an Arizona Issue (2018 figures)



Recommendation — *Benefit Cap*

Increase maximum benefit cap to \$490 per week, half the average weekly wage of covered workers.

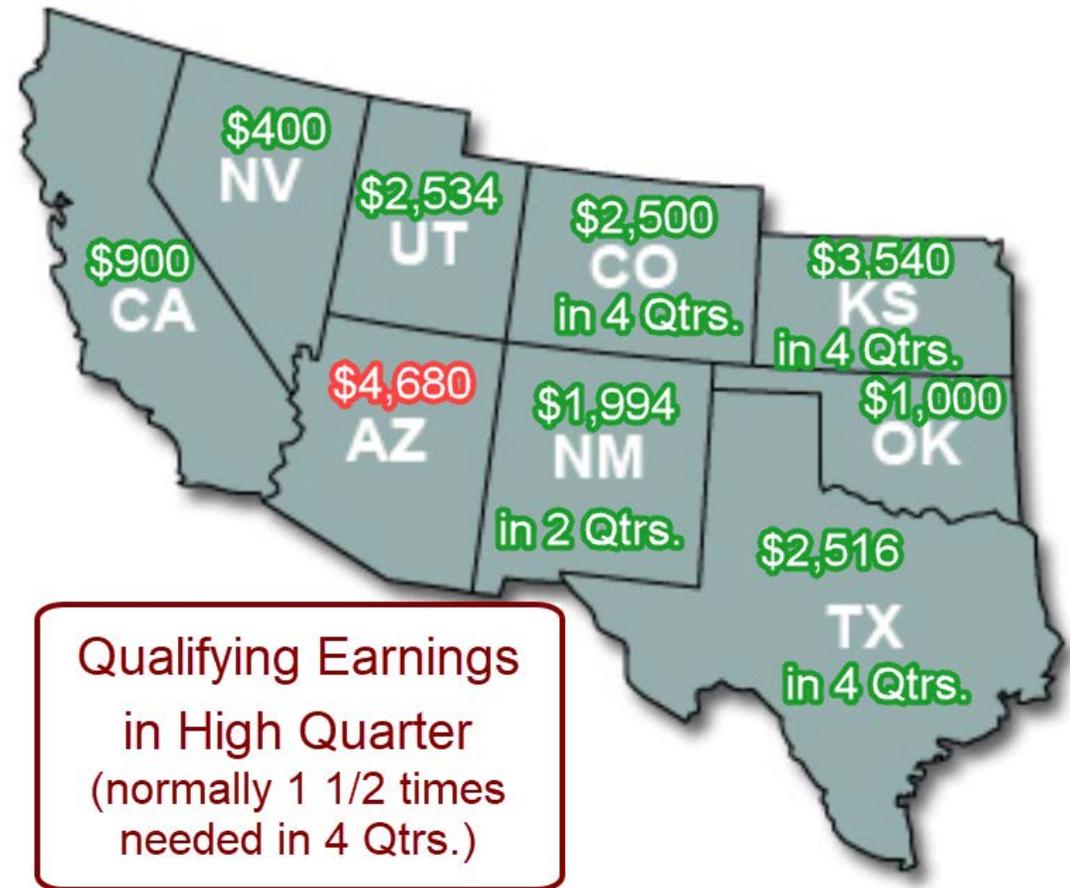
- Adjust annually based on average weekly wage of covered workers.
- \$490 would place Arizona in the middle relative to other states and consistent with nearby states.
- Needs to happen by July 25 when \$600 federal weekly supplement ends.



Recommendation — *Income Eligibility Threshold*

Lower to between \$2,400 and \$3,120 in the highest earnings quarter (15-20 hrs p/wk at min. wage) and \$3,600 to \$4,680 over the four-calendar quarter base period.

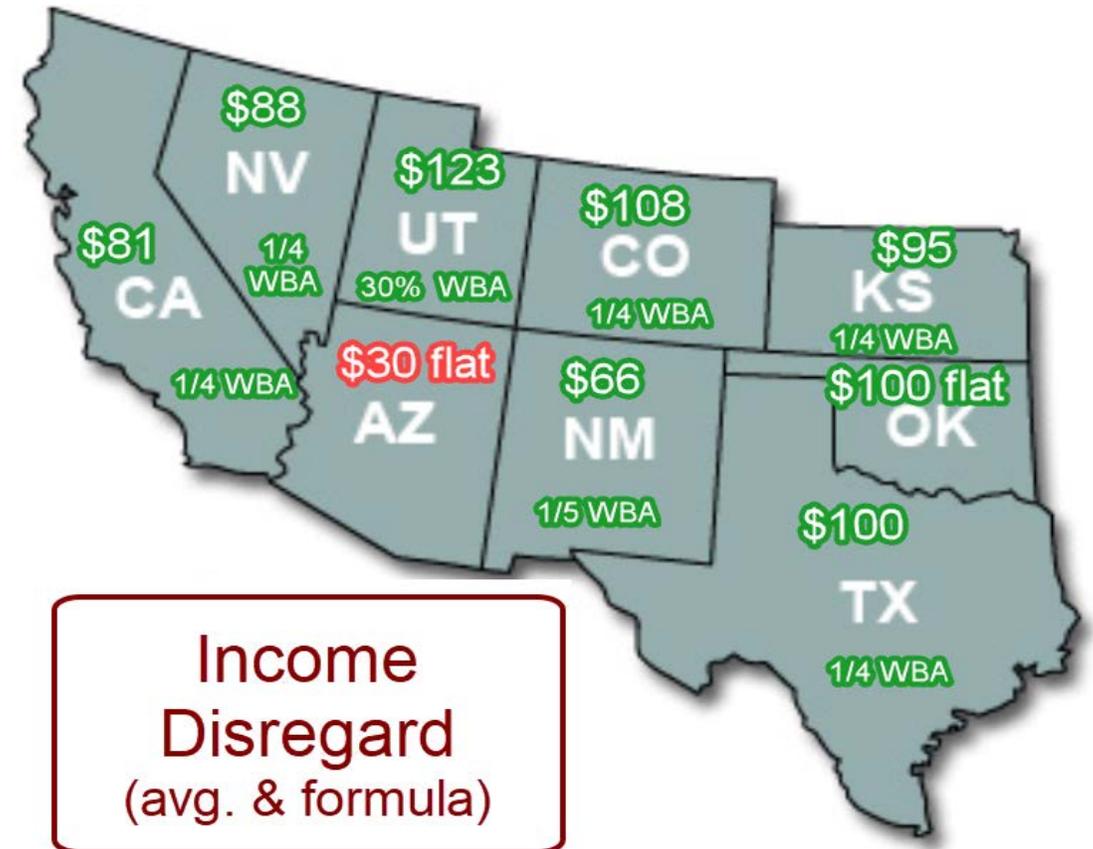
- Currently, HIGHEST IN NATION! \$4,680 in highest earnings quarter and \$7,020 over four calendar quarter base period.
- With change, range still on high-side of nearby states and nationally.
- CARES Act Pandemic Unemployment Assistance currently helping those who would be cut out due to this threshold.



Recommendation — *Income Disregard*

Immediately increase disregard to \$100 to \$300. If Cap is at \$490, then set income disregard to 1/4 of the weekly benefit amount (WBA) received, which is the amount most commonly used by other states.

- The income disregard is the amount that a person can earn while receiving unemployment benefits before having payments reduced.
- **Gov. Kemp has increased Georgia's income disregard from \$55 to \$300 due to COVID-19.**



Why Raise *Income Disregard* Immediately?

- Arizona's Low Benefit Cap Plus Low Income Disregard = Disaster for those with reduced hours (whether returning to reduced hours or already working reduced hours)
- **This IS and WILL impact tens of thousands of Arizona families!**

How Ashley got no benefits:

She used to work 40 hours @ \$17.50 p/hr = \$700 p/wk (= \$240 p/wk UI in AZ, \$350 p/wk UI other SW states)

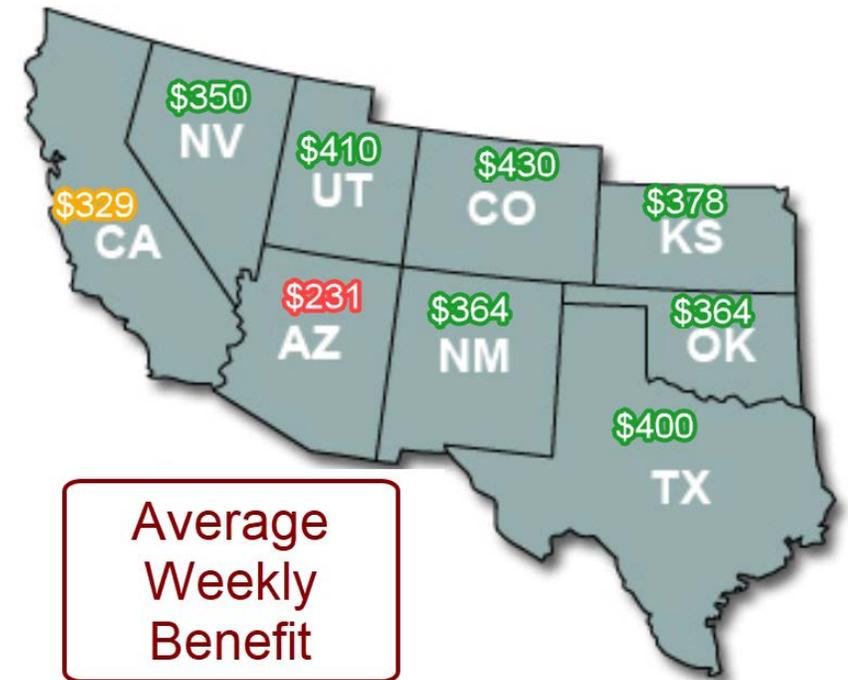
Her hours have been reduced to:

- 24 hours @ \$17.50 p/hr = \$420 p/wk
- \$420 — \$30 income disregard = \$390
- \$240 benefit — \$390 income = \$0 benefit
- **Result:** Her pay drops \$280 p/wk and she receives no state or federal benefits
- **All other southwestern states:** Ashley receives state UI and the federal supplement

Inexpensive to Fix

Comparison: Arizona v. Texas

	Arizona	Texas
2018 average weekly unemployment benefit	\$231	\$400
Average duration of benefits in 2018	15 weeks	15 weeks
Average employer cost per covered employee (2010-2019)	\$116 - \$168	\$180-\$288



Conclusion

An additional **\$100 p/yr p/worker** will cover cost of increased benefits (by increasing the unemployment insurance taxable wage base).

Note—Unemployment Insurance Trust Funds in all states are being depleted due to record unemployment—so either the federal government will bail out states OR states will borrow from the federal government and federal unemployment contribution rate on employers (FUTA) will rise from current \$42 per worker to pay it back. Gov. Ducey has indicated he may reserve some federal funds for it as well.