

# Unemployment Insurance Pays Off

How a healthy program safeguards Arkansas workers and the economy



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## How a healthy program safeguards Arkansas workers and the economy

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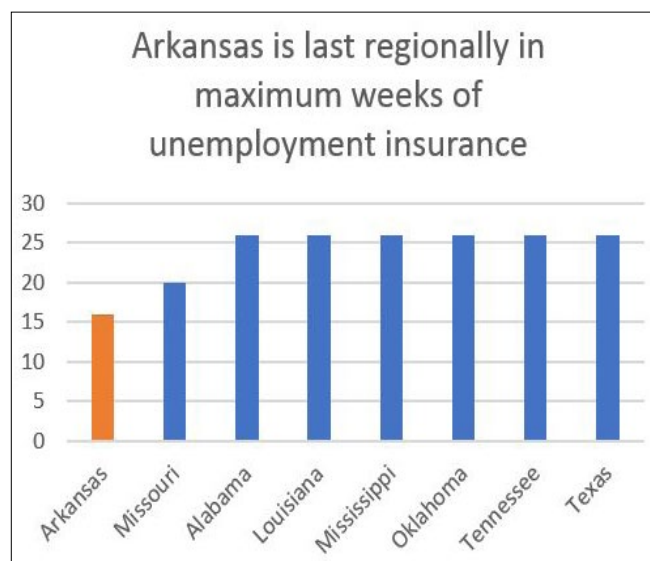
The Arkansas legislature has repeatedly [reduced](#)<sup>1</sup> the amount of unemployment insurance available to Arkansas workers, lowering both the duration of coverage and the dollar amount of benefits. This puts us well below national averages for unemployment benefits, and puts families and our economy at risk. This might not seem like a big problem given our current record-low unemployment rates, but now is exactly the time to worry about how well our unemployment insurance program is set up to weather an economic storm. High unemployment will arrive at some point, and many workers are still not getting the support they need.

The unemployment insurance program<sup>2</sup> provides a reduced temporary income to workers who have been laid off from their jobs through no fault of their own, and acts as an economic counterbalance for the economy when times are lean. So, even if you never lose your job, you could be hurt by our state's inability to bounce back from an economic downturn. It is projected that for every dollar spent on unemployment benefits, [two dollars](#)<sup>3</sup> comes back into the economy. The program is an effective and important protection for our businesses and employees. That is, unless benefits are remarkably reduced, as they have been in Arkansas.

### A STEADY DECLINE IN BENEFITS

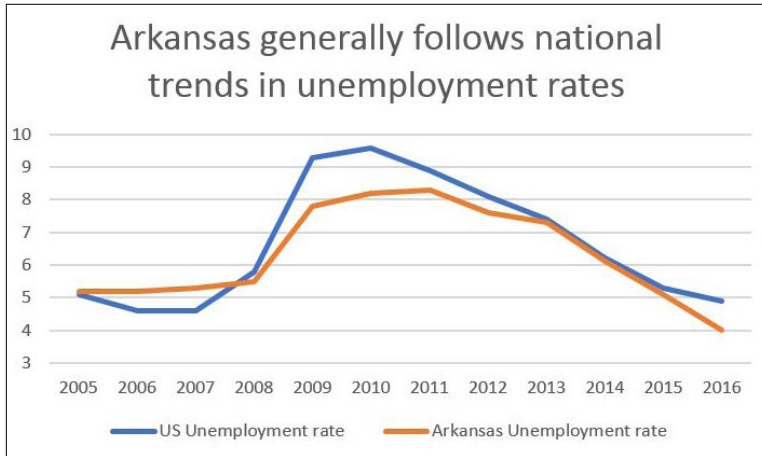
So what has changed with our unemployment insurance program? [In 2011](#)<sup>4</sup>, Arkansas legislators voted to reduce the amount of time workers can draw benefits from [26 weeks to 25 weeks](#)<sup>5</sup>. Then, [in 2015](#)<sup>6</sup> they voted to reduce them again, this time [to 20 weeks](#)<sup>7</sup>. The 2015 legislation also changed how the wage base is calculated, which influences your total weekly benefit amount. Instead of using your highest quarter earnings as a wage base, legislators voted to use the average income of your four quarters of earnings. This change has significantly reduced benefit amounts for seasonal workers who are employed in industries like construction, hospitality, skilled trade, and agriculture.

Most recently, [in 2017](#)<sup>8</sup>, the number of weeks you can draw unemployment benefits was pared down to just 16 weeks. This is not typical. Arkansas is one of only [nine states](#)<sup>9</sup> to have the duration of unemployment insurance below the standard 26-week period. 2017 legislation did benefit employers, whose taxable wage base paid toward the unemployment insurance program decreased from [\\$12,000 to \\$10,000](#)<sup>10</sup>.



It is important to remember that reducing weeks of unemployment benefits does not get people back to work faster. The effects of changes to unemployment insurance on the behavior of workers is “one of the most studied topics in empirical economics” according to the [Economic Policy Institute](#)<sup>11</sup>. The conclusion of this research is that extending benefits does not discourage people from finding jobs. And cutting benefits doesn't help people find work faster when there aren't jobs to be found.

As you can see in the graph below, national trends in the jobs market are a much bigger driver of employment than changes to the unemployment insurance system. When job markets do go soft, unemployment benefits are critical to dampening the economic effects on Arkansas families. What we get from reduced benefits is a program that will be weak exactly when we need it to be strong – during the next economic downturn.



## PERKS OF A HEALTHY UNEMPLOYMENT INSURANCE PROGRAM

There are many benefits of a healthy unemployment insurance program, including:

- **Workers have time to find the best job.** Without this temporary income, workers are often forced to take the first job they can find in order to take care of their family. Unemployment insurance thus allows workers to find the best-fit job to produce the most [satisfied and efficient](#)<sup>12</sup> labor force.
- **It protects our economy.** The unemployment insurance program is a [natural counterweight](#)<sup>13</sup> to business cycle functions. The program is supposed to [take in more money than it spends](#)<sup>14</sup> in times of prosperity because of higher tax revenue and fewer people who apply for benefits. Reserves are then available to pay larger numbers of unemployed without having to [raise taxes](#)<sup>15</sup> or [slash benefits](#)<sup>16</sup> in the middle of a recession.
- **It saves jobs and reduces poverty.** During the Great Recession, the program was credited with saving over [1.75 million jobs](#)<sup>17</sup> nationwide despite major funding shortages for most states. In 2010, the U.S. Census Bureau estimated that [3.2 million Americans](#)<sup>18</sup> were kept from falling below the poverty line by unemployment insurance benefits.



### **CALCULATING WEEKLY BENEFITS:**

The weekly benefit for eligible workers is equal to 1/26 of your average quarterly wage during your “base period,” or the past four quarters.<sup>1</sup> That is, your check would generally be half of your normal income, if you didn’t have any fluctuations in income or gaps in employment over the base period. So, if you used to make \$350 a week before you got laid off, your weekly UI check would probably be \$175. The minimum weekly benefit is \$81, and the maximum is \$451.<sup>1</sup> Current law says that you can only receive those benefits for a maximum of 16 weeks.

### **POLICY RECOMMENDATIONS**

Arkansas needs to move its unemployment insurance program back toward national averages of duration and benefit amounts in order to protect its workforce in times of economic distress. Failure to act will result in severe consequences that will be paid for in the next economic downturn, a time few Arkansans will be prepared to shoulder the added burden.

### **Unemployment Data by County:**

<b>County</b>	<b>Number Unemployed May 2017</b>	<b>Unemployment Rate May 2017</b>	<b>Average Number Unemployed 2016</b>
Arkansas County	257	2.7	322
Ashley County	408	5.2	495
Baxter County	620	3.7	698
Benton County	3489	2.6	3683
Boone County	497	3	592
Bradley County	207	4.5	229
Calhoun County	86	3.5	113
Carroll County	390	2.8	461
Chicot County	202	5.7	238
Clark County	354	3.7	421
Clay County	231	3.8	345
Cleburne County	417	4.4	569
Cleveland County	139	4.1	152
Columbia County	428	4.7	539
Conway County	360	4.3	489
Craighead County	1471	2.8	1702
Crawford County	878	3.3	1059
Crittenden County	866	4	988
Cross County	277	3.4	355
Dallas County	116	3.8	147
Desha County	247	4.5	301
Drew County	379	4.7	458
Faulkner County	1918	3.2	2316
Franklin County	248	3.3	302
Fulton County	182	3.8	205
Garland County	1477	3.6	1742

County	Number Unemployed May 2017	Unemployment Rate May 2017	Average Number Unemployed 2016
Grant County	248	3	302
Greene County	651	3.2	857
Hempstead County	313	3.1	380
Hot Spring County	480	3.4	562
Howard County	164	2.7	198
Independence County	584	3.6	798
Izard County	252	5	281
Jackson County	303	5	381
Jefferson County	1300	4.5	1607
Johnson County	391	3.6	505
Lafayette County	109	4.2	152
Lawrence County	226	3.2	303
Lee County	125	3.8	151
Lincoln County	161	3.9	201
Little River County	233	4.1	265
Logan County	318	3.4	423
Lonoke County	981	2.9	1120
Madison County	183	2.4	232
Marion County	228	3.4	263
Miller County	796	3.9	840
Mississippi County	981	5.4	1242
Monroe County	98	3.4	142

### **HYPOTHETICAL CASE STUDY:**

Ms. Williams has been working as a nurse for 15 years in Arkansas. Due to an economic downturn that has caused an unexpected funding shortage at the hospital, her position is eliminated. After 15 years of working for an organization that pays into the unemployment insurance system, Ms. Williams is now a prime candidate to receive unemployment insurance benefits to help her while she looks for work.

When she files for unemployment insurance benefits and is accepted into the program, Ms. Williams begins to receive a weekly check totaling half of her previous weekly income. Since she made \$40,000 a year, or \$770 per week, her benefits check totals \$385.

She has difficulty finding a job, as few businesses are hiring during this hard economic time. Since benefits only last 16 weeks, she decides to lower her job standards in the final week of benefits just to have some sort of income. She is worried about supporting her family and kids.

With more time, Ms. Williams could have found another nursing job with a similar salary and job requirements. Instead, she picks up a job at local grocery store where she will earn a wage far below her skillset. She misses her nursing job, but is thankful that she is not a seasonal employee like her cousin who works in construction but can't currently find work. Because he had gaps in employment during the past year, his benefits are much less than half of what he would normally make when he is employed.

County	Number Unemployed May 2017	Unemployment Rate May 2017	Average Number Unemployed 2016
Montgomery County	124	3.9	164
Nevada County	124	3.3	136
Newton County	108	3.1	133
Ouachita County	425	4.3	501
Perry County	163	3.9	202
Phillips County	338	5.1	399
Pike County	152	3.5	181
Poinsett County	379	3.6	436
Polk County	337	4.2	402
Pope County	1094	3.7	1358
Prairie County	138	3.7	143
Pulaski County	5947	3.2	6709
Randolph County	255	3.7	304
St. Francis County	372	4.1	465
Saline County	1595	2.8	1782
Scott County	134	2.9	168
Searcy County	115	3.8	137
Sebastian County	1939	3.3	2161
Sevier County	236	4	282
Sharp County	279	4.5	331
Stone County	211	4.4	246
Union County	784	4.8	906
Van Buren County	303	5.2	424
Washington County	2886	2.3	3259
White County	1542	4.6	1785
Woodruff County	134	4.4	165
Yell County	313	3.5	393

Source: Arkansas Department of Workforce Services Local Area Unemployment Statistics - not seasonally adjusted.

## Notes

1. <https://usnews.com/news/arkansas/articles/2017-02-16/lawmakers-approve-cuts-to-arkansas-unemployment-benefits>
2. Unemployment Insurance benefits are paid from a state trust fund. The funding comes from taxes called [SUTA and FUTA taxes](#) that are charged to the employer. The current tax rate in Arkansas ranges between [0.8%-6.7%](#) depending on past reliability paying the tax.
3. <https://www.dol.gov/dol/maps/euc/euc.htm>
4. <http://www.arkleg.state.ar.us/assembly/2011/2011R/Acts/Act861.pdf>
5. <https://www.arktimes.com/ArkansasBlog/archives/2017/02/14/bill-further-slashes-unemployment-benefits-afl-cio-cries-foul>
6. <ftp://www.arkleg.state.ar.us/acts/2015/Public/ACT412.pdf>
7. <https://fas.org/sgp/crs/misc/R41859.pdf>
8. <http://www.arkleg.state.ar.us/assembly/2017/2017R/Acts/Act734.pdf>
9. <https://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available>
10. <http://www.arkleg.state.ar.us/assembly/2017/2017R/Acts/Act734.pdf>
11. <http://www.epi.org/publication/state-unemployment-insurance-cuts/>
- 12, 13. <http://www.epi.org/files/2015/how-low-can-we-go-state-unemployment-r3.pdf>
- 14-17. <https://tcf.org/content/report/speeding-the-recovery-of-unemployment-insurance/>
18. <https://www.dol.gov/dol/maps/euc/euc.htm>

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