NYT: Michigan Cuts Jobless Benefit by Six Weeks

March 28, 2011
By MICHAEL COOPER

Michigan, whose unemployment rate has topped 10 percent longer than that of any other state, is about to set another record: its new Republican governor, Rick Snyder, signed a law Monday that will lead the state to pay fewer weeks of unemployment benefits next year than any other state.

Democrats and advocates for the unemployed expressed outrage that a such a hard-hit state will become the most miserly when it comes to how long it pays benefits to those who have lost their jobs. All states currently pay 26 weeks of unemployment benefits, before extended benefits paid by the federal government kick in. Michigan's new law means that starting next year, when the federal benefits are now set to end, the state will stop paying benefits to the jobless after just 20 weeks. The shape of future extensions is unclear.

The measure, passed by a Republican-led Legislature, took advocates for the unemployed by surprise: the language cutting benefits next year was slipped quietly into a bill that was originally sold as way to preserve unemployment benefits this year.

The original bill was aimed at reducing unemployment fraud and making a technical change so the state's current long-term unemployed could continue receiving extended unemployment benefits from the federal government for up to 99 weeks — benefits that would have been phased out next week without a change in the state law to make the unemployed in the state eligible to continue receiving benefits. Republican lawmakers amended it to cut the length of benefits starting in January.

"It turns the clock back 50 years at a time when unemployment is at historic highs since the Depression," Representative Sander M. Levin, Democrat of Michigan, said in an interview, adding that he worried that the state would set a precedent that would be followed by other states, including Florida, that are thinking of curtailing their unemployment programs. "I think that Michigan should not be to unemployment insurance what Wisconsin has become to collective bargaining."

But Republicans and business groups said that cutting benefits was necessary, because the unemployment trust fund, which was ill-prepared to cope with the recession, is insolvent. The state owes the federal government $4 billion that it borrowed to keep its program afloat, and unemployment taxes on businesses have already been raised, and will need to be raised more, to repay the money. The Michigan Chamber of Commerce called the new law "a huge win for job providers," and said it could save up to $300 million a year.

Mr. Snyder issued a statement after signing the bill trumpeting the fact that it would preserve the extended benefits this year — and making no mention of the fact that it would cut state benefits beginning next year. "Snyder Signs Bill to Protect Unemployed," was the headline of the news release that his office sent out. "Now that we have continued this safety net, we must renew our focus on improving Michigan's economic climate," he said in the statement.

Sara Wurfel, a spokeswoman for Mr. Snyder, said in an e-mail that he signed the bill because 35,000 Michiganders would have lost their extended benefits this week, and an additional 150,000 would have lost them by year's end, if the state's law had not been altered. She said that about 250,000 people collected more than 20 weeks of benefits in 2010.

Advocates for the unemployed called it a bad trade. "We have a temporary change to help some jobless workers that is imposing an indefinite or permanent cost on future jobless workers," said Rick McHugh, a staff lawyer for the National Employment Law Project, which opposed the law. "And that does seem doubly unfair when the temporary help for current jobless workers is almost totally paid for by the federal government."

But business groups saw the state's need to change its unemployment law as an opportunity to make the cuts to benefits that they have long sought.

“The business community, the chamber included, were opposed to a one-sided benefits increase,” said Wendy Block, the Michigan Chamber of Commerce’s lobbyist responsible for health policy and human resources initiatives, and unemployment insurance. She said that while the extended benefits were currently paid for by the federal government, the money comes from a fund that is financed by federal unemployment taxes on employers. “Employers will ultimately see higher federal unemployment taxes to pay for this,” Ms. Block said.

More than half the states together owe the federal government more than $46 billion that they borrowed to pay for their unemployment programs during the downturn. Many states had salted away too little money in their unemployment trust funds during good times — often because they cut taxes on employers — and saw their funds depleted by the length and depth of the recession, and the slow pace at which businesses have begun hiring again. Now some other states are thinking about reducing unemployment benefits.

In Florida, where the unemployment rate hovers at 11.5 percent, even higher than Michigan’s current rate of 10.4 percent, lawmakers are zeroing in on a similar bill. The Florida House also approved a bill this month to reduce the number of weeks unemployed workers could receive benefits to 20 weeks, from 26, and make it easier for businesses to deny benefits to applicants. A Senate bill takes a less stringent approach and does not cut the number of weeks workers can receive benefits. (It is unclear how the differences will be resolved.) Doing so would undo a consensus that emerged in the years after World War II that states should pay up to 26 weeks of unemployment benefits. And it would come as the average length of unemployment has risen.

Richard A. Hobbie, the executive director of the National Association of State Workforce Agencies, said “at a time when long-term unemployment is worse than ever, it doesn’t match up well with the trends in the labor market.”

One of the unemployed Michiganders who was warned that her extended benefits could run out next week without action was Melissa Barone, 42, who lost her job with a software company in August 2009, and has been collecting unemployment since then. She has gone back to school to train to be a nurse.

“Maybe what they need to do is look at giving businesses more incentives,” Ms. Barone said, “rather than taking from the guy that is unemployed and needs those funds.”

Lizette Alvarez contributed reporting from Miami.