

# FAMILIES AT RISK, REPORT II

The Impact of the 2011 changes to Michigan's Unemployment Insurance Program on Unemployed workers and their families.

H. Luke Shaefer, Ph.D.  
&  
Steve Gray, attorney at law

# UNEMPLOYMENT INSURANCE INTRODUCTION

- Unemployment Insurance (UI) is the major public insurance program in the United States that protects families against the dangers of involuntary job loss.
- Unemployment Insurance plays an important role as an economic stabilizer as beneficiaries often immediately put their benefits back into the local economy.
- In general, to be eligible for UI, jobless workers must have become unemployed through no fault of their own and have meet the minimum earning requirements.
- **Michigan's Unemployment rates as of October 2013 was 8.6%, above the national average of 7.2%**

# WEBINAR OVERVIEW

- In 2011 the Michigan Legislature made a series of changes to the state's UI program that took effect in 2012.
- Today's webinar will examine the impact of the changes made to Michigan's UI program in 2011 on the access for Michigan's unemployed workers.
- The report's general findings are that the 2011 changes to Michigan's UI program significantly reduced the number of short-term unemployed workers who access state program benefits.

# SUMMARY OF CHANGES

- The most well known change was the *reduction in state benefit weeks from 26 to 20 weeks* causing workers to lose additional weeks from related federal UI programs, which were prorated based on the number of benefits weeks offered by states.
- The legislature also made a series of other lesser-known changes to Michigan's UI program, causing a net effect of reduced rates of program eligibility, increase burden on claimants, and give Michigan's Unemployment Insurance Agency (UIA) more tools to contest claims.

# CHANGES TO MICHIGAN'S UI PROGRAM

- The 2011 changes to Michigan's UI Program caused 16 major changes that negatively affected access to program benefits to varying degrees.
- 15 changes reduced access by the following mechanism:
  1. Reduced eligibility rates for benefits expanding types of employment that are not eligible for benefits and increasing the types of disqualifying separations
  2. Increased burdens on claimants through additional obstacles to maintaining eligibility for UI benefits and
  3. Giving Michigan's Unemployment Insurance Agency more tools to contest claims, with very few protections for the claimants.

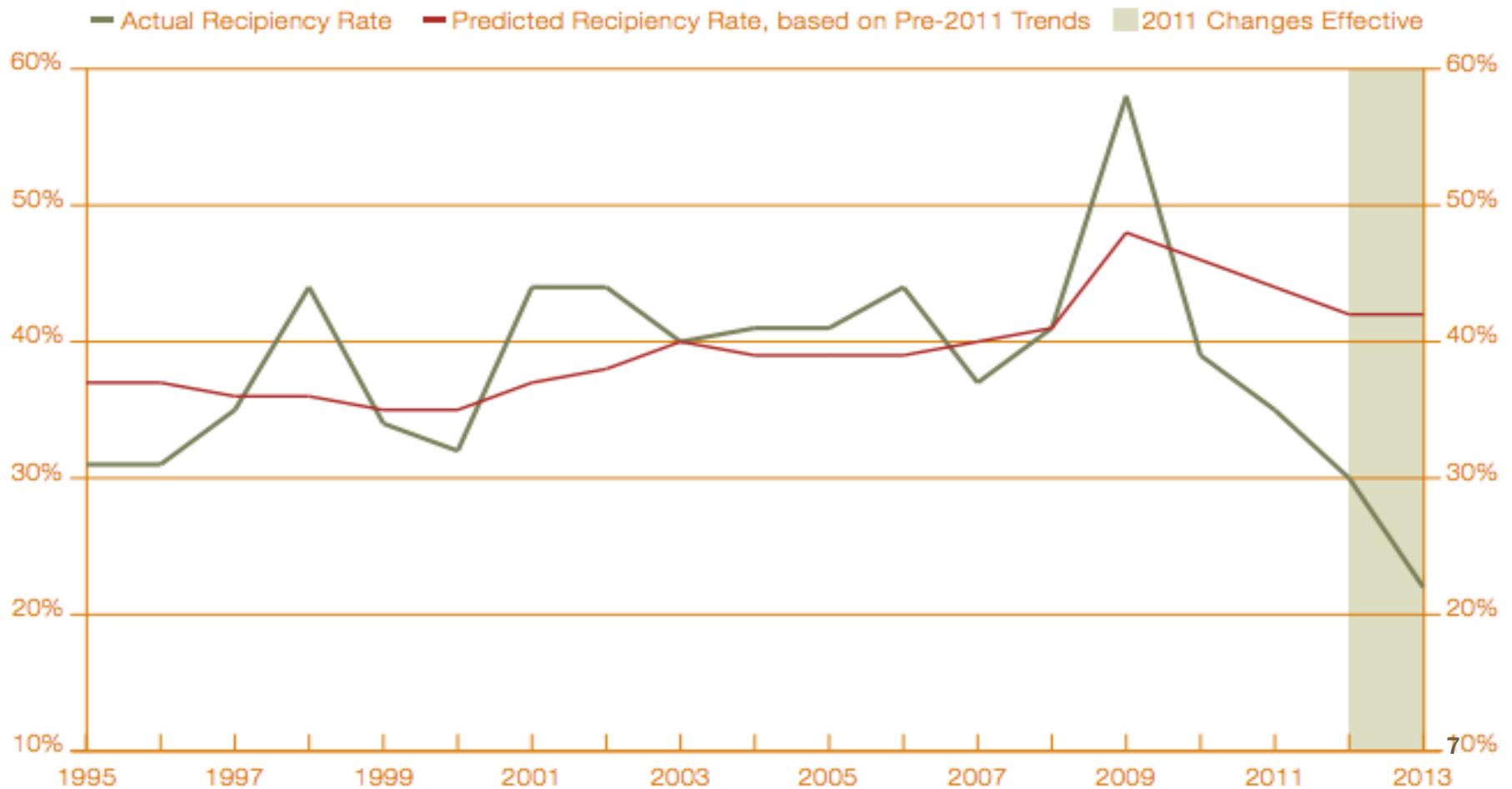
# TEST 1: COMPARING MICHIGAN TO ITS OWN PRE-2011 TRENDS

- To test whether the 2011 changes reduced access to Michigan's UI program, we compared Michigan's UI reciprocity rate (for short-term workers) to what the state's own pre-2011 trends would have predicted
- Use data back to 1995
- We model Michigan's short-term UI reciprocity rate from 1995-2011 as a function of the monthly unemployment rate and calendar month, two factors that explain 57.8% of the variation in this outcome
- Then we predict what Michigan's reciprocity rate would have been if past trends had continued, and compare that to the actual reciprocity rate

# TEST 1: COMPARING MICHIGAN TO ITS OWN PRE-2011 TRENDS

Figure 1

Michigan's Recipiency Rate for the Short-Term Unemployed



# TEST 1: CONCLUSION

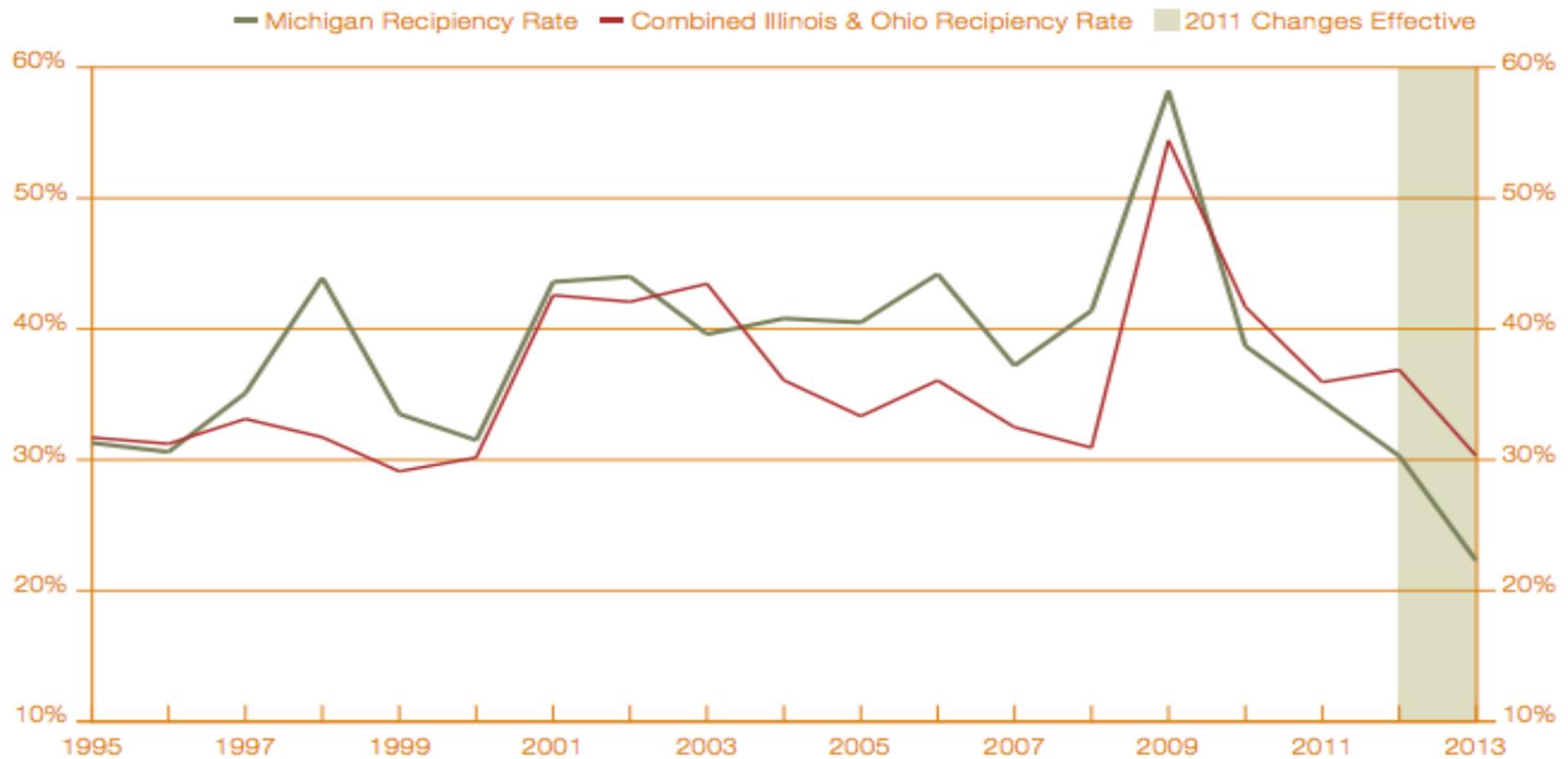
- To determine the impact of the 2011 changes, we took the difference between the actual and predicted line in 2012-2013 and subtract those differences from the difference between the actual and the predicated in 2010.
- Based on this calculation we come to our first estimate on the impact of the 2011 changes to Michigan's UI Program:
- **Finding that these 2011 changes to Michigan's UI program reduced the reciprocity rate for the state's short-term unemployment by 11.9 percentage points**

## TEST 2: COMPARING MICHIGAN TO MIDWESTERN PEERS

- To test whether the 2011 changes reduced access to Michigan's UI program we compared two nearby states of similar size and with similar economies
- Illinois has historically had a very similar UI reciprocity rate to Michigan & Ohio has historically had a somewhat lower reciprocity rate
- The goal of this analysis was to compare the difference between these reciprocity rate in Michigan and these other states in 2012 and 2013, relative to the difference between these reciprocity rates before Michigan's 2011 UI changes were implemented.

# TEST 2: COMPARING MICHIGAN TO MIDWESTERN PEERS

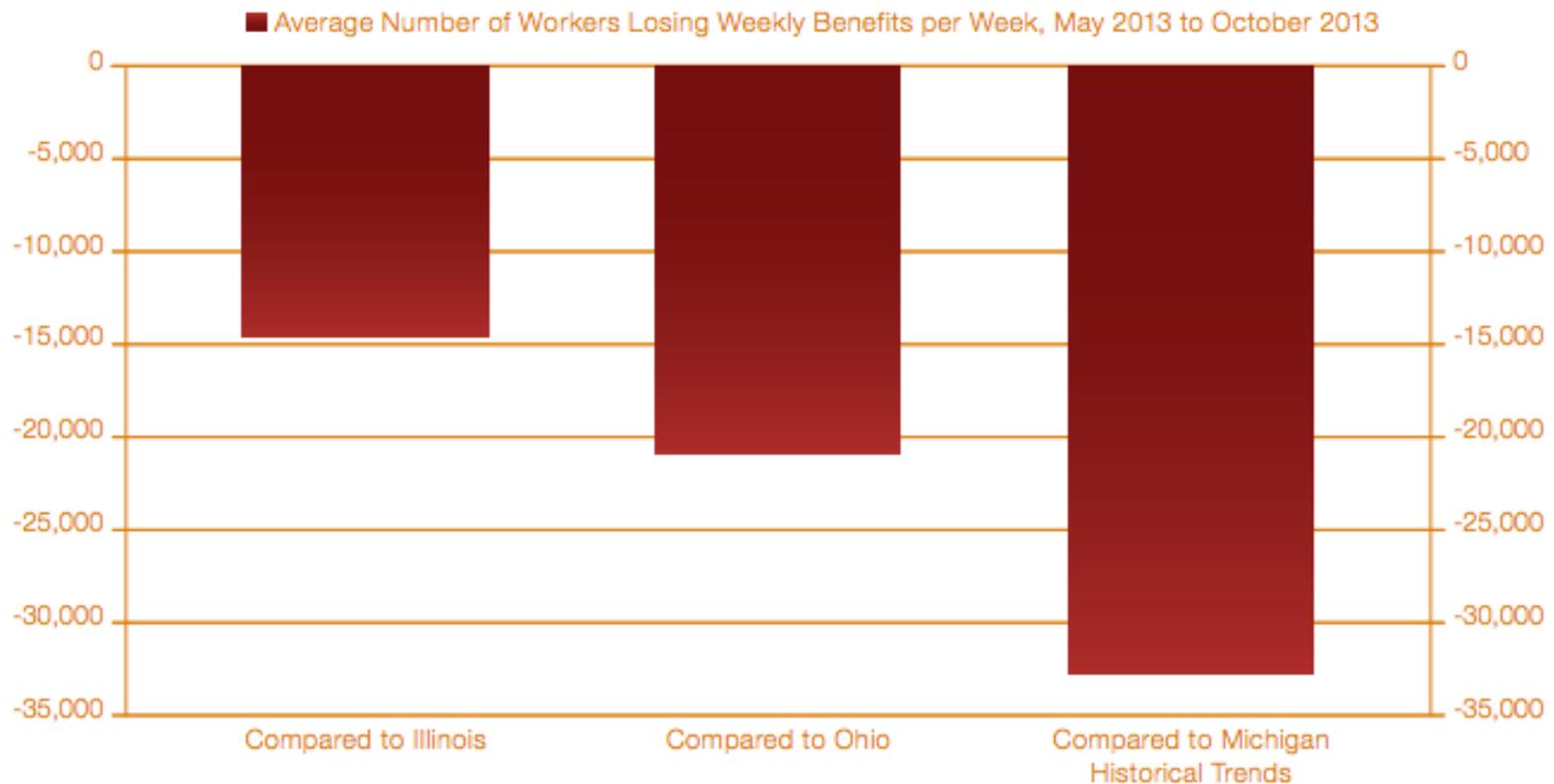
Figure 2 | Michigan's Reciprocity Rate for the Short-Term Unemployed, Compared to Two Midwestern States



# AVERAGE NUMBER OF WORKERS LOSING WEEKLY BENEFITS COMPARISON

Figure 3

The Impact of the 2011 Changes to Michigan's UI Program on the Average Number of Short-Term Unemployed Workers Receiving Benefits, Three Estimates



# TEST 1 & 2: CONCLUSION

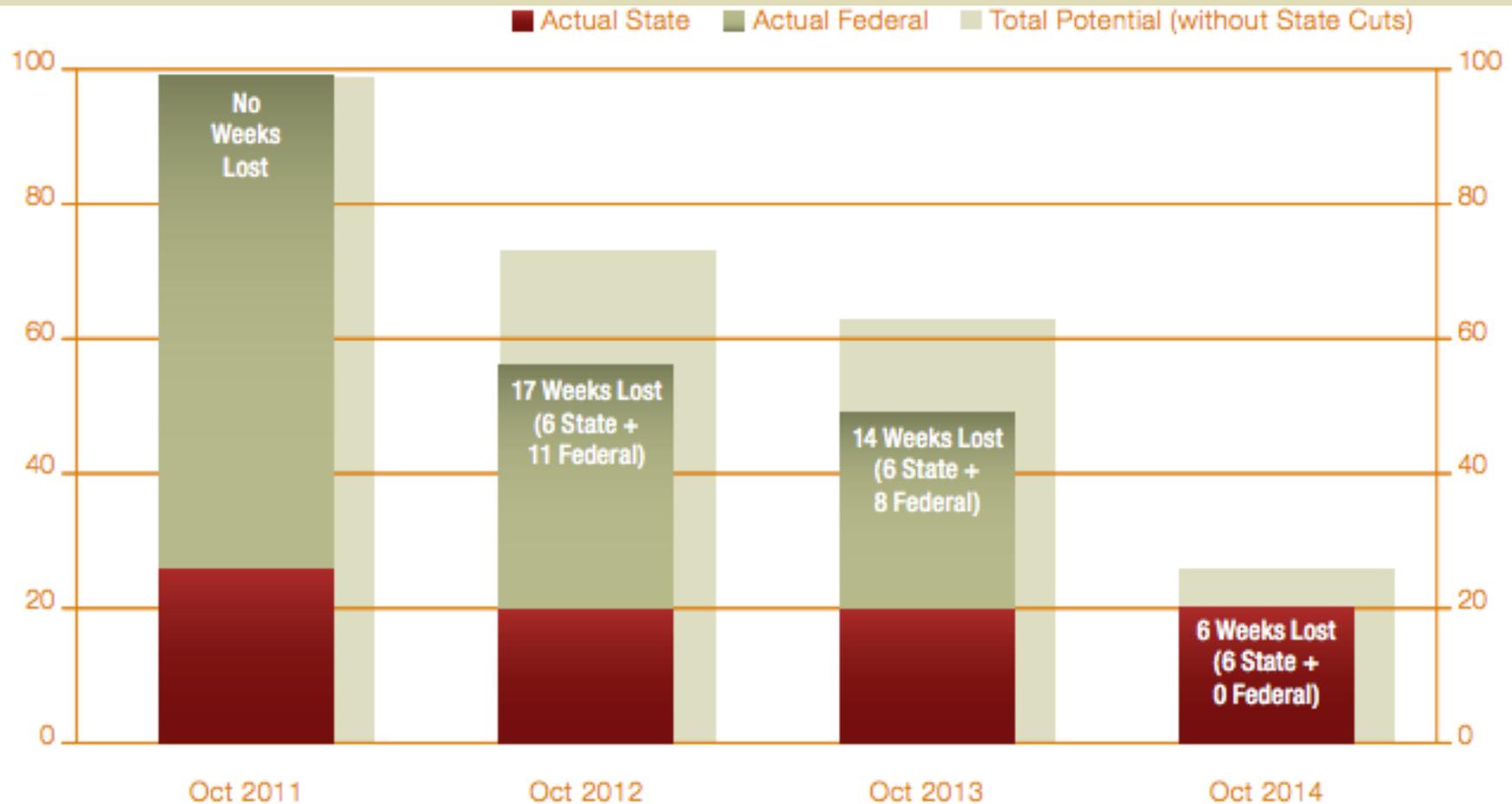
- In 2012 and 2013, Michigan's reciprocity rate fell substantially below the combined reciprocity rate of Illinois and Ohio by **7% in 2012 and 8% in 2013**
- Compared to Illinois - Michigan's 2011 changes are associated with an estimated loss of benefits for **14,579 short-term unemployed workers in an average week**, equivalent to a **19.2%** drop in UI reciprocity rate
- Compared with Ohio – they cost an estimated loss of benefits for **20,906 workers in an average week**, a **25.4%** drop in reciprocity rate
- Compared to Michigan's pre-2011 trends – reflect a loss of benefits for **32,754 workers in an average week**, a **34.8%** drop in benefits

# THE IMPACT OF REDUCTION IN STATE BENEFIT WEEKS ON THE LOST OF FEDERAL BENEFITS

- The 2011 changes to Michigan's UI program also reduced the amount of federal UI benefit dollars into Michigan.
- Only states that offer at least 26 weeks of state benefits qualified for the federal maximum in aid available at a given unemployment rate.
- Therefore unemployed workers in Michigan not only now receive reduced state benefits, but also loss eligibility for additional weeks of federal unemployment insurance coverage.

# THE IMPACT OF STATE REDUCED BENEFITS ON FEDERAL BENEFITS

Figure 4: Maximum Weeks of State and Federal Unemployment Benefits in Michigan



# CONCLUSION

- The legislative changes are associated with between a **19.2% and 34.8% reduction in reciprocity rate** for Michigan's short-term unemployed.
- Which equated to a loss of weekly benefits for between **14,600 and 32,800 workers in an average week**, or approximately \$4.1 million to \$9.1 million in benefits paid in an average week
- These changes overall have caused a major reduction in access to unemployment insurance benefits and have negatively effected the state's economy and well-being of the Michigan's unemployed workers and their families.