

**FLORIDA'S UNEMPLOYMENT INSURANCE SYSTEM:
BARRIERS TO PROGRAM ADEQUACY FOR WOMEN,
LOW-WAGE AND PART-TIME WORKERS, AND
WORKERS OF COLOR**

**Vicky Lovell
Institute for Women's Policy Research**

**Maurice Emsellem
National Employment Law Project**

2004

Institute for Women's Policy Research
1707 L Street, N.W., Suite 750
Washington, DC 20036
(202) 785-5100 (202) 833-4362 (fax)
www.iwpr.org

ACKNOWLEDGMENTS

NELP and IWPR wish to thank Tom Stengle of the U.S. Department of Labor for his significant and timely assistance providing unpublished data for this report. The authors are indebted to Dr. Lois Shaw, Senior Consulting Economist at IWPR, Katherine Allen, former Study Director at IWPR, and Dr. Xue Song, former IWPR Data Analyst, for extensive work on an earlier stage of this project, and Gi-Taik Oh, IWPR Senior Research Analyst, for analysis of data from the Survey of Income and Program Participation. Arthur Rosenberg of Florida Legal Services provided very helpful comments. Finally, we are grateful to several foundations that support our work promoting reform of the UI system, including the Annie E. Casey Foundation, the Joyce Foundation, the Ford Foundation, the Rockefeller Foundation, the Public Welfare Foundation, the French American Charitable Trust and the Solidago Foundation.

EXECUTIVE SUMMARY

The Florida unemployment insurance (UI) system is not meeting its basic goal of providing a modest measure of income support to temporarily unemployed workers. This is due in significant part to the UI system's failure to keep pace with fundamental changes in the labor market, including the growth of low-wage and part-time work and the vastly expanding role of women in the labor market. This situation exists despite the significant reserves in Florida's UI trust fund, even during the current economic downturn, and record-level UI tax cuts.

In 2002, only one in three unemployed Florida workers (33 percent) received unemployment insurance, a reciprocity rate that is only three-fourths the national average of 44 percent. Florida has the third lowest reciprocity rate in the nation. Unfortunately, large segments of the state's most vulnerable workers are the hardest hit by the failures of the Florida UI system. This is true even for those workers who have significant attachment to the labor force: jobless Floridians with full-time work experience who do not receive unemployment insurance benefits average 39 hours of work per week, 44 weeks per year. For these hard-working Floridians, it is misleading to suggest that the system can be counted on as "insurance" during a spell of involuntary unemployment.

The inadequacy of Florida's UI system has an impact on the state's entire economy, not only on individual unemployed workers and their families. The UI program is designed to act as an automatic economic stabilizer during economic downturns, by providing an infusion of cash into local economies through payments to the unemployed. However, this counter-cyclical mechanism can only function if UI benefits are available to the unemployed.

This report examines both the benefits side and the financing side of Florida's UI program. **The report includes the following key findings:**

- **In 2002, only one in three (33 percent) unemployed Floridians collected unemployment benefits. Only two states in the nation have lower reciprocity than Florida: New Mexico and South Dakota.**
- **Women, low-wage, and part-time workers collect UI at rates that are much lower than those of other workers, because of outdated and restrictive eligibility rules.**
- **The situation for the unemployed in Florida became much worse when new, higher earnings requirements went into effect on July 1, 1996.**

- **Unemployed workers who do not receive UI benefits have significant work history. Those who had worked full-time put in an average of 39 hours of work weekly for 44 weeks per year.**
- **Fewer unemployed workers apply for UI in Florida than in any other state, at least partly because of administrative barriers.**
- **Florida's unemployed receive UI benefits for fewer weeks than those in many other states.**
- **Workers with limited English proficiency have a hard time getting information about the UI system and following their claim through the adjudication process.**
- **Even in the current economic slow-down, Florida's UI trust fund is well positioned to handle an expansion of the UI program.**
- **The state received \$450 million in federal surplus UI monies in March 2002, which enhanced the solvency of Florida's unemployment trust fund.**
- **Florida's employers pay UI taxes at some of the lowest rates in the country, below the average rates of all the other nearby states in the southeast except Georgia. If the state's employers had been paying at the 1994 UI tax rate (0.65 percent) for the years 1994-2000, the UI fund would have collected an additional \$646 million in revenue.**

This report surveys the specific features of the Florida UI laws that contribute to the problems of access to the UI program. This analysis is then integrated with a detailed set of recommendations for state legislation, modeled after similar reforms enacted in a growing number of other states, that would go a long way to restoring equity in the Florida UI system. In brief, **the report recommends the following set of UI reforms:**

- **Adopt the "alternative base period" to recognize the recent earnings of workers who otherwise do not have sufficient wages to qualify for UI.**
- **Recognize compelling domestic reasons for leaving work, taking into account the changing circumstances of today's working families.**

- **Ensure that the long-term unemployed receive a full 26 weeks of state unemployment benefits, thus also providing several additional weeks of extended benefits paid for by the federal program.**
- **Lower the earnings thresholds for UI benefit receipt.**
- **Reduce administrative barriers for individuals with limited English proficiency.**

The unemployment insurance system should be there to protect all unemployed workers—especially those who are most in need of income support when unemployed. The robust economy of the 1990s produced more than enough resources to pay for the measures proposed in this report, even though the economy has cooled off. Given the significant problems many workers experience trying to access the benefits they have earned from Florida’s UI system, the time is right to enact these long-overdue reforms.

A healthy UI program that replaces lost earnings and keeps income from UI benefits circulating among Florida’s businesses during periods of job loss will help maintain the state’s economy and its workforce through all stages of the business cycle.

CONTENTS

Page 1	I. The Florida Economy
2	II. The Unemployment Insurance Program: Supporting Workers, Families, Employers, and Local Communities
3	III. Unemployment Benefits Unavailable to Most Florida Workers
4	Text Box: Analyzing Unemployment in Florida
5	Working Hard, Without Unemployment Insurance
7	Poor UI Coverage for Women, Low-Wage, Part-Time, Hispanic, and Black Workers
8	IV. Florida’s Qualifying Standards: Barriers to UI for Women, Low-Wage, Part-Time, and Immigrant Workers
8	Work History Rules Limit UI for Women, Low-Wage, and Part-Time Workers
10	Work and Family Restrictions Affect Many Women Workers
11	Victims of Domestic Violence Are Excluded From Coverage
11	Many Immigrant and Low-Wage Workers Face Additional Barriers to Benefit Receipt
12	Job Losers who Quit a Second, Part-Time Job are Denied Benefits
12	Workers Unfairly Penalized When They Reapply for Unemployment Benefits
13	V. Administrative Barriers Limit Access to UI
15	VI. The Limited Value of Florida’s Unemployment Benefits
15	The Weekly Value of an Unemployment Check
15	Florida’s Limits on the Number of Weeks of UI Benefits
16	The Special Hardship for Florida’s Long-Term Unemployed
16	Text Box: How to Calculate UI Benefits in Florida
18	VII. The Financing Side of Florida’s UI System
18	The Solvency of Florida’s UI Trust Fund
18	The Low UI Tax on Florida’s Employers
20	VIII. Policy Recommendations
22	IX. Conclusion
23	References

LIST OF TABLES AND FIGURES

Page 7	Table 1: UI reciprocity rates in Florida and the U.S., by race ethnicity
15	Table 2: Variation in Florida UI Benefits by Wage Level and Hours and Weeks
Page 3	Figure 1: Percent of Unemployed Collecting UI, U.S. and Southeastern States, 2002
4	Figure 2: Trends in UI Receipt, Florida and U.S. Average, 1978-2002
5	Figure 3: Work Hours of UI Non-Recipients
6	Figure 4: Weeks Worked per Year, UI Non-Recipients
6	Figure 5: Ratio of Florida to U.S. Reciprocity Rates for Selected Workers
9	Figure 6: Percent of Ineligible Workers Who Would Qualify Under an Alternative Base Period
9	Figure 7: Workers Excluded by \$3,400 Earnings Requirement
11	Figure 8: Reasons for Job Separation, by Sex
13	Figure 9: Application and Reciprocity Rates
14	Figure 10: Percent of Workers Denied for Reason of Leaving Work, 1997-1998 Duration of UI Benefits, 2001
17	Figure 11: Duration of UI Benefits, 2001
19	Figure 12: Average UI Payroll Tax as a Percent of Total Wages (Florida and U.S. Average, 1979-2002)
19	Figure 13: UI Taxes as Percent of Total Wages, 2002

I. THE FLORIDA ECONOMY

Florida's economy has cooled substantially since the summer of 2001. Layoffs have sparked an increase in unemployment—from only 3.8 percent in March 2001 to 6.0 percent in December of that year, followed by a slight decrease to 5.3 percent in December 2002—and state revenues have declined. However, Florida's strong economic performance over much of the 1990s produced significant benefits for many Floridians. The state's Gross State Product increased at an annual rate of 4.3 percent from 1993 to 2000 (a rate that outpaced the national growth rate of 4.0 percent), fueled by particularly strong growth in services and in finance, insurance, and real estate (BEA 2001, 2002). The economic expansion added nearly one and a half million net new jobs to the Florida labor market (BLS 2001).

Unfortunately, not everyone benefited to the same extent from the strong economy of the 1990s, and some groups of workers are more affected by the current slowdown than others. Levels of unemployment vary greatly by race, gender, and region of the state. For example, in 2002, the unemployment rate for Florida's African American workers was 9.0 percent, while 6.8 percent of Hispanic and 4.8 percent of white workers were unemployed. Women's unemployment rate is more than 10 percent higher than men's (BLS 2003a). And in some areas of the state, unemployment is much worse than the state average suggests—with rates as high as 10.8 percent in Hendry County (BLS 2003b).

Florida's families need a more effective unemployment insurance program to insure that all workers who find themselves temporarily unemployed can get back on their feet, provide for their families, and continue to contribute to their communities. This is especially important as the economy remains sluggish. Workers hit by weakening employment need the assurance that unemployment insurance will be there to keep their families going as they look for new jobs. The time is ripe for reform of the unemployment insurance system to insure that benefits are available in Florida to provide basic economic security to all workers and their families.

II. THE UNEMPLOYMENT INSURANCE PROGRAM: SUPPORTING WORKERS, FAMILIES, EMPLOYERS, AND LOCAL COMMUNITIES

Created as part of the Social Security Act of 1935, the unemployment insurance (UI) program responded to the significant need for a strong government support system to help the large numbers of the nation's unemployed. Studies show that, without UI, unemployed workers often quickly spend their savings and, in many cases, become destitute. Many are forced to rely on public assistance.¹

The program's goals have always been much broader, not limited to meeting the immediate income support needs of the unemployed (Stettner and Emsellem 2002). The UI program was also intended to serve as an economic stabilizer during times of economic downturns and uncertainty, by influencing employers' behavior and maintaining consumer spending. One instance of this is, disincentives in the UI system that discourage employers from laying workers off whenever possible. Thus, UI taxes are experience-rated so that the UI tax rate increases for firms that lay off more workers who then draw benefits from the UI fund.

When employment is reduced, the infusion of cash into the economy in the form of payments to unemployed workers helps maintain economic activity and limit economic declines. For example, as of the end of 2002, the federal extension of unemployment benefits had pumped \$352 million into the Florida economy (ETA 2003). This allows communities to maintain a more stable economy, with fewer economic downturns and less volatile levels of employment. One important aspect of this anti-recessionary effect of the UI system is that it is "automatic and immediately counter-cyclical," as pointed out by a recent study by Congress' Joint Economic Committee (2001). As unemployment grows, "UI benefits partially replace [unemployed workers'] lost earnings, thereby lessening the overall decline in consumer spending." Once a recovery kicks in and unemployment drops, UI payments decline. This cycle is set in motion as soon as layoffs begin, continues during the economic decline, and then tapers off as the economy strengthens – without requiring any intervention, study, or delay.

As this is happening, UI benefits are spent by unemployed workers in their local communities, supporting the economy and local businesses when hard times hit. Without this mechanism, layoffs cause a cycle of economic

despair within communities as the unemployed cannot afford to patronize local firms (Chapman 2000). Research shows that the UI system can significantly help to interrupt this cycle. Without UI, the unemployed reduce their spending by 22 percent, while the spending level of unemployed workers drops only 7 percent when they collect UI (Gruber 1997). As a leading analyst observed, this "consumption smoothing" aspect of UI benefits may, in fact, be "the primary benefit of UI" (Gruber 1997, 195). A recent study published by the U.S. Department of Labor concluded that "the UI program . . . is probably one of the most effective automatic stabilizers available in the economy to dampen the severity of downturns in GDP" (Chimerine, Black and Coffey 1999, 85). These findings have special significance for those communities in the state that are suffering from the highest levels of unemployment.

The UI system also benefits employers and their employees, by sustaining workers while they find appropriate work that complements their jobs skills. As the leading historian of the UI program observed, "The compensation tends to preserve the workforce intact, with its particular skills, training, and experience, until it can be recalled. . . . While this support of workforce retention may somewhat restrict the mobility of labor, it is of value to the employer, as well as to the worker and the community" (Blaustein 1993, 63). Unemployed workers with inadequate personal savings will be desperate for a job and will not be able to take the time to search carefully for employment that fully utilizes their work experience and skills. With temporary, partial wage replacement from UI, however, workers can look more carefully for an appropriate job match (Acemoglu and Shimer 1999). As a result, employers can hire workers with the skills they need, conserving firms' valuable labor assets and saving on training expenses.

¹ According to the U.S. Congressional Budget Office, about 45 percent of those UI recipients who received benefits for more than 16 weeks would have fallen below the poverty line in the absence of UI benefits (CBO 1990).

III. UNEMPLOYMENT BENEFITS UNAVAILABLE TO MOST FLORIDA WORKERS

UI can only function as an economic stabilizer and labor force attachment tool if it is widely available to the unemployed. In Florida, the unemployment insurance system is not working to meet its basic goal of providing a modest measure of income support to temporarily unemployed workers. The UI system has failed to keep pace with fundamental changes in the labor market, including the growth of low-wage and part-time work and the vastly expanding role of women workers (ACUC 1996b, ETA 1998).

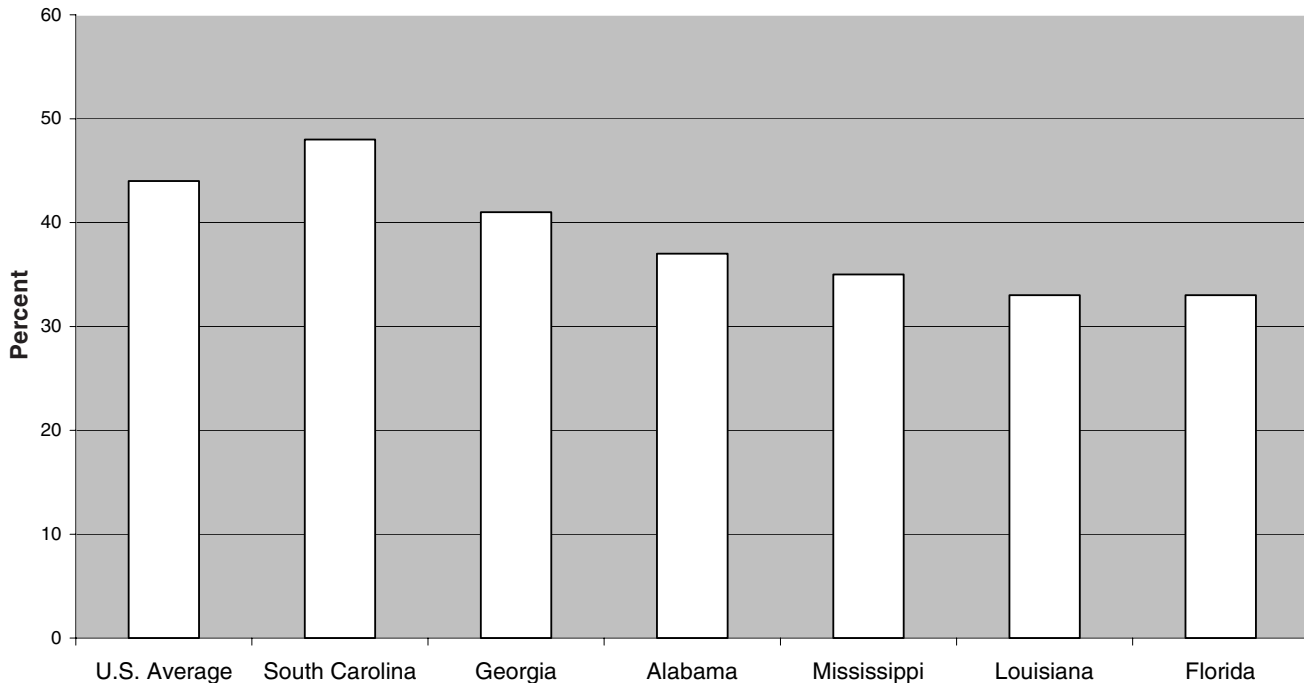
The failings of the UI system are demonstrated most prominently in the dramatic decline in the percentage of the unemployed who are receiving unemployment benefits. Nationally, the proportion of the unemployed receiving UI dropped from an average of 49 percent in the 1950s to a low of 30 percent in 1984, settling around 35

percent over the 1990s, with significant variation from state to state.²

The situation in Florida is among the most severe in the country. Only 33 percent of the unemployed in Florida received UI in 2002, which is only three-fourths the national reciprocity average of 44 percent.³ In 2002, only two states had a lower reciprocity rate than Florida: New Mexico and South Dakota (OWS 2003). Florida has been described by one of the nation’s preeminent UI researchers as a state with “persistently low reciprocity” (Vroman 2001, 20).

Not only is the Florida reciprocity rate among the lowest in the country, it is also lower than many of the nearby southeastern states, as illustrated in Figure 1. South Carolina, Georgia, Alabama, and Mississippi all had higher UI reciprocity rates in 2002. In South Carolina, the reciprocity

**Figure 1:
Percent of Unemployed Collecting UI,
U.S. and Southeastern States, 2002**



Source: U.S. Department of Labor, Office of Workforce Security.

² In 2002, the state with the highest rate of unemployed workers receiving UI was Connecticut, at 83 percent, while the lowest state was New Mexico, where only 31 percent of the unemployed received unemployment benefits. During recessions, the percent of the unemployed that collects unemployment benefits tends to grow, as it has recently, as laid-off workers are more likely to qualify for UI than other unemployed. As the economy stabilizes, reciprocity declines again, because a smaller portion of the unemployed have recent work experience.

³ Unless otherwise indicated, the UI data reported in this study were provided by the U.S. Department of Labor, Office of Workforce Security, for the end of the 2002 calendar year.

rate (48 percent) is 15 percentage points higher than Florida's.

Following the national trend, the reciprocity rate in Florida dropped dramatically over the 1980s. As Figure 2 illustrates, the rate in Florida fell from 27 percent in 1980 to 17 percent in 1989. The reciprocity rate increased during the recession of the early 1990s, when large numbers of the unemployed filed for benefits and received the federally funded extension allowing recipients to collect up to 20 additional weeks of UI. Over the last half of the 1990s, Florida's reciprocity rate was flat. It has risen again slightly as the economy contracted. Since 1993, Florida's UI reciprocity rate has consistently run about 10 percentage points lower than the U.S. average.

The Florida average masks an even more serious problem. Based on a new analysis of data from the Survey on Income and Program Participation (SIPP) prepared by the Institute for Women's Policy Research (IWPR) for this report, it is clear that large segments of the state's most vulnerable workers—women, and those working in low-wage and part-time jobs—are the hardest hit by

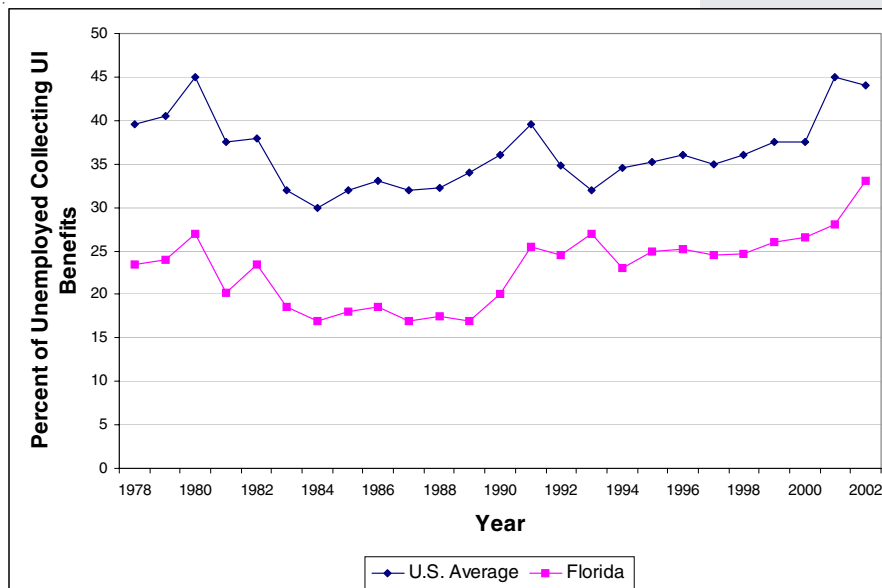
the failures of Florida's UI system.⁴ This is true even for those workers who have significant attachment to the labor force, as measured by their earnings and the number of weeks and hours they worked. For these hard-working Floridians, it is misleading to claim that the UI system can be counted on as "insurance" during a spell of involuntary unemployment.

Analyzing Unemployment in Florida

This report presents new findings about the work experiences of Florida's unemployed. These findings are based on analysis of a national survey conducted by the U.S. Census Bureau, the Survey of Income and Program Participation (SIPP). In this survey, individuals are asked questions at four-month intervals for several years, allowing researchers to observe their work behavior and earnings over a period of time. The data used for this report, the most recent information available from this survey, reflects interviews conducted between October 1992 and February 2000 for the 1993 and 1996 survey panels. (More information about the survey and the data analysis is available in Footnote 4.)

We use these data to compare the experiences of different groups of workers under Florida's UI system. Reciprocity rates calculated from the SIPP are not exactly the same as those published by the U.S. Department of Labor, because they are based on a different period of time and different information about workers' employment and UI histories. However, because the SIPP has so much detailed information about when people worked, at what point they became unemployed, and whether they actually received any UI benefits, it is an extremely valuable tool in evaluating the equity of Florida's UI program.

Figure 2: Trends in UI Receipt, Florida and U.S. Average, 1978-2002



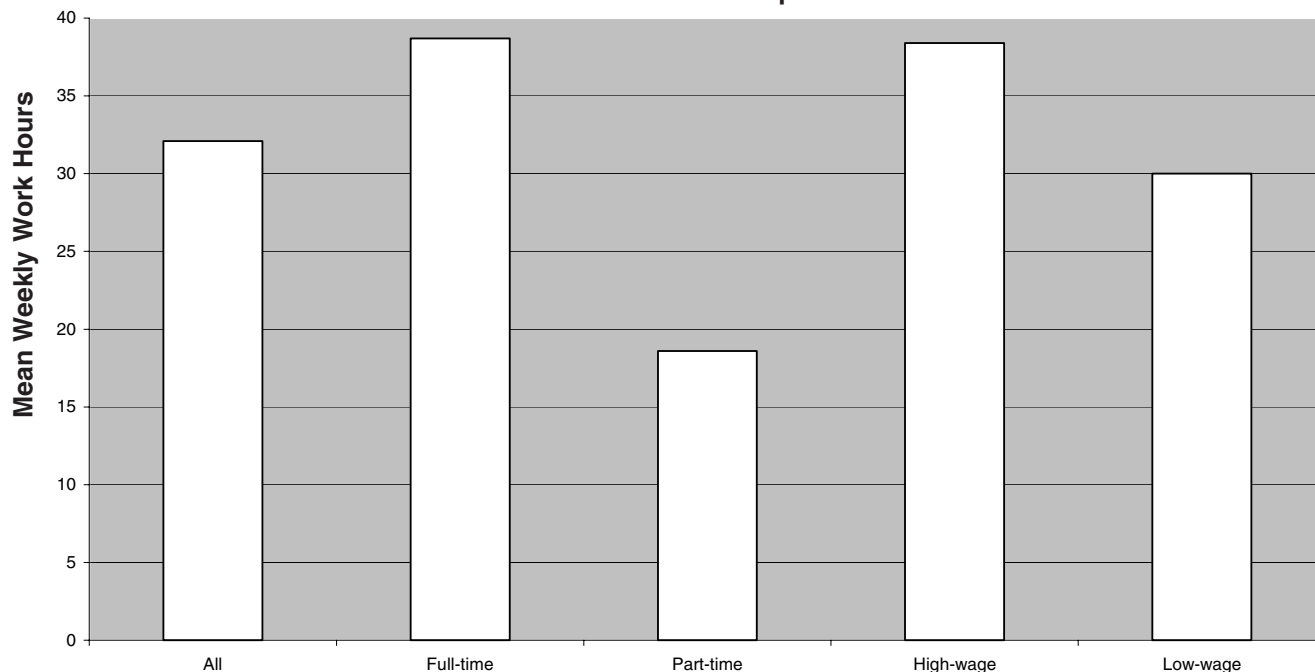
Source: U.S. Department of Labor, Office of Workforce Security.

⁴ The Survey of Income Program Participation (SIPP) is a longitudinal household survey conducted by the U.S. Bureau of the Census. Each panel follows the same respondents over a period of two-and-a-half to three years, providing a rich source of detail about each individual's employment and income during that time. The most recent panels (1993 and 1996) were combined for the purposes of this report to generate a large enough sample for state-level analysis. (These panels represent surveys conducted from October 1992 to February 2000.) National UI reciprocity data reported in this section are from the 1996 panel, which encompasses surveys fielded between December 1995 and February 2000. Unless otherwise noted, all analyses of UI reciprocity in Florida presented in Sections III and IV of this report are based on the combined panels.

While the SIPP is nationally representative, it is not designed to reflect individual states' populations. However, because the SIPP allows researchers to reconstruct individuals' employment and earnings histories, it is occasionally used for state-level analysis (see, e.g., GAO 2000).

This analysis focuses on the "experienced unemployed": individuals with recent work history. By contrast, UI reciprocity data typically refer to all unemployed persons, including those just entering or re-entering the labor market. The sample used for this report also excludes students, individuals employed by the military, and the self-employed, who are not typically covered by the regular UI program. Individuals in the SIPP panel an insufficient period of time to report earnings during their standard base period prior to becoming unemployed and to be observed for six months following unemployment (to check for UI receipt) were also omitted from the analysis.

**Figure 3:
Work Hours of UI Non-Recipients**



Source: Institute for Women's Policy Research analysis of the 1993 and 1996 panels of the Survey of Income and Program Participation.

The situation for the unemployed in Florida became much worse when changes in eligibility criteria went into effect on July 1, 1996. The new, higher earnings requirements mean that even fewer women, low-wage, and part-time workers who experience a job loss have income from unemployment insurance while they search for new employment. This is an especially serious problem because the UI reform coincided with changes in Florida's welfare system that imposed a three-year limit on cash assistance and forced many low-skilled women into the workforce. Welfare recipients have traditionally either moved cyclically between employment and welfare, used welfare as a supplement to low earnings, or relied on welfare for income while seeking employment (Spalter-Roth, Burr, Hartmann and Shaw 1995). With the temporary income support of welfare now unavailable, former welfare recipients need to be able to rely on unemployment insurance between spells of employment, to keep them and their children out of poverty. However, as currently designed, UI is often not available for low-skilled workers who are between jobs.

Working Hard, Without Unemployment Insurance

If someone works hard for long stretches of time, most people assume that the UI system will be there to help deal with job loss and the search for new work. In Florida, that is not always the case. The SIPP analysis indicates that unemployed workers who do not receive UI ("non-recipients") work an average of 32 hours per week, 42 weeks a year—a substantial amount of work by almost any standard (Figures 3 and 4).⁵ Unemployed workers who have been employed full-time yet do not receive UI benefits labored an average of 39 hours per week, 44 weeks a year. Unemployed part-time workers who fail to access the UI system work 19 hours a week and 37 weeks per year on average. The same pattern of strong labor force attachment plays out for low-wage workers (defined here as those working for less than \$8.20 an hour⁶). These non-recipients work an average of 30 hours per week and 40 weeks a year.

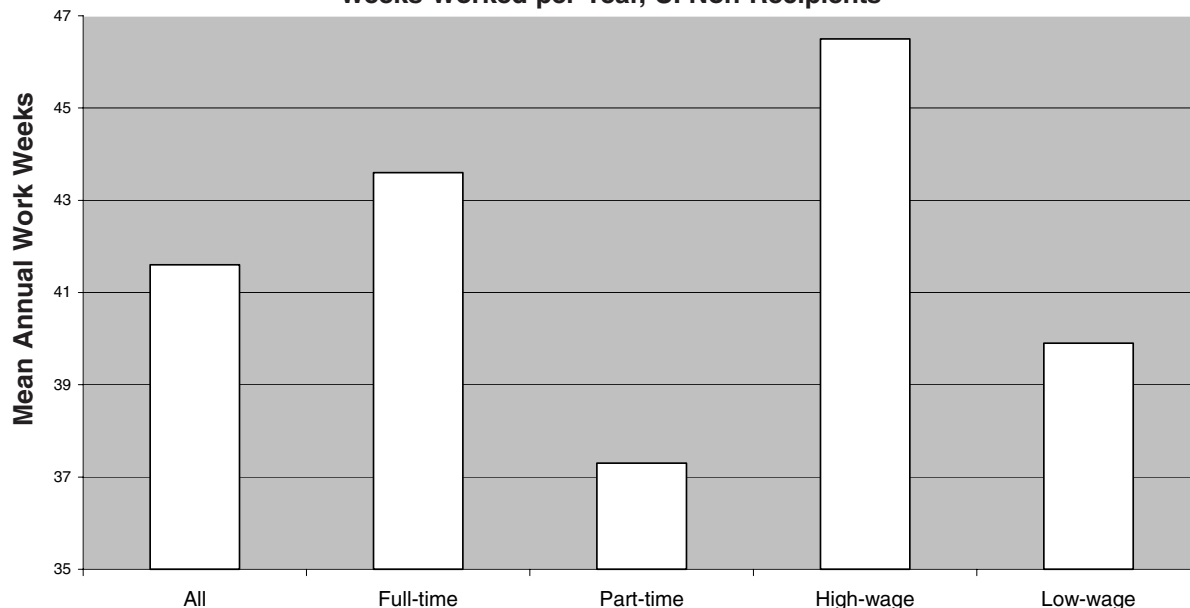
⁵ Data refer to work experience during the first four of the five completed calendar quarters immediately preceding the onset of unemployment – that is, during the standard base period usually used to determine UI eligibility.

⁶ High-wage workers are those who earned an average of \$8.20 per hour or more during their base period (in February 2000 dollars). Full-time full-year earnings at this level are approximately equal to a poverty-level income for a family of four. Low-wage workers are defined as those whose average wage was less than \$8.20 per hour during the base period.

It is clear that access to UI in Florida is not primarily a function of having strong labor force attachment. As will be discussed below, what makes a difference is

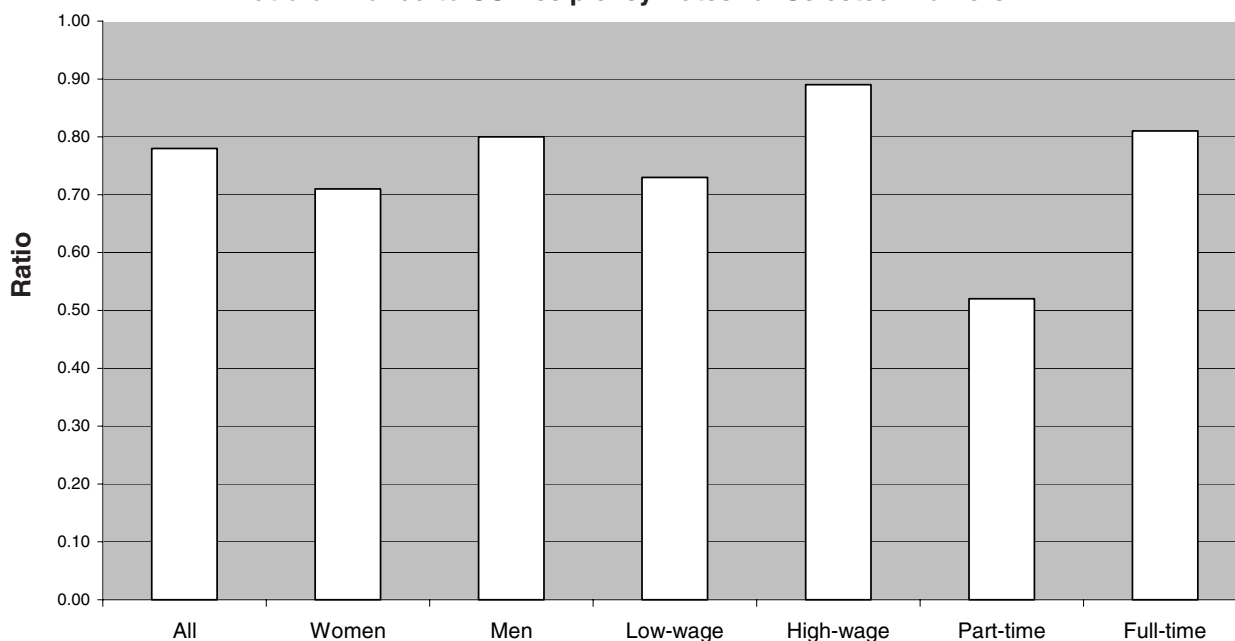
how much one earns for every hour of work, how one's work hours are scheduled over the course of the year, and how one becomes unemployed.

**Figure 4:
Weeks Worked per Year, UI Non-Recipients**



Source: Institute for Women's Policy Research analysis of the 1993 and 1996 panels of the Survey of Income and Program Participation.

**Figure 5:
Ratio of Florida to US Reciprocity Rates for Selected Workers**



Source: Institute for Women's Policy Research analysis of the 1993 and 1996 panels of the Survey of Income and Program Participation.

Poor UI Coverage for Women, Low-Wage, Part-Time, Hispanic, and Black Workers

The UI system in Florida is far beyond the reach of large and growing segments of the state's labor force. The chances of recovering unemployment benefits for women, low-wage, and part-time workers are very low, and they are much lower in Florida than in the nation as a whole (Figure 5). The SIPP data show that for these three segments of the workforce, the likelihood of receiving UI during a jobless spell in Florida is less than three-fourths

the national rate.⁷ UI reciprocity for men, high-wage, and full-time workers in Florida is lower than the national average as well, but the difference is not as great for these groups.

Compared to the national UI reciprocity rate, Hispanics in Florida are substantially less likely to receive UI (Table 1), with only 17 percent collecting UI benefits. This reciprocity rate is barely above two-thirds of the U.S. rate for Hispanics. Blacks in Florida also have very low UI reciprocity – only 19 percent.⁸

Table 1. UI reciprocity rates in Florida and the U.S., by race/ethnicity

	<u>Florida</u>	<u>U.S.</u>	<u>Ratio, Florida to U.S. reciprocity rates</u>
Hispanic	16.8	24.0	.70
Black	18.6	19.0	.98
White	20.9	26.4	.79
All	19.4	25.0	.78

Source: Institute for Women's Policy Research analysis of the 1993 and 1996 panels of the Survey of Income and Program Participation.

⁷ Data for Florida refer to the period 1992 to 2000, while the national figures are for 1995 to 2000.

⁸ Our data do not suggest an explanation for the Black reciprocity rate in Florida being nearly as high as the U.S. average rate. The proportion of Florida workers in occupations with better than average access to UI, such as the unionized workforce, and the very low national reciprocity level for Blacks are likely reasons.

IV. FLORIDA'S QUALIFYING STANDARDS: BARRIERS TO UI FOR WOMEN, LOW-WAGE, PART-TIME, AND IMMIGRANT WORKERS

Workers face a number of barriers to collecting unemployment benefits in Florida. First, Florida has its own rules that determine whether an individual's work history and earnings record were substantial enough to qualify for unemployment benefits. Second, the individual's reason for leaving work must be considered appropriate under Florida's law. And third, the state decides the differing penalties imposed on workers who fail to meet the state's qualifying rules. The way the state chooses to define these qualifying criteria has an enormous impact on the availability of UI to the unemployed, especially for low-wage, women, and immigrant workers.

Work History Rules Limit UI for Women, Low-Wage, and Part-Time Workers

To qualify for UI in Florida, an unemployed worker has to first establish a sufficient work history as defined by the law. As described below, Florida laws defining the extent of work history needed to qualify for UI put women, low-wage, and part-time workers at a significant disadvantage.

- **The rules measuring eligibility based on earnings, not hours of work, discriminate against low-wage workers**

In Florida, eligibility for UI is determined by the amount of money an individual earns. To qualify, a worker must have earned at least \$3,400. This is the highest earnings threshold of any state and nearly twice as high as the average for all states that impose an earnings requirement. On its face, this does not appear to be a large sum to earn in a one-year period of time, certainly not for middle- and higher-income workers. For example, a full-time worker earning the average annual wage in Florida (\$32,535 in 2003) would have to work less than six weeks to meet this requirement. However, a minimum wage worker employed 30 hours a week needs 22 weeks of work—nearly half a year—in Florida to meet the earnings requirement. The minimum earnings requirement in Florida creates a substantial inequity in UI eligibility by requiring greater work effort from low-wage workers than from those who earn more per hour.

- **A worker's recent work history is ignored by the Florida "base period"**

In Florida, UI eligibility hinges on work and earnings in a "standard base period" (SBP) that excludes wages earned during the last three to six months before an individual's job separation. The base period covers the first four of the last five completed calendar quarters before unemployment begins (Florida Statutes 443.036(7)). For example, if Sara applies for UI on March 1, 2004 – two months into the first calendar quarter of 2004 – her base period starts on October 1, 2002, and ends on September 30, 2003. Thus, for the purposes of determining her UI eligibility and her benefit level, Sara is not credited for any wages earned (or any raises received) from October 1, 2003, to March 1, 2004.

This definition was established when hand-processed record keeping caused substantial delays between a job separation and the time that the worker's wages were reported by an employer for the state's claims processing. Today's more advanced, computerized data collection systems have the capability to use more recent wage information, especially in Florida, where the Agency for Workforce Innovation has already instituted a streamlined process for reporting taxes and wages for UI purposes (Florida Department of Labor and Employment Security 1998).

Nineteen states, including Georgia and North Carolina, have updated their UI systems by adopting what is known as an "alternative base period" (ABP).⁹ The ABP allows an individual to include information about more recent wages in the UI eligibility determination, if the adjustment is necessary because the worker failed to qualify under the SBP. In Sara's case, with an ABP the wages she earned during the most recent completed or "lag" quarter—the period from October 1, 2003, to December 31, 2003—would be included in determining her UI eligibility, if she failed to qualify using her earnings in the SBP.

A national study found that the discriminatory effect of the standard base period definition is significant, especially for low-wage and part-time workers (Planmatics, Inc. 1997). In New Jersey, the average earnings of workers qualifying for UI under the ABP were 69 percent lower than those who qualified using the SBP. In Washington,

⁹ As of August 2003, the other states are Connecticut, the District of Columbia, Hawaii, Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Rhode Island, Vermont, Virginia, Washington, and Wisconsin (National Employment Law Project 2003).

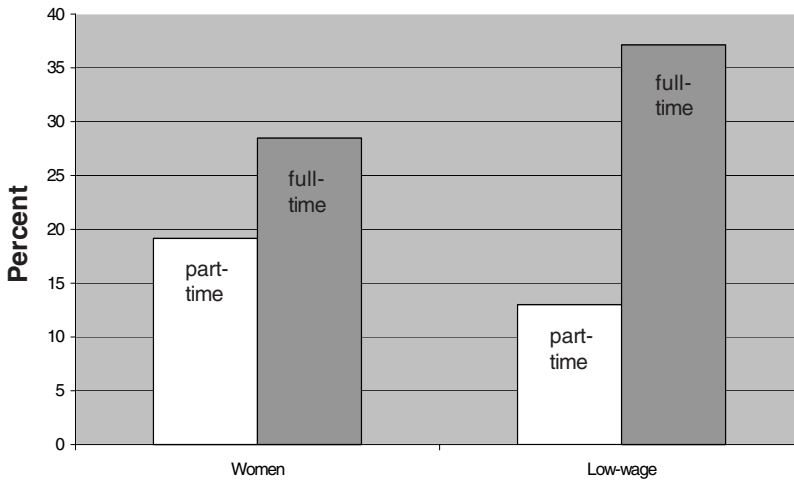
the average number of hours worked by those who qualified using the ABP was 41 percent lower than for those who qualified for UI using the SBP. According to a study of the Texas UI system, 23 percent of those who initially failed to qualify under the SBP would have been found

eligible under an ABP (Emsellem, Allen and Shaw 1999).

Our analysis of the SIPP data shows that large portions of unemployed Floridians who did not receive UI benefits would meet the \$3,400 earnings requirement under an ABP. Of unemployed women who met the old \$400 qualifying standard,¹⁰ 19 percent of part-timers and 28 percent of full-timers had earnings of at least \$3,400 under the ABP, but not under the SBP (Figure 6). An ABP would have allowed 13 percent of part-time and 37 percent of full-time low-wage workers who met the old, lower earnings standard to meet the new earnings threshold.

The Florida legislature has studied the possibility of enacting an alternative base period, and the Florida Senate has endorsed the concept. A bill proposing an ABP was approved by three Senate subcommittees in the 2003 legislative session and passed by the Florida Senate, on a vote of 39 to 0, on May 1, 2003. The bill was unable to advance in the House before the legislative session ended on May 2.

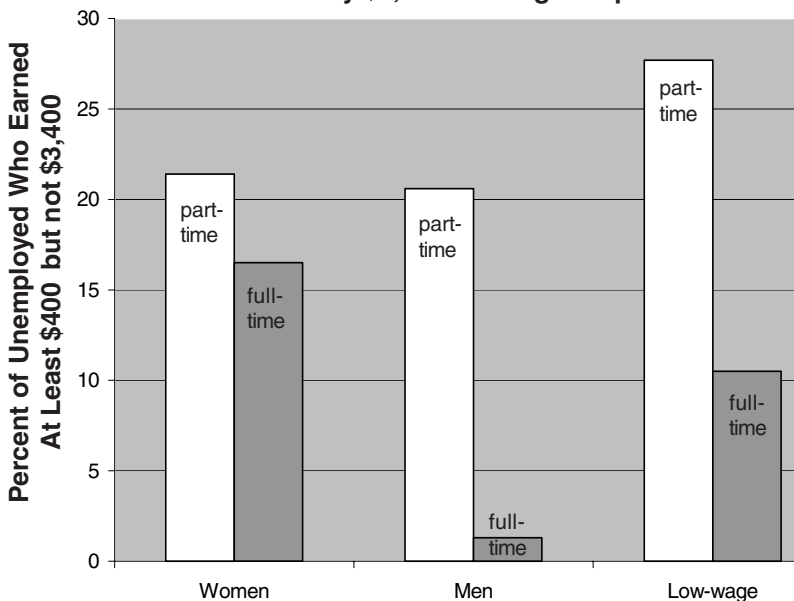
Figure 6:
Percent of Ineligible Workers Who Would Qualify Under an Alternative Base Period



Source: Institute for Women's Policy Research analysis of the 1993 and 1996 panels of the Survey of Income and Program Participation.

The 1996 increase in the earnings qualification created additional barriers for women, low-wage, and part-time workers

Figure 7:
Workers Excluded by \$3,400 Earnings Requirement



Source: Institute for Women's Policy Research analysis of the 1993 and 1996 panels of the Survey of Income and Program Participation.

Florida increased the earnings requirement from \$400 to \$3,400 effective July 1, 1996. The burden of this higher standard fell hardest on women, part-time, and low-wage workers. Figure 7 illustrates the impact the higher earnings threshold has on these vulnerable groups. Overall, 11 percent of Florida's unemployed who do not receive UI have earnings of at least \$400 but do not earn as much as \$3,400. Twenty-one percent of unemployed part-time women workers who earn at least \$400 fail to meet the new monetary requirement; 17 percent of unemployed full-time women workers do also. Only one percent of unemployed men with full-time employment histories who earn at least \$400 and do not receive UI fail to match the new, higher standards, but 21 percent of similar unemployed part-time workers were denied benefits by the increased earnings criterion. No

¹⁰ See next section for a discussion of the 1996 change in the earnings threshold.

high-wage workers were excluded by the new requirement, but 11 percent of low-wage full-time workers and 28 percent of part-time low-wage workers fail to meet this new standard.

This increase in the number of low-income workers excluded from the Florida UI system is a particularly serious problem in light of the impact of welfare reform on this same group of individuals. Many women forced into the labor market by time limits on welfare receipt bring substantial, and often multiple, barriers to the workplace. Former welfare recipients are more likely than other women to have low educational achievement, poor access to transportation, and mental health issues such as depression (Danziger et al. 1999). They also are more likely to have a child with a health, learning or emotional problem or to suffer from severe domestic violence. All these factors make it difficult to find and maintain employment, as these barriers may disrupt work attendance or impinge on productivity in the workplace. For these women, then, employment is more likely to be intermittent and low-paid. The Florida UI system is not currently providing workers such as these with the temporary income support they and their children desperately need as they try to become financially self-sufficient through work.

• **New eligibility criteria imposed in 1996 erected another obstacle for women, low-wage, and part-time workers**

At the same time that the earnings threshold was increased, two new eligibility criteria were imposed. One requires that workers have earnings in at least two of the four quarters of the SBP. The second, “high quarter earnings” rule mandates that total earnings in the base period be at least 1.5 times the worker’s earnings in the quarter of the base period in which she had the highest earnings.

An analysis of the earnings of unemployed Floridians shows that these new standards about the distribution of earnings within the base period disproportionately hurt low-wage and part-time workers. Those people working part-time in low-wage jobs were most severely impacted: One of every eight (12 percent) who met the \$3,400 base period earnings requirement did not satisfy the new high quarter earnings rule. In addition, four percent of full-time workers, both high-wage and low-wage, who did have sufficient overall earnings did not pass this high-quarter

test. Overall, five percent of unemployed workers who did not receive UI but did have sufficient earnings to qualify for UI were disqualified under this rule.

Work and Family Restrictions Affect Many Women Workers

Once someone meets the first test to qualify for UI in Florida—that is, earning sufficient wages during the specified periods of time—the individual must demonstrate a qualifying reason for leaving work. As described below, these rules make it far more difficult for working families, especially single-parent households, to access the UI system.

In Florida, quitting a job voluntarily without “good cause attributable to the employing unit” is considered disqualifying (Florida Statutes Section 443.101(1)(a)). Aside from a worker’s own illness or disability, there are no statutory protections that apply to circumstances outside the employment relationship that may be beyond the employee’s control and may interfere with continued employment. A child’s or spouse’s illness is not defined as a valid reason for quitting a job, even if there are no other family members available to provide care. Many compelling family circumstances requiring workers to take time off from work even for a day, such as an emergency child-care problem or a court appearance to gain a protective order in a case of domestic violence, are considered disqualifying. All too often, workers experiencing these situations are forced either to quit their jobs or be fired for missing work, which leaves them with a poor employment record and also deprives them of UI benefits.

Women workers are far more likely than men to cite family circumstances as the reason for having to leave a job in Florida.¹¹ Women are ten times as likely as men to leave work because of “other family or personal reasons,” as shown in Figure 8. When these domestic reasons are combined with job separation due to pregnancy or having a child, the proportion of women leaving a job in response to personal or family-related issues becomes even greater in comparison with men’s experiences: more than one-quarter of unemployed women experience a job separation for these reasons, compared with only three percent of men. Under the current UI system, as long as women have the primary responsibility for caring for family

¹¹ These data are from a Topical Module of Wave 1 of the 1993 SIPP and thus reflect the experiences of a different set of workers than the other SIPP analyses reported here.

members and workplaces offer insufficient flexibility, women will be disproportionately deprived of the UI benefits they earn when employed.

Women workers, women and men who are single parents with significant family responsibilities, and low-wage workers who often cannot afford reliable child care are disproportionately affected by the failure of Florida's UI law to accommodate family and other circumstances not directly attributable to their employment.

Victims of Domestic Violence Are Excluded From Coverage

When women experience domestic violence, it frequently interferes with their employment. Batterers may follow domestic violence victims to work, harass them on the job, or assault them physically or verbally in the workplace. Domestic violence prevents women from getting to work on time and increases absenteeism. Time off work may be needed to seek legal protections against the abuse. A quarter to one-half of working women who experience domestic violence leave their jobs because of the abuse, and others are fired over performance issues or because the violence is perpetrated in the workplace (Smith, McHugh and Runge 2002).

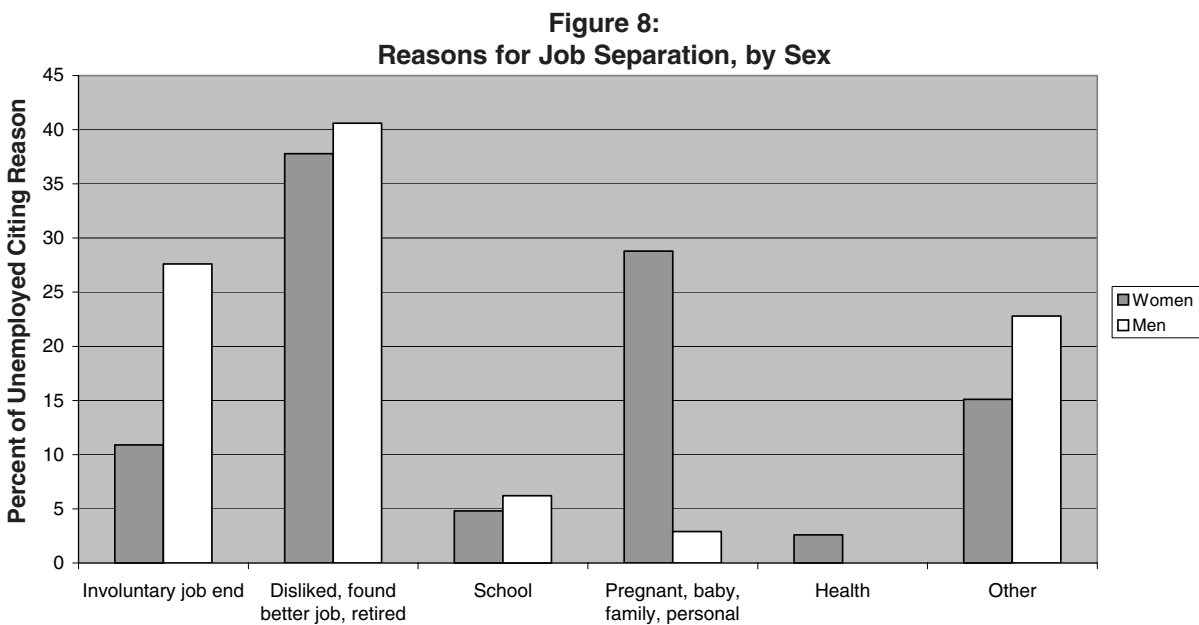
In Florida, survivors of domestic violence who leave work are denied unemployment benefits, even if the batterer intimates or abuses the worker on the job. In a case brought before the Florida appeals court, a domestic violence sur-

vivor argued that she was entitled to unemployment benefits when her divorced husband repeatedly threatened her life and the safety of the children at the school where she was employed. The court ruled against her, finding that her "decision to relocate to avoid conflict with her husband may have been for a good personal reason, but it was not good cause attributable to her employer and disqualification was proper" (Hall v. Florida Unemployment Appeals Commission, 697 So.2d 541, 543 (Flo.App., First Dist. 1997)).

Nineteen states explicitly provide UI for otherwise qualified victims of domestic violence who leave their jobs because of the abuse, creating "good cause" exceptions to cover such situations (National Employment Law Project 2002b; New Mexico Statutes Section 51-1-7(A)(1)(b)). In addition, states have the legal authority to modify work-search requirements for domestic violence survivors. Massachusetts and Washington, for instance, require survivors to register for work, but do not expect the standard level of activity in looking for a new job.

Many Immigrant and Low-Wage Workers Face Additional Barriers to Benefit Receipt

Several features of the Florida UI system work to exclude immigrant workers, especially those employed in migrant agricultural work. The growth of professional employer organizations or "employee leasing" companies erodes agricultural workers' access to UI. The basic func-



Source: Institute for Women's Policy Research analysis of the 1993 and 1996 panels of the Survey of Income and Program Participation.

tion of these companies is to process payroll reports for other companies, but, under a change in Florida's UI law effective July 1, 1996, they also assume some of the main company's role as employer for UI purposes. Thus, a worker whose paycheck is produced by an employee leasing company and whose job ends is required to report back to the employee leasing company and request a new work assignment. If the worker does not ask for another referral, she may be deemed to have voluntarily quit her job and be denied UI benefits. However, since the employee leasing company does not actually provide jobs or employment referrals, the worker may not expect that asking for a referral will lead to re-employment.

Workers who are paid partly or entirely in cash, which is a common practice in some industries that depend on immigrant labor, may be unable to document their full earnings. This reduces the amount of their UI benefits, since benefit amounts are based on employers' documentation of wages.

Problems with Florida's administrative UI system present additional barriers to UI receipt by immigrants. Employer non-payment of UI taxes slows down the administrative processing system, as tax payments must be assessed and paid before benefits can be disbursed, and this delay deprives workers of timely benefit receipt. In addition, workers challenging unfavorable UI determinations are not provided with legal representation, even at the district court level (the jurisdiction that hears appeals of Unemployment Compensation Appeals Bureau decisions). Left on their own to navigate in an unfamiliar legal environment, workers are at a disadvantage in enforcing their rights.

Information about the UI system, application materials, and telephone and web-based access are severely restricted for workers who are not fluent in English. Communication with claimants during claims processing is hampered by a lack of translated forms and notices. Many claimants' due process rights are limited when critical appeal deadlines are explained in decision notices written in languages that the claimants cannot read. Other forms and documents are unavailable in languages used by many unemployed workers. Even without a language barrier, the move from in-person filing to telephone and internet claims processing creates inequities for individuals who do not have access to telephones (and, for instance, cannot receive return phone calls) or computers or who lack computer literacy skills.

Job Losers who Quit a Second, Part-Time Job are Denied Benefits

In 1999, the Florida legislature created a new disqualification from UI for workers with two jobs. Previously, an individual supplementing a full-time job with a part-time job who was laid off from their main job could receive UI benefits on the basis of the full-time job, with the amount of the UI benefits reduced by the earnings from the part-time job. If the individual quit the part-time job—which may have been located near the full-time job but far from the worker's home, or because continuing with the part-time employment interfered with searching for a new, full-time job—benefits would still flow from the full-time job.

Under the new law, workers who quit a second, part-time job after losing their main job are disqualified from receiving the UI benefits they would ordinarily be entitled to based on their full-time job termination, even when they are available for and seeking a full-time job and regardless of their past commitment to the labor force.

Workers Unfairly Penalized When They Reapply for Unemployment Benefits

Florida makes it especially difficult for workers to re-qualify for unemployment benefits. Workers who leave one job for a reason not authorized under the UI law are not eligible for UI if they later become unemployed from a new, second job until they first earn at least 17 times their weekly UI benefit amount (Florida Statutes Section 443.101(1)(a)(1)). This reemployment penalty is much stricter than those of other states, most of which require the worker to earn five to 10 times their weekly benefit (OWS 2001, Table 302).

Thus, a minimum-wage worker otherwise eligible for the minimum weekly UI benefit of \$32.00 who left one job, started another and was then laid off would have to earn \$544 before re-qualifying for UI in Florida. This is 106 hours of work at the minimum wage of \$5.15, or over two and a half weeks of full-time work. A worker otherwise eligible for the maximum weekly UI benefit of \$275.00 would have to work an additional 468 hours at \$10.00 an hour to re-qualify for UI benefits – nearly three months of full-time work. When job turnover in the state is most severe, Florida's onerous penalty provisions are especially hard on the state's unemployed workers.

V. ADMINISTRATIVE BARRIERS LIMIT ACCESS TO UI

As documented above, Florida's restrictive eligibility rules contribute significantly to the fact that so few unemployed workers collect unemployment benefits. In addition, the manner in which the program is administered day-to-day can severely limit access to Florida's UI program.

A recent national study by the Urban Institute provides a wealth of information to help understand how the UI administrative process can play a role in restricting or expanding access to the UI system (Vroman 2001). The study, authored by a leading authority on the UI system, found that the proportion of workers who collect UI varies significantly among the states in large part because of factors not limited to the eligibility rules. According to a number of measures developed by the study, the Southeastern states, and Florida in particular, were found to be among the most restrictive with their UI programs.

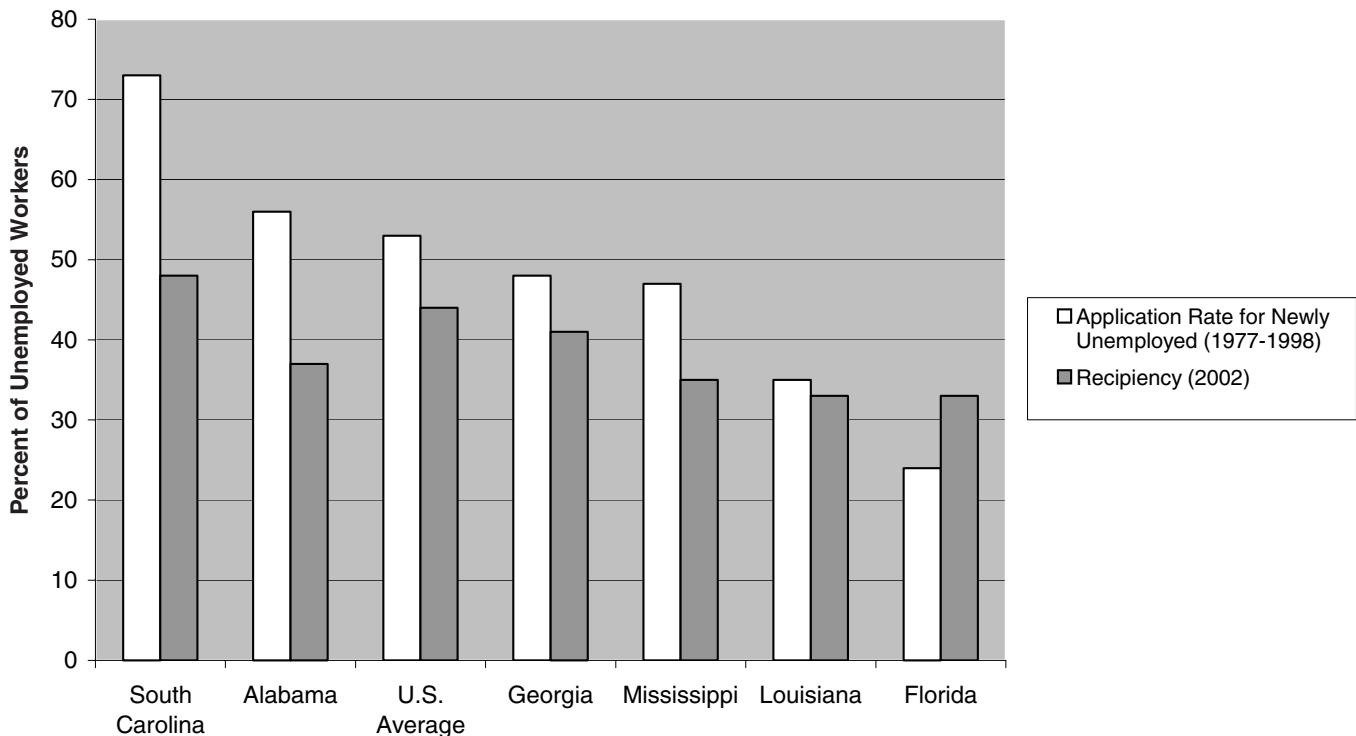
As described above (Figure 1), the standard measure for judging access to the UI program looks at the number of workers actively claiming regular UI benefits as a proportion of the number of the unemployed. According to this measure, only 33 percent of unemployed Floridians actually collected UI benefits in 2002. The application rate,

which evaluates the percent of the unemployed who *file* for UI as a fraction of those who are *newly* unemployed, indicates the extent of problems workers face in accessing UI before they even file their claims.

As Figure 9 shows, the percent of newly unemployed Floridians who file for benefits is extremely low, indeed the lowest in the nation, at only 24 percent for the period from 1977-1998. That is substantially less than half the national average of 53 percent and is far below the rate for every other state in the region. In all the other nearby southeastern states except Louisiana, including those with programs that provide UI benefits to a relatively small percentage of unemployed workers (such as Alabama, Georgia, and Mississippi), almost half of all newly unemployed workers still filed for unemployment benefits. Thus, in significant contrast to the rest of the country, many newly unemployed workers do not even make their way to the UI application process in Florida.

According to the Urban Institute's national study, a number of factors can contribute to the low application rate in problem states like Florida. Of special significance to Florida is the question of how accessible the UI system is in accommodating the state's diverse immigrant

**Figure 9:
Application and Recipiency Rates**



Source: Vroman (2001, Table III-1); U.S. Department of Labor, Office of Workforce Security.

workforce. According to the report, “one of the most striking contrasts among the states concerned agency procedures for non-English speakers. Of the states visited, high reciprocity states have much more client-friendly procedures than low reciprocity states” (Vroman 2001, 119). While Florida provides some translated services to help Florida’s large immigrant population to access their UI benefits,¹² these services are still extremely limited.

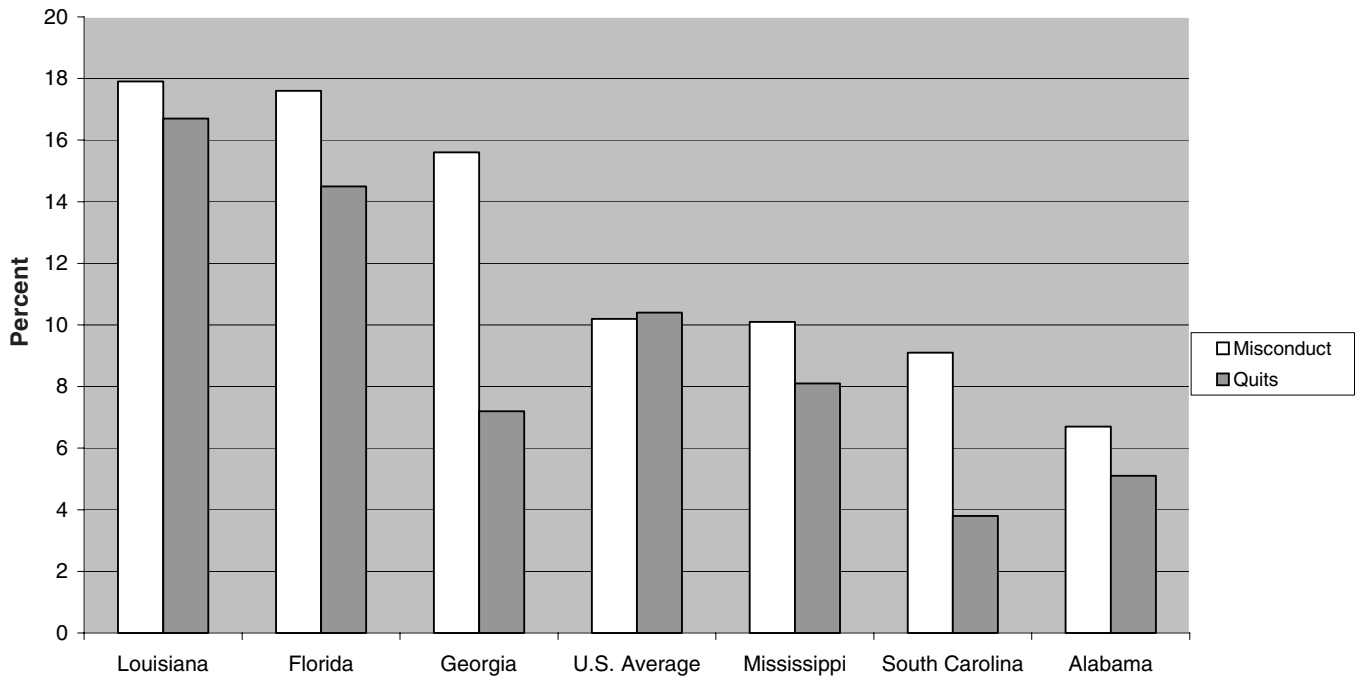
In addition, when states are especially aggressive in challenging and denying UI claims that have been filed, there is a much greater chance that workers will decide not to file for UI benefits. Thus, the study found a strong relationship between states where a low percentage of the unemployed collect UI and states that are most likely to deny benefits to workers for reasons related to why the individual left their job. Most strikingly, those states with especially limited access to UI were far more often found to deny benefits to workers laid off for reasons related to “misconduct” (and to a lesser extent for leaving work on their own without being laid off).

Florida is a classic case in point. As Figure 10 shows, almost one out of three UI claims filed in Florida is de-

nied because the state found that that the worker left work for disqualifying reasons. Significantly, the state denied 18 percent of all claims finding that the worker committed misconduct, which is a larger percentage than all but three other states in the nation (Nebraska, Georgia, and Texas), far in excess of most of the other nearby southeastern states, and almost twice the national average of 10 percent.

Clearly, the more often claims are denied in Florida, the lower the percentage of workers who will collect unemployment. Equally important, however, the more often claims are denied, the more likely it is that all workers will think twice before even applying for UI. Note that several nearby states, including Alabama, Georgia, Mississippi, and South Carolina, have much higher application rates and much lower rates of denying workers because of the circumstances for leaving their jobs. Thus, the administration of the program may be contributing significantly to the low application rate, and in turn to the low rate at which workers collect UI in Florida.

**Figure 10:
Percent of Workers Denied for Reason for Leaving Work, 1977-1998**



Source: Vroman (2001), Table III-2.

¹² A law passed in 2000 (Section 443.151(8)) requires bilingual instructional and educational materials and the posting of bilingual notices in unemployment notices advising workers that translators are available.

VI. THE LIMITED VALUE OF FLORIDA'S UNEMPLOYMENT BENEFITS

Once a worker successfully applies for and collects an unemployment check, it's important to ask whether Florida's benefits are adequate to support an unemployed family, especially those families with the lowest incomes. As described in the following section, the value of an individual's UI check and the number of weeks a worker receives benefits vary significantly depending on the individual's employment history. Low-wage, part-time, and women workers receive far less in unemployment benefits, despite their often significant work histories.

The Weekly Value of an Unemployment Check

In Florida, workers are entitled to a maximum of \$275 a week in unemployment benefits, and the minimum benefit amount is \$32 (See Table 2). By comparison, the average weekly wage in Florida is \$594, or slightly more than twice the maximum benefit. The maximum UI benefit in Florida exceeds the federal poverty level for a single-parent family with two children by just \$1 a week.

Under the state's UI benefit formula (see box), low-wage, part-time, and part-year workers receive very low UI benefits. For example, while a worker employed full-time at \$10 an hour would receive \$200 a week in UI benefits, an individual with the same work effort earning the minimum wage of \$5.15 an hour would receive only \$103 a week in benefits. Benefits drop to \$100 for an individual who worked 20 hours a week at \$10 an hour a week, and a part-time minimum-wage worker's benefits are only \$52 a week. In Florida, 21 percent of workers collect less than \$150 a week in UI benefits, 29 percent collect between \$150-250, and 50 percent collect over \$250.¹³

Florida's Limits on the Number of Weeks of UI Benefits

UI in Florida is capped at a maximum of 26 weeks of UI benefits. However, in contrast to several states, workers in Florida are not automatically entitled to the maximum weeks of benefits. According to the state's formula (see box), the number of weeks a worker can re-

Table 2: Variation in Florida UI Benefits by Wage Level and Hours and Weeks Worked

	<u>Annual Earnings</u>	<u>Required Benefit Amount</u>	<u>Weekly Weeks of UI</u>	<u>Total UI</u>
Maximum Benefits	\$28,600	\$275	26	\$7,150
Minimum Benefits	\$3,328	\$32	26	\$832

UI Benefits Simulations for Low-Wage, Part-Time, & Part-Year Workers			
<u>Type of Worker</u>	<u>Weekly Benefit Amount</u>	<u>Weeks of UI</u>	<u>Total UI</u>
Full-Time ^a /Full Year ^b			
\$10.00/hour	\$200	26	\$5,200
\$5.15/hour	\$103	26	\$2,678
Part-Time ^c /Full Year ^b			
\$10.00/hour	\$100	26	\$2,600
\$5.15/hour	\$52	26	\$1,339
Full-Time ^a /Half Year ^d			
\$10.00/hour	\$200	13	\$2,600
\$5.15/hour	\$103	13	\$1,339
Part-Time ^c /Half Year ^d			
\$10.00/hour	\$100	13	\$1,300
\$5.15/hour	\$52	13	\$670

^a Full-Time is defined as 40 hours of work a week. ^c Part-Time is defined as 20 hours of work a week.
^b Full-Year is defined as 52 weeks a year of work. ^d Half-Year is defined as 26 weeks of work in two calendar quarters.

Source: Institute for Women's Policy Research

ceive UI depends on the worker's total yearly wages. Workers who have been employed for less than 52 weeks in their base period will collect fewer weeks of UI benefits. In addition, Florida requires all workers to serve a "waiting week," meaning that no UI benefits are paid during the first week of unemployment.

To better appreciate how the state's formula works, it helps again to consider different categories of workers. For example, a worker employed in a full-time job for half the year earning \$10 an hour will collect UI for a maximum of 13 weeks, earning a total of \$2,600 in benefits. A full-year worker in the same situation will collect benefits for a full 26 weeks, earning \$5,200. A part-time worker employed half the year earning the minimum wage (\$5.15) also collects only 13 weeks of benefits, totaling a maximum of \$669.50 a year, compared with \$1,339 a year for the same worker employed for all 52 weeks of the year.

The Special Hardship for Florida's Long-Term Unemployed

Most of Florida's workers reach the end of their unemployment benefits well before 26 weeks, because of the way benefit duration is determined under Florida's unemployment laws. This finding has special significance to jobless workers during the recession, when the tight labor market lengthens the search for a new job.

Figure 11 shows how many weeks of UI Florida's workers collect before they are denied additional benefits. Significantly, more than one quarter (27 percent) of all

Florida workers run out of unemployment benefits at just 14 weeks. This proportion is nearly four times the national average (7 percent). In addition, more than half (52 percent) of all Florida workers exhaust all their unemployment benefits after they collect for 19 weeks. Just 14 percent of workers who eventually run out of unemployment benefits in Florida collect for the full 26 weeks—less than a quarter of the national average of 62 percent.

The state's maximum duration policy also causes Florida's workers to lose out on extra weeks of federally funded extended UI benefits that they would otherwise collect at no cost to the state of Florida or its employers. Florida workers have poor access to federal extended benefits because of a restriction in the federal law. Beginning in March 2002 and ending April 3, 2004, a maximum of 13 weeks of federal extended unemployment benefits (the Temporary Emergency Unemployment Compensation program, or TEUC) was made available to all workers who ran out of their state benefits and were still unemployed. However, the law contains a provision that penalizes the vast majority of Florida's workers who do not qualify for the full 26 weeks of state UI benefits. The federal law provides that workers may only receive the *lesser* of 13 weeks in federal extended benefits or 50 percent of the total weeks of state benefits they received. Thus, the average worker in Florida, who receives 18.4 weeks of UI, is only entitled to 9.2 weeks of federally funded extended benefits.

As a result, Florida's long-term unemployed, and the local communities where they do business, are deprived

How to Calculate UI Benefits in Florida

Step 1: Calculating the Weekly Benefit Amount

To determine the UI weekly benefit amount a worker is entitled to receive under Florida's law, start by identifying how much the worker earned during the calendar quarter of the worker's base period with the highest wages. Divide that sum by 26.

Example: An individual working at the minimum wage (\$5.15 an hour) for 20 hours a week for a 26-week period would have high-quarter wages of \$1,339. Dividing this amount by 26, the individual's weekly unemployment benefits are \$51.50.

Step 2: Calculating the Weeks of Benefits

Calculate how much the worker earned during the entire base period. Under the law, a worker's entire UI benefits may not exceed 25 percent of total yearly earnings. Thus, to arrive at the weeks of UI receipt, divide the maximum amount of total benefits (i.e., 25 percent of total yearly wages) by the weekly amount of benefits described in Step 1.

Example: The minimum wage worker described above earns \$2,678 in the base period. The total benefit amount of \$669.50 (\$2,678 divided by four) allows 13 weeks of benefits at \$51.50 per week.

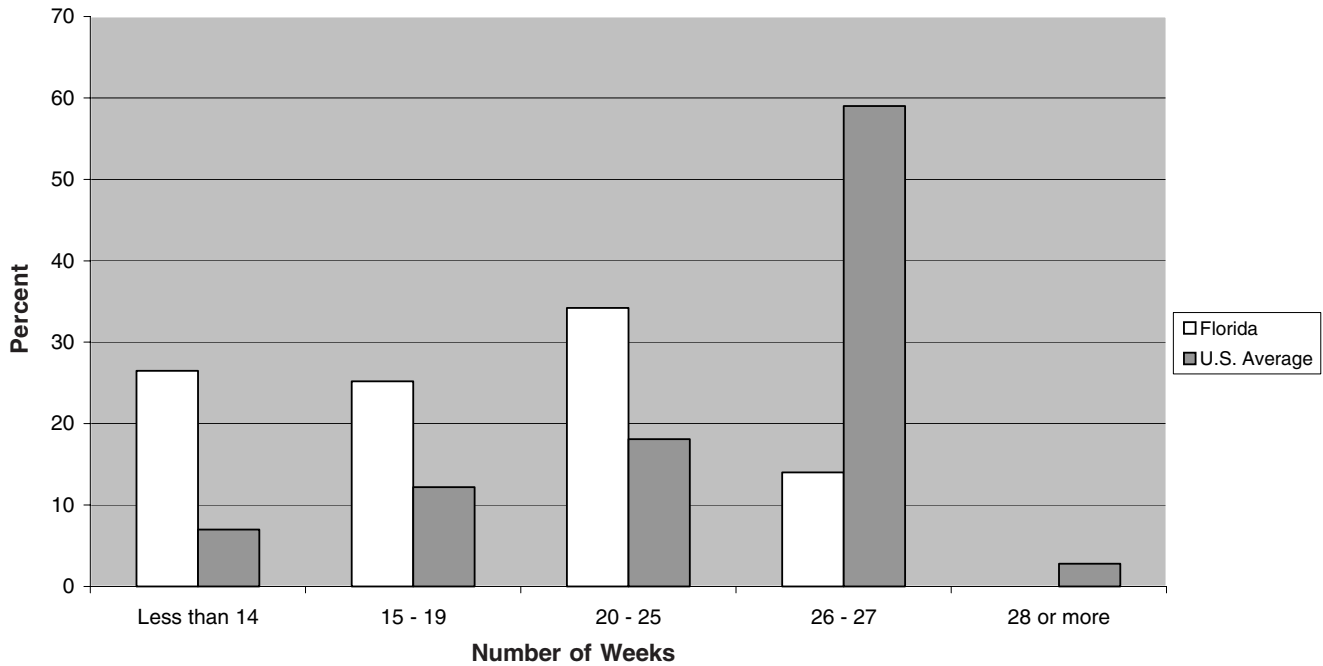
¹³ These figures are based on unpublished data for the calendar year 2001 provided by the U.S. Department of Labor, Office of Workforce Security.

of literally millions of dollars of additional federal funds when they need them most. From March to December 2002, 120,093 workers ran out of their federal extended benefits under the TEUC program. On average, these workers collected \$218 a week, for an estimated average of 9.2 weeks, totaling about \$2,002 per worker. If the average worker who used up all available federal unemployment benefits had instead collected a full 13 weeks

as allowed under the TEUC program, each worker would have received an additional \$827 in federally funded extended benefits.

That translates into over \$99 million in additional unemployment benefits that could have been sent to the state—more than one-fourth of the total amount of federal extended benefits (\$351,809,753) that were paid to Florida’s workers between March and December 2002.

**Figure 11:
Duration of UI Benefits, 2001**



Source: U.S. Department of Labor, Office of Workforce Security.

VII. THE FINANCING SIDE OF FLORIDA'S UI SYSTEM

Florida's UI system, like all the state programs around the country, is funded by a payroll tax paid by employers. The revenue from the tax is deposited into a UI trust fund that can only be used to provide unemployment benefits. Florida employers are taxed on the first \$7,000 in wages paid to each employee. This is the lowest "taxable wage base" permitted under the federal law, and it is less than the amount of wages taxed in 40 other states. This reduces revenue coming into the UI system, because so much of an employer's total wage bill (wages paid for each individual after the first \$7,000) is not subject to the UI tax. In addition, employers of low-wage workers pay a greater proportion of their total payroll in UI taxes than do employers of higher-wage workers, since a greater share of the total earnings of low-wage workers is subject to the tax.

The rate of the payroll tax charged to each employer varies from 0.1 percent to 5.4 percent depending on the employer's "experience rating." Experience rating, which exists to a greater and lesser degree in all the states, refers to the practice of increasing the rate of an employer's UI payroll tax as the company lays off more workers who go on to collect UI benefits. As described earlier, the intended effect of experience rating is to create an economic incentive in the law to avoid layoffs where possible. UI tax rates may also increase or decrease depending on the solvency of the UI trust fund. Under Florida's law, if the amount in the UI trust fund falls below 4 percent of the state's taxable payroll, an increase in taxes is required to replenish the difference in the fund.

The Solvency of Florida's UI Trust Fund

The solvency of Florida's UI trust fund is determined by how much money is coming into the UI system (i.e., contributions from employers according to their tax rate and experience rating) and how much money is being paid out in benefits.

As of the end of April 2003, Florida's trust fund balance was \$1.48 billion. The fund raised \$590.5 million in revenue from employer contributions in 2002 (ETA 2003). In March 2002, Florida received an additional \$450 million dollars in federal surplus funds (pursuant to the "Reed Act") that were deposited into the UI trust fund to be used for any purpose related to the payment of benefits

and administrative of the UI program.¹⁴ In the fourth quarter of 2002, the state paid \$289 million in unemployment benefits.

The standard way of evaluating the long-term finances of a UI system is to determine how well the trust fund can handle a continued economic downturn taking into account the growth in the size of the workforce. The generally accepted solvency standard is the "average high cost multiple" (AHCM), which measures the number of years that a state could pay UI benefits at peak recessionary levels of unemployment using its current funds. The recommended AHCM is 1.0, meaning that a state trust fund can afford to pay at least one full year of UI benefits during a severe recession without collecting any additional revenues.

As of September 2003—30 months after the recession began—the AHCM in Florida was 1.11, indicating that the state could pay benefits for at least a year and one month during a peak recession even without taking in any additional revenue (U.S. DOL OWS 2003). This is above the generally accepted standard of 1.0, and it is far higher than the national average of 0.61 for the same period. Thus, according to these standard measures, Florida's trust fund is in a position to provide for an expansion of UI benefits.

The Low UI Tax on Florida's Employers

In order to evaluate the funding situation in Florida, it is also necessary to consider the level of UI payroll taxes paid by employers in Florida. As described below, employers have benefited from a significant reduction in their UI taxes over the past several years. This situation, combined with the infusion of \$450 million in new Reed Act funds to the state, means that taxes are likely to remain relatively low in Florida despite the rise in UI claims.

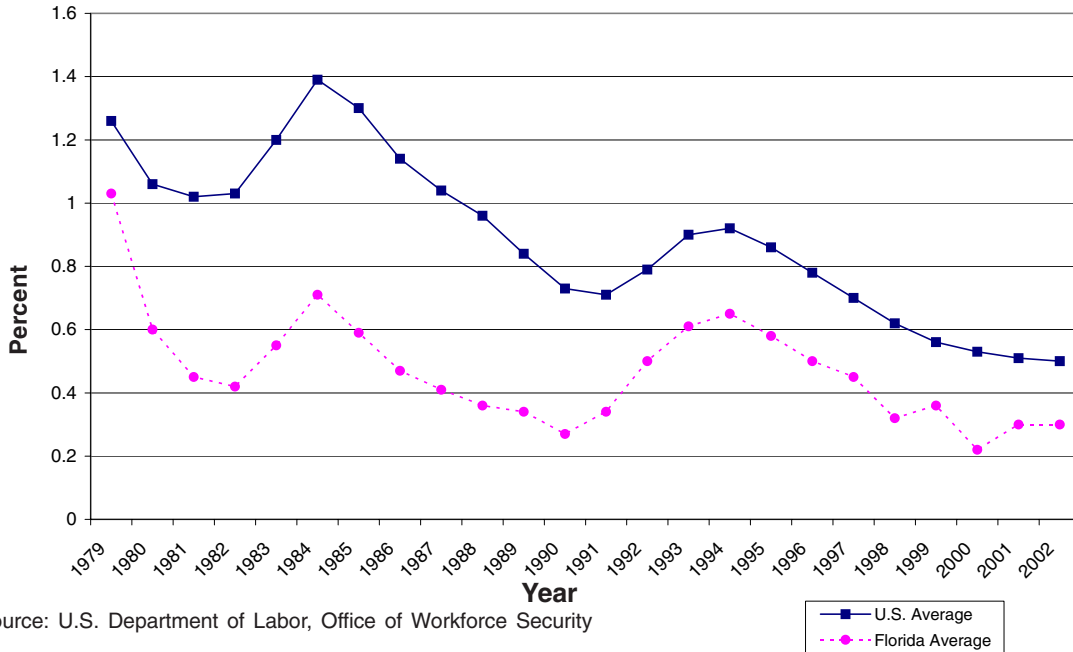
As illustrated in Figure 12, employer contributions to Florida's UI system have dropped dramatically since 1994, after starting off significantly below the national average. According to U.S. Department of Labor data, which measures the average UI tax rate as a percent of total wages, the Florida tax rate dropped from 0.65 percent in 1994 to just 0.22 percent in 2000, which was less than half the national average of 0.53 percent. The Florida legislature reduced UI taxes for most employers in 1997 by 0.5 percentage points and gave employers

¹⁴ Last year, the state appropriated \$15.8 million of these Reed Act funds, while indicating in a recent state survey that the remainder was expected to be left in the state's unemployment trust fund (National Association of State Workforce Agencies 2003).

an additional \$187 million UI tax break in 1999. If Florida employers had been paying at the 1994 tax rate of 0.65 percent for the period from 1994-2000, the UI fund would have collected an estimated \$646 million in additional revenue.

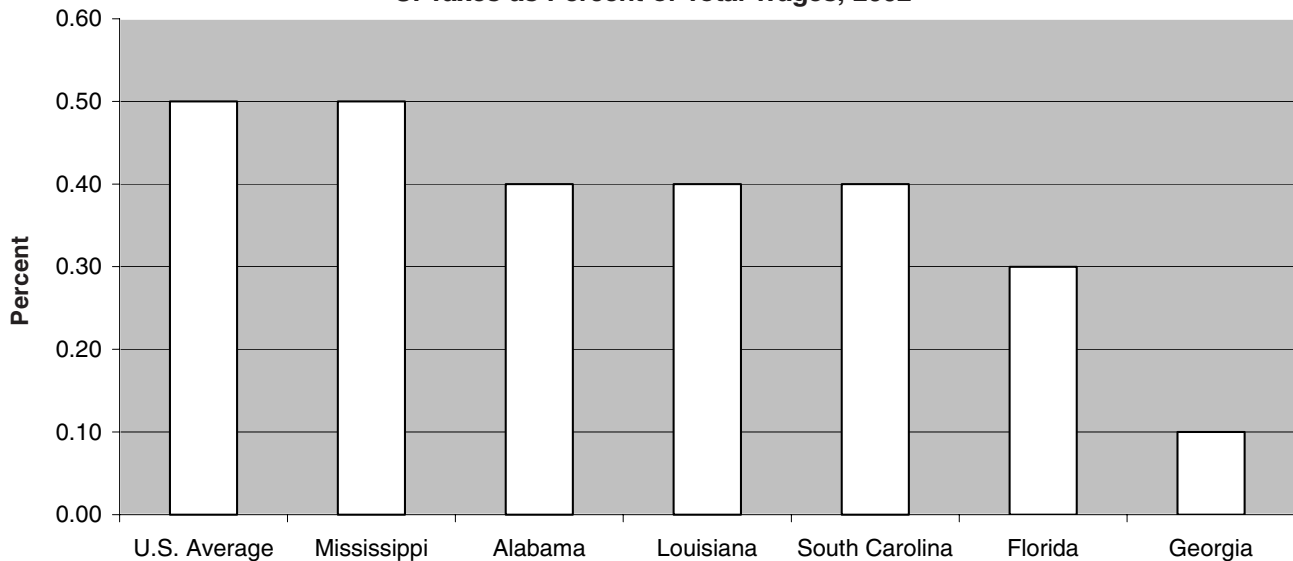
In 2003, Florida's average tax rate remained at just 0.3 percent, meaning that employers on average are paying one-third of one percent of their total wages on UI taxes. As illustrated in Figure 13, Florida's tax rate is lower than all the nearby southeastern states except Geor-

Figure 12:
Average UI Payroll Tax as a Percent of Total Wages (Florida and U.S. Average, 1979-2002)



Source: U.S. Department of Labor, Office of Workforce Security

Figure 13:
UI Taxes as Percent of Total Wages, 2002



Source: U.S. Department of Labor, Office of Workforce Security.

¹⁵ The UI tax increased January 1, 2004 as an automatic response to the level of the trust fund on June 30, 2003. For a discussion of Florida's solvency tax, including options for reform, see the 2001 report of the Florida Senate's Committee on Commerce and Economic Opportunities, *Solvency of the Unemployment Compensation Trust Fund and the Tax "Trigger."*

VIII. POLICY RECOMMENDATIONS

In 1996, a bipartisan federal commission, the Advisory Council on Unemployment Compensation (ACUC), completed a three-year evaluation of the nation's unemployment system. The ACUC issued a series of recommendations calling for substantial reforms to increase access to the UI system for low-wage, part-time, and women workers (Advisory Council on Unemployment Compensation 1996b). Citing the ACUC's work, state legislatures across the country have been actively evaluating their UI programs and advancing legislation to address the inequities in the UI system (National Employment Law Project 2002a).

As in Florida, most states benefited over the 1990s from a build-up of UI trust funds, making it even more timely to debate long-overdue expansions of the UI program. Just in the past few years, states as politically diverse as California, Connecticut, Hawaii, Illinois, Indiana, Kansas, Maine, Massachusetts, New Hampshire, New Jersey, New Mexico, North Carolina, Texas, Utah, Washington, and Wisconsin have enacted or are actively debating broad reforms to close the gaps in the UI program (National Employment Law Project 2002a, 2003).

This report highlights the inequities and inefficiencies in Florida's unemployment insurance system. The following recommended policy changes would address these issues, improving the quality of the UI program while maintaining its fiscal integrity.

- **Adopt the alternative base period (ABP) to recognize the recent earnings of workers who otherwise do not have sufficient standard base period wages to qualify for UI.**

The ABP makes it possible for more low-wage and part-time workers to qualify for UI by counting their most recent earnings when measuring monetary eligibility. Nineteen states have enacted ABP legislation, including several states that have done so on a bipartisan basis in the past few years (among them, Georgia, North Carolina, and New Hampshire). The ABP was a centerpiece of the recommendations for state legislation proposed by the ACUC.¹⁶ Implementation of an ABP is also explicitly mentioned as a valid use of the March 2002 Reed Act distribution to Florida from the federal UI account.¹⁷

The ABP benefits six to eleven percent of the UI caseload, including a disproportionate number of low-wage and part-time workers (ETA 1998) while adding only slightly to UI expenditures (Vroman 1995). The actual net cost of ABPs is even less, because some claimants would have received UI eventually, simply by filing for UI benefits in a later quarter.

- **Recognize compelling domestic reasons for leaving work, taking into account the changing circumstances of today's working families.**

The UI system in Florida is still premised in large part on outdated concepts of work and family roles (Pearce 1985; Malin 1995-6). For example, workers are denied UI when they are forced to leave work to handle an emergency child care problem or when they are the victims of domestic violence that follows them to the job, because domestic circumstances are not directly "attributable to the employing unit."

Nearly half the states have enacted special provisions in their UI laws covering certain domestic circumstances (National Association of Child Advocates 1998). Many of these states extend UI to cover an unspecified range of "compelling and necessitous" individual circumstances for leaving work. Other states have carved out exceptions to cover more specific situations such as child care, illness of family members, and other compelling family needs. Most notably, in the past few years nineteen states have enacted laws providing UI to workers who were forced to leave their jobs due to domestic violence. North Carolina recently enacted legislation creating an "undue family hardship" provision, covering workers who refuse a shift work change that would interfere with the ability to care for a minor child or to care for a disabled or aging parent, and decreased the penalty for following a spouse to a new job. In recent years, a growing number of states have enacted other laws expanding UI to cover circumstances where women and men are forced to leave work due to compelling family needs (National Employment Law Project 2002a, 2003).

These proposed reforms are consistent with the recommendations of the ACUC (1996a), a 1980 national

¹⁶ "All states should use a movable base period in cases in which its use would qualify an Unemployment Insurance claimant to meet the state's monetary eligibility requirements" (ACUC 1995, 17).

¹⁷ P.L. 107-147, signed into law March 9, 2002.

UI commission (National Commission on Unemployment Compensation),¹⁸ and the National Commission for Employment Policy (1995). Finally, it is important to emphasize that where an individual recovers UI due to these changes in the law, the claim is not charged against the employer's UI tax rate. Instead, in most states, such payments are considered "non-charged" benefits, meaning that the benefits are absorbed by the UI trust fund and do not affect the employer's experience rating.

- **Ensure that the long-term unemployed receive a full 26 weeks of state unemployment benefits, thus also providing several additional weeks of extended benefits paid for by the federal program.**

Florida's workers, especially those unemployed as a result of the recession, receive far fewer weeks of unemployment benefits compared to nearly every other state. More than one quarter of all Florida workers run out of unemployment benefits at just 14 weeks, a proportion that is nearly four times the national average.

Not only are many long-term jobless workers denied additional weeks of state-funded unemployment benefits, the state rules also prevent these workers from collecting the full 13 weeks of unemployment benefits they would otherwise be entitled to under the federal extended benefits programs. As a result, the state has failed to access an estimated \$99 million in federal unemployment benefits, which would have a significant impact on the local economies hardest hit by unemployment in Florida.

Accordingly, Florida should follow the lead of those states that provide a uniform 26 weeks of state unemployment benefits (OWS 2001, Table 309). At a minimum, the state should revise the benefit formula and guarantee that no worker who qualifies for the program receives less than 20 weeks of state unemployment benefits, provided they are actively looking for work and remain unemployed.

- **Lower the earnings threshold for UI, to reduce inequities based on workers' wages and acknowledge the labor force attachment of women, low-wage, and part-time workers.**

More than any other feature of Florida's UI system, the state's standards for determining whether an individual has a sufficient wage history to qualify for UI nega-

tively impact women, low-wage, and part-time workers. By their very nature, monetary eligibility criteria require low-wage workers to have more hours of employment than higher-wage workers must have, in order to meet the same earnings threshold. Since the law was changed in 1996, Florida has required higher earnings than any other state.

- **Reduce administrative barriers for individuals with limited English proficiency.**

Information about the UI system, application materials, and notices regarding claims processing should be made available in translation to all workers. In-person claims filing services are also important to ensure that workers without access to telephones or computers are not shut out of the UI system. Efforts should be made to mitigate the negative consequences of other factors such as the growth of employee leasing companies and lack of legal representation in appeals proceedings.

¹⁸This report stated that "there should be no disqualification in the case of voluntary quit for 'good cause', including sexual harassment and compelling family circumstances" (National Commission on Unemployment Compensation (1980), p. 49).

IX. CONCLUSION

This report documents the limited access of Florida's workers to the state's UI system. It provides an opportunity to reevaluate the state's UI laws and debate reforms that promote greater equity in the treatment of women, low-wage, and part-time workers and reflect the evolving needs of today's workers and their families.

Fortunately, with the economic expansion of the 1990s, Florida's UI trust fund built up sufficient reserves to finance a significant expansion of the program and pay benefits even in the event of a sustained economic downturn. An additional \$450 million was made available to the trust fund in March 2002. The cost of the proposed reforms described above is likely to be modest and reasonable compared to the UI funds that are available.

Florida's trust fund is well positioned to handle the cost of the proposed benefit expansions. Given the significant need for UI reform, now is the time to enact the long-overdue adjustments to Florida's UI program, to create a more equitable system while maintaining fiscal responsibility.

REFERENCES

- Acemoglu, Daron and Robert Shimer. 1999. *Productivity Gains from Unemployment Insurance* (NBER Working Paper 7352). Cambridge, MA: National Bureau of Economic Research.
- Advisory Council on Unemployment Compensation [ACUC]. 1995. *Unemployment Insurance in the United States: Benefits, Financing, Coverage*. Washington, DC: Advisory Council on Unemployment Compensation.
- . 1996a. *Defining Federal and State Roles in Unemployment Insurance*. Washington, DC: Advisory Council on Unemployment Compensation.
- . 1996b. *Collected Findings & Recommendations: 1994-1996*. Washington, DC: Advisory Council on Unemployment Compensation.
- Blaustein, Saul. 1993. *Unemployment Insurance in the United States: The First Half Century*. Kalamazoo, MI: W.E. Upjohn Institute.
- Chapman, Dan. 2000. “In Stewart County, Life is Slowly Winding Down.” *Atlanta Journal-Constitution*, September 18, 2000, p. A1.
- Chimerine, Lawrence, Theodore S. Black and Lester Coffey. 1999. *Unemployment Insurance as an Automatic Stabilizer: Evidence of Effectiveness Over Three Decades* (U.S. Department of Labor Unemployment Insurance Occasional Paper 99-8). Washington, DC: U.S. Department of Labor.
- Congressional Budget Office [CBO]. 1990. *Family Incomes of Unemployment Insurance Recipients and the Implications for Extended Benefits*. Washington, DC: Congressional Budget Office.
- Danziger, Sandra, Mary Corcoran, Sheldon Danziger, Colleen Heflin, Ariel Kalil, Judith Levine, Daniel Rosen, Kristin Seefeldt, Kristine Siefert and Richard Tolman. 1999. *Barriers to the Employment of Welfare Recipients* (Discussion Paper No. 1193-99). Madison, WI: Institute for Research on Poverty.
- Democratic Staff, Joint Economic Committee. 2001. *Effective Economic Stimulus: How Do Congressional Proposals Measure Up?* December 11.
- Emsellem, Maurice, Katherine Allen and Lois Shaw. 1999. *The Texas Unemployment Insurance System: Barriers to Access for Low-Wage, Part-Time and Women Workers*. New York: National Employment Law Project.
- Florida Department of Labor and Employment Security. 1998. Press release, January 22.
- Florida Senate, Committee on Commerce and Economic Opportunities. 2001. *Solvency of the Unemployment Compensation Trust Fund and the Tax “Trigger.”* Florida Senate Interim Project Report 2002-122. <<http://www.napeo.org/fl/uctrustfundsolvencyreport.pdf>>(November 4, 2003).
- Gruber, Jonathan. 1997. “The Consumption Smoothing Benefits of Unemployment Insurance.” *American Economic Review* 87 (March): 192-205.
- Malin, Martin. 1995-6. “Unemployment Compensation in a Time of Increasing Work-Family Conflicts.” *University of Michigan Journal of Law Reform* 29 (Fall/Winter): 131-175.

REFERENCES

- National Association of Child Advocates. 1998. *Unemployment Insurance for Low-Income Families: New Challenges for Child Advocates*. Washington, DC: National Association of Child Advocates.
- National Association of State Workforce Agencies. 2003. *How are States Using Their \$8 Billion Reed Act Funds?* January 29, 2003.
- National Commission on Unemployment Compensation. 1980. *Unemployment Compensation: Final Report*. Washington, DC: National Commission on Unemployment Compensation.
- National Commission for Employment Policy. 1995. *Unemployment Insurance: Barriers to Access for Women and Part-Time Workers*. Washington, DC: National Commission for Employment Policy.
- National Employment Law Project. 2002a. *2002 State Legislative Highlights: Expanding Unemployment Insurance for Low-Wage, Women & Part-Time Workers*. New York: National Employment Law Project.
- . 2002b. *Unemployment Insurance for Survivors of Domestic Violence*. New York: National Employment Law Project.
- . 2003. *State Legislative Highlights: Expanding Unemployment Insurance for Low-Wage, Women & Part-Time Workers*. New York: National Employment Law Project. Available through <<http://www.nelp.org>>.
- Pearce, Diana. 1985. "Toil and Trouble: Women and Unemployment Compensation," *Signs: The Journal of Women in Culture & Society* 10 (Spring):439-459.
- Planmatics, Inc. 1997. "Demographic Profile of Unemployment Insurance Recipients Under the Alternative Base Period." Volume 5 of *Implementing ABP: Impact on State Agencies, Employers and the Trust Fund*. (U.S. Department of Labor Unemployment Insurance Occasional Paper 98-4.) Washington, DC: U.S. Department of Labor.
- Smith, Rebecca, Richard W. McHugh and Robin R. Runge. 2002. *Unemployment Insurance and Domestic Violence: Learning From Our Experience*. Paper prepared for presentation at the LAPTOP Regional Conference "Safe at Home and Work: Serving Survivors of Domestic Violence, Sexual Assault, and Stalking," May 20 and 21, 2002, Portland, OR. <<http://www.nelp.org/docUploads/pub92%2Epdf>> (June 9, 2003).
- Spalter-Roth, Roberta, Beverly Burr, Heidi Hartmann and Lois Shaw. 1995. *Welfare That Works: The Working Lives of AFDC Recipients*. Washington, DC: Institute for Women's Policy Research.
- Stettner, Andrew and Maurice Emsellem. 2002. *Unemployment Insurance is Vital to Workers, Employers, and the Struggling Economy*. New York: National Employment Law Project.
- U.S. Department of Commerce, Bureau of Economic Analysis [BEA]. 2002, 2001. *Gross State Product*. Washington, DC: Bureau of Economic Analysis.
- U.S. Department of Labor, Bureau of Labor Statistics [BLS]. 2003a. *Geographic Profile of Employment and Unemployment*. <<http://www.bls.gov/lau/table12full02.pdf>>(October 21, 2003).
- U.S. Department of Labor, Employment and Training Administration [ETA]. 1998. *A Dialogue: Unemployment Insurance and Employment Service Programs*. <<http://www.doleta.gov/dialogue/master.asp#top>> (June 4, 2003).

REFERENCES

- . 2003. *Temporary Extended Unemployment Compensation (TEUC): Summary data for State Programs*. <<http://www.workforcesecurity.doleta.gov/unemploy/teucsum.asp>> (December 29, 2003).
- . 2001, 2003b. *Local Area Unemployment Statistics*. <<http://data.bls.gov/labjava/outside.jsp?survey=la>> (November 28, 2001, October 21, 2003).
- U.S. Department of Labor, Office of Workforce Security [OWS]. 2001. *Comparison of State Unemployment [Insurance] Laws*. <<http://workforcesecurity.doleta.gov/unemploy/comparison.asp>> (June 9, 2003).
- . 2003. *State Financial Data – 4th Quarter 2002*. <http://www.workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum02/4thqtr/finance.asp>(May 6, 2003).
- . 2004. *State Financial Data-3rd Quarter 2003*. <http://www.workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum03/3rdqtr/finance.asp> (February 18, 2004)
- U.S. General Accounting Office [GAO]. 2000. *Unemployment Insurance: Role as Safety Net for Low-Wage Workers is Limited* (GAO-01-181). Washington, DC: General Accounting Office. <<http://www.gao.gov/new.items/01181.pdf>> (June 4, 2003).
- Vroman, Wayne. 1995. *Alternative Base Period in Unemployment Insurance: Final Report*. Washington, DC: The Urban Institute.
- . 2001. *Low Benefit Reciprocity in State Unemployment Insurance Programs*. Washington, DC: The Urban Institute. <http://www.urban.org/UploadedPDF/410383_State_UI_Full.pdf> (June 9, 2003).

