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Contact: Tim Bradley, 314-440-9936

Michigan's Unemployed Face Early Cut-Off of Unemployment Insurance

Ann Arbor, Michigan—On April 2nd, an estimated 35,000 Michigan workers will face an abrupt end to their unemployment insurance. Due to the state legislature's failure to enact a technical fix to Michigan's unemployment insurance laws, people who have struggled unsuccessfully to find work the longest will lose as many as 20 weeks of federally funded unemployment benefits that would otherwise be available.

Michigan lawmakers can prevent benefits from lapsing if they act by March 24th, before they begin a two-week recess. Lawmakers could enact legislation after the break to restore the extended benefits retroactively, but the longer they wait to act, the longer workers will go without unemployment insurance.

"Michigan's labor market continues to bear the scars of a fragile recovery," said Christine Owens, executive director of the National Employment Law Project. "The billion dollars of federally funded benefits that Michigan's unemployed workers have received to date have helped boost local businesses and played an important role in the state's nascent recovery. It would be unwise to backtrack on these efforts now. We are deeply disappointed that lawmakers would put Michigan families and a fragile recovery at risk by choosing to take the foot off the accelerator."

Despite the state's enduring economic downturn and longstanding high unemployment rate, Michigan will earn the ignominious distinction of being the first state in which inaction on the part of state lawmakers will cause workers to lose these federally funded benefits. Due to the rules governing unemployment insurance, most other states have a longer timeframe in which to act.

Republicans and Democrats in neighboring Minnesota and Ohio came together recently and passed legislation enabling individuals to continue to receive these benefits. Lawmakers in Maine, Washington, and Delaware—states with comparatively low unemployment rates—have also passed the technical fix.

The 20 weeks of federally funded benefits at stake are known as "Extended Benefits." Dating back to the 1970s, Extended Benefits have become an essential feature of the nation's unemployment system. They kick in automatically when state unemployment rates increase during a recession. Normally, benefit costs are split 50-50 between the state and federal government; however, in response to the nation's severe economic downturn, the federal government has assumed responsibility for 100 percent funding of Extended Benefits payments for non-government employees.

Thanks to federally funded Extended Benefits, over one billion additional dollars flowed into Michigan since the recession started, benefiting unemployed workers and businesses alike. Nearly 250,000 Michigan residents have counted on these benefits (an average of $284 per week) to put food on the table and a roof over their heads. Michigan's Unemployment Insurance Agency estimates that the proposed legislation could help 150,000 Michigan workers who may be eligible for benefits throughout the remainder of 2011.

Prior to December 2010, federal law permitted Extended Benefits in states where the unemployment rate for the three most recent months was at least 6.5 percent and 110 percent of the rate for the corresponding period in either or both of the two previous years. Most states on Extended Benefits will continue to meet the first requirement, but fail to meet the second condition. The problem is that unemployment has not remained this high for this long since the 1930s. Michigan is one of the first such states where unemployment far exceeds 6.5 percent but is lower than it was at the worst of the labor market downturn in 2009 and 2010.

In December, the federal government addressed this problem with legislation (P.L. 111-312) that enables a state to continue offering federally funded Extended Benefits as long as unemployment remains at or above 6.5 percent and is 110 percent of the rate for the comparable period three years ago, prior to when the labor market bottomed out. However, each state must enact conforming legislation to take advantage of the new federal rule. The Michigan legislature's failure to do so is the only thing that stands in the way of unemployed workers being able to secure the benefits they, and the local economy, so desperately need—and that the federal government is underwriting.

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