

Michigan cuts unemployment benefits

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Michigan has become the first state in the US to reduce the time during which jobless workers can collect unemployment benefits, cutting the period from 26 to 20 weeks beginning January 2012. The measure is expected to be signed into law by Republican Governor Rick Snyder after passing both the Michigan House and Senate by wide margins as an attachment to a bill maintaining the state's eligibility for federal extended unemployment benefits.

The 20-week maximum period for receiving state unemployment benefits is the lowest in the country. Michigan, with one of the highest jobless rates in the US, is the first state to set a lower standard than the 26-week minimum recommended by the federal government. Since the 1950s, nearly every state has observed the 26-week standard.

The National Employment Law Project had lobbied in favor of the technical fix required to continue federal unemployment benefits, but called the cut to future state benefits contained in the bill's final version, "shockingly harsh, reckless and cynical." Without the change, 37,000 Michigan workers would have lost federal extended unemployment benefits in April and another 150,000 by the end of the year.

The cuts to unemployment insurance are part of a broader attack by the Snyder administration on retirees, schoolchildren, public employees and low-income wage earners. City governments are facing massive reductions in state aid, with a partial restoration tied to imposing cuts on public workers. Meanwhile, retirees face a tax on pensions and low-wage workers will see cuts to the state's Earned Income Tax Credit. Public education faces large cuts, up to a \$700 per pupil reduction in k-12 spending. The spending reductions will be used to help fund a \$1.8 billion tax break for business.

Michigan workers already face high levels of joblessness and economic hardship. The state's official

unemployment rate stands at 10.7 percent, well above the national average of 8.9 percent in February. The state is now approaching the 27th month of double-digit unemployment. According to the Labor Department, 44 percent of the jobless in the US have been out of work for more than six months. Nationally, the average time it takes for an unemployed worker to find new employment is nine months. The maximum benefit that an unemployed worker in Michigan can receive is a paltry \$362 per week.

More than 171,000 unemployed in Michigan drew over 20 weeks of regular unemployment benefits in 2010, with 130,000 of these drawing 26 weeks. An estimated 275,000 Michigan workers have dropped out of the labor force altogether.

With the federal extended unemployment benefits set to expire at the end of the year and little possibility that the Republican-controlled US House of Representatives will vote for a further extension, there is the real likelihood that unemployed Michigan workers will face cutoff after 20 weeks starting January 2012 when the measure takes effect.

The bill will do nothing to reduce the state's budget deficit, since unemployment benefits are self-funded through a tax on employers. Once a state exhausts its unemployment funds, it can borrow from the federal government. Currently, Michigan owes more than \$3.9 billion to the federal fund. Michigan businesses are expected to save some \$1 billion over the next three years in unemployment taxes due to the cuts, most of it winding up in the coffers of the biggest corporations. This at a time when businesses across the United States are sitting on top of a cash pile of around \$1 trillion.

The Michigan Chamber of Commerce hailed the bill, cynically calling it a "win-win for job providers hoping to create jobs and individuals struggling to find work."

The passage of the employment cuts drew little more than pro forma criticism from Michigan Democrats.

Opposition was limited to futile appeals to Snyder to veto the measure.

Snyder claimed he had no choice but to sign the unemployment cuts because of strong Republican opposition to permitting an extension of federal benefits unless the state benefit period was shortened.

The precedent set by Michigan may soon be followed by other states. The Florida House has passed legislation reducing the maximum period for receiving unemployment benefits from 26 weeks to as little as 12 weeks if the jobless rate falls below 5 percent. Currently, unemployment stands at 11.9 percent in the state. The maximum benefit in Florida is just \$275 a week.

Meanwhile, Arkansas is preparing to freeze unemployment benefits while reducing the maximum benefit period from 26 to 25 weeks.

Indiana recently enacted a law that limits eligibility for unemployment benefits and changes the way in which payments are calculated starting in July 2012. It caps the maximum benefit at \$390 a week.



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