



The Mississippi Economic Policy Center recommends an increase in the maximum Unemployment Insurance (UI) benefit payment from \$210 to \$255. The recommendation is based on the following:

- Mississippi has the lowest max UI benefit amount in the country.
- An increase in the max UI benefit is not a disincentive to return to work.
 - In 9 southern states that have higher maximum benefit payments, the duration of benefits by workers is shorter or the same as in MS.
- An increase in the maximum benefit is affordable.
 - The UI trust fund year-end balance has grown from \$684 million in 2002 to \$728 million in 2007 and is one of the most solvent in the country;
 - Even when payments exceeded revenues during the same period, interest earnings and hurricane supplemental payments to the trust fund allowed it to grow;

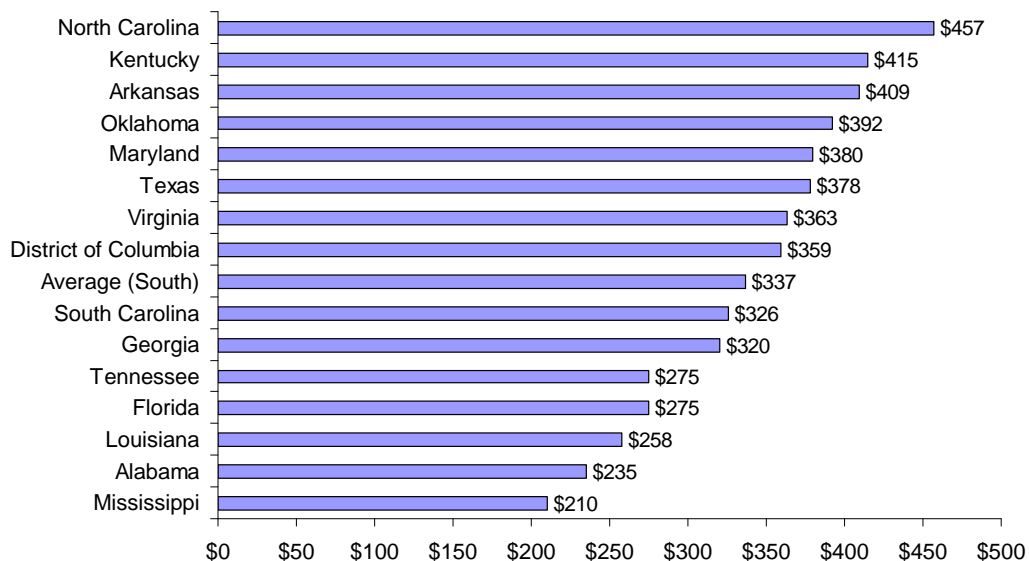
With a solvent trust fund in place, an opportunity exists to make a meaningful increase to the max benefit amount for UI recipients that will allow people to return to the workforce without severe financial distress.

Mississippi has lowest Unemployment Insurance Maximum Benefit Despite Rising Wages

As seen in an earlier memo, Mississippi has the lowest max benefit amount in the country.

Figure 1

Maximum Weekly Benefit Amounts 2008 (Southern States)



Source: U.S Department of Labor, *Significant Provisions of State Unemployment Insurance Laws* January 2008.

At \$210 a month, MS is \$25 behind Alabama. AL has the second lowest max benefit amount in the country at \$235 a week. Since 2002, the last year in which the maximum benefit was raised, the average weekly wage in the final quarter of the calendar year rose from \$497 to \$598 in 2007.¹

An Increase in the Maximum UI Benefit Amount is Not a Disincentive to Return to Work

Using Mississippi’s unemployment benefit formula, a full time worker gets about half of their weekly wages in unemployment benefits. Since this benefit is capped at \$210, workers earning more than \$420 per week (\$10.50 per hour at 40 hours) receive less than half their covered paycheck. Table 1 illustrates the estimated benefit payments using the formula up to the current and proposed maximum benefit payment.

Table 1
Increase in UI Maximum Payment would only Increase Benefits for Middle Income Earners

<u>Hourly Wage</u>	<u>Current Weekly Benefit Payments</u>	<u>Change in Weekly Benefit Payments Based on Proposed Increase in Maximum UI Benefit</u>
\$5.85 (Minimum Wage)	\$117	No Change
\$8.25 (Poverty Wage for Family of three)	\$165	No Change
\$10.50	\$210	No Change
\$12.75	\$210	\$255

Additionally, the experience of other southern states demonstrates that higher UI maximum benefit payments do not lead to longer lengths of time for workers receiving unemployment payments. In fact, nine southern states had higher maximum benefit amounts in the fourth quarter of 2007 than Mississippi while their workers had shorter or similar durations receiving unemployment insurance benefits. For example, according to the U.S. Department of Labor, in Arkansas, the maximum benefit payment is \$409 a week compared to \$210 a week in Mississippi. In both states workers received unemployment benefits for 14.5 weeks.

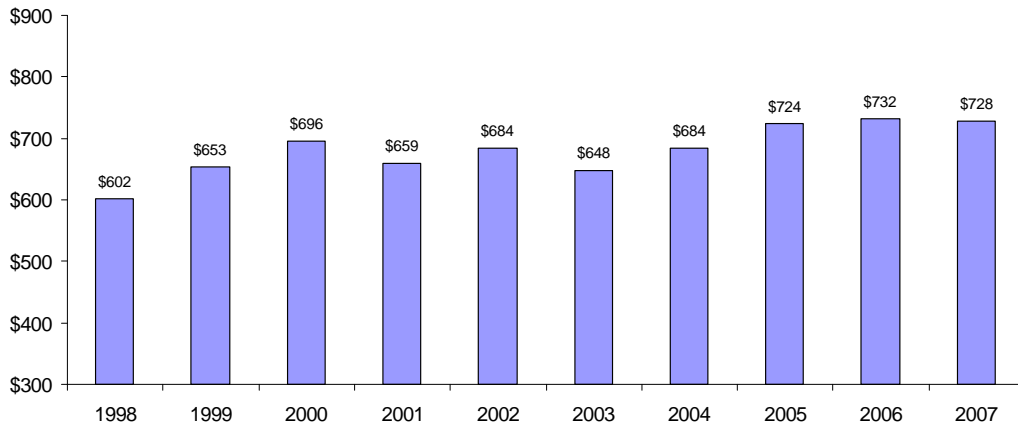
An Increase in the Maximum UI Benefit Amount is Affordable

At the end of 2007, the UI trust fund balance was \$728 million. Since 2002, the last time the maximum benefit amount was increased, the UI trust fund balance has grown from \$684 to \$728 (Figure 2). Over this period the balance has continued to grow despite some years of paying out more in benefits than it collected from employers. Interest earned by the fund has kept the balance growing in recent years. The fund has earned on average more than \$30 million per year in over the period 1998 – 2007. This interest could help support an increase without depleting the fund.

¹ U.S. Department of Labor, Quarterly Program and Financial Data (Data Summary)

Figure 2

Mississippi Unemployment Insurance Trust Fund Balance has grown steadily from 1998 – 2007 (in millions)

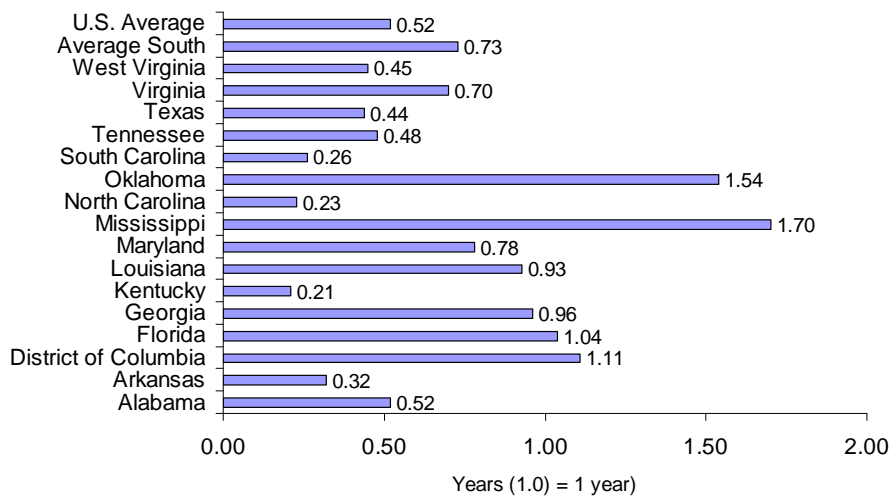


Source: U.S. Department of Labor Employment and Wage Report, Mississippi 1998 through 2006; UI Data Summary for Mississippi 1st – 4th Quarter 2007

Although Mississippi’s Trust Fund is not the largest, it is among the most financially solvent. One indicator used to assess solvency includes the length of time that a UI trust fund can pay claims for most jobless workers during a recession. According to the U.S. Department of Labor, Mississippi’s trust fund is able to pay UI claims for most jobless workers for 1.7 years during a recession – a length of time greater than 47 other states (Figure 3).

Figure 3

The Number of Years that States Can Pay Unemployment Insurance Benefits During a Peak Recession- as of 1st Quarter 2008



Source: U.S. Department of Labor, Quarterly Program and Financial Data (Data Summary)