

UNEMPLOYMENT INSURANCE IN CALIFORNIA

Benefits:

- Before the passage of SB 40 (Alarcon) in 2001, California was an unusually low-benefit state. Average unemployment insurance (UI) benefits in California stood at \$177.77 in the fourth quarter of 2001, higher than only Alabama and Mississippi and far below the \$246.67 US average.¹
- By the most recent quarter for which data are available (the second quarter of 2003), California was a moderate-benefit state, with weekly UI benefits averaging \$248.16 – 27th among the states and slightly below the US average of \$262.56 (Table 1).
- California is a high-wage state. During the second quarter of 2003, California's average weekly benefit replaced only 31.3 percent of the average weekly wage of UI recipients. California ranked 45th among 50 states with respect to this measure of benefit adequacy (Table 1).

Taxes:

- During the second quarter of 2003, employer contributions as a percentage of *total wages* – at 0.5 percent – were the lowest in the history of the state's UI program. In contrast, employer contributions as percentage of total wages were 0.97 percent in 1993, 1.04 percent in 1983, 1.48 percent in 1973, 1.90 percent in 1963, and 0.97 percent in 1953 (Figure 1).
- California's taxable wage base (\$7,000) is the lowest among all 50 states as a percentage of average annual wages, and has not changed since 1983 (Table 2).

Solvency:

- The three most commonly used measures of UI trust fund solvency are the “reserve ratio,” the “average high cost multiple,” and the “high cost multiple.” In the fourth quarter of 2000, prior to both the recent rise in unemployment and the increase in benefits established by SB 40, California ranked in the bottom tier among states on each of these solvency measures (39th, 37th, and 38th respectively) (Table 3). California's low rankings are not surprising given the state's “pay-as-you-go” financing structure.
- Other large states – including New York, Texas, and Illinois – face a UI trust fund solvency crisis that is even more severe than California's. During the second quarter of 2003, each of these large states ranked below California on all three key trust fund solvency measures.

Long-Term Unemployment:

- California workers are remaining unemployed for longer than was the case before the recession. The average duration of a UI claim jumped from 15.9 weeks in the fourth quarter of 2000 to 17.8 weeks in the second quarter of 2003.

¹ All data not attributed to a table or figure are from US Department of Labor, Office of Workforce Security.

Table 1: California's UI Benefits as Percentage of Average Wages Ranks 45th Among the 50 States

State	Average Weekly Wage (2nd Quarter 2003)	Average Weekly Benefit Amount (2nd Quarter 2003)	Percentage of Average Weekly Wage Replaced by Average Weekly Benefit	Average Weekly Benefit / Average Weekly Wage Rank
Hawaii	\$608.05	\$312.08	51.3%	1
Kansas	\$586.51	\$277.25	47.3%	2
Utah	\$577.85	\$271.72	47.0%	3
Rhode Island	\$659.55	\$307.39	46.6%	4
Iowa	\$566.50	\$259.10	45.7%	5
Washington	\$728.99	\$326.82	44.8%	6
Minnesota	\$717.54	\$317.71	44.3%	7
Montana	\$486.98	\$214.60	44.1%	8
Idaho	\$534.33	\$235.35	44.0%	9
Wyoming	\$548.54	\$239.55	43.7%	10
Arkansas	\$533.28	\$230.81	43.3%	11
Oklahoma	\$538.24	\$232.57	43.2%	12
Pennsylvania	\$683.18	\$294.23	43.1%	13
North Dakota	\$502.93	\$215.03	42.8%	14
Colorado	\$723.98	\$307.92	42.5%	15
Vermont	\$590.36	\$249.89	42.3%	16
Kentucky	\$589.36	\$249.37	42.3%	17
Indiana	\$622.91	\$262.97	42.2%	18
Massachusetts	\$861.88	\$357.82	41.5%	19
North Carolina	\$624.17	\$258.63	41.4%	20
Maine	\$562.72	\$232.03	41.2%	21
West Virginia	\$537.52	\$220.53	41.0%	22
Oregon	\$641.80	\$259.18	40.4%	23
Wisconsin	\$621.84	\$249.97	40.2%	24
Virginia	\$697.12	\$279.30	40.1%	25
South Dakota	\$497.15	\$198.60	39.9%	26
Michigan	\$730.34	\$291.54	39.9%	27
New Jersey	\$866.39	\$338.79	39.1%	28
Ohio	\$652.55	\$251.45	38.5%	29
Nebraska	\$561.21	\$214.04	38.1%	30
Texas	\$691.78	\$263.16	38.0%	31
New Mexico	\$549.59	\$208.12	37.9%	32
New Hampshire	\$691.90	\$257.84	37.3%	33
South Carolina	\$571.63	\$211.86	37.1%	34
Illinois	\$759.50	\$281.14	37.0%	35
Florida	\$616.96	\$226.94	36.8%	36
Georgia	\$679.77	\$244.02	35.9%	37
Nevada	\$649.08	\$230.24	35.5%	38
Maryland	\$731.52	\$253.84	34.7%	39
Mississippi	\$503.72	\$173.11	34.4%	40
Louisiana	\$572.53	\$196.48	34.3%	41
Tennessee	\$618.24	\$210.87	34.1%	42
Missouri	\$631.01	\$205.84	32.6%	43
Connecticut	\$900.27	\$286.44	31.8%	44
California	\$792.47	\$248.16	31.3%	45
New York	\$886.03	\$272.67	30.8%	46
Alabama	\$587.06	\$176.86	30.1%	47
Delaware	\$760.97	\$228.91	30.1%	48
Alaska	\$693.70	\$190.25	27.4%	49
Arizona	\$648.33	\$172.23	26.6%	50
United States	\$697.70	\$262.56	37.6%	

Source: US Department of Labor, Office of Workforce Security

Table 2: California's Taxable Wage Base Is the Lowest as a Percentage of Average Pay

State	Employer Contributions as a Percentage of Taxable Wages (2nd Quarter 2003)	Employer Contributions as a Percentage of Total Wages (2nd Quarter 2003)	Taxable Wage Base (2nd Quarter 2003)	Average Annual Pay (2001)	Taxable Wage Base as Percentage of Average Annual Pay	Taxable Wage Base as Percentage of Average Annual Pay Rank
Idaho	1.2	0.8	\$27,600	\$27,768	99.4%	1
Hawaii	1.2	0.8	\$30,200	\$31,253	96.6%	2
Washington	2.1	1.2	\$29,700	\$37,459	79.3%	3
Oregon	1.9	1.2	\$26,000	\$33,204	78.3%	4
Montana	1.1	0.7	\$19,700	\$25,195	78.2%	5
Utah	0.5	0.3	\$22,500	\$30,077	74.8%	6
Alaska	2.5	1.6	\$26,700	\$36,170	73.8%	7
North Dakota	1.3	0.7	\$18,000	\$25,707	70.0%	8
Iowa	1.2	0.7	\$19,200	\$28,837	66.6%	9
Nevada	1.3	0.8	\$21,500	\$33,121	64.9%	10
Minnesota	0.9	0.4	\$22,000	\$36,587	60.1%	11
New Mexico	0.9	0.5	\$16,600	\$28,702	57.8%	12
New Jersey	1.9	0.9	\$23,900	\$44,320	53.9%	13
Wyoming	0.8	0.4	\$14,700	\$28,043	52.4%	14
North Carolina	0.9	0.4	\$15,900	\$32,024	49.7%	15
Oklahoma	0.8	0.3	\$11,700	\$28,016	41.8%	16
Maine	1.8	0.8	\$12,000	\$28,815	41.6%	17
Rhode Island	2.9	1.1	\$12,000	\$33,603	35.7%	18
Wisconsin	1.9	0.6	\$10,500	\$31,540	33.3%	19
Arkansas	1.9	0.7	\$9,000	\$27,260	33.0%	20
Connecticut	2.5	0.8	\$15,000	\$46,993	31.9%	21
West Virginia	2.8	0.9	\$8,000	\$27,981	28.6%	22
South Dakota	0.6	0.2	\$7,000	\$25,601	27.3%	23
Ohio	1.6	0.5	\$9,000	\$33,283	27.0%	24
Mississippi	1.6	0.5	\$7,000	\$25,923	27.0%	25
Kentucky	2.2	0.7	\$8,000	\$30,021	26.6%	26
Alabama	1.4	0.4	\$8,000	\$30,102	26.6%	27
Kansas	1.4	0.5	\$8,000	\$30,153	26.5%	28
Vermont	2	0.6	\$8,000	\$30,238	26.5%	29
Colorado	0.9	0.3	\$10,000	\$37,952	26.3%	30
Texas	1.3	0.4	\$9,000	\$36,045	25.0%	31
Nebraska	1.3	0.4	\$7,000	\$28,377	24.7%	32
Georgia	0.5	0.1	\$8,500	\$35,136	24.2%	33
Michigan	2.7	0.7	\$9,000	\$37,391	24.1%	34
Louisiana	1.6	0.4	\$7,000	\$29,131	24.0%	35
Massachusetts	2.3	0.7	\$10,800	\$44,975	24.0%	36
South Carolina	1.6	0.4	\$7,000	\$29,255	23.9%	37
Missouri	1.5	0.4	\$7,500	\$32,421	23.1%	38
Illinois	2.3	0.6	\$9,000	\$39,083	23.0%	39
Pennsylvania	3.7	0.9	\$8,000	\$34,978	22.9%	40
New Hampshire	0.8	0.2	\$8,000	\$35,481	22.5%	41
Maryland	1.3	0.3	\$8,500	\$38,253	22.2%	42
Tennessee	1.9	0.5	\$7,000	\$31,520	22.2%	43
Florida	1.1	0.3	\$7,000	\$31,553	22.2%	44
Delaware	1.6	0.4	\$8,500	\$38,427	22.1%	45
Indiana	1.2	0.3	\$7,000	\$31,779	22.0%	46
Virginia	0.6	0.2	\$8,000	\$36,733	21.8%	47
Arizona	0.8	0.2	\$7,000	\$33,411	21.0%	48
New York	3.6	0.7	\$8,500	\$46,727	18.2%	49
California	2.5	0.5	\$7,000	\$41,327	16.9%	50
United States	1.8	0.5	\$10,627	\$36,219	29.3%	

Sources: US Department of Labor, Office of Workforce Security; US Bureau of Labor Statistics, Covered Employment and Wages Program

Figure 1: Unemployment Insurance Contributions as a Percentage of Total Wages, 1946 to 2003

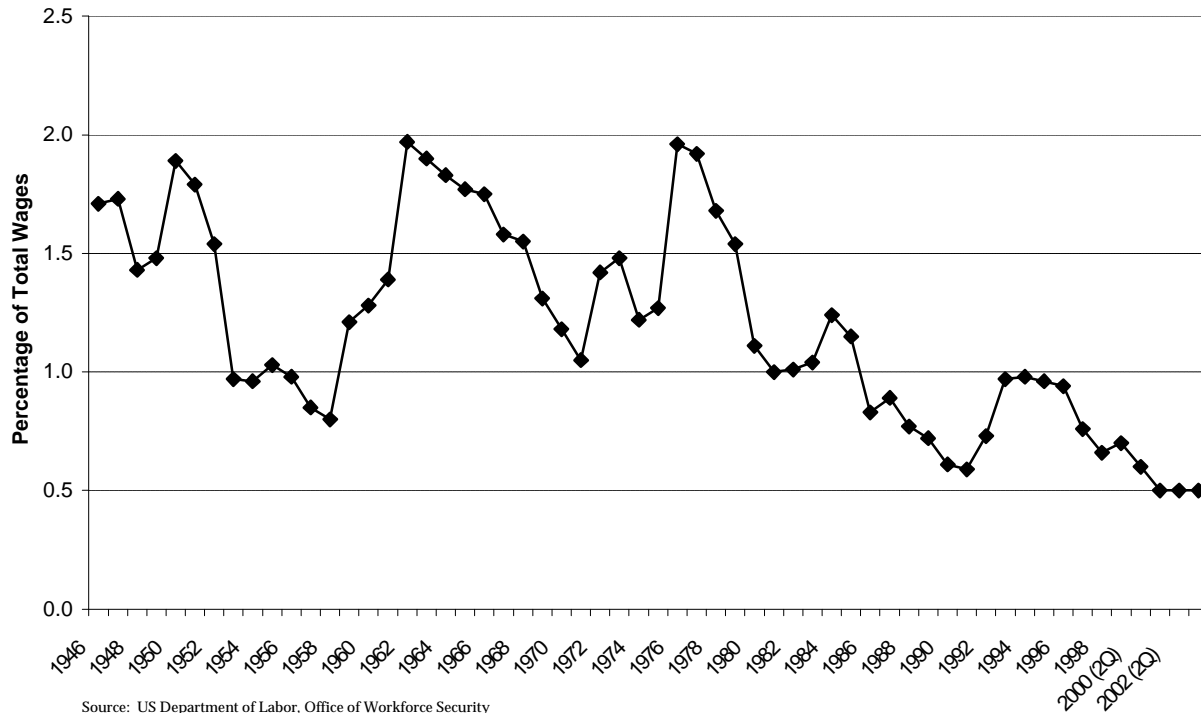


Table 3: UI Financial Solvency Before the Recession and in the 2nd Quarter 2003					
Reserve Ratio		Average High Cost Multiple		High Cost Multiple	
4th Quarter 2000	2nd Quarter 2003	4th Quarter 2000	2nd Quarter 2003	4th Quarter 2000	2nd Quarter 2003
1.13	0.58	0.76	0.51	0.50	0.25
<i>CA Rank = 39</i>	<i>CA Rank = 40</i>	<i>CA Rank = 37</i>	<i>CA Rank = 39</i>	<i>CA Rank = 38</i>	<i>CA Rank = 42</i>

Source: US Department of Labor, Office of Workforce Security