

# Michigan officials defraud workers of jobless benefits

By Shannon Jones  
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Between October 2013 and October 2015 the state of Michigan falsely accused more than 20,000 people of filing fraudulent unemployment claims, forcing struggling residents to repay millions they did not owe, according to the results of a state review released this week.

A newly installed computerized system wrongly flagged unemployment claims as fraudulent 93 percent of the time during the period examined. The subsequent interest and penalties collected by the state resulted in a huge surplus in the state's unemployment insurance fund. This week the Republican-controlled state legislature passed a bill transferring \$10 million of that money to help plug a hole in the state budget caused by tax giveaways to business.

The review belatedly and reluctantly conducted by Michigan authorities found that of 22,427 cases flagged for fraud by a computer, 20,965 of those cases did not in fact involve fraud. As a result of the surge in false fraud determinations the unemployment insurance agencies' penalty and interest account ballooned from \$3.1 million in 2011 to around \$155 million as of October 2016.

A Royal Oak, Michigan attorney is now conducting a class action lawsuit against the state of Michigan on behalf of those unjustly forced to repay benefits. Attorneys are demanding that the surplus unemployment insurance agency funds be put in a trust until all those owed reimbursement by the state are fully repaid. To this date a mere \$5.4 million has been refunded to 2,571 claimants. Audited state records show that more than \$15 million was gouged from claimants in 2015 alone.

The false fraud charges caused enormous hardship for those wrongly accused. In some cases repayments and penalties exceeded \$100,000 per claimant.

Bankruptcy filings in the state increased during the time period when the false accusations of fraud were taking place.

Daniel Di Gregorio, a crane operator contacted by the *Detroit Free Press*, said his wife had taken the initiative in fighting a \$33,000 assessment by the state of Michigan. His attorney said the notices did not meet basic due process requirements and assumed fraud on the part of claimants. He said the false accusations had a "huge chilling effect" on those who experienced it and frightened many others from even filing for benefits.

The director of the University of Michigan law school unemployment insurance clinic told the *British Guardian* newspaper he often found people facing significant emotional stress. In response he said the clinic added a suicide hotline to a referral resource page on its website.

The *Guardian* said it had encountered claimants who were charged with fraud despite never collecting a dollar in benefits. Many were not even aware they had the right to appeal.

Renee, a public university lecturer in Michigan, told the *World Socialist Web Site* she has been ordered by the state to repay \$4,000 in unemployment benefits she was paid over the course of the summer months when she was not teaching. She said she was fighting the determination, but did not have much hope of prevailing.

"They were denying a whole bunch of us who had filed similar claims in previous years and been approved.

"There is a robotic system and third party contractors, who don't even know the rules, who will flag your unemployment benefits. It is very difficult to deal with the paperwork the state gives you and the

state reporting website is very difficult to navigate. It is set up so you miss deadlines all the time. If you miss the deadline, it doesn't matter if you are correct.

“For people who don't realize they can have a lawyer, it is a frightening and stress inducing process.”

Renee said she had turned in all the required paperwork showing the state was in error, but the state claimed she had missed a deadline, a deadline she wasn't even aware of. “My lawyer says I can't really do anything about it now, even if their determination was fraudulent.

“The money I owe the state is racking up interest because I can't afford to pay it back. I don't have room in my budget for that.”

She said the experience was traumatizing. “It is disgusting. It makes you feel like you have no say in your life. The system is set up to keep you from receiving money you are legally owed.”

Reports of the state of Michigan gouging unemployed workers comes as changes in the Supplemental Nutrition Assistance Program (SNAP), commonly known as food stamps, are set to take effect this spring. The cuts will further impact already struggling families and individuals. New rule requirements mean adults designated as able-bodied, age 18-49, who do not work and do not have dependents, could lose their benefits.

Since 2002, Michigan had been exempt from federal requirements, so designated able-bodied adults were exempt from requirements that they work in order to receive food stamps. The waiver had been initially granted because the state's unemployment rate was above the national average. But now that the official unemployment rate in the state has fallen to 4.7 percent, below the national average of 4.9 percent, the waiver has not been renewed for 2017. Like the rest of the US, the state's official jobless rate distorts the real situation and is largely due to a drop in the number of workers in the labor force.

The rule change will be phased in starting next month and will be fully effective by October 2018. It will immediately affect some 14,000 adults in four counties, including Oakland and Washtenaw counties in suburban Detroit, where the unemployment rate is the lowest. It means adults without dependents will only get benefits for three months out of a 36-month period unless they are enrolled in a job-training program, work

at least 20 hours per week, or participate in community service.

There are some 220,000 people in Michigan designated as able-bodied adults and who have no dependents that could potentially be impacted by the rule changes. Some 1.4 million Michigan residents are now receiving SNAP benefits, or about 1 in 7 people in the state. Some 29 percent of households receiving food stamps had at least one member who was 60 or older.

The amount of benefits paid to food stamp recipients is absurdly small, amounting to an average of \$124 a month, or about \$1.38 per meal. That is roughly equivalent to the cost of a can of soup. The income limit for a two-member household is \$20,709 annually.

Up to 1 million people nationwide could be impacted by the reinstatement of work requirements in relation to SNAP benefits. In the states where work requirements have already been reinstated, the majority of people impacted have lost their benefits.

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