

Testimony of Amy M. Traub

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Unemployment Compensation Dependent Allowance: A Vital Policy for Colorado Workers

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Chairman Rodriguez, Vice Chair Danielson and Members of the Committee, thank you for the opportunity to submit written testimony today. My name is Amy Traub, and I am Senior Researcher and Policy Analyst at the National Employment Law Project (NELP).

NELP is a nonprofit research, policy, and capacity building organization that for more than 50 years has sought to strengthen protections and build power for workers in the U.S., including workers who are unemployed. For decades, NELP has researched and advocated for policies that create good jobs, expand access to work, and strengthen protections and support for underpaid and jobless workers both in the workplace and when they are displaced from work.

NELP testifies today in strong support of the Unemployment Compensation Dependent Allowance, HB23-1078. This important pro-worker policy change would provide workers receiving unemployment insurance benefits with an additional \$35 per dependent per week (indexed to inflation), a meaningful boost for workers and a step toward a more modern and effective unemployment insurance system.

NELP has long advocated in favor of dependent allowance bills like HB23-1078, which are currently in effect in 13 states, benefitting workers, supporting economic growth, and helping to create a more equitable labor market. By supplementing the incomes of workers with dependents at the moment they are confronting the financial shock of job loss, dependent allowances help workers and their families maintain economic stability and meet caregiving challenges.

In our 2021 report [*Reforming Unemployment Insurance: Stabilizing A System In Crisis And Laying The Foundation For Equity*](#), co-authored by my colleagues at NELP and allied organizations (the Center for American Progress, Center for Popular Democracy, Economic Policy Institute, Groundwork Collaborative, National Women’s Law Center, and Washington Center for Equitable Growth,) we made the case that a dependent allowance provides an important backstop for households with children who are more likely to face food and housing insecurity when a job is lost, and called for unemployment insurance to include a dependent allowance of \$35 (inflation adjusted) per dependent per week.¹

Dependent Allowances Needed to Make Unemployment Compensation More Sufficient for Workers with Dependents

Unemployment compensation (also known as unemployment insurance (UI)) benefits are meant to enable workers and their families to meet their needs while searching for work. Yet, in Colorado, UI benefits replaced just 43 percent of a worker's pre-layoff wages in 2022.² This amount is insufficient to afford basic necessities, particularly for underpaid workers and workers of color who, due to systemic racism, have been segregated into underpaying occupations and have less savings and support to draw from.

Underpaid parents and family caregivers are particularly harmed as they generally need to use their full salary to make ends meet. Households with children are much more likely to face housing insecurity when a job is lost.³ And nondiscretionary expenses, such as childcare, diapers, groceries, and medical prescriptions, are higher for workers caring for dependents. Women of color disproportionately feel the impact of low UI benefit amounts, as they are overrepresented in underpaid jobs and make up a disproportionate share of single-parent households. As a targeted solution, dependent allowances can increase equity and ensure that workers—particularly single mothers of color—can support themselves and their families when they are between jobs.

Dependent allowances are a common and effective way to boost unemployment benefits for families facing joblessness.

Dependent allowances offer a targeted way for states to improve equity within the UI system and ensure UI benefits meet the needs of working parents and family caregivers. A dependent allowance provides parents and other caregivers with additional weekly benefits on top of their regular UI based on the number of dependents they claim. As of 2021, there were 13 states with dependent allowances: Alaska, Connecticut, Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, New Jersey, New Mexico, Ohio, Pennsylvania, and Rhode Island.

Several states offer a more expansive definition of dependents than HB23-1078. In Michigan, a parent over the age of 65 or who is permanently disabled from work may be considered a dependent. Unemployed workers can also claim a sibling as a dependent in Michigan, but the sibling must be under 18, orphaned, or have living parents who are also claimed as dependents by the same worker. Similarly, Iowa adopts a more expansive definition, allowing siblings, parents, cousins, and individuals who have lived in their home as a member of their household for a whole year.⁴ NELP recommends more expansive definitions of dependents that recognize the full breadth of caregiving and familial relationships workers experience.

There is also variation between states in the amounts of dependent allowances that states provide. Dependent allowances should reflect parents' and other caregivers' real dependent obligations and enable them to meet their financial needs. Massachusetts and Illinois currently offer the most adequate amounts overall: Massachusetts provides \$25 per dependent with a cap of half of the worker's weekly benefit amount,⁵ while Illinois uses a sliding scale of \$26–\$178, with \$26 the maximum dependent allowance for minimum weekly benefit amounts and \$178 the maximum dependent allowance for maximum weekly benefit amounts.⁶

With a rate of \$35 per dependent, indexed to inflation, Colorado’s proposed dependent allowance offers a more adequate benefit than many states as well as a simple, easy-to-apply formula. The \$35 rate and inflation adjustment also match the recommendation made by experts at NELP and the Center for American Progress, Center for Popular Democracy, Economic Policy Institute, Groundwork Collaborative, National Women’s Law Center, and Washington Center for Equitable Growth.⁷

By improving unemployment benefits for families, dependent allowances support economic growth.

Studies have shown that UI—especially in states that provide livable benefit amounts—leads to faster economic recovery by supporting local and state economies. For example, after the Great Recession, economists found that every \$1 of unemployment benefits generated \$1.61 for state and local economies.⁸

Because UI benefits only replace a portion of lost wages, dependent allowances provide a crucial level of support for families. Current UI benefit amounts are commonly understood to be far too low. Given the insufficiency of UI, Congress rushed to create a supplemental benefit to support the millions of workers unemployed due to the COVID-19 pandemic. Federal Pandemic Unemployment Compensation (FPUC) provided workers with an additional \$300 per week (initially \$600).

For example, when some states prematurely ended FPUC, household spending dropped drastically. Specifically, for every dollar of reduced benefits, household spending fell by 52 cents.⁹ On average, workers who lost these benefits lost \$264 net income per week and spent \$145 less per week. The Economic Policy Institute found that the elimination of federal unemployment expansions caused an estimated \$144.3 billion loss in income and a \$79.2 billion decline in consumer spending nationwide.¹⁰ The loss of the federal expansions also slowed national gross domestic product growth in the third quarter of 2021, according to the U.S. Department of Commerce Bureau of Economic Analysis.¹¹

Dependent allowances can help create a more equitable labor market.

Caregiving challenges and shortages are cited as a top reason for reduced labor-force participation, especially among mothers.¹² In this environment of inaccessible care, Black and Latina women are most significantly impacted by having to shift to part-time work or leave employment completely.¹³ Data shows that in times of crisis, mothers of children under five and single mothers are most vulnerable, with many leaving the workforce, struggling to reenter, and experiencing a “lifetime of consequences.”¹⁴ Although women’s labor-force participation is steadily increasing, we risk losing progress without serious policy interventions. While communities grapple with safe, accessible, and affordable care shortages, dependent allowances boost the income of caregivers, providing additional support to maintain their care arrangements while they search for employment or if they are temporarily working part-time.

Strengthen unemployment compensation with a dependent allowance before a recession hits.

As fears of another recession loom, this is an important moment for states to act to improve their UI systems. By putting this essential benefit in place now, states are better prepared to support workers facing both household and national crises.

As former California Labor Secretary and President Biden’s nominee for U.S. Secretary of Labor, Julie Su, recently observed, the lack of adequate unemployment benefits and other critical reforms meant that before the pandemic, “the UI system was like a house with a leaky roof... Now that the storm has subsided, so have calls for fixing the roof. But now is exactly the time to get it right, to make the repairs before the next storm, to build a UI system that will serve the American people in the next crisis... The time to fix the roof is between the storms.”¹⁵

One important way that Colorado can prepare for the storm of another recession is to strengthen its unemployment system by adding a dependent allowance. NELP urges the Colorado Senate to pass HB23-1078.

Endnotes

¹ Josh Bivens et al., “Reforming Unemployment Insurance,” Center for American Progress, Center for Popular Democracy, Economic Policy Institute, Groundwork Collaborative, National Employment Law Project, National Women’s Law Center, and Washington Center for Equitable Growth, July 2021, <https://s27147.pcdn.co/wp-content/uploads/Reforming-Unemployment-Insurance-June-2021.pdf>.

² NELP calculations based on U.S. Department of Labor Employment and Training Administration data.

³ Brynne Keith-Jennings, Catlin Nchako, and Joseph Llobrera, “Number of Families Struggling to Afford Food Rose Steeply in Pandemic and Remains High, Especially Among Children and Households of Color,” Center on Budget and Policy Priorities, April 27, 2021, <https://www.cbpp.org/research/food-assistance/number-of-families-struggling-to-afford-food-rose-steeply-in-pandemic-and>.

⁴ “Comparison of State Unemployment Insurance Laws 2022,” Table 3-9, U.S. Department of Labor, 2022, <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2022/complete.pdf>.

⁵ Mass. Gen. Laws. Ann. Ch. 151A, §29(c).

⁶ 820 Ill. Comp. Stat. Ann. 405/401(C).

⁷ Josh Bivens et al., “Reforming Unemployment Insurance,” Center for American Progress, Center for Popular Democracy, Economic Policy Institute, Groundwork Collaborative, National Employment Law Project, National Women’s Law Center, and Washington Center for Equitable Growth, July 2021, <https://s27147.pcdn.co/wp-content/uploads/Reforming-Unemployment-Insurance-June-2021.pdf>.

⁸ Michelle Evermore, Rachael Kohl, and Dillon Rosen, “Urgent Need for Federal Loans to State Agencies,” National Employment Law Project and University of Michigan, June 8, 2020, <https://www.nelp.org/publication/urgent-need-federal-loans-state-unemployment-agencies/>.

⁹ Kyle Coombs et al., “Early Withdrawal of Pandemic Unemployment Insurance: Effects on Earnings, Employment and Consumption,” working paper, August 20, 2021, <https://files.michaelstepner.com/pandemicUIexpiration-paper.pdf>.

¹⁰ Asha Banerjee and Ben Zipperer, “All Pain and No Gain,” Working Economics Blog, Economic Policy Institute, September 17, 2021, <https://www.epi.org/blog/all-pain-and-no-gain-unemployment-benefit-cuts-will-lower-incomes-and-consumer-spending/>.

¹¹ “State Employment and Unemployment: August 2021,” U.S. Bureau of Labor Statistics, September 17, 2021, https://www.bls.gov/news.release/archives/laus_09172021.htm.

¹² Lauren Bauer, “Mothers are Being Left Behind in the Economic Recovery,” Brookings Institute, May 6, 2021, <https://www.brookings.edu/blog/up-front/2021/05/06/mothers-are-being-left-behind-in-the-economic-recovery-from-covid-19>.

¹³ Katherine Lim and Mike Zabek, “Women of Color and Women with Children Disproportionately Left the Labor Force During the COVID-19 Pandemic,” Federal Reserve Bank of Minneapolis, February 28, 2022, <https://www.minneapolisfed.org/article/2022/women-of-color-and-women-with-children-disproportionately-left-the-labor-force-during-the-covid-19-pandemic>.

¹⁴ Lauren Bauer, “Mothers are Being Left Behind in the Economic Recovery,” Brookings Institute, May 6, 2021,

<https://www.brookings.edu/blog/up-front/2021/05/06/mothers-are-being-left-behind-in-the-economic-recovery-from-covid-19>.

¹⁵ Julie Su, “A UI System for the Next Storm,” US Department of Labor Blog, December 2, 2022, <https://blog.dol.gov/2022/12/02/a-ui-system-for-the-next-storm>.