

Testimony of Amy M. Traub

National Employment Law Project

Essential Policies to Modernize Michigan's Unemployment System

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Good morning, Chair Cherry and members of the Committee. 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.

Today's focus is unemployment insurance modernization, but it's important to recognize that modernization is not just about technology, it's also about modernizing policies around this 88-year-old program to keep it vital, put workers first, and strengthen the state's economy so everyone can thrive.

Michiganders who are out of work should be able to sustain themselves and their families until they can find a new job. A full modernization of the state unemployment insurance system must include restoring the state's maximum benefit duration to 26 weeks, raising benefit amounts so workers can make ends meet during their job search, and expanding eligibility so that no jobless worker is shut out of the system.

Research shows that a strong unemployment insurance system enhances economic stability and speeds recovery from recessions,¹ keeps workers and their families out of poverty as they seek new jobs,² enables businesses to better find workers with the right skills,³ and even improves birth outcomes and infant health.⁴ Michigan has a remarkable opportunity to realize these benefits by modernizing its unemployment insurance system.

Extend Maximum Benefit Duration to 26 Weeks

Workers in most states are eligible for up to 26 weeks of benefits from the regular state-funded unemployment insurance program.⁵ As one of just a handful of states that fall short of this national standard, Michigan should restore the 26-week maximum. Extending the duration of unemployment benefits has multiple advantages. For example, it gives workers sufficient opportunity to find new jobs that match their skills. When workers have the time they need to find appropriate employment, businesses benefit from hiring workers with the right skills. Economists find that improved job matching enhances the functioning of the labor market overall, contributing to economic growth and vitality.⁶ This is particularly important during economic downturns.

Reinstating the maximum 26 weeks of unemployment benefits is also an important step toward a more equitable economy. Because discrimination in hiring and other structural barriers make it more difficult for workers of color to find jobs, they tend to be unemployed

for longer on average.⁷ Increasing benefit weeks has the most positive impacts on Black, Latinx, and Native American workers.

In the second quarter of 2023, 16,968 Michigan workers used up, or “exhausted” all available weeks of unemployment benefits before finding new jobs.⁸ Families took an economic hit, and communities lost out on dollars those workers would have spent with local businesses. Extending the maximum benefit duration to 26 weeks would reduce the number of workers who lose benefits before finding new work.

Reinstating the maximum 26 weeks will support workers in their work search. Studies indicate that additional weeks of UI benefits have little effect on job search activities or aggregate unemployment rates.⁹ For example the Government Accountability Office recently reviewed 30 empirical studies and found that extended UI benefits during recent recessions had limited to no effect on workers’ incentives to return to work.¹⁰ Research shows that longer benefit duration particularly benefits households with fewer liquid assets—disproportionately Black and Latinx households—by enabling workers to spend more time searching for suitable work that matches their skills.¹¹

Raise Unemployment Benefit Amounts So Workers Can Survive on Them

The dollar amount of benefits unemployed Michigan workers receive is also critical for ensuring they can find new employment without being forced into poverty. Michigan’s maximum weekly unemployment benefit is just \$362 a week. This low benefit level is badly out of step with the contemporary economy: An income of \$362 a week is not enough to pay rent on even a modest apartment in most areas of the state, meaning workers without other assets to fall back on risk eviction or foreclosure.¹² In fact, \$362 a week replaces just 30 percent of prior wages for a full-time worker who used to make Michigan’s average weekly wage.¹³ It’s difficult to imagine anyone who could make ends meet on just 30 percent of their pay.

Michigan’s maximum benefit is also much lower than most other states, including Ohio (maximum benefit \$530- \$715), Illinois (max benefit \$542- \$745), and Minnesota (max benefit \$529 or \$820).¹⁴

Michigan should both raise the maximum benefit amount and index it to average wages. Indexing the maximum weekly benefit amount to average wages, as most states already do, would allow benefits to grow in line with a state’s wage growth and to keep pace with increases in the cost of living. Hawaii sets its maximum benefit amount at 70 percent of the state’s average weekly wage, while several other states, including Arkansas, Montana, and West Virginia have set their maximum rate at between 66 and 67 percent of average wages. Michigan should also index its minimum benefit to average wages.

But of course, many unemployed workers are not paid the maximum or minimum benefit. Michigan’s average weekly benefit amount in 2022 was \$336. In addition to increasing and indexing its minimum and maximum benefits, Michigan must modernize its system by adopting a more adequate formula to determine benefit amounts for each worker. The state of Hawaii offers an excellent model for determining benefit amounts.¹⁵

Expand Eligibility for Unemployment Insurance

Since unemployment insurance was enacted in the 1930s, the U.S. labor market has transformed in terms of both the workforce and the nature of work. Meanwhile, Michigan's unemployment insurance system remains essentially unchanged, leaving out far too many workers in today's workforce. Current monetary eligibility standards that require consistent and high wages throughout the year reflect an outdated system that excludes many underpaid, part-time, and temporary workers who are disproportionately women and workers of color.

Modernizing Michigan's unemployment insurance system means expanding eligibility to match the state's contemporary workforce. Researchers find that, based on Michigan's unemployment rules, more than 1 in 7 unemployed workers are *excluded* from benefits based on their earnings alone.¹⁶ To ensure Michigan's system does not exclude underpaid workers or those with inconsistent pay and work history throughout the year, Michigan should determine eligibility based on hours worked (rather than earnings) or adopt the monetary eligibility formula used in Illinois to determine eligibility.¹⁷ Either change would enable unemployed workers who are currently locked out of the system to become eligible for benefits.

Another critical way to expand eligibility and modernize Michigan's unemployment system is allowing workers seeking part-time employment to be considered "actively seeking work," as most states do. This measure would increase gender equity, since women are disproportionately likely to seek part-time employment and be excluded from receiving unemployment under current law.

Reconsidering why people quit their jobs is also essential: While Michigan recognizes several compelling reasons that may force someone to leave a job, allowing them to receive UI benefits even if they voluntarily quit work, it fails to recognize a survivor of domestic violence, sexual assault, or stalking who needs to leave work to protect themselves and their family members as a good cause quit. This is out of line with the 39 states (plus Puerto Rico, DC and the US Virgin Islands) that have some statute, regulation, or policy interpretation for good cause to quit related to domestic violence.¹⁸ Recognizing the need of survivors to have to quit their job to protect their and their families safety as a "good cause quit" would expand unemployment benefits to a particularly vulnerable group of jobseekers and bring Michigan in line with the majority of other states.

Conclusion and recommendations

Modernizing unemployment insurance is about policies that ensure the system is up-to-date, ready to serve workers, employers, and the economy. Restoring the 26-week maximum duration of unemployment benefits is one critical step to modernizing Michigan's social infrastructure. Michigan also has a unique opportunity to modernize its entire unemployment insurance system, raising benefit levels and expanding eligibility to support a thriving state.

Endnotes

- ¹ For a summary of relevant research, see “Unemployment Insurance,” U.S. Government Accountability Office, June 2022, <https://www.gao.gov/products/gao-22-104251>.
- ² Amy Traub, “Expanded Unemployment Insurance Substantially Reduced Poverty in 2021,” National Employment Law Project, 2022, <https://www.nelp.org/publication/expanded-unemployment-insurance-substantially-reduced-poverty-in-2021>.
- ³ Ammar Farooq, Adriana D. Kugler, and Umberto Muratori, “Do Unemployment Insurance Benefits Improve Match Quality? Evidence From Recent U.S. Recessions,” National Bureau of Economic Research, 2020, https://www.nber.org/system/files/working_papers/w27574/revisions/w27574.rev0.pdf.
- ⁴ Lisa Detting and Melissa Kearney, “The Cyclicalities of Births and Babies’ Health, Revisited: Evidence from Unemployment Insurance,” National Bureau of Economic Research Working Paper 30937, February 2023, <https://www.nber.org/papers/w30937>.
- ⁵ “Significant Provisions Of State Unemployment Insurance Laws,” U.S. Department of Labor, Employment and Training Administration Office of Unemployment Insurance, 2023, <https://oui.doleta.gov/unemploy/content/sigpros/2020-2029/July2023.pdf>.
- ⁶ Ammar Farooq, Adriana D. Kugler, and Umberto Muratori, “Do Unemployment Insurance Benefits Improve Match Quality? Evidence From Recent U.S. Recessions,” National Bureau of Economic Research, 2020, https://www.nber.org/system/files/working_papers/w27574/revisions/w27574.rev0.pdf.
- ⁷ Current Population Survey, U.S. Census Bureau, 2022, <https://www.bls.gov/cps/cpsaat31.htm>.
- ⁸ U.S. Department of Labor Employment and Training Administration Office of Unemployment Insurance, Unemployment Insurance Data: Second Quarter 2023.
- ⁹ Christopher Boone, Arindrajit Dube, Lucas Goodman, and Ethan Kaplan, “Unemployment Insurance Generosity and Aggregate Employment,” American Economic Journal: Economic Policy, 2021, 13, no. 2 (May 2021): 58–99, https://econpapers.repec.org/article/aeaajpol/v_3a13_3ay_3a2021_3ai_3a2_3ap_3a58-99.htm; Peter Ganong et al., “Spending and Job Search Impacts of Expanded Unemployment Benefits: Evidence from Administrative Micro Data,” Becker Friedman Institute, July 19, 2022, <https://bfi.uchicago.edu/working-paper/spending-and-job-search-impacts-of-expanded-ui/>.
- ¹⁰ “Unemployment Insurance,” U.S. Government Accountability Office, June 2022, <https://www.gao.gov/assets/gao-22-104251.pdf>.
- ¹¹ Raj Chetty, “Moral hazard versus liquidity and optimal unemployment insurance,” Journal of Political Economy 116, no. 2 (2008): 173–234, https://dash.harvard.edu/bitstream/handle/1/9751256/Chetty_MoralHazard.pdf.
- ¹² “Out of Reach: The High Cost of Housing,” National Low Income Housing Coalition, 2023, <https://nlihc.org/oor/state/mi>.
- ¹³ Robert Pavosevich, “Unemployment Insurance: Comparison of State Benefit Adequacy and Reciprocity 2022,” Center For Research On Unemployment Insurance Systems, July 2023, <https://uidatage.com/wp-content/uploads/2022/05/CombinedBenAdqReport2022July2023.pdf>.
- ¹⁴ “Significant Provisions Of State Unemployment Insurance Laws.”
- ¹⁵ Hawaii’s benefit formula is 1/21 (equal to 4.76%) of the highest quarter wage.
- ¹⁶ “Lessons From a Pandemic: The Need For Statutory Reform to Michigan’s Unemployment System,” Michigan Law Workers’ Rights Clinic, March 2021, <https://sites.fordschool.umich.edu/poverty2021/files/2021/05/Statutory-Reform-to-Michigans-Unemployment-System-UM-Workers-Rights-Clinic.pdf>.
- ¹⁷ To be eligible for UI, Illinois workers must earn \$1,600 across the base period with at least \$440 outside of the highest-earning quarter. See: <https://ides.illinois.gov/unemployment/resources/benefits-rights.html#unemploymentInsurance>
- ¹⁸ See table 5-3, “Comparison of State Unemployment Insurance Laws,” U.S. Department of Labor, Employment and Training Administration Office of Unemployment Insurance, 2023, <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2022/complete.pdf>.