NISKANEN CENTER

Date: February 8th, 2022
Bill Number: HB 253
Committee: Economic Matters
Title: Unemployment Insurance – Federal Extended Benefits for Long-Term Unemployment
Position: Favorable

Dear Chair and Members of the Economic Matters Committee,

Thank you for this opportunity to submit written testimony today in support of House Bill 253 — Unemployment Insurance – Federal Extended Benefits for Long-Term Unemployment.

My name is Will Raderman. I am an Employment Policy Analyst for the Niskanen Center, a pro-market and pro-government research and policy organization working to advance a "free-market welfare state" that combines dynamic market competition and robust social insurance. My comments today focus on the Extended Benefits (EB) program, supplemental weeks of unemployment insurance activated in states when labor market conditions are bad, and how Maryland can make simple changes now to better help workers when the next crisis arrives.

Like other economic downturns, the pandemic has underscored the importance of sufficient income supports. Workers struggle to obtain new jobs during recessions. Additional weeks of unemployment insurance help families keep their heads above water while simultaneously supporting local business and the larger economy.

During economic crises, Congress often acts to help states provide additional weeks of unemployment insurance. In 2020 and again in 2021, Congress temporarily expanded the eligibility, duration, and size of unemployment benefits. Full federal funding was provided for state Extended Benefits. Typically, the federal government splits the cost of EB with states.

There are a few metrics that can be used to "trigger" on EB and initiate federal contributions.[1] I have detailed how those metrics function in recent analyses[2] and will explain what's at stake for Maryland. Every state applies an activation trigger based on the Insured Unemployment Rate (IUR), which focuses on how many workers are receiving regular state unemployment insurance. However, this measure tends to underestimate the severity of the downturn. The percentage of unemployed workers receiving state unemployment insurance is generally low, meaning it can be very difficult to meet the necessary program activation threshold.

[1] https://oui.doleta.gov/unemploy/pdf/uilawcompar/2020/special.pdf
[2] https://www.niskanencenter.org/federal-ui-hid-the-shortcomings-of-state-extended-benefits/

Applying the Total Unemployment Rate (TUR) metric, the proportion of unemployed workers to the state's overall labor force, improves program performance. As a result, a state's Extended Benefits can activate when the three-month average Total Unemployment Rate is at or above 6.5%, bringing in federal dollars to support workers during downturns. HB 253 would allow Maryland to utilize the TUR metric to trigger on Extended Benefits, but only when the federal government covers all costs.

Not all states utilize the TUR trigger, leading to detectable variation in the economic environment that programs shut off. States not using the TUR trigger had their EB programs deactivate despite high rates of unemployment, shortchanging their workers of support. For example, Maryland's EB program turned off in December 2020 while the TUR level was still above 6.5%. With the federal government covering 100% of the costs, Maryland's Extended Benefits could have stayed active until April 2021 if HB 253 was codified in state law.

Notably, the federal government covering all the costs of Extended Benefits does not guarantee state program activation. After the Great Recession hit, full federal coverage for Extended Benefits lasted through 2013,[3] but the program only remained active in Maryland until April 2012, when the metric conditions necessary for activation were no longer met.[4] Likewise, the 100% federal funding offered to states during the pandemic lasted until September 2021, though Maryland's Extended Benefits program would have deactivated under the TUR trigger in April 2021. At present, the federal government only pays half of the cost of EB. Even if HB 253 were enacted, the TUR trigger would only take effect should Congress extend full support during another crisis.

What HB 253 does is implement very modest additions to Maryland's unemployment protections for workers. When unemployment is elevated, searching for jobs is hard. Making Extended Benefits available in more scenarios with high unemployment provides workers better economic security and stimulates the economy. For the above reasons, I urge the committee for a favorable report.

Sincerely,

Will Raderman
Employment Policy Analyst
Niskanen Center

[3] https://www.dol.gov/sites/dolgov/files/OASP/legacy/files/UCP_State_Decisions_to_Adopt.pdf
[4] https://oui.doleta.gov/unemploy/trigger/2012/trig_042212.html