



Maryland's Unemployment Insurance System Is in Urgent Need of Repair

Position Statement in Support of Senate Bill 655

Given before the Senate Finance Committee

Unemployment insurance is an essential lifeline to ensure that workers who lose their job through no fault of their own can keep up with basic expenses like food and rent. Unemployment insurance is also among the fastest, most effective tools to support the economy in a downturn. However, the COVID-19 pandemic has exposed deep cracks in Maryland's unemployment insurance system. **The Maryland Center on Economic Policy supports Senate Bill 655 because it would bring the state into line with improved federal rules regarding extended unemployment benefits.**

Maryland's current unemployment insurance system is failing out-of-work Marylanders in multiple ways:ⁱ

- In 2019, unemployment benefits averaged \$357 per week, equivalent to \$18,553 per year. This is far below the amount needed to maintain a basic living standard anywhere in Maryland.
- Even with the expanded benefits federal pandemic relief legislation provided, Marylanders who use unemployment benefits to make ends meet still faced considerable hardship during summer 2021. Nearly half reported having difficulty paying for usual household expenses; one in five said they didn't always get enough to eat; one in nine were behind on their most recent mortgage or rent payment; and one-third weren't sure they can make their next housing payment.
- Before the coronavirus pandemic hit, only 23.5% of unemployed workers in Maryland received unemployment benefits, a smaller share than in 28 other states. Unemployed workers in all four of Maryland's neighboring states were more likely to receive unemployment benefits. In New Jersey, 59.0% of unemployed workers received benefits.
- Federal pandemic relief legislation created several supplemental programs to cover workers left out by traditional unemployment insurance, such as app-based workers, self-employed workers, and long-term unemployed workers. The vast majority of Marylanders receiving unemployment benefits in summer 2021 were covered by these supplemental programs. With the expiration of these programs on Labor Day 2021, these workers are now left without any assistance.

Senate Bill 655 would make several improvements to Maryland's unemployment insurance system, driven by improvements in federal law:

- The bill eliminates an arbitrary 13-week "off" period that under current law can prevent the state from offering extended benefits during some periods of high unemployment. This provision takes effect only

during periods when the federal government covers 100% of benefit payments.

- The bill slightly eases the restrictions on when the state can offer extended benefits. Importantly, the bill links extended benefits to a significant increase in the actual unemployment rate, rather than the “rate of insured unemployment,” which is biased downward by archaic eligibility rules.
- The bill increases caps on extended benefits during periods of very high unemployment.

An effective unemployment insurance system benefits all workers, the businesses where they spend their money, and the communities they live in. It is especially important for workers who face structural barriers built through centuries of racist policy choices.ⁱⁱ

- Between 2015 and 2020, Black workers in Maryland were on average slightly more than twice as likely as white workers to be unemployed – meaning they were actively looking for a job but unable to find one – at any given time. This means that downturns such as the one caused by the COVID-19 pandemic hit Black workers especially hard.
- While higher levels of education do improve a person’s prospects in the labor market, even highly educated workers of color often face barriers. For example, between 2015 and 2019 in Maryland, the average unemployment rate among Latinx women with a four-year degree was 4.3%, compared to 2.3% among white women with a four-year degree.
- These are not isolated cases. During the same period, Black and multiracial men with a four-year degree, as well as essentially all women of color with a four-year degree, faced higher unemployment rates than white men with the same level of education.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Finance Committee make a favorable report on Senate Bill 655.

Equity Impact Analysis: Senate Bill 655

Bill summary

Senate Bill 655 reforms the rules governing extended unemployment benefits to match changes in federal legislation passed in 2020 and 2021. The bill under some circumstances eliminates a 13-week “off” period that under current law can prevent the state from offering extended benefits during some periods of high unemployment. The bill slightly eases the restrictions on when the state can offer extended benefits, linking extended benefits to the actual unemployment rate rather than only the rate of insured unemployment. And the bill increases caps on extended unemployment benefits during periods of very high unemployment.

Background

Maryland’s unemployment rate increased sharply at the onset of the COVID-19 pandemic, increasing from an average of 3.5% during 2019 to a high of 9.0% in spring 2020.ⁱⁱⁱ Unemployment has since fallen gradually, reaching 5.0% in December 2021.

In 2019, unemployment benefits in Maryland averaged \$357 per week, equivalent to \$18,553 per year.^{iv} Even with the expanded benefits federal pandemic relief legislation provided, Marylanders who use unemployment benefits to make ends meet still faced considerable hardship during summer 2021. Nearly half reported having difficulty

paying for usual household expenses; one in five said they didn't always get enough to eat; one in nine were behind on their most recent mortgage or rent payment; and one-third weren't sure they can make their next housing payment.

Before the coronavirus pandemic, only 23.5% of unemployed workers in Maryland received unemployment benefits, a smaller share than in 28 other states.

The state's Division of Unemployment Insurance entered the COVID-19 pandemic with 480 full-time equivalent staff (internal and contractual positions), down from a high of 702 in FY 2013. Between FY 2003 and FY 2015, the division never had less than 590 full-time equivalent staff. As unemployment surged during the pandemic, the division struggled to keep up with applications, leading to exceptionally long wait times.

Equity Implications

Structural barriers in our labor market, which were built through centuries of racist policy choices, put Black workers and other workers of color at greater risk of being unemployed – actively seeking a job but unable to find one. For this reason, ineffective or overly restrictive unemployment insurance policies disproportionately harm workers of color.

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- While higher levels of education do improve a person's prospects in the labor market, even highly educated workers of color often face barriers. For example, between 2015 and 2019 in Maryland, the average unemployment rate among Latinx women with a four-year degree was 4.3%, compared to 2.3% among white women with a four-year degree.
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Impact

Senate Bill 655 would likely **improve racial and economic equity** in Maryland.

ⁱ See discussion in Christopher Meyer, "Budgeting for Opportunity: Maryland's Workforce Development Policy Can Be a Tool to Remove Barriers and Expand Opportunity," Maryland Center on Economic Policy, 2021, <http://www.mdeconomy.org/budgeting-for-opportunity-workforc>

ⁱⁱ Meyer, 2021.

ⁱⁱⁱ BLS Local Area Unemployment Statistics.

^{iv} See Meyer, 2021.