



FEBRUARY 21, 2023

# Improving Maryland's Unemployment Insurance System Will Strengthen our Economy

## Position Statement in Support of Senate Bill 670

*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, our current unemployment insurance system does too little to support unemployed workers and has no mechanism to keep up with changing economic realities. **The Maryland Center on Economic Policy supports Senate Bill 670** because it would better enable unemployed workers to afford necessities, put the Unemployment Insurance Trust Fund on a stronger footing, and ensure that Marylanders do not foot the bill when private equity companies initiate mass layoffs.

Maryland's current unemployment insurance system is failing out-of-work Marylanders in multiple ways, as detailed in a 2021 report by the Maryland Center on Economic Policy:<sup>i</sup>

- Unemployment benefits for Maryland workers averaged \$357 per week in 2019, equivalent to \$18,553 per year. This is far below the amount needed to maintain a basic living standard anywhere in Maryland.
- Even during the temporary benefit expansion under federal pandemic relief legislation, Marylanders who use unemployment benefits to make ends meet still faced considerable hardship. Nearly half reported having difficulty paying for usual household expenses; 1 in 5 said they didn't always get enough to eat; 1 in 9 were behind on their most recent mortgage or rent payment; and one-third weren't sure they can make their next housing payment.

Senate Bill 670 would make several improvements to Maryland's unemployment insurance system:

- Increases the deeply inadequate minimum and maximum benefit and sets them to keep up with future wage growth rather than falling further behind each year.
- Increases dependent benefits to ensure unemployed workers can afford to feed and house their families.
- Increases the amount workers are allowed to earn before losing benefits, ensuring that our unemployment system supports workers who lose a significant portion of their work income.
- Updates the rules governing unemployment payroll contributions to put the trust fund on a strong footing to pay benefits, including collateral requirements for private equity funds.

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:<sup>ii</sup>

- 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 670.**

### **Equity Impact Analysis: Senate Bill 670**

#### *Bill summary*

Senate Bill 670 updates several components of Maryland’s unemployment insurance system:

- Increases the minimum weekly benefit from a flat \$50 to 15% of the state average weekly wage.
- Increases the maximum weekly benefit from a flat \$430 to two-thirds of the state average weekly wage.
- Increases the dependent benefit and earnings disregard used in calculating benefit amounts.
- Increases the wage base subject to payroll contributions to support the Unemployment Insurance Trust Fund and modifies the rules governing contribution rates.
- Requires private equity funds to deposit collateral with the state to support benefit payments in the event of mass layoffs.

#### *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.<sup>iii</sup> Unemployment has since fallen gradually, reaching 4.0% in December 2022.

In 2019, unemployment benefits in Maryland averaged \$357 per week, equivalent to \$18,553 per year.<sup>iv</sup> Even during the temporary benefit expansion under federal pandemic relief legislation, Marylanders who use unemployment benefits to make ends meet still faced considerable hardship. Nearly half reported having difficulty paying for usual household expenses; 1 in 5 said they didn’t always get enough to eat; 1 in 9 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.
- 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.

### *Impact*

Senate Bill 670 would likely **improve racial and economic equity** in Maryland.

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<sup>i</sup> 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-workforce>

<sup>ii</sup> Meyer, 2021.

<sup>iii</sup> BLS Local Area Unemployment Statistics.

<sup>iv</sup> See Meyer, 2021.