

Improving Maryland's Unemployment Insurance System Will Strengthen our Economy

Position Statement in Support of Senate Bill 104

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 104** because it would better enable unemployed workers to afford necessities and put the Unemployment Insurance Trust Fund on a stronger footing.

Our current unemployment insurance system is failing out-of-work Marylanders. Unemployment benefits for Maryland workers averaged \$390 per week in late 2023,ⁱ far below the amount needed to maintain a basic living standard anywhere in the state. In early 2024, one in three unemployed Marylanders struggled to afford food, compared to only 8% of employed Marylanders.ⁱⁱ

Senate Bill 104 would make several improvements to Maryland's unemployment insurance system:

- Increases the deeply inadequate minimum and maximum benefit levels 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. In late 2023, Asian workers were more likely to be unemployed than their white counterparts – meaning that they were actively looking for a job but unable to find one – and Black and Latinx workers were more than twice as likely as white workers to be unemployed.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Finance Committee make a favorable report on Senate Bill 104.

Equity Impact Analysis: Senate Bill 104

Bill summary

Senate Bill 104 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.

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 While Maryland’s unemployment rate has now reached historically low levels, more than 65,000 Marylanders were unemployed as of December 2023.

In the fourth quarter of 2023, unemployment benefits in Maryland averaged only \$390 per week.

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:

- In late 2023, Asian workers were more likely to be unemployed than their white counterparts – meaning that they were actively looking for a job but unable to find one – and Black and Latinx workers were more than twice as likely as white workers to be unemployed.
- 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, 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.^{iv}

Impact

Senate Bill 104 would likely **improve racial and economic equity** in Maryland.

ⁱ U.S. Department of Labor Unemployment Insurance Benefits Paid data for 2023 Q4, https://oui.doleta.gov/unemploy/data_summary/DataSum.asp

ⁱⁱ MDCEP analysis of U.S. Census Bureau Household Pulse Survey Phase 4.0 Cycle 1, 1/9/24 to 2/5/24, <https://www.census.gov/data/tables/2024/demo/hhp/cycle01.html>

“Unemployed” here refers to adults 18+ who reported that they were not employed because they were laid off or furloughed, or their employer closed temporarily or went out of business. Not all employed Marylanders receive unemployment benefits.

ⁱⁱⁱ BLS Local Area Unemployment Statistics.

^{iv} 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>