



Michigan League FOR Human Services

Testimony on Senate Bill 806 House Commerce Committee

Peter Ruark
December 8, 2011

Good Afternoon, Chairman Schmidt and members of the House Commerce Committee. I am Peter Ruark, Senior Policy Analyst for the Michigan League for Human Services. The League is a nonprofit, nonpartisan statewide policy and advocacy organization dedicated to ensuring that Michigan's low-income residents achieve economic security. Thank you for the opportunity to speak with you today.

Michigan has one of the highest unemployment rates in the nation, yet does the least among its Midwestern peers in helping unemployed workers support their families as they look for work. As explained in our recent paper *Falling Short: Michigan's Unemployment Insurance Compares Poorly with Other Midwestern States*, Michigan's UI system is last among Midwestern states in four measures of its effectiveness:

- At \$362, Michigan pays the *lowest* maximum benefit in the Midwest, and its maximum benefit is the lowest percent (42%) of the state average weekly wage. Michigan's average weekly UI benefit, \$293, is slightly lower than minimum wage and is 12 percent below the poverty threshold for a family of three. For an unemployed worker in Wayne County, the fair market rent of a two-bedroom apartment consumes 62 percent of this amount. Expressed as a percentage of the state average weekly wage, the average UI benefit is only 34 percent of the average wage, the lowest percentage among Midwest states except for Illinois (whose average wage is disproportionately high due to the high wages in Chicago).
- A Michigan unemployed worker is *least* likely to be eligible for UI. Michigan has the lowest percent of its civilian labor force covered, and the lowest insured unemployment rate relative to total unemployment rate.
- Michigan pays out the *least* amount in UI benefits relative to total unemployment. When the total number of unemployed workers in the state is compared with the total amount spent on UI in state and federal funds, Michigan pays the least per unemployed worker.

(over)

1223 TURNER STREET • SUITE G1 • LANSING, MICHIGAN 48906

517.487.5436/PHONE • 517.371.4546/FAX • WWW.MILHS.ORG

A UNITED WAY AGENCY

- By reducing Basic UI to 20 weeks, Michigan will provide the *fewest* weeks of Basic UI beginning January 2012.

Despite all of this, the League is concerned that there are measures in this bill that unfairly hurt unemployed workers who are playing by the rules and making a good faith effort to find and keep employment. The League understands the urgency of addressing Michigan's UI debt to the federal government and shoring up its trust fund for the future. The League also understands that the purpose of UI is to provide temporary relief for unemployed workers until they find a job, that misuse of the system by employers and employees needs to be discouraged, and that having large UI liabilities hurts employers. However, these proposals come after Michigan reduced the number of state-funded weeks and after the state turned down federal funding that would pay the costs of making UI available to more workers.

Much of this bill appears to be based on an assumption that UI functions as a disincentive to work. This is not borne out by the findings of a recent study by the National Bureau of Economic Research that show that for a displaced worker in 2010Q4, the average monthly rate of "exiting" unemployment was 22.4%. It would have been around 24.4% if UI benefits hadn't been extended. About 2/3 of this increase came from *reduced labor force exit* rather than reduced reemployment.

While finding the right balance of reforms is a challenge, we ask this committee to reject or improve changes that cause undue hardship on unemployed workers who are playing by the rules and who are making a good faith effort to find and keep employment when it becomes available.