UAW Testimony on SB 806 – Unemployment Benefits
before the House Commerce Committee
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by
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When the state of Michigan created an unemployment insurance system in 1936, it began the act with a statement of public policy that said;

"Economic insecurity due to unemployment is a serious menace to the health, morals, and welfare of the people of this state. Involuntary unemployment is a subject of general interest and concern which requires action by the legislature to prevent its spread and to lighten its burden which so often falls with crushing force upon the unemployed worker and his family, to the detriment of the welfare of the people of this state."

– Michigan Employment Security Act of 1936 – Section 421.2

The legislature abandoned that public policy earlier this year when it passed HB 4408, a bill that reduced the maximum number of weeks of unemployment benefits from 26 to 20, the lowest in the nation. If we're going to make any changes to the MES act, it should be to restore the maximum number of benefit weeks to 26.

Many of the provisions in SB 806 would move us further away from the original public policy of the act by establishing a new definition of suitable work that will push workers into lower paying jobs and 30 additional restrictions in eligibility standards that will make it harder for laid off workers to receive benefits.

Proponents of the measure have said these changes are necessary to help keep the UI Trust Fund solvent in the future. Before pursuing that policy choice, it would be wise to look at what has happened in the past to put us in this position.

Amendments to the UI law in 1995 made a dramatic cut in benefits to jobless workers by eliminating indexing, a cost of living adjustment in the maximum benefit that allowed laid off workers to somewhat keep up with inflation. Since that time the law has been adjusted only once to provide for an increase in the maximum benefit to the current level of $362. If indexing had remained, the maximum weekly benefit would now be $477. This change alone resulted in savings to the Trust Fund of more than $1 billion. That sacrifice by the unemployed should have helped keep the fund solvent, but another section of the 1995 changes resulted in a 10% reduction in business UI taxes for several years, costing the Trust Fund about $750 million. And in 2003, the taxable wage base, the amount of income upon which an employer pays UI taxes, was reduced from $9,500 to the current $9,000, costing the Trust Fund more than $750 million since then. This year's reduction in maximum benefit weeks from 26 to 200 will cost laid off workers at least $100 million; some estimates have been as high as $300 million.

If you add this up, workers have already sacrificed more than $1.1 billion in benefit reductions since 1995 while business tax cuts have lowered the Fund balance by at least $1.5 billion. Our goal should be to build up the Trust Fund during good economic times so there is enough money to sustain it in bad economic times. Instead, we have spent this rainy day fund on business tax cuts when it wasn't raining.

Before pushing people into low wage work and making it harder for people to qualify for benefits, we should take a closer look at how laid off workers are surviving on UI benefits.

Our benefits are lower than that of our neighboring states. A recent study by the League for Human Services

showed that Michigan, compared to eight other Midwest states, ranks last on four key measurements; we have the lowest maximum benefit, our laid off workers are least likely to be eligible for UI benefits, we pay the least in benefits relative to unemployment and, beginning next year, we will provide the fewest weeks of UI benefits.

And these factors don't just affect the unemployed worker. They affect the family of that worker as well, particularly children. The 2011 Kids Count Data Book, put together by the Annie Casey Foundation for the past 22 years, shows that Michigan has more children living without a working parent than 46 other states. 36% of all children in Michigan live in a household where neither parent has a full time job. For many of them, unemployment benefits provide the only means for them to feed and clothe their children. That's tough to do, since the average UI benefit only provides 68% of the poverty level for a family of four.

SB 806 will aggravate that situation by changing the definition of suitable work. Under current law, a laid of worker will lose benefits if he or she refuses an offer of work that pays 70% of their gross wages from their previous employment. SB 806 changes that standard to 120% of the worker's unemployment benefit after a maximum of 10 weeks of benefits. Consider a skilled worker who has spent a number of years learning a trade and is making decent money. That worker gets laid off and is trying to find work that pays similar to his or her previous job. This provision would force them to take a lower paying job or lose benefits altogether. While working that lower paid job, they won't have the time available to find work at their old wage level. And if they get laid off from the lower paid job, they can be forced into a job paying even less money after 10 weeks. This downward spiral of wages is detrimental to the worker and his or her family and is contrary to the basic tenet of UI benefits, which is to tide a worker over until they can find a similar job and wages.

There are also 30 different provisions in SB 806 that restrict eligibility or make it harder for a jobless worker to continue to receive benefits Let me mention a couple of them.

Under current law, a worker is not eligible for benefits if they voluntarily quit their job. SB 806 seeks to expand the voluntary quit disqualification by creating a three step process to determine if an employee voluntarily quit. The third step in the process requires the employee to ask to be placed on a leave of absence from their job. However, section 48 of the act disqualifies a worker who is on a leave of absence. This new provision requires a worker to prove that they are not voluntarily quitting by pursuing a course of action that will disqualify them from benefits. That makes no sense. An amendment added in the Senate limited the application of this section to medical reasons, but it doesn't solve the problem for other situations such as sexual harassment, a hostile workplace environment or leaving work to accompany a transferred spouse.

Another proposed change would create an employer amnesty program, where an employer could seek clarification from the agency on whether or not they are covered by the act and should be paying UI taxes. If the agency rules that they are covered, the employer would begin paying UI taxes, but the employees would not be able to count their prior work experience as qualifying weeks towards a UI claim. It's not the workers fault that their employer didn't follow the law. They shouldn't lose benefit eligibility because of it.

Another new section would allow the new Appellate Commission to decide a case on appeal without the benefit of a transcript of the proceedings. If a party wants a transcript they have to pay for it. This doesn't make sense on a couple of levels. How can the appellate body make a decision without a transcript of the proceedings? And how can a laid off worker afford a transcript to help make their case?

Raising the taxable wage base makes sense. Even with this increase, 34 states will have a higher wage base. Bonding to pay off the federal debt at a lower interest rate probably makes sense as well. But laid off workers have already sacrificed more than enough in lost benefits. They shouldn't have to suffer further. I urge you to reject the suitable work change and other provisions in the bill that would make it harder for laid off workers to receive benefits.