Benefits for everyone - Modernizing the unemployment insurance system is good for businesses, too

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Gov. Martin O'Malley has proposed a law that would help to modernize Maryland's unemployment insurance system, which is woefully outdated. If passed, the bill would bring our system into the 21st Century by looking at a person's most recent work history to determine eligibility -- and bring Maryland approximately $126 million in much-needed federal stimulus money.

Passage of this bill should be a no-brainer. Yet, some business groups say they oppose it. They want to slash benefits for low-wage workers, cut the $8 dependent care credit, and force people to wait a week with no income before applying for benefits. These groups falsely claim that Maryland has one of the most "liberal" unemployment systems in the nation. They are wrong:

*Maryland's benefit amount -- an average of $310.23 per week -- puts us in the middle of the pack compared to other states, not the front. Unlike a majority of states, Maryland does not have an automatic cost-of-living increase for benefits. For even the highest paid, benefits are capped at $410 a week. Think about your own expenses; after paying the mortgage/rent and utilities, would there be much left for groceries, diapers, insurance, or gas to drive to job interviews?

*Benefits are based on prior wages, so lower-wage workers receive less. The average weekly benefit replaces just 34 percent of a workers' prior wages, ranking our state 38th in the nation. Benefits end after 26 weeks, but the average person in Maryland relies on unemployment for only 17.6 weeks. Over this entire period, they collect an average of $5,361.

*Only 41 percent of people who apply for unemployment benefits receive them.

The reality of how meager benefits already are makes the idea of chopping them especially vicious. Benefit cuts would throw many families into extreme poverty. Should we really take away the extra $8 per week child benefit that could help buy diapers or food?

The business lobby claims that benefit cuts are needed to offset unemployment taxes. The tax that Maryland employers pay is among the lowest in the nation. Employers only pay taxes on $8,500 of each employee's wages. This taxable-wage base ties us for 37th lowest in the nation, according to the U.S. Department of Labor.

In response to the business lobby, the governor has offered to return $83 million of the stimulus money to cut unemployment taxes, give tax credits to businesses that create new jobs, and work out payment plans and interest rate cuts to help employers.
Unemployment insurance, in fact, is good for business. The unemployed must still buy essentials and pay bills, which supports businesses and prevents further layoffs. Every dollar paid in benefits generates $1.63 in economic activity. Unemployment payments led to $1.5 billion in economic activity in our state last year alone. Unemployment insurance is one of the most direct and effective stimuli to the economy in times of recession.

For more than 211,000 people in Maryland last year, unemployment benefits made the difference between keeping their homes or being homeless, buying groceries or going hungry, supporting their kids or being completely destitute while searching for a new job.

The current system bases eligibility not on work history but on earnings many quarters back, prior to a layoff. The system uses old data because in the age of paper employment records, there was no way for the state to know whether someone had worked in the most recent months before a layoff. With computerized systems, the state knows instantaneously whether someone has worked in the past few months. Looking at current work data also helps mothers returning to the work force after maternity leave and other new entrants to the work force who may not qualify for benefits now.

There simply is no reason to rely on antiquated data to determine benefits eligibility. In fact, 35 states -- including Delaware, Virginia and West Virginia -- rely on current work data.

Nickel and diming the unemployed not only harms people who need it most but will have little to no effect on employer taxes. Unemployment tax rates are based in part on the number of workers the employer puts into the system. Most employers will not have enough people affected by benefit cuts to affect their tax rate at all. In these hard times, protecting and expanding unemployment benefits to help keep our economy afloat should be everyone's goal.