



FALLING SHORT 2021: Michigan's Unemployment Insurance Needs Real Reform to Meet the Needs of the 21st Century Workforce

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Falling Short is the Michigan League for Public Policy's periodic report on Unemployment Insurance (UI) and its effectiveness in helping Michigan's unemployed workers. The two previous reports, one published in 2011 at the end of the Great Recession and one in 2018 as Michigan's economy was recovering, compared eight Midwestern states and found that Michigan's Unemployment Insurance was the least responsive in several areas. This new revision of the report, published after Michigan and the rest of the nation are more than one year into COVID shutdowns and social distancing, finds that little has changed. After pandemic restrictions are lifted and federal funding for enhanced UI assistance runs out, Michigan's UI system will remain at or near the bottom of **Midwestern** states in many respects:

- Michigan pays the **lowest** maximum benefit in the Midwest, both as a numerical figure and as a percentage of the average weekly wage.
- Michigan has the **lowest** Unemployment Insurance coverage in the Midwest.
- Michigan provides the **fewest** weeks of Unemployment Insurance benefits available to unemployed workers as they look for jobs.
- Michigan has the **highest** wage eligibility requirements for Unemployment Insurance protection.
- Michigan spends **far less** on Unemployment Insurance per unemployed worker than most other Midwestern states.
- Michigan's maximum Unemployment Insurance benefit is not enough to prevent a family from falling below the poverty line, nor does it pay enough to make rent affordable at the Fair Market Rate.

In 1935, President Franklin D. Roosevelt signed into law the Social Security Act containing, among other things, provisions for Unemployment Insurance (UI) as a state-federal partnership program. For workers who become laid off or otherwise lose their jobs unexpectedly, UI is an important lifeline that partially replaces lost wages so that workers and their families can avoid severe financial disruption. Because UI benefits help workers continue spending at local businesses such as supermarkets for the things they need, the UI system helps prevent even larger disruptions in communities that have experienced a mass layoff. One study following the Great Recession showed that every one dollar paid in UI benefits increased the Gross Domestic Product by \$1.61.¹

Despite the benefits to workers, families and communities, however, Michigan has implemented policies over the years that have directly weakened this safety net, and failed to pass other policies that could have strengthened it. While these policies have been detrimental to all Michigan workers who have found themselves unemployed and unable to access benefits, Michigan's weak UI policies have disproportionately hurt Black and Latinx workers, who are less likely to be eligible due to lower median wages.²

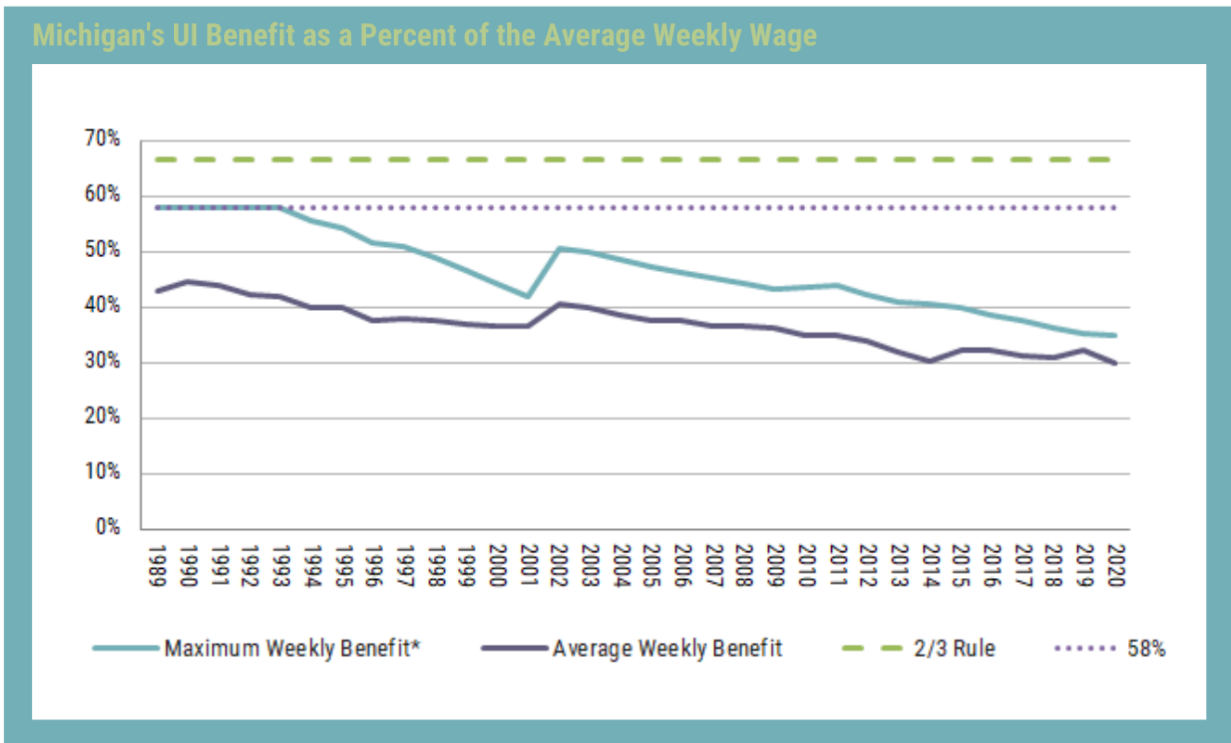
MICHIGAN'S UNEMPLOYMENT INSURANCE BENEFIT IS OUTDATED AND INADEQUATE

The weekly benefit has eroded over time

In 1995, the Advisory Council on Unemployment Compensation to the President and Congress recommended that state UI systems replace at least 50% of eligible workers' lost earnings over a six month period, and that the way to do this was to set a maximum benefit equal to two-thirds (66%) of the state's average weekly wage. This objective dates back to the founding of the UI system and was endorsed by President

Dwight Eisenhower and most presidents thereafter. President Richard Nixon said that UI should replace 50% of lost wages for four-fifths of all UI recipients—this became known as the “one-half for four-fifths” criterion.³

Michigan falls far short of this standard. In the past 34 years, Michigan has not met either the two-thirds standard for the maximum benefit or the 50% standard for the average weekly benefit. For several years up to 1982, and then again from 1989 through 1992, the maximum benefit was pegged at 58% of the average weekly wage, which enabled the maximum to increase (or decrease) with wages. In 1993 and 1994, the maximum benefit was decoupled from the average wage and set at a flat dollar level of \$293 per week, which was 58% of average weekly wages in 1993 but only 56% in 1994. The maximum has been increased two times since then, to \$300 in 1995 and to \$362 in 2002, where it remains today.



Sources:
 State Average Weekly Wage: Michigan Department of Labor and Economic Opportunity (https://www.michigan.gov/documents/wca/wca_avege-weekly-wage_chart_477569_7.pdf, accessed on March 11, 2021)
 Average Weekly Benefit: U.S. Department of Labor Employment and Training Administration, Unemployment Insurance Data (https://oui.doleta.gov/unemploy/data_summary/DataSum.asp, accessed on March 24, 2021) Benefit figures are for Quarter 4 of each year.
 Maximum Weekly Benefit: U.S. Department of Labor Employment and Training Administration, State Law Information (<https://oui.doleta.gov/unemploy/statelaws.asp>, accessed on April 5, 2021)

Decoupling the maximum weekly benefit from the average weekly wage and converting it to a flat numerical amount has resulted in a significant erosion and a loss to Michigan’s workers. If Michigan had kept its maximum benefit at 58% of the average weekly wage, it would have been \$602 per week in 2020, and if it were pegged at the 1995 Advisory Council’s “two-thirds rule” of 66%, it would have been \$691 per week. At \$362, however, the maximum benefit is currently only 35% of the average wage, and equal to only \$245 in 2002 dollars due to inflation. Moreover, Michigan’s average benefit, at only 30% of the average weekly wage in 2020, falls far short of the 50% level recommended by the Advisory Council.

The Erosion of the Unemployment Insurance Benefit							
Year	State Avg. Weekly Wage (SAWW)	Maximum Weekly Benefit*				Average Weekly Benefit	
		Level Needed for "2/3 Rule"	Level Needed for 58% SAWW	Actual Level	% of SAWW	Actual Level	% of SAWW
1982	\$340	\$0	\$0	\$197	58%	\$158	46%
1983	\$359	\$0	\$0	\$197	55%	\$145	40%
1984	\$371	\$0	\$0	\$197	53%	\$139	37%
1985	\$397	\$0	\$0	\$197	50%	\$148	37%
1986	\$415	\$0	\$0	\$197	48%	\$157	38%
1987	\$434	\$0	\$0	\$229	53%	\$178	41%
1988	\$441	\$0	\$0	\$242	55%	\$180	41%
1989	\$454	\$302	\$263	\$263	58%	\$194	43%
1990	\$474	\$316	\$275	\$275	58%	\$211	44%
1991	\$477	\$318	\$277	\$277	58%	\$209	44%
1992	\$489	\$326	\$284	\$284	58%	\$206	42%
1993	\$507	\$338	\$294	\$293	58%	\$213	42%
1994	\$527	\$351	\$306	\$293	56%	\$211	40%
1995	\$554	\$369	\$321	\$300	54%	\$221	40%
1996	\$581	\$387	\$337	\$300	52%	\$218	38%
1997	\$591	\$394	\$343	\$300	51%	\$224	38%
1998	\$614	\$409	\$356	\$300	49%	\$231	38%
1999	\$644	\$429	\$374	\$300	47%	\$237	37%
2000	\$678	\$452	\$393	\$300	44%	\$247	36%
2001	\$714	\$476	\$414	\$300	42%	\$261	37%
2002	\$715	\$476	\$415	\$362	51%	\$290	41%
2003	\$725	\$483	\$420	\$362	50%	\$289	40%
2004	\$744	\$496	\$432	\$362	49%	\$286	38%
2005	\$765	\$510	\$444	\$362	47%	\$288	38%
2006	\$784	\$522	\$455	\$362	46%	\$294	38%
2007	\$803	\$535	\$466	\$362	45%	\$294	37%
2008	\$820	\$546	\$476	\$362	44%	\$299	36%
2009	\$835	\$556	\$484	\$362	43%	\$304	36%
2010	\$829	\$552	\$481	\$362	44%	\$288	35%
2011	\$823	\$548	\$478	\$362	44%	\$287	35%
2012	\$860	\$573	\$499	\$362	42%	\$291	34%
2013	\$887	\$590	\$514	\$362	41%	\$283	32%
2014	\$893	\$595	\$518	\$362	41%	\$271	30%
2015	\$911	\$607	\$528	\$362	40%	\$293	32%
2016	\$935	\$623	\$542	\$362	39%	\$300	32%
2017	\$966	\$643	\$560	\$362	37%	\$301	31%
2018	\$999	\$666	\$580	\$362	36%	\$308	31%
2019	\$1,023	\$681	\$593	\$362	35%	\$329	32%
2020	\$1,037	\$691	\$602	\$362	35%	\$311	30%
2021	\$1,083	\$721	\$628	\$362	33%	NA	NA

Sources:

State Average Weekly Wage: Michigan Department of Labor and Economic Opportunity (https://www.michigan.gov/documents/wca/wca_avege-weekly-wage_chart_477569_7.pdf, accessed on March 11, 2021)

Average Weekly Benefit: U.S. Department of Labor Employment and Training Administration, Unemployment Insurance Data (https://oui.doleta.gov/unemploy/data_summary/DataSum.asp, accessed on March 24, 2021) Benefit figures are for Quarter 4 of each year.

Maximum Weekly Benefit: U.S. Department of Labor Employment and Training Administration, State Law Information (<https://oui.doleta.gov/unemploy/statelaws.asp>, accessed on April 5, 2021)

Michigan Pays the Lowest Maximum Benefit in the Midwest, Resulting in a Low Average Benefit

When compared with the other Midwestern states, Michigan's maximum weekly benefit ranks last, both as a nominal amount and as a percent of the state average weekly wage. During 2019, none of the eight Midwestern states had maximum benefits that met either the "two-thirds rule" or the 58% standard practiced by Michigan prior to 1994. However, Michigan's maximum benefit was significantly below all the other states at only 34% of its average weekly wage; nearly all other Midwestern states' maximum benefits equaled at least 40% of average wages, and those of Iowa and Pennsylvania equaled more than 50%.

If Michigan had kept its maximum benefit pegged at 58% of the average weekly wage, as it had prior to 1994, its 2019 maximum benefit of \$593 per week would have been highest in the Midwest, both as a numerical figure and as a percentage. Partly as a result of Michigan's low maximum benefit, its average weekly benefit is only 30% of its average weekly wage, low among the eight states although not at the bottom.

Michigan's Maximum UI Benefit as a Percent of Wages is Lowest in the Midwest (2019)							
State	State Average Weekly	Maximum Weekly Benefit*			Average Weekly Benefit		
		Amount	% of SAWW	Rank	Amount	% of SAWW	Rank
Illinois	\$1,179	\$471	40%	6	\$337	29%	7
Indiana	\$932	\$390	42%	4	\$231	25%	8
Iowa	\$932	\$481	52%	1	\$394	42%	1
Michigan	\$1,051	\$362	34%	8	\$311	30%	6
Minnesota	\$1,143	\$462	40%	5	\$411	36%	2
Ohio	\$995	\$443	45%	3	\$349	35%	3
Pennsylvania	\$1,099	\$561	51%	2	\$355	32%	4
Wisconsin	\$966	\$370	38%	7	\$295	31%	5

*Maximum benefit figures do not include the Dependent Allowance.

Note: The figure given for Michigan's 2019 average weekly wage in this table is for Quarter 4 rather than annually in order to line up with the other data in this table, and hence differs from that in the table on page 3.

Sources:

Average Weekly Wages: U.S. Department of Labor Employment and Training Administration, Unemployment Insurance Data (https://oui.doleta.gov/unemploy/data_summary/DataSum.asp, accessed on April 28, 2021) Wages are for Quarter 4 of 2019.

Maximum Benefits: U.S. Department of Labor Employment and Training Administration, Significant Provisions of State Unemployment Insurance Laws, Effective July 2019 (<https://oui.doleta.gov/unemploy/content/sigpros/2020-2029/July2020.pdf>, accessed on April 28, 2021)

Average Weekly Benefits: U.S. Department of Labor Employment and Training Administration, Unemployment Insurance Data (https://oui.doleta.gov/unemploy/data_summary/DataSum.asp, accessed on April 28, 2021) Benefits are for Quarter 4 of 2019.

Michigan's Unemployment Insurance benefit performs poorly as a lifeline for workers and their families

In addition to falling short compared to its Midwestern peers, Michigan's outdated benefit structure performs poorly as a lifeline. The average weekly benefit will not keep a single-parent family of any size above the federal poverty level, and the maximum weekly benefit will not keep a family with more than two children out of poverty. If Michigan's maximum weekly benefit were still pegged to 58% of the average weekly wage and if the average benefit covered 50% of wages for most workers, UI benefits in Michigan would keep the families of unemployed workers well above the poverty line as they look for jobs.⁴

Many two-parent families are dual income, and those in which one parent is still working or both parents are collecting benefits would not likely fall into poverty based on the UI benefit. However, if one parent works only part-time or is not in the labor force, the family's primary income would be from the unemployed parent's UI benefits.

In 2020, when the coronavirus resulted in many workers losing jobs, Federal Pandemic Unemployment Compensation (FPUC) provided by Congress enabled Michigan's unemployed residents to receive an extra \$600 per week on top of their basic UI benefits, meaning that workers who qualified for the maximum benefit received \$962 per week. If FPUC had not been available during that time and unemployed workers had to rely on only Michigan's basic UI benefit for an extended period of time, many working families would have been plunged into economic hardship and the state's poverty rate would likely have skyrocketed.

Moreover, the maximum weekly benefit of \$362 does not enable rental housing to be affordable to families and individuals who rely on it as their sole source of income. Affordable housing is defined by the U.S. Department of Housing and Urban Development (HUD) as housing in which the occupant is paying no more than 30% of gross income for housing costs, including utilities. To measure whether housing is affordable, HUD calculates a Fair Market Rent based on the 40th percentile of monthly rents in a given area.

The Basic UI Benefit Was Not Enough to Keep Most Families With Children Out of Poverty in 2020					
	Amount	Percentage of 2020 Poverty Threshold for -			
		One Parent, One Child (\$318)	Two Parents, One Child (\$372)	One Parent, Two Children (\$372)	Two Parents, Two Children (\$468)
Average Weekly Benefit	\$317 / \$323	92%	79%	81%	64%
Maximum Weekly Benefit	\$362	106%	90%	90%	72%
(If 58% SAWW)	\$602	175%	150%	150%	119%

Sources:

Poverty Thresholds: U.S. Census Bureau (<https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>, accessed on March 24, 2021) Weekly figures are calculated by dividing 2020 annual poverty thresholds by 52.

Average Weekly Benefit: U.S. Department of Labor Employment and Training Administration, Unemployment Insurance Data (https://oui.doleta.gov/unemploy/data_summary/DataSum.asp, accessed on March 24, 2021) Benefit is for Quarter 4 of 2020. Average weekly benefit figures include a \$6 dependent allowance per child.

In each county in Michigan, the Fair Market Rent, even for efficiency apartments, exceeds 30% of the maximum weekly UI benefit. If the UI benefit is the sole income for a household (for example, a single parent who has been laid off and

does not qualify for other kinds of public assistance), the benefit will not provide enough to make housing costs affordable for the household. The FMR for a two-bedroom dwelling requires an especially high percentage of the maximum benefit in Washtenaw County (81%), Livingston County (69%) and in the counties comprising the Detroit metropolitan area (67%).⁵

There are occasionally concerns expressed by policymakers that higher UI benefits would function as a disincentive to work, and that workers who had once been gainfully employed would prefer to get “free money” for a number of weeks rather than work. Research does not bear this out; a Yale study shows that even with the \$600 FPUC benefit added to the basic benefit in 2020, the receipt of Unemployment Insurance did not depress employment during the time of COVID-related job closures.⁶ This makes sense, as UI does not provide the long-term economic security that comes with being employed, and is structurally designed (in normal times) to encourage employment by paying less than what a worker had been earning prior to layoff.



The Unemployment Insurance Benefit Does Not Provide Enough to Make Rental Housing Affordable in Any Michigan County

2021 Monthly Fair Market Rent as a Percentage of the Maximum UI Benefit

County	Efficiency	One-Bedroom	Two-Bedroom	County	Efficiency	One-Bedroom	Two-Bedroom
Alcona	40%	41%	47%	Lake	32%	36%	47%
Alger	32%	38%	47%	Lapeer	44%	52%	67%
Allegan	42%	43%	55%	Leelanau	43%	45%	56%
Alpena	32%	39%	47%	Lenawee	34%	39%	51%
Antrim	31%	40%	47%	Livingston	48%	56%	69%
Arenac	32%	37%	47%	Luce	32%	39%	47%
Baraga	34%	36%	47%	Mackinac	32%	41%	47%
Barry	41%	44%	54%	Macomb	44%	52%	67%
Bay	33%	38%	49%	Manistee	35%	38%	50%
Benzie	38%	42%	55%	Marquette	35%	40%	52%
Berrien	39%	39%	51%	Mason	37%	39%	51%
Branch	38%	40%	50%	Mecosta	39%	39%	47%
Calhoun	35%	42%	53%	Menominee	35%	40%	47%
Cass	34%	39%	51%	Midland	35%	40%	53%
Charlevoix	35%	40%	52%	Missaukee	36%	40%	53%
Cheboygan	32%	36%	47%	Monroe	40%	44%	57%
Chippewa	32%	37%	49%	Montcalm	40%	41%	50%
Clare	32%	36%	47%	Montmorency	32%	37%	47%
Clinton	45%	47%	58%	Muskegon	38%	40%	53%
Crawford	34%	38%	50%	Newaygo	34%	39%	51%
Delta	37%	37%	47%	Oakland	44%	52%	67%
Dickinson	34%	40%	50%	Oceana	32%	36%	47%
Eaton	45%	47%	58%	Ogemaw	36%	41%	47%
Emmet	37%	42%	56%	Ontonagon	32%	39%	47%
Genesee	33%	39%	50%	Osceola	32%	36%	47%
Gladwin	32%	36%	47%	Oscoda	32%	40%	47%
Gogebic	32%	39%	47%	Otsego	38%	42%	55%
Grand Traverse	44%	54%	64%	Ottawa	51%	52%	60%
Gratiot	31%	36%	47%	Presque Isle	32%	37%	47%
Hillsdale	35%	39%	51%	Roscommon	37%	37%	47%
Houghton	31%	37%	47%	Saginaw	35%	40%	53%
Huron	35%	36%	47%	Saint Clair	44%	52%	67%
Ingham	45%	47%	58%	Saint Joseph	33%	37%	48%
Ionia	41%	41%	54%	Sanilac	35%	36%	47%
Iosco	37%	41%	47%	Schoolcraft	32%	36%	47%
Iron	32%	38%	47%	Shiawassee	37%	37%	49%
Isabella	38%	42%	50%	Tuscola	31%	38%	47%
Jackson	40%	45%	53%	Van Buren	39%	45%	56%
Kalamazoo	39%	45%	56%	Washtenaw	66%	66%	81%
Kalkaska	31%	36%	47%	Wayne	44%	52%	67%
Kent	47%	52%	63%	Wexford	34%	37%	49%
Keweenaw	32%	36%	47%				

*Fair Market Rent figures are divided by the maximum weekly benefit stated as a monthly benefit, calculated as $(\$362 \times 52)/12$.

Source: U.S. Department of Housing and Urban Development, Fair Market Rents 2021 (https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2021_code/2021state_summary.odn , accessed on April 16, 2021)

Michigan's Dependent Allowance Does Little to Meet Families' Needs

States have the option to add a dependent allowance to a UI recipient's basic weekly benefit. The dependent allowance can be either a fixed numerical amount per dependent or one that increases with the level of the basic weekly benefit. Michigan's dependent allowance is \$6 per dependent. Recipients can claim up to five dependents, and the dependent allowance may not bring the total household UI benefit higher than the \$362 weekly maximum benefit.

The \$6 per week dependent allowance is too small to make much of a difference for families with children, and because it is not annually adjusted for inflation, its value erodes further each year. Further, because the dependent allowance may not bring the total benefit higher than the established maximum benefit, workers who receive the maximum benefit (which, as discussed previously, is far too low) do not receive the dependent allowance.

Michigan's dependent allowance in 1951 was \$2 per dependent.⁷ This is equal to just over \$20 in 2020 dollars.⁸ Unlike today, the dependent allowance could exceed the established maximum weekly benefit.⁹ A good target for updating the dependent allowance would be, ironically, to bring it up to the equivalent of what it was seventy years ago.

MICHIGAN'S MAXIMUM DURATION OF UNEMPLOYMENT BENEFITS IS TOO SHORT Michigan is the only Midwestern state that provides fewer than 26 weeks of Unemployment Insurance

Beginning in January 2012, despite having one of the highest unemployment rates in the nation and having been hit especially hard by the recession, Michigan became the first state to reduce the maximum number of weeks of state-funded UI (often called basic UI) that workers can collect as they look for work, from the standard 26 weeks to 20 weeks. On this indicator, as with so many others, Michigan's policy puts the state last in the Midwest. Michigan is one of only six states that provides fewer than 26 weeks.

12 weeks—far below Michigan's 20-week maximum and the 26-week maximum in most other states. Even in 2020, the year the pandemic resulted in much long-term unemployment and workers received additional weekly benefits through FPUC, the average length of time receiving UI was only 14 weeks.

Basic UI Benefit Weeks and Average Weeks of Duration in Midwestern States							
State	Number of UI Weeks	Average Weeks of Duration*					
		2015	2016	2017	2018	2019	2020
Illinois	26	17	17	17	17	16	16
Indiana	26	14	14	13	13	13	12
Iowa	26	13	13	13	13	12	12
Michigan	20	12	12	12	12	11	14
Minnesota	26	16	16	17	17	16	NA
Ohio	26	15	15	15	15	14	13
Pennsylvania	26	16	16	16	16	15	16
Wisconsin	26	14	13	13	13	12	15

The recent experience of the other Midwestern states, each of which have kept the traditional maximum of 26 weeks,

provides further indication that workers are generally not prone to take the entire number of weeks available to them as an alternative to finding work sooner. Iowa and Wisconsin, for example, have generally averaged only one more week of duration than Michigan despite having six more weeks available, and no Midwestern state has exceeded an average duration of 17 weeks despite having 26 weeks available.

This makes sense, as there is very little incentive to stay on UI rather than finding work; the structure of UI is such that it pays less in wages than the job that was lost and, as a temporary safety net, UI does not provide the long-term financial security of permanent employment. Yet it is important to restore the 26-week maximum because some workers do indeed have difficulty finding work, especially when they live in areas that have few jobs or that have many jobseekers competing for the same jobs.

Another reason for restoring the 26-week maximum is that in times of severe economic downturn, the federal government funds additional weeks of UI. In states which have reduced their maximum number

*Figures are for 4th quarter and denote average duration during the previous 12 months.

Source: U.S. Department of Labor Employment and Training Administration, Significant Provisions of State Unemployment Insurance Laws, Effective July 2020 (<https://oui.doleta.gov/unemploy/content/sigpros/2020-2029/July2020.pdf>, accessed on March 23, 2021)

of Basic UI weeks, the weeks of federally funded UI are proportionally reduced. To qualify for the federal Pandemic Emergency Unemployment Compensation that helped workers keep their homes and feed their families in 2020, the governor used her executive powers to temporarily raise the maximum back up to 26 weeks. However, making the 26-week maximum permanent requires action from the Legislature; the governor cannot do that on her own.

MICHIGAN'S ELIGIBILITY RULES FOR RECEIVING UNEMPLOYMENT INSURANCE ARE TOO RESTRICTIVE AND LEAVE TOO MANY WORKERS BEHIND

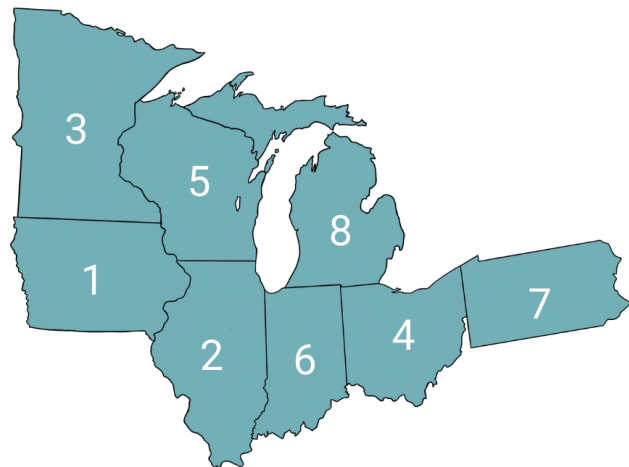
Michigan Has the Lowest Unemployment Insurance Coverage in the Midwest

Covered employment is defined as the number of employees who are covered by the UI system should they become unemployed, as reported to the state UI agency by employers. As a percent of the total labor force, Michigan's covered only 72% of employed workers during the fourth quarter of 2020, falling far short of the other seven Midwestern states, six of which cover more than 80% of their workers.¹⁰

Michigan's Wage Eligibility Level is Among the Most Prohibitive in the Midwest

Michigan's lower UI coverage relative to the rest of the Midwest may be due in part to its higher base period and high quarter wage eligibility levels. The base period is the time period during which wages determine eligibility for UI benefits, usually the first four of the last five completed calendar quarters preceding the filing of the claim. The high quarter is the quarter with the highest earnings within the base period.¹¹

Michigan Has the Lowest Unemployment Insurance Coverage in the Midwest				
State	Covered Employment	Civilian Labor Force	Percent Covered	Rank
	(in Thousands)			
Iowa	1,400	1,621	86%	1
Illinois	5,187	6,209	84%	2
Minnesota	2,524	3,024	83%	3
Ohio	4,735	5,738	83%	4
Wisconsin	2,554	3,110	82%	5
Indiana	2,698	3,350	81%	6
Pennsylvania	4,985	6,294	79%	7
Michigan	3,502	4,873	72%	8



Ranking: 1=best; 8=worst

Source: U.S. Department of Labor Employment and Training Administration, Unemployment Insurance Data Summary Tables, 4th Quarter 2021 (https://oui.doleta.gov/unemploy/data_summary/DataSum.asp, accessed on March 24, 2021)

Because each state uses its own qualifying formula to determine eligibility, it is difficult to do a straightforward comparison of eligibility requirements. However, when Michigan's minimum wages for eligibility during the base period and high quarter are compared to those of its Midwestern peers, it is clear that Michigan's UI program eligibility is much more restrictive than most of the others. While five of its peer states have base period minimums at or lower than \$3,000, Michigan has the highest in the Midwest with \$5,500. Of the four Midwestern states with high quarter wage minimums, Michigan's is \$3,667, while the other three states have minimums below \$2,000.¹²

Among Midwestern States, Michigan has the Highest Wage Requirements for UI Eligibility			
State	Qualifying Formula	Minimum Wages Needed to Qualify:	
		High Quarter	Base Period
MI	Wages in at least 2 BP quarters; 1½ x HQW in BP and wages in 1 quarter equal to \$3,667 or BPW equal to 20 x state AWW	\$3,667	\$5,500
OH	20 weeks employment; wages in each week of at least 27.5% of the state AWW in BP; wages in 2 quarters	N/A	\$5,220
IN	1½ x HQW in BP; wages totaling at least \$2,500 in last 2 quarters of BP	N/A	\$4,200
MN	5.3% of state AAW	N/A	\$3,000
PA	\$1,688 in HQ; minimum \$2,718 in BP; at least 37% BPW outside of HQ; 18 credit weeks in BP	\$1,688	\$2,718
IA	1½ x HQW in BP (HQW must equal 3.5% of the statewide AAW) and ½ HQW in another quarter	\$1,660	\$2,490
WI	35 x WBA in BP; \$1,350 in HQ; 4 x WBA outside HQ; wages in at least 2 quarters	\$1,350	\$1,890
IL	\$1,600 flat amount with \$440 outside high quarter	N/A	\$1,600

Abbreviations: AAW-Average Annual Wage; AWW-Average Weekly Wage; BP - Base Period; BPW-Base Period Wages; CQ-Calendar Quarter; HQ-High Quarter; HQW-High Quarter Wages; WBA-Weekly Benefit Amount

Source: U.S. Department of Labor Employment and Training Administration, Comparison of State Unemployment Insurance Laws, 2020 (<https://oui.doleta.gov/unemploy/pdf/uilawcompar/2020/monetary.pdf>, accessed on April 6, 2020)

Michigan policies make it easy for employers to misclassify workers or misreport their earnings and leave them out of the Unemployment Insurance system

Michigan does not normally include self-employed workers, independent contractors or gig workers (those whose livelihood depends on business generated through computer apps such as Uber, Lyft and Handy) in its UI coverage. While some workers are indeed contract workers with their own registered businesses who take on multiple clients and projects, other workers are misclassified as contractors by their employers in order to avoid paying into the UI trust fund and submitting payroll records into the UI system. This is unfair not only to their employees, but to scrupulous businesses providing similar jobs that do pay into the trust fund. In addition to not being covered by UI, misclassified workers are unfairly deprived of overtime eligibility and minimum wage protections as well.

The Michigan Legislature must update the UI laws to respond to the new reality that many individuals work for employers that do not classify them as employees. To ensure proper classification, Michigan should develop an ABC test similar to that adopted by California and 15 other states¹³ in which workers are considered employees unless they:

- A** are free from direction and control of the employer;
- B** are performing work outside the employer’s usual business (and sometimes, outside the place of business); and
- C** have their own independent business.

To adopt such a test, the National Employment Law Project outlines several steps states must take, including making certain workers presumptively eligible for UI (including employees of online platform employers like Uber and Lyft), accepting a simple attestation from workers that shows that they meet the definition of an employee, and, in the absence of employer wage reports, allowing workers to upload evidence of their earnings when applying and accepting any evidence that workers have at hand.¹⁴

An additional problem is that tipped workers often do not have their tips reported by their employers as earnings and hence often do not have high enough reported wages to be eligible for UI if they are laid off. Michigan must clarify in its employment statutes that tips must be reported to the Unemployment Insurance Agency and subject to unemployment payroll taxes (that is not explicit in current law as written) and provide enforcement mechanisms for prosecuting employers who deliberately skirt their responsibility to report tips as wages.

Michigan Spends Less on Unemployment Insurance Per Unemployed Worker Than Most Midwestern States

One way to compare the overall responsiveness of state UI programs is to calculate the amount of UI benefit dollars spent per unemployed worker in each state, taking into account all unemployed workers and not just those covered by UI. Of the eight Midwestern states examined in this report, Michigan was sixth, spending only \$320 per unemployed worker in 2019. Four other Midwestern states spend considerably (at least \$189) more per unemployed worker than Michigan, with Minnesota and Iowa spending double per worker what Michigan spends.¹⁵

UI Benefit Dollars Spent Per Unemployed Worker in Midwestern States (Includes UI and Non-UI Recipients), 2019				
State	Number of Unemployed Workers	UI Benefit Dollars Paid	UI Dollars Spent per Unemployed Worker	Rank
Minnesota	97,861	\$66,637,680	\$681	1
Iowa	48,011	\$31,815,732	\$663	2
Illinois	257,303	\$144,595,622	\$562	3
Pennsylvania	290,078	\$147,658,632	\$509	4
Wisconsin	101,300	\$32,586,083	\$322	5
Michigan	201,468	\$64,412,630	\$320	6
Ohio	243,233	\$67,826,645	\$279	7
Indiana	109,421	\$19,825,093	\$181	8

Source:

Benefit Dollars Paid: U.S. Department of Labor Employment and Training Administration, Monthly Program and Financial Data, monthly average data for 2019 (<https://oui.doleta.gov/unemploy/claimssum.asp>, accessed on April 23, 2021)

Number of Unemployed Workers: Bureau of Labor Statistics, Local Area Unemployment Statistics, monthly average data for 2019 (<http://data.bls.gov/pdq/querytool.jsp?survey=la>, accessed on April 23, 2021)

Due to the high number of unemployed workers during the pandemic and the infusion of federal funds, spending by all states on UI was much higher in 2020; hence, 2019 spending was used in this comparison since it is more representative of normal, non-pandemic times. As Michigan's employment situation stabilizes in coming months, however, Michigan ought to increase its investment in strengthening the safety net for workers and communities in preparation for future economic downturns.

MICHIGAN'S WEAK UNEMPLOYMENT POLICIES DISPROPORTIONATELY AFFECT WOMEN AND WORKERS OF COLOR

Black and Hispanic (Latinx) workers often live in highly populated areas that often have fewer jobs than jobseekers, have a lower rate of post-secondary credential attainment, and often face barriers such as reliable transportation and the availability of child care. As such, they generally have a higher unemployment rate than White workers and are paid a significantly lower median wage. Black workers are also more likely to work part-time. These factors mean that they are especially impacted by the high earnings requirement and the prohibition against part-time workers receiving UI, especially the large number who live in high-poverty urban centers such as Detroit and Flint where there are fewer jobs.

Despite having the lowest median wage of the three racial groups in this comparison (there was not a high enough sample size for other races) and a higher unemployment rate than White workers, Hispanic workers account for only 4% of all UI claimants.^{16,17}

Unemployment Rates in Michigan for Selected Years, by Race and Gender				
Demographic	2005	2010	2015	2020
All	7%	12%	5%	10%
Black	13%	24%	12%	19%
Hispanic	10%	14%	9%	12%
White	6%	11%	4%	8%
Male	7%	14%	6%	10%
Female	6%	10%	5%	10%

Source: Economic Policy Institute analysis of Current Population Survey microdata from the U.S. Census Bureau

Michigan’s UI policies also disproportionately affect women, who are much more likely than men to work part-time and to need UI due to compelling family reasons including domestic violence.

Restrictive Unemployment Insurance Policies Disproportionately Affect Workers of Color and Women (2019)*					
Statistic	Black	Hispanic	White	Male	Female
Share of Labor Force	10%	5%	80%	53%	47%
Employed Who Work Part-Time	30%	25%	26%	20%	34%
Median Wage (Hourly)	\$15.10	\$14.93	\$19.68	\$20.09	\$17.06
Share of UI Claimants	19%	4%	48%	52%	46%

*In workforce and wage data, some races could not be included due to low sample sizes. In UI claimant data, "information not available" accounted for 29.4% of race and for 14.8% of Hispanic/non-Hispanic identity.

Sources:

Employment Characteristics: Economic Policy Institute analysis of Current Population Survey microdata from the U.S. Census Bureau

Share of UI Claimants: U.S. Department of Labor Employment and Training Administration, Characteristics of Unemployment Insurance Claimants--July 2019 (https://oui.doleta.gov/unemploy/content/chariu2019/2019Jul.html#Michigan_Characteristics, accessed on April 20, 2021)

WHAT DECISIONS HAVE LED MICHIGAN’S UNEMPLOYMENT POLICIES TO COMPARE SO POORLY TO THOSE OF OTHER STATES?



The decoupling of benefit levels from average weekly wages in 1994. While the maximum benefit had been set as a percentage (58%) of the average weekly wage prior to 1994, it was changed that year to a flat rate that erodes each year compared with wages unless increased by the Legislature. It has only been increased once since 1995 and in 2020 was equal to only 35% of the average weekly wage.



An eligibility system that makes it difficult for workers to be eligible for UI. While Illinois, Iowa, Minnesota, Pennsylvania and Wisconsin allow some workers to collect benefits with base period earnings as low as \$1,600-\$2,800, Michigan’s minimum is \$5,667. Likewise, Michigan’s high quarter minimum wage requirement is \$3,453—more than \$1,700 higher than other Midwest states with a high quarter requirement for eligibility. This high earnings requirement disproportionately excludes Black and Latinx workers, who have a lower median wage than Michigan workers as a whole, but harms Michigan workers of all races.



A stubborn and persistent failure to modernize the Unemployment Insurance system to meet current workforce needs. Michigan's UI policies function in a way that may have met the needs of the 1960s workforce, when most of the workforce were men who worked full-time and postsecondary education and occupational training were not as necessary for work leading to economic mobility. Unfortunately, the state's policies have not been updated for the 21st century workforce in which more workers are part-time, many families have two parents working, and a high school diploma is not enough to secure gainful employment. In 2008, Michigan had the opportunity to receive federal funding to cover a significant portion of the costs of extending eligibility to at least two of the following groups of workers: those looking only for part-time work, those participating in skills training instead of job search, and those who left work for compelling family reasons such as spouse relocation, caring for an ill or disabled family member, or domestic violence (those leaving for compelling family reasons are likely to be disproportionately women). Increasing Michigan's dependent allowance from \$6 to \$15 per dependent would have also counted as one modernization. While four other Midwestern states (and 33 states nationally) modernized their systems before the August 2011 deadline and thus became eligible for the funding, Michigan opted to do nothing and leave the federal money on the table.



A reduction in 2011 to the number of weeks of UI available to workers. Despite having had one of the worst unemployment rates in the country for several years, Michigan became the first state to reduce its maximum number of available UI weeks from 26 to 20.

RECOMMENDATIONS

The indicators examined in this report show that Michigan has the least responsive Unemployment Insurance system in the Midwest. This is harmful to not only workers and their families, but to local economies and small businesses as well. Michigan can do much better. Following are recommendations that would help Michigan's UI system to more adequately respond to economic hardship in the state.

First, do no harm.

As the Legislature considers further UI legislation, it should take into account whether such legislation will strengthen Michigan's UI program and bring it in line with other states or cause it to fall further behind in responding to the needs of workers. Michigan's Legislature should say no to any legislation that will make it more difficult for unemployed workers to access UI as they look for work.

Restore the 26-week maximum for basic UI.

Just as it took legislative action to reduce the maximum number of weeks for UI from 26 to 20, it will take legislative action to reverse this action. The Legislature can continue being "penny wise and pound foolish" and letting job providers lose money through reduced customer revenue as unemployed workers exhaust their benefits. Or, the Legislature can help workers, their families, and job providers by restoring the 26-week maximum and providing a safety net for those who remain unable, despite their best efforts, to secure employment after 20 weeks of job search.

Peg the maximum benefit to the average weekly wage.

Until 1994, the maximum benefit was set at 58% of the average weekly wage, enabling it to keep pace with economic realities without the need for periodic legislative adjustments. As the average wage increases, the maximum benefit would increase accordingly, and when the average wage falls, as it did in 2009 and 2010, the maximum benefit would also fall. When determining the percentage, keep in mind the Advisory Council recommendation that the maximum benefit equal two-thirds of the average weekly wage. Although Michigan's previous 58% standard fell short of this recommendation, adjusting it to that level again would enable a more economically responsive benefit than the flat rate of \$362 currently in place.

Lower the minimum base period and high quarter earnings requirements for unemployed workers to collect UI benefits.

Many workers who are firmly attached to the labor force do not qualify for UI because their earnings when employed were not high enough (including because they worked part-time, they had their hours reduced unexpectedly, or their employer did not report their tips as income). It makes little economic or moral sense to exclude lower-paid workers from unemployment protections if they are firmly attached to the labor force. Revisiting and adjusting these minimums will allow more workers to collect benefits as they look for work.

Raise Unemployment Insurance recipients' weekly benefit amount from 4.1% to 6.1% of their high quarter wage.

Doing this will enable lower-paid workers to have more of their wages replaced with UI as they look for work, easing some of the hardship experienced by the workers and their families.

Expand eligibility for UI to workers who categorically do not receive it now.

This includes unemployed workers seeking part-time work, workers who left their jobs out of necessity for compelling family reasons, seasonal workers (including lower-paid school employees), and workers who are using their time out of work to acquire marketable skills to help avoid becoming unemployed in the future.

Raise the dependent allowance from \$6 to \$20, and do not cap the dependent allowance at the maximum benefit level.

This would go much further to support families with children as the unemployed parent looks for work.

Establish an ABC Test to prevent employees from being wrongly classified as contract workers and hence be left out of Unemployment Insurance coverage.

Following in the footsteps of sixteen other states in establishing such a test not only protects workers from misclassification, but also levels the playing field for businesses that properly classify their workers and pay into the UI trust fund on behalf of those workers.

More explicitly require employers of tipped employees to report those tips as wages and pay into the UI system accordingly.

This will help to ensure that tipped employees are covered by UI in the event they are laid off. An enforcement system must also be put into place to prosecute employers who intentionally skirt the law. For tipped workers, another important legislative change needed for coverage in the UI system is for Michigan to do away with the separate tipped minimum wage, ensuring that more of their earnings are reported to the UI system.

CONCLUSION

Unemployment Insurance is good for the economy. When consumer spending is interrupted by high unemployment, businesses suffer. UI keeps consumer dollars flowing into local businesses such as retail stores, automobile service shops, home repair contractors, gas stations and hair salons. Economic analysis has shown that for every one dollar of unemployment benefits provided during the Great Recession, two dollars were added to the nation's gross domestic product.¹⁸

Likewise, Unemployment Insurance helps workers and their families preserve their way of life and avoid serious economic hardship as they look for work. Allowing more workers, particularly workers with lower earnings, to access UI would enable many more families to weather a period of unemployment without major disruption, and raising benefits would result in UI better helping families keep up with expenses and bills. It would also reduce current racial disparities among workers who are able to access UI compared with those who are not. Strengthening Michigan's system is the right thing to do.

END NOTES

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⁷ Halsey, O. S., *Bulletin: Dependent Allowances Under State Unemployment Insurance Laws*, Social Security Administration, February 1951. (<https://www.ssa.gov/policy/docs/ssb/v14n2/v14n2p3.pdf>, accessed on April 14, 2021.)

⁸ Calculated using the Consumer Price Index Inflation Calculator of the Bureau of Labor Statistics.

⁹ *Bulletin: State Unemployment Insurance Legislation*, 1951, Social Security Administration, December 1951. (<https://www.ssa.gov/policy/docs/ssb/v14n12/v14n12p11.pdf>, accessed on April 14, 2021.)

¹⁰ U.S. Department of Labor Employment and Training Administration, Unemployment Insurance Data Summary Tables, 4th Quarter 2020 (https://oui.doleta.gov/unemploy/data_summary/DataSum.asp, accessed on March 24, 2021)

¹¹ Michigan and some other states (including all of the peer states compared in this report) use an alternative or expanded base period for workers who fail to qualify under the regular base period. In these states, if a worker fails to qualify using wages and employment in the first four of the five most recent completed calendar quarters, the state will use wages and employment in the most recent four completed calendar quarters.

¹² U.S. Department of Labor Employment and Training Administration, Comparison of State Unemployment Insurance Laws, 2020 (<https://oui.doleta.gov/unemploy/pdf/uilawcompar/2020/monetary.pdf>, accessed on April 6, 2021)

¹³ The states with an ABC test are California, Colorado, Connecticut, Hawaii, Illinois, Louisiana, Maryland, Massachusetts, Nebraska, Nevada, New Jersey, New Mexico, Oregon, Pennsylvania, Vermont and Washington.

¹⁴ National Employment Law Project, *Independent Contractors & COVID-19: Working Without Protections*, March 2020

¹⁵ Estimates divide Employment and Training Administration figures on total benefits paid by Bureau of Labor Statistics figures on the number of workers unemployed.

¹⁶ Economic Policy Institute analysis of Current Population Survey microdata from the U.S. Census Bureau

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