



Testimony Presented to the Joint Select Committee on the COVID-19 Pandemic Unemployment Insurance Reform in Michigan

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Good afternoon, Chairman Hall and members of the Joint Select Committee on the COVID-19 Pandemic. I am Peter Ruark, senior policy analyst at the Michigan League for Public Policy, a statewide research and advocacy organization that promotes economic opportunity for all. Thank you for allowing me to testify today.

The current pandemic crisis has resulted in many businesses temporarily closing and a large number of workers needing to collect Unemployment Insurance (UI) to continue meeting their needs and putting food on their families' tables. Unfortunately, even after the health threat has subsided, many businesses will likely be closed permanently and many workers will continue to be jobless. While federal funding and the governor's executive orders have enabled Michigan to provide UI to more workers and at higher benefit levels, at some point the federal funding will run out and the orders will expire—yet many workers and their families will continue to need the assistance as they look for work.

Due to decades of inaction and misguided policy, Michigan's unemployed workers are faced with eroded Unemployment Insurance benefits. The COVID-19 crisis shines a bright light on just how inadequate the state's system has become, and the Michigan League for Public Policy hopes that the Legislature will act to ensure that after the worst of the pandemic has passed, Michigan's unemployed workers will continue to have adequate Unemployment Insurance protection as they look for work and try to return to normalcy and financial stability.

One example of bad policy was Michigan's decision to shorten the maximum duration of UI benefits from 26 weeks to 20 weeks. Michigan was the first state in the nation to do this, despite having had the worst unemployment rate in the nation for four years during the Great Recession. To be clear, not all UI recipients receive assistance for the maximum allowable number of weeks, as most try to return to employment stability as quickly as possible and receive a paycheck rather than a UI check. However, for those who are committedly seeking work and are unable to get it, Michigan ought to provide an ample number of weeks of assistance and 26 weeks has long been the standard. **The League urges Michigan's Legislature to restore the 26-week maximum duration of benefits.**

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An example of inaction over the past couple of decades is the unwillingness to raise the maximum weekly UI benefit in a way that keeps up with wages. Michigan last adjusted its maximum benefit in 2002, to \$362 per week where it remains today. At the time, \$362 was equal to 51% of the average weekly wage, but it is equal to only 35% of the average weekly wage today. For many decades in Michigan until the mid-1990s, Michigan's maximum benefit was pegged to 58% of the average weekly wage. This provided enough assistance to workers relative to their previous wages to maintain some level of financial stability and prevent large-scale disruption to their families' well-being. **The League urges Michigan's Legislature to restore its longtime practice of pegging the maximum weekly benefit to 58% of the average weekly wage.**

Another example of inaction is Michigan's hesitancy to adapt its UI system to meet current-day employment realities. An increasing number of Michigan workers are being classified as self-employed or contract workers despite being under the direction and control of the employer. This includes, but is not limited to, the growing number of "gig" workers employed through app-based platforms such as Uber, Lyft and Handy. While expansions in coverage have been made under the federal CARES Act for such workers and some other states consider them as UI-eligible employees, Michigan does not normally include these workers in its UI coverage. After the worst of the pandemic is over, they will go back to not being covered by UI if they lose their jobs. Some states have adopted an ABC test (see the attached paper for more information) to determine which workers should be considered employees as opposed to independent or contract workers, and should hence be covered by Unemployment Insurance through taxes paid into the system by their employers. **The League urges Michigan's Legislature to adopt stricter employment classification guidelines, such as an ABC test, to ensure that more workers receive standard employee protections including UI coverage.**

Thank you for your consideration of these recommendations that will help Michigan's workers as they weather the after-effects of the pandemic crisis our state is experiencing.