



Happy Labor Day!
Reexamining Unemployment Insurance in Maryland: What Has Happened Over the Past 5 Years?

By Branden A. McLeod

Happy Labor Day! Speaking of labor, did you know that steady work has not been easy for many Marylanders to come across in 2008? To a growing number of Marylanders, the labor market is nothing to celebrate. That's why there's no better time than now to re-examine the unemployment dilemma in Maryland. When the Maryland Budget & Tax Policy Institute (MB&TPI) last reported on Unemployment Insurance (UI) in 2003, MB&TPI found that benefits in Maryland are less widely available than in most other states. For those who receive benefits, they are among the lowest in the country and, therefore, need to be increased.ⁱ It was noted that Maryland could do three things to improve UI benefits:

- Extend benefits to part time workers.
- Raise the dependent allowance.
- Make recent work count.

What steps has the State taken in the last five years in order to improve UI benefits? Have any of these recommendations above been passed? While some Bills have been introduced to address improvements in the program, most have not been passed into law. For instance, a bill to extend benefits to part-time workers has been introduced, passed the Senate, but fell short by one vote in the House. Meanwhile, part-time wages are still taxable, although all workers must seek full-time jobs in order to receive UI benefits.ⁱⁱ At least 24 states are ahead of Maryland, extending UI benefits to part-time workers, including nearby states, Delaware, Pennsylvania, New Jersey, New York, North Carolina, and Washington, D.C.ⁱⁱⁱ As one of the nation's wealthiest states, Maryland need not trail behind these states in the workforce arena. Maryland must act now by passing legislation to extend benefits to part-time workers in the 2009 General Assembly session. The New York Times reports (Aug. 2008), "The number of Americans who have seen their full-time jobs chopped to part time because of weak business has swelled to more than 3.7 million — the largest figure since the government began tracking such data more than half a century ago. Many experts see the swift cutback in hours as a precursor to a more painful chapter to come: broader layoffs."^{iv} Given both the state and national scenarios, Maryland needs to be prepared to provide support to laid-off part-time workers.

However, the General Assembly did pass at least two bills in the past five years that address the maximum weekly benefit an unemployed individual can receive. In 2005, the maximum weekly

Maryland Budget & Tax Policy Institute – a project of Maryland Nonprofits

190 W. Ostend Street, Baltimore Maryland, 21230

410-727-6367

www.marylandpolicy.org

benefit was increased from \$310 to \$340. Again, in 2007, the maximum weekly benefit was increased from \$340 to \$380 (the average UI weekly benefit amount in Maryland is \$278).^v While these are good first steps, even the current maximum weekly benefit still places a family of four below the federal poverty level. Essentially, a family that is used to bringing home a modest \$769 on a weekly basis (or \$40,000 annually) would be subject to below poverty level weekly benefits under Maryland's UI system. Let's step it up, Maryland! To avoid severely low weekly benefits, at least 34 other states and the District Columbia have maximum weekly benefit caps that increase annually with growth in those states' average wages.^{vi} This will avoid going back to the drawing board by way of passing legislation each time to adjust benefits.

In 2008, UI benefits were extended to individuals who voluntarily quit employment in order to follow a spouse who is a member of the U.S. military. This is another good step. Nevertheless, there hasn't been success raising the dependent allowance above \$8 per child per week. Yet, the average cost of center-based child care for an infant in Maryland is approximately \$220 per week.^{vii} This costs more than half of the maximum weekly benefit, which, by the way, many individuals do not receive.

There hasn't been any legislation passed to address making recent work count. Administrative rules dating back to the Great Depression still deny unemployment benefits to workers who have only recently entered the workforce and been on the job for less than six to nine months.^{viii} Depending on when a worker has lost his or her job, this formula ignores the last 3-6 months of earnings. Maryland's "two-quarter work rule" denies benefits to anyone who has been on the job less than 6-9 months and has had no other wage income during the previous year. So, the current system ignores up to ten months of earnings. This clearly disadvantages those who have just started working, and other seasonal and low wage workers who have unsteady work histories. Both Washington, D.C. and Virginia already passed the alternative base period (ABP), which allows the inclusion of more recent wages.^{ix}

UI benefits in Maryland remain dismal, at best. Within five years, two incremental steps have been taken to improve UI benefits. There has been no progress on MB&TPI's recommendations from back in 2003. These three very important steps are quite fundamental, but they are not the only ways to improve the UI system. Some other good options include:

- Expanding and indexing benefit amounts for inflation to ensure adequate support.
- Funding training to ensure that workers seeking reemployment can meet the changing needs of employers.
- Ensuring stable financing of the UI system by indexing the taxable wage base (TWB)^x (which in Maryland is stuck at \$8500, while a dozen states have a TWB over \$20,000).^{xi} Increasing the TWB would raise revenue from higher wage workers and decrease the burden on lower-wage employers.^{xii} Moreover, having a higher taxable wage base is important for the Maryland UI Trust Fund to recover more quickly from the impact of a recession.^{xiii}

At least 24 states are ahead of Maryland, extending UI benefits to part-time workers, including Delaware, Pennsylvania, New Jersey, New York, and Washington, D.C.

Based on what has been accomplished in the last five years and where Maryland ranks among other states, Maryland has a lot more work to do. Making the recommended advancements in UI benefits is a low cost priority to the State that can take Maryland's unemployed workers a long way, as well as boost Maryland's economy.

ⁱ Maryland Budget & Tax Policy Institute. Fixing Maryland's Unemployment Safety Net: Three Options for Improving Maryland's Unemployment Benefits. Feb 2003. 13 Aug. 2008

<<http://www.marylandpolicy.org/html/research/documents/mpr3-7UI.pdf>>.

ⁱⁱ Payne, Andrea. Issue Brief: Putting the Unemployment System Back to Work for Maryland's Economy. Job Opportunities Task Force, January 2007. 13 Aug. 2008 <http://www.jotf.org/pdf/JOTFIssueBrief_UI_Jan2007.pdf>.

ⁱⁱⁱ Ibid.

^{iv} Goodman, Peter S. "A Hidden Toll on Employment: Cut to Part Time." The New York Times 31 July 2008, business ed.. 15 Aug. 2008

<http://www.nytimes.com/2008/07/31/business/economy/31jobs.html?_r=2&oref=slogin&oref=slogin>.

^v Maryland Department of Labor, Licensing & Regulation. DLLR NEWS: Increase in the Unemployment Insurance Maximum Weekly Benefit Amount. 2008. 21 Aug. 2008 <<http://www.dllr.state.md.us/whatsnews/uiwba.shtml>>.

^{vi} McHugh, Rick, and Andrew Stettner. Unemployment Insurance Financing: Examining State Trust Funds Facing Recession. National Employment Law Project, May 2008. 21 Aug. 2008

<<http://www.nelp.org/docUploads/State%20Unemployment%20Insurance%20Trust%20Fund%20Solvency%202008%20%283%29.pdf>>.

^{vii} Maryland Committee for Children. Trends in Child Care. 2008. 13 Aug. 2008

<<http://www.mdchildcare.org/mdcfc/pdfs/trends.pdf>>.

^{viii} Maryland Budget & Tax Policy Institute. Fixing Maryland's Unemployment Safety Net: Three Options for Improving Maryland's Unemployment Benefits. Feb 2003. 13 Aug. 2008

^{ix} Payne, Andrea. Issue Brief: Putting the Unemployment System Back to Work for Maryland's Economy. Job Opportunities Task Force, January 2007. 13 Aug. 2008

^x Ibid.

^{xi} McHugh, Rick, and Andrew Stettner. Unemployment Insurance Financing: Examining State Trust Funds Facing Recession. National Employment Law Project, May 2008. 13 Aug. 2008

<<http://www.nelp.org/docUploads/State%20Unemployment%20Insurance%20Trust%20Fund%20Solvency%202008%20%283%29.pdf>>.

^{xii} Payne, Andrea. Issue Brief: Putting the Unemployment System Back to Work for Maryland's Economy. Job Opportunities Task Force, January 2007. 13 Aug. 2008

^{xiii} McHugh, Rick, and Andrew Stettner. Unemployment Insurance Financing: Examining State Trust Funds Facing Recession. National Employment Law Project, May 2008. 13 Aug. 2008

About the Maryland Budget & Tax Policy Institute

The Maryland Budget and Tax Policy Institute is a nonpartisan research organization that provides timely, accurate and accessible analysis of state budget and tax issues. In addition to general budget and tax research and analysis, the Institute examines issues affecting low-income Marylanders and other vulnerable populations and the important community programs that serve them. For additional information, to be added to our e-mail list, or to make a tax-deductible contribution, please visit our website at www.marylandpolicy.org.

The Maryland Budget and Tax Policy Institute gratefully acknowledges the Ford Foundation, which provides financial support for the Institute under its State Fiscal Analysis Initiative. Additional general support for the Maryland Budget and Tax Policy Institute is provided by the Aaron Straus and Lillie Straus Foundation, AFSCME-Maryland, the Eugene and Agnes E. Meyer Foundation, the Fund for Change, the Moriah Fund, the Maryland State Teachers Association, the Open Society Institute-Baltimore, and generous individual donors.

The Institute is a project of Maryland Nonprofits, www.mdnonprofits.org.

Maryland Budget & Tax Policy Institute – a project of Maryland Nonprofits

190 W. Ostend Street, Baltimore Maryland, 21230

410-727-6367

www.marylandpolicy.org