

**TESTIMONY IN SUPPORT OF SB 576:  
Unemployment Insurance - Maximum Benefit – Increase**

TO: Hon. Thomas Middleton, Chair, and members of the Senate Finance Committee  
FROM: Jason Perkins-Cohen, Executive Director  
DATE: March 10, 2009

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that develops and advocates policies and programs to increase the skills, job opportunities, and incomes of low-skill, low-wage workers and job seekers in Maryland. We support SB 576 as a way to strengthen the state's safety net for workers forced to leave their jobs involuntarily. If enacted, this legislation will help keep workers and their families out of poverty as they transition into new jobs.

Maryland's current unemployment insurance system is flawed. It provides only minimal support to a fraction of workers facing the sudden hardship of job loss. Maryland needs to reform UI policies related to both eligibility and adequacy. Increasing the maximum benefit helps ensure adequacy for moderate-income families.

On average, Maryland's UI benefits replace only about one-third of a laid-off worker's previous wages. This makes Maryland the 37th lowest state for wage replacement. The state's benefit formula is actually designed to replace just over 50% of a worker's previous wages. The goal is to provide unemployed workers with just enough to cover fixed expenses until they secure a new job.

However, because Maryland's maximum weekly benefit is capped at \$380, any worker making more than about \$36,000 per year will receive a smaller portion of their wages in UI benefits. People earning more than this will face a dramatic drop in income, which could jeopardize their ability to keep up with basic expenses such as housing and utilities.

Maryland should ensure that moderate-income workers are eligible to receive adequate benefits. In the fourth quarter of 2008, the average worker in the state earned about \$906 per week. Because of the low benefit cap, however, this middle-wage worker is only eligible to receive 42% of their previous wages in benefits. In order for the average worker to receive a reasonable wage replacement rate—the 54% the state's benefit formula is intended to cover—the maximum weekly benefit would need to be raised to about \$490. This would keep most families above the poverty level, and would provide for basic needs without discouraging recipients from seeking new jobs.

This bill takes a step in the right direction by helping secure the economic condition of unemployed Maryland workers. By gradually raising the maximum weekly UI benefit, we can keep families out of poverty and encourage a more stable economy. We respectfully urge a favorable report of SB 576.