

LEGAL ACTION OF WISCONSIN

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TO: Assembly Committee on Workforce Development
FROM: Abby Bar-Lev Wiley, Legislative Director, Legal Action of Wisconsin
RE: Impact of AB 937/SB 906 on Legal Action's Clients
DATE: February 8, 2022

Thank you for the opportunity to provide comments on AB 937/SB 906. Legal Action of Wisconsin (LAW) is the largest non-profit law firm providing high-quality, free civil legal aid to low-income people in 39 of Wisconsin's southern counties. Our broad reach and expertise mean that we see what poverty looks like over a wide swath of the state, from urban and rural areas, from farmworkers to construction workers. One of our priority areas focuses on helping clients secure and maintain the government benefits necessary to meet their most basic needs including food, shelter, health, and income. Legal Action has serious concerns about how AB 937/SB 906 would impact our low-income clients.

People with low incomes want to find family-sustaining jobs

AB 937/SB 906 is a misguided attempt to get people to work, but would have a devastating impact on Wisconsin's most economically vulnerable families, including our low-income clients. The bill makes a false assumption that people prefer to continue collecting unemployment insurance benefits instead of accepting jobs that pay a family-sustaining wage. We have never encountered this issue with our low-income clients at Legal Action. People want the dignity of working to maintain their families and to create a future for themselves and those they love. When they lose employment through no fault of their own and begin applying for unemployment benefits, they face a bewildering and glacial bureaucracy. They must satisfy onerous and confusing work search requirements. The system works slowly, and benefits are often delayed. Given a choice between a safe, well-paying job and unemployment benefits, our clients would choose work every time. Under Wisconsin law, they are already required under most circumstances to accept offered employment that is comparable to the employment they have lost. Most unemployment compensation recipients are thus simply individuals—and their families struggling to get by—trying to get back into the workforce under tremendous financial stress.

AB 937/SB 906 would harm the economy, increase reliance on state benefits, cast more families into crisis and therefore make it harder to obtain employment

The purpose of unemployment insurance benefits under Wisc. 108.01 recognizes the perilous economic impact of unemployment: "The decreased and irregular purchasing power of wage earners in turn vitally affects the livelihood of farmers, merchants and manufacturers, results in a decreased demand for their products, and thus tends partially to paralyze the economic life of the entire state. *In good times and in bad times unemployment is a heavy social cost, directly affecting many thousands of wage earners.*" (emphasis added). Unemployment insurance programs support not only the individuals who receive the benefits, but the business supported by those consumers, and the economy at large.

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Creating artificial requirements to “speed up” this process has historically had profound negative consequences. Benefit cliffs that tie unemployment insurance availability to average state unemployment rate, like the ones this bill proposes, generally create higher rates of food insecurity and housing instability, disproportionately impacting people of color.¹ Right now, the maximum amount someone can receive in unemployment insurance benefits in Wisconsin is \$370 per week. That is a *maximum* of \$1,480 per month, which must be split among utility bills, rent, groceries, childcare, medical bills, car payments, and more. As people search for family-sustaining employment, their unemployment insurance benefits are often the sole reason they can keep the lights on, the heat running, the rent paid, and buy new socks or shoes or clothes for growing children. Time and again, unemployment insurance has been found to aid the economy by ensuring that workers who lose employment through no fault of their own can continue to contribute to the economy. During the Great Recession, for example, every \$1 of unemployment insurance generated \$1.61 into local and state economies.² Research “shows definitively” that “spending falls much further in those households afflicted by job loss when they do not receive UI benefits.”³ Had Congress’s \$600 boost to unemployment insurance benefits in the CARES Act been extended through mid-2021, the Economic Policy Institute estimated that the extension would have provided “an average quarterly boost to gross domestic product (GDP) of 3.7% and employment of 5.1 million workers.”⁴ Slashing the number of weeks that someone can get unemployment benefits would not ensure that all our clients will immediately become reemployed. But it would insure that money is taken out of the economy, that more people would be in need of other state benefits, and that more families would fall deeper into financial crisis. Those impacts would make it more difficult for individuals to get good jobs. The unhoused, the hungry, and those in other financial crisis often cannot pay for transportation, maintain access to cell phone and the internet, or provide employers with an address to be contacted at.

State unemployment rate is not an accurate tool for measuring need

AB 937/SB 906 reflects a fundamentally flawed assumption about basic economic principals. The rationale appears to be that when the economy seems to be doing well, i.e., when the state average unemployment rate is lower, people need fewer weeks of unemployment insurance benefits because they should be able to find decent jobs more quickly. That rationale ignores the obvious truth that general trends, state-wide and nationwide, disguise extreme local and regional differences. Some populations or areas of the state experience dramatically different

¹ Nzingha Hooker & Alexa Tapia, Slashing Unemployment Benefit Weeks Based on Jobless Rates Hurts Workers of Color Most, Nat’l Employment Law Project (May 2021), available at <https://s27147.pcdn.co/wp-content/uploads/UI-Indexing-Policy-Brief-05-14-2021.pdf>.

² *Id.* at 3.

³ Josh Bivens, *Cutting off the \$600 boost to unemployment benefits would be both cruel and bad economics*, Economic Policy Inst., June 26, 2020, <https://www.epi.org/blog/cutting-off-the-600-boost-to-unemployment-benefits-would-be-both-cruel-and-bad-economics-new-personal-income-data-show-just-how-steep-the-coming-fiscal-cliff-will-be/>.

⁴ *Id.*

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unemployment rates than the state average, which vary by race, geography, and labor sector. For example, Jackson County's unemployment rate in December 2021 was 3.2% while the state average was 2.8%; nationwide, nationwide, agricultural work is facing a 9.8% unemployment rate⁵; and in June 2020, Wisconsin's economy ranked last in racial equity among all 50 U.S. states, including that the state's racial gap in unemployment rates surpassed that of 47 other states.⁶ The state average unemployment rate is simply an inadequate tool to determine on-the-ground need for unemployment insurance. Secondly, if someone is unemployed when the unemployment rate is low, it can be particularly difficult to secure employment given that, presumably, there are fewer open positions. It does not make sense to prematurely cut off an individual's unemployment insurance benefits just because the unemployment rate is low.

AB 937/SB 906 does not help people obtain jobs

Unemployment insurance is a critical safety net that allows people to make ends meet while they are searching for a job. AB 937/SB 906 does nothing to help create better-paying jobs. Nor does it help struggling families who live in job-deserts or who cannot, because of the economic crisis of the last two years, afford a job, find safe housing, or secure daycare for their children. Instead, AB 937/SB 906 threatens to increase the economic pressure on families trying desperately to get by. Ironically, it would also increase dependence on public benefits as people lose unemployment insurance benefits before they are able to obtain family-sustaining employment. At Legal Action, we know that people desperately prefer to find good jobs than stay on unemployment. Unfortunately, AB 937/SB 906 is a solution in search of a problem, while making lives harder for families who have fallen on hard times.

Thank you for your consideration.

⁵ See Staista Research Dept., *U.S. unemployment rate by industry and class of worker December 2021*, Jan. 11, 2022, available at <https://www.statista.com/statistics/217787/unemployment-rate-in-the-united-states-by-industry-and-class-of-worker/> (data is not seasonally adjusted).

⁶ Asha Prihar, *Wisconsin's Economy Rife With Racial Inequity, Study Finds*, Milw. J. Sentinel (June 20, 2020), (citing to a study of wealth and employment gaps between Black and white residents) available at <https://www.jsonline.com/story/news/2020/06/20/wisconsin-economy-ranks-worst-racial-inequity-study-says/3222916001/>.

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