



UNEMPLOYMENT INSURANCE TASK FORCE

INITIAL FINDINGS & RECOMMENDATIONS

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Task Force Background

Small businesses provide diversity and resiliency to Michigan's economy. In most communities, the landscape is dominated by small businesses. According to the US Small Business Administration's 2022 state profile, small businesses provide nearly half of all jobs and over \$85 billion in payroll to Michiganders each year.

Michigan is fortunate to have more than 170,000 small businesses with employees; all of whom pay into the unemployment system. In recent years, business owners have faced enormous and unprecedented challenges requiring perseverance and determination to survive. The unemployment system has been a source of frustration during these times as business owners often felt as though the system created a deterrent to working, especially during the pandemic.

Small business owners want to be a partner with the Unemployment Insurance Agency (UIA), ensuring that premiums are used in an effective and efficient manner, free of fraud and abuse. Unemployment Insurance is an employer-paid benefit provided to employees and therefore small business owners would like to be treated like customers of the UIA.

Ongoing struggles regarding claimant accountability, disputed claim resolution, system complexity, lack of responsiveness, fraud, and increased assessments take time and energy away from running a small enterprise. Some employers even report that they give up on challenging bogus claims because it costs so much time, money, and energy to work through the system and achieve a fair resolution.

The Small Business Association of Michigan has assembled a task force of small business owners and their human resources staff to discuss experiences, identify challenges, and propose solutions to problems within the existing system. That task force will serve as the source of employer perspective that SBAM brings to the UIA Modernization Workgroup.



UI Task Force Chair

Mark Ware
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Four Overarching Goals

Increased Accountability: Create an accountable unemployment system that can efficiently identify ineligibility through partnerships with employers and more robust work search verifications.

Description: Employers report unusually high levels of interview no-shows, refused job offers and first day no-shows. Additionally, some prospective workers are more aggressive on requesting to be paid in cash or “under the table” to avoid documentation of employment. There are also frequent reports of employees who intentionally get fired or make themselves unlikely to be hired in an interview. It is believed that such behavior is often prompted by the desire of applicants to remain eligible for unemployment until benefits are exhausted.

Employers desire to find a way to report such cases (even when the prospective employee is not a claimant against their business) to ensure that they are not continuing to draw unemployment benefits after they have turned down a job offer or have otherwise made themselves unavailable for work.

Simplicity and Efficiency: Create an efficient unemployment system that is easy for employers to use, quickly responsive to questions, provides live staff to talk to with reasonable hold times, and is efficient at reviewing and resolving disputed eligibility and fraud claims.

Description: Employers report that they feel like the system is stacked against them. Questionable or disputed claims are paid before eligibility is fully examined and cases that are clearly ineligible tend to get caught in bureaucratic loops going months without resolution. The online system is cumbersome and cluttered with hundreds or even thousands of messages and requires significant staff time to monitor and respond. Paper notices are often received after the date a response is required, which results in even more delays in resolution of the underlined issue.

Employers desire to be treated more like customers who are paying for a benefit for their employees. They want to be able to respond to and resolve ineligible and fraudulent claims quickly - with a person when necessary - and have access to a fair/impartial appeals process.

Encourages Work: Create an unemployment system that encourages and facilitates work.

Description: The unemployment insurance system is an important safety net for an employee who loses their job through no fault of their own. However, benefits and eligibility should be designed in a way that encourages employees to minimize time on the system as a true stopgap between other employment opportunities.

There is a substantial disconnect between the severe workforce shortages employers in Michigan are facing and those who experience chronic unemployment. Identifying and understanding the root causes of chronic and long-term unemployment and targeting remedies and services to address them would help citizens far more than extending the size or duration of unemployment benefits.

Minimizing the Consequences of Long-Term Unemployment: Create an unemployment system that helps people minimize the adverse impacts of being unemployed by minimizing the time a person spends on the system.

Description: Long-term unemployment has significant adverse effects on an individual's finances, mental and physical health, and the chances of finding reemployment. A wide body of evidence shows that the longer an individual's period of unemployment extends, the further their skills erode. That erosion, also referred to as the "depreciation of human capital," increases as time passes, meaning that the potential wages the unemployed can earn upon finding a new job, and even the chances of finding a new job, decrease the longer they remain unemployed.

Being out of work also reduces a worker's "social capital"—the network of business contacts that makes finding new, well-paying jobs easier. Combined, this means that the longer a worker is unemployed, the less likely he or she is to find employment and more likely they are to separate from the workforce entirely. Even if they do beat the odds and find employment, the long-term unemployed tend to earn less than similar jobseekers who quickly reentered the workforce.

In addition, the stress of being out of work for an extended duration can influence an individual's physical and mental health, family dynamics, and the well-being of his or her children, which has consequences for communities. Involuntary job loss is a stressful situation that generates a variety of immediate problems, which are further compounded by extended periods of unemployment. Each week out of work means more lost income for the household and increased feelings of anxiety, depression, demoralization, physical pain, and even chronic illness for the individual. As household income drops, so does the quantity and quality of the goods and services the worker's family can purchase. If this occurs to many families within a community, the demand for public services will increase in conjunction with a decrease in the tax base necessary to fund those services.

Additional Considerations

- Certain industries, especially those with planned seasonal layoffs, need a system more specialized to the nuances of those industries.
- Training program capacity (those required to maintain eligibility for unemployment) should be able to accommodate demands and seasonal fluctuations.
- Third party payroll vendors are not able to fully utilize the online system on behalf of their customers and must instead resort to paper communications though the mail system in some instances.
- Layoffs caused by COVID executive orders were not supposed to be included in experience ratings, but often are.
- Provide clarity regarding UI eligibility at the predetermined end of a paid internship.

