



Minnesota's Unemployment Insurance system should be updated to meet realities of today's workforce

Over the course of the pandemic, workers have needed to navigate the ups and downs of a continually shifting economy, and many have needed to rely on unemployment insurance to get them through a tough stretch. Unemployment insurance (UI) is an insurance program funded by payroll taxes that replaces a portion of qualifying workers' lost income when they are laid off or have had their hours greatly reduced. It also mitigates the impact of a recession on a region's economy by maintaining some of the spending power of its residents.

Currently though, Minnesota workers can face barriers to receiving unemployment insurance benefits, and face some of the steepest penalties in the nation if they make a mistake on their UI application that leads to incorrect benefit payments.

Minnesota policymakers should take action to modernize our state's UI system to better match today's workforce. This would include:

- Extending the time workers have to appeal a denial of benefits or a mistaken overpayment, and
- Reducing the fines workers face from making mistakes on their UI applications.

What are some of the strengths of Minnesota's Unemployment Insurance system?

In Minnesota, unemployed workers who qualify for UI can receive about half of their prior weekly earnings, up to \$857 per week, while they search for a new job.¹ Workers can qualify for up to 26 weeks.

With average UI benefits equaling about 40 percent of average weekly wages, Minnesota's unemployment insurance system provides better wage replacement than many other states. Under the state's UI system, about 45 percent of jobless workers receive UI benefits, the fifth highest percentage among the 50 states and the District of Columbia.²

Minnesota has already made some important advancements to its unemployment insurance system, having adopted five of seven modernization measures recommended in 2009 in the federal ARRA, or the American Recovery and Reinvestment Act.³ These improvements include covering individuals who leave work for certain family care reasons or because of a spouse's move to another location for employment; however, there's more work to do.

How is Minnesota's UI system out of step with today's economy and workforce?

Our current unemployment insurance system doesn't work well for many Minnesotans. The eligibility rules and application requirements for unemployment insurance were originally built for the economy of decades ago, and have not been fully adjusted to meet the realities of today's workforce.

Workers increasingly juggle multiple part-time jobs in order to make ends meet, a trend that has been on the rise over the past 20 years.⁴ Workers in health care, food services, retail, and administrative support are more likely to hold down multiple jobs, which can create challenges when they submit applications for unemployment insurance. Documenting several jobs on an UI application can be daunting and complicated, increasing the chance of making unintentional paperwork errors.

The nation's economy also increasingly relies on "gig workers" and independent contractors, and this type of work is often not eligible for unemployment insurance benefits. Low-income Minnesotans may work gig jobs to make ends meet, either as a main job or to supplement their primary jobs. A study on gig workers by the Pew Research Center found that 16 percent of U.S. workers had performed gig work through an online app, and 39 percent of those workers reported holding multiple gig jobs.⁵ When these workers seek to file for unemployment benefits, they may have a hard time distinguishing which of their work can be counted toward earning unemployment benefits and which cannot, which could lead to costly mistakes.

Unemployment insurance applicants can also face other barriers that may prevent them from accessing the benefits that would help them and their families through a difficult stretch. This can be especially true when there are language barriers. Navigating the unemployment insurance application process also requires a more sophisticated understanding of computers beyond basic web browsing. Language, computer literacy, and access challenges taken together can sometimes make applying or filing an appeal insurmountable.

In addition, the state's current unemployment insurance system still heavily relies on sending notices to workers in the mail. For workers who move frequently, this may significantly delay their receipt of a notice concerning their benefits, making it especially imperative to give workers more time than the current 20 calendar days to appeal a decision.

Minnesota policymakers should update UI to respond to today's workforce

These aspects of today's economy make it harder for applicants holding down multiple jobs or facing language barriers to successfully put documentation together when applying for unemployment insurance. Minnesota workers face penalties if any mistakes they make in their application result in them being overpaid any benefits. Minnesota has some of the steepest penalties in the nation for workers who make a mistake on their unemployment insurance applications. Minnesota's current penalties are higher than in 40 other states, and include a fine of 40 percent of the initial overpayment plus 12 percent interest. With such steep fines, a worker might face a fine two to three times larger than the amount of UI they initially received in error, a huge expense for a worker who has had a loss of income.

Policymakers have an important opportunity to take steps toward a more inclusive and equitable unemployment insurance system by providing more time to appeal denials or mistakes, and reducing the steep penalties workers face because of paperwork errors in their applications.

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¹ Minnesota Department of Employment and Economic Development, [Information Handbook](#), accessed April 2023.

² Center on Budget and Policy Priorities, [Some States Much Better Prepared Than Others for Recession](#), March 2020.

³ Center on Budget and Policy Priorities.

⁴ U.S. Census Bureau, [Using Administrative Data, Census Bureau Can Now Track the Rise in Multiple Jobholders](#), February 2021.

⁵ Pew Research Center, [The State of Gig Work in 2021](#), December 2021.