

Striking a Balance:

THE ROLE OF UNEMPLOYMENT INSURANCE IN
SUPPORTING MINNESOTA WORKERS



NorthStar
POLICY ACTION

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Striking a Balance: The Role of Unemployment Insurance in Supporting Minnesota Workers

During the recent Writers Guild of America strike, a studio executive said the quiet part out loud. In explaining how they would ultimately avoid giving in to the writers' demands for better pay and working conditions, the executive explained that their endgame was to "allow things to drag on until union members start losing their apartments and losing their houses." Another executive called this strategy "a cruel but necessary evil."¹

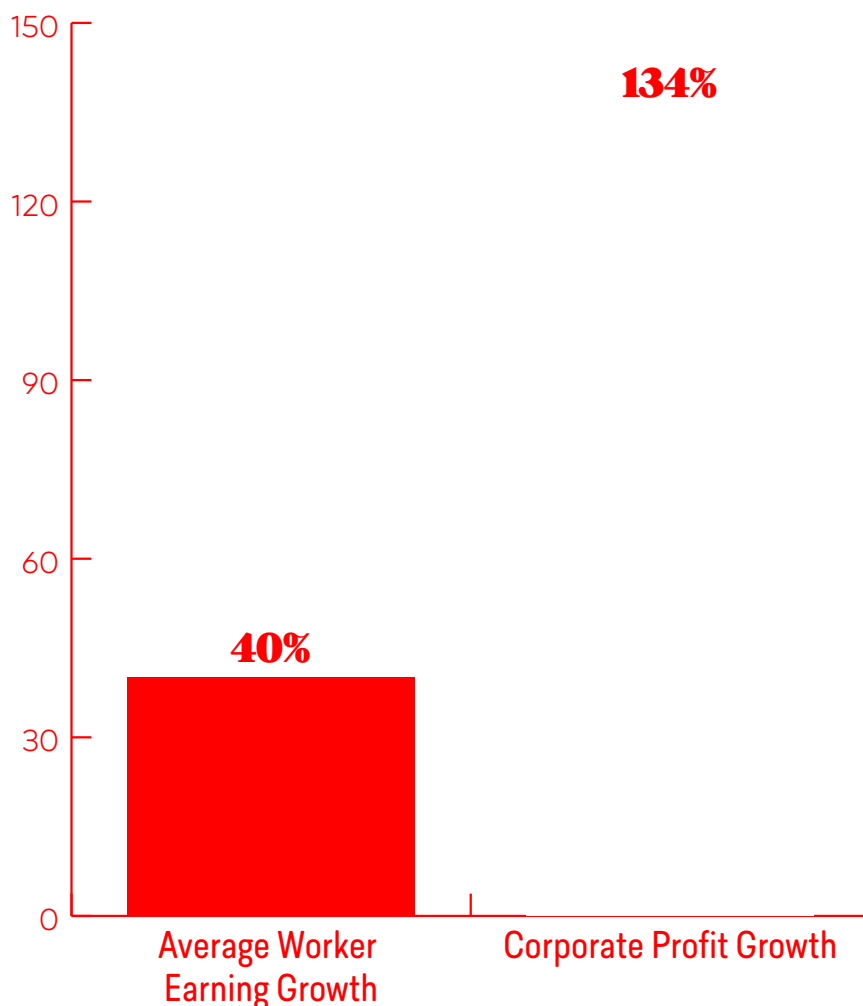
The studio executives illustrated a troubling reality in outlining their "cruel" strategy. Workers actively striking or considering a strike are at a disadvantage when matched against billionaire-backed corporations that can combine bad faith tactics and their considerable profits to wait out struggling laborers. As a result, workers are left with an impossible choice: provide for their families or advocate for fair pay and safe working conditions.

Underlying workers' disadvantage is a shift in the nation's economic balance. While wages tended to grow in line with corporate profits during the middle of the 20th century, that is

no longer the case today. Over the last 20 years, a substantially larger portion of worker productivity has fallen into the pockets of the wealthy.² For example, average earnings for private-sector employees increased by 40% from 2009 to 2021, while corporate

² Lawrence Mishel, "Growing inequalities, reflecting growing employer power, have generated a productivity-pay gap since 1979," Economic Policy Institute, September 2, 2021, <https://www.epi.org/blog/growing-inequalities-reflecting-growing-employer-power-have-generated-a-productivity-pay-gap-since-1979-productivity-has-grown-3-5-times-as-much-as-pay-for-the-typical-worker/>.

FIGURE 1: CHANGES IN AVERAGE WORKER EARNING GROWTH V. CORPORATE PROFITS, 2009-2021



¹ Dominic Patten, "Hollywood studios' WGA strike endgame is to let writers go broke before resuming talks in fall," Deadline, July 11, 2023, <https://deadline.com/2023/07/writers-strike-hollywood-studios-deal-fight-wga-actors-1235434335/>.

profits jumped 134%.³ The greater this gap between profits and wages grows, the easier it is for corporations to use their resources to intimidate workers into collective silence.

It is time to bring more fairness to the negotiating table and enable Minnesota workers to use all their rights to obtain the pay and dignity they deserve without fear of economic disaster. **To create a more level playing field between workers and wealthy corporations, Minnesota should allow striking workers to access Unemployment Insurance (UI).** Doing so will provide workers with peace of mind, knowing that if they need to strike, they will have access to a small but essential level of assistance to protect their families from hardship.

Two states already provide this benefit to striking workers. In doing so, these states recognize that the original intent of UI was to help those who are not working due to conditions outside of their control. This group includes workers utilizing strikes as a last resort in fighting back against corporate abuse, with UI alleviating financial suffering for workers, protecting a strong economy, and supporting the retention of good jobs. This report shows that properly weighing these substantial benefits against the minimal costs of expanding UI to cover striking workers reveals the tremendous value of states taking this step.

³ Aaron Keating, “Economic Update: Workers’ Wages and Corporate Profits,” Economic Opportunity Institute, January 6, 2022. <https://www.opportunityinstitute.org/research/post/economic-update-workers-wages-and-corporate-profits/>. Worker earnings represent average hourly earnings for production and nonsupervisory employees in the private sector.

The Cost of Fairness: Myths about Extending Unemployment Insurance to Striking Workers

Critics assert that expanding UI to striking workers will be too expensive, disincentivize work, and provide benefits to individuals who are not supposed to be eligible for the program. All these arguments merit serious engagement and, as shown below, are ultimately overblown.

MYTH 1: PROVIDING UI TO STRIKING WORKERS IS TOO COSTLY

One of the loudest arguments against expanding UI protections is that it will be too expensive.⁴ Fortunately, it is possible to

test the logic of this claim by estimating the weekly amount Minnesota would spend on UI benefits for striking workers rather than relying on the vague assertion of cost.

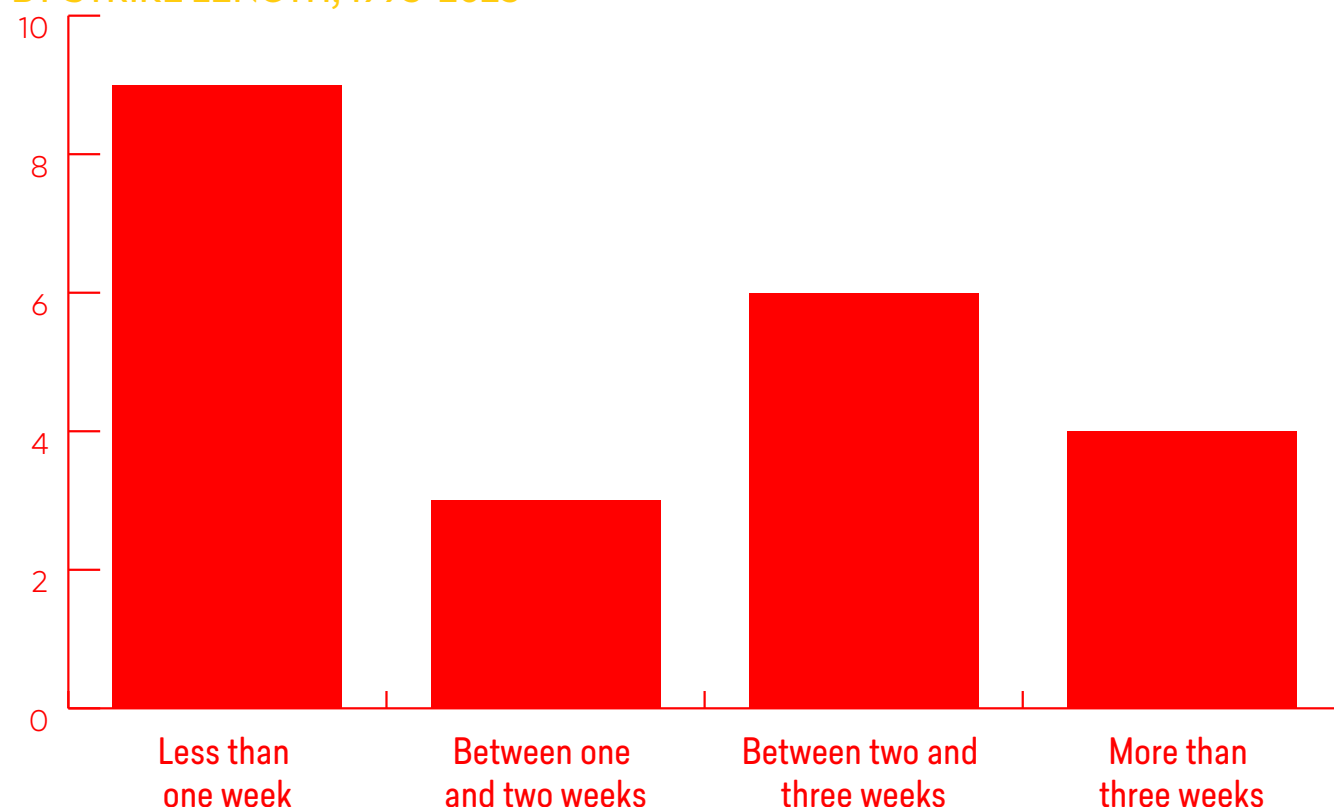
An important context for this analysis is that strikes are rare. Consider that from 1993 to 2023, there have only been 22 strikes in Minnesota involving more than 1,000 workers.⁵ Most of these strikes ended within two weeks, as shown in Figure 2.

Data on this number of striking workers in Minnesota makes it possible to estimate the cost of providing these workers with UI.

⁴ Denise Amos and Felicia Mello, “Labor leaders despair but don’t give up on unemployment for strikers after Gavin Newsom veto,” Cal Matters, October 1, 2023. <https://calmatters.org/california-divide/2023/10/california-unemployment-benefits-strikers/>.

⁵ Data on major strikes taken from <https://www.bls.gov/web/wkstp/monthly-listing.htm>. This analysis excludes multistate strikes that involved Minnesota workers. If multistate strikes are included, the number of strikes between 1993 and 2023 rises from 22 to 28.

FIGURE 2: NUMBER OF STRIKES INVOLVING 1,000+ WORKERS IN MINNESOTA BY STRIKE LENGTH, 1993-2023



For this analysis, we focus on strikes from January 2022 to December 2023, recognizing that this period provides a more recent sense of strike activity in Minnesota and, therefore, a more accurate basis for projections. Data gathered from the Labor Action Tracker, a project of Cornell University's School of Industrial Labor and the University of Illinois School of Labor and Employment Relations, reveals that 24 strikes involving 6,899 workers occurred in Minnesota during these two years.⁶

Notably, the average duration of these strikes was six days. Just four strikes in the previous two years lasted more than eight days, involving 4,781 workers, while just three strikes lasted more than 14 days, involving 4,701 workers. These are crucial data points insofar as current legislative proposals in Minnesota essentially replicate the law in New Jersey. Here, striking workers are eligible for UI starting in the third calendar week, meaning they may be eligible anywhere from 8 to 14 days after their strike begins.

Taking this information on strike duration and the number of strikers over the last two years into account reveals that extending UI benefits to striking workers would lead to approximately 196 to 199 striking workers being eligible for UI in Minnesota each month.⁷

Three more critical pieces of information are necessary for this analysis. First, among the strikes that lasted more than 8-14 days, the average strike duration was between 4 and 5 weeks, indicating how long these striking workers would likely receive UI. Second, the state average weekly UI benefit is \$524.75, providing an estimate of how much each worker would receive. Finally, only 49.5% of workers eligible for UI in Minnesota claim their benefit, demonstrating that of the 196

to 199 eligible striking workers each month, roughly 97 to 99 would likely collect UI.⁸

Taking all of this information together reveals that, on average, 97 to 99 striking workers would receive between \$2,099 and \$2,624 of UI benefits per month, creating a grand cost range of \$203,603 to \$259,751 per month to provide UI to striking workers in Minnesota.

Comparing this against the average statewide number of continued monthly UI claims (42,928) and the average monthly benefits paid to those claims (\$81,743,858) reveals that this benefit provision would account for roughly 0.2% of ongoing UI claims and 0.3% of total UI disbursements in Minnesota.

Put simply, the cost of UI for striking workers would be relatively minuscule, particularly when compared to the amount of money regularly spent in Minnesota to assist jobless workers.

MYTH 2: EXPANDING UI DISINCENTIVIZES WORK

The argument that providing UI to striking workers will push them away from working rests on the idea that striking will simultaneously allow people to avoid their jobs and continue being paid. Evaluating this claim requires an understanding of what UI provides. There is no state in the US where people can live on UI.⁹ In Minnesota, the average weekly benefit from UI in 2022 was

⁶ The Labor Action Tracker data can be found at <https://striketracker.ilr.cornell.edu/>.

⁷ 4,781 workers divided by 24 months is equal to 199 workers per month, while 4,701 workers divided by 24 months is equal to 196 workers per month.

⁸ Data on the number of Unemployment Insurance claims in Minnesota is taken from U.S. Department of Labor, Employment and Training Administration, State Unemployment Insurance Weekly Claims data: <https://oui.doleta.gov/unemploy/claims.asp>. Data on the average weekly benefit is taken from U.S. Department of Labor, Employment and Training Administration, State Monthly Program and Financial Data: <https://oui.doleta.gov/unemploy/claimssum.asp>.

⁹ Lily Roberts and Justin Schweitzer "Can't afford to live anywhere in the United States solely on Unemployment Insurance," Center for American Progress, September 10, 2020, <https://www.americanprogress.org/article/cant-afford-live-anywhere-united-states-solely-unemployment-insurance/>

Table 1: Cost of Extending UI Benefits to Striking Workers in Minnesota

# of workers striking more than 8/14 days in last 24 months	4,781/4,701
Estimated # of monthly workers eligible for UI	196 to 199
% of eligible workers who claim UI in Minnesota	49.5%
Estimated # of monthly striking workers claiming UI	97 to 99
Average # of monthly UI claims in Minnesota	42,928
Estimated striking worker claims as a % of statewide UI claims	0.2%
Minnesota state average weekly UI benefit	\$524.75
Average duration of strikes over 8/14 days	4/5 weeks
Estimated monthly benefit per striking worker claiming UI	\$2,099 to \$2,624
Total estimated UI benefits for all striking workers:	\$203,603 to \$259,776
Average monthly UI benefits paid in Minnesota:	\$81,743,858
Striking worker UI benefits as a % of all statewide UI benefits:	0.3%

Source: Authors' analysis of state Unemployment Insurance weekly claims data from U.S. Department of Labor, Employment and Training Administration, and strike participant data from the Labor Action Tracker, a project of Cornell University's ILR School and the University of Illinois' LER School, January 2022–December 2023.

roughly 45% of the average wage people received before enrolling in the program.¹⁰ In other words, for every dollar people were getting in wages while employed, they got just 45 cents from UI while unemployed.

Moreover, people often derive far more from their jobs than just wages, including benefits such as health insurance coverage. Such benefits are also lost during strikes, leaving workers in a particularly vulnerable position. With UI failing to match the vital compensation provided by employment, it is not something people can use to replace their jobs.

Notably, even when UI benefits were increased by \$600 during the COVID-19 pandemic, there is little evidence that this greater generosity kept people from

returning to their jobs.¹¹ For example, more than half of all unemployed people returned to work before their \$600 supplement expired, even though most of these jobs paid them less than the supplemented UI benefit.¹² People preferred working to UI, even when their pay might have been better on UI.

The assumption that people use strikes or UI to avoid work is false. People want to work, but they want to do so in a job that provides fair pay, dignity, and safety. The issue is that workers currently must choose between advocating for those conditions and feeding their families. That needs to end.

¹⁰ Robert Pavosevich, "Unemployment Insurance: Comparison of state benefit adequacy and reciprocity, 2022." July 2023. <https://uidatage.com/wp-content/uploads/2022/05/CombinedBenAdqReport2022July2023.pdf>.

¹¹ Peter Ganong, Fiona Greig, Pascal Noel, Daniel M. Sullivan, and Joseph Vavra, "Lessons learned from expanded Unemployment Insurance during COVID-19," The Hamilton Project, April 27, 2022. Edited by Wendy Edelberg, Louise Sheiner, and David Wessel. Recession remedies: Lessons learned from the U.S. economic policy response to COVID-19. <https://www.brookings.edu/wp-content/uploads/2022/04/RR-Chapter-2-Unemployment-Insurance.pdf>.

¹² Peter Ganong, Fiona Greig, Max Liebeskind, Pascal Noel, Daniel M. Sullivan, and Joseph Vavra, "Spending and Job Search Impacts of Expanded Unemployment Benefits: Evidence from Administrative Micro Data." Becker Friedman Institute, February 2021, Working Paper No. 2021-19, https://repec.bfi.uchicago.edu/RePEc/pdfs/BFI_WP_2021-19.pdf.

MYTH 3: STRIKING WORKERS ARE NOT ELIGIBLE FOR UI

Having established that UI for striking workers will not push people away from working and barely scratches the surface of current UI benefits, the question remains: Should striking workers be eligible for UI?

UI is designed to provide benefits to people who are *involuntarily* out of work. From this perspective, some may argue that striking workers cannot receive UI because they choose not to work. While plausible, evidence suggests this argument is false.

Strikes are a last resort for workers, not an option that they seek to take on. The relatively rare nature of strikes demonstrated above highlights this truth. This perspective casts considerable doubt on the voluntary

nature of striking workers stepping away from their employment.

Indeed, the falsity of this ineligibility assertion is made plain when considering New York's provision of UI for striking workers. Notably, this inclusion of striking workers was in New York's original UI policy, which was in place before the federal government began its own UI program in 1935. With evidence suggesting that New York's unemployment policy was a model for the national government's effort to aid the jobless, it seems that striking workers were understood as an eligible population from the outset of UI and should continue to be seen as eligible today.¹³ Examining the goals of the UI program demonstrates this understanding, as we do in the next section.

¹³ Michelle Evermore, "Testimony: Striking workers should receive unemployment benefits," The Century Foundation, February 9, 2023, <https://tcf.org/content/commentary/testimony-striking-workers-should-receive-unemployment-benefits/>.

The Benefits of Fairness: How Extending Unemployment Insurance to Striking Workers Aligns with the Program's Intent

The UI program was designed to accomplish three fundamental goals: 1. Support workers, 2. Alleviate individual hardship, and 3. Protect the economy. As this section demonstrates, providing UI to striking workers accomplishes these goals in significant ways, indicating that making striking workers eligible for UI aligns with the program's intent and creates benefits that far outweigh the minimal costs covered above.

SUPPORTING WORKERS

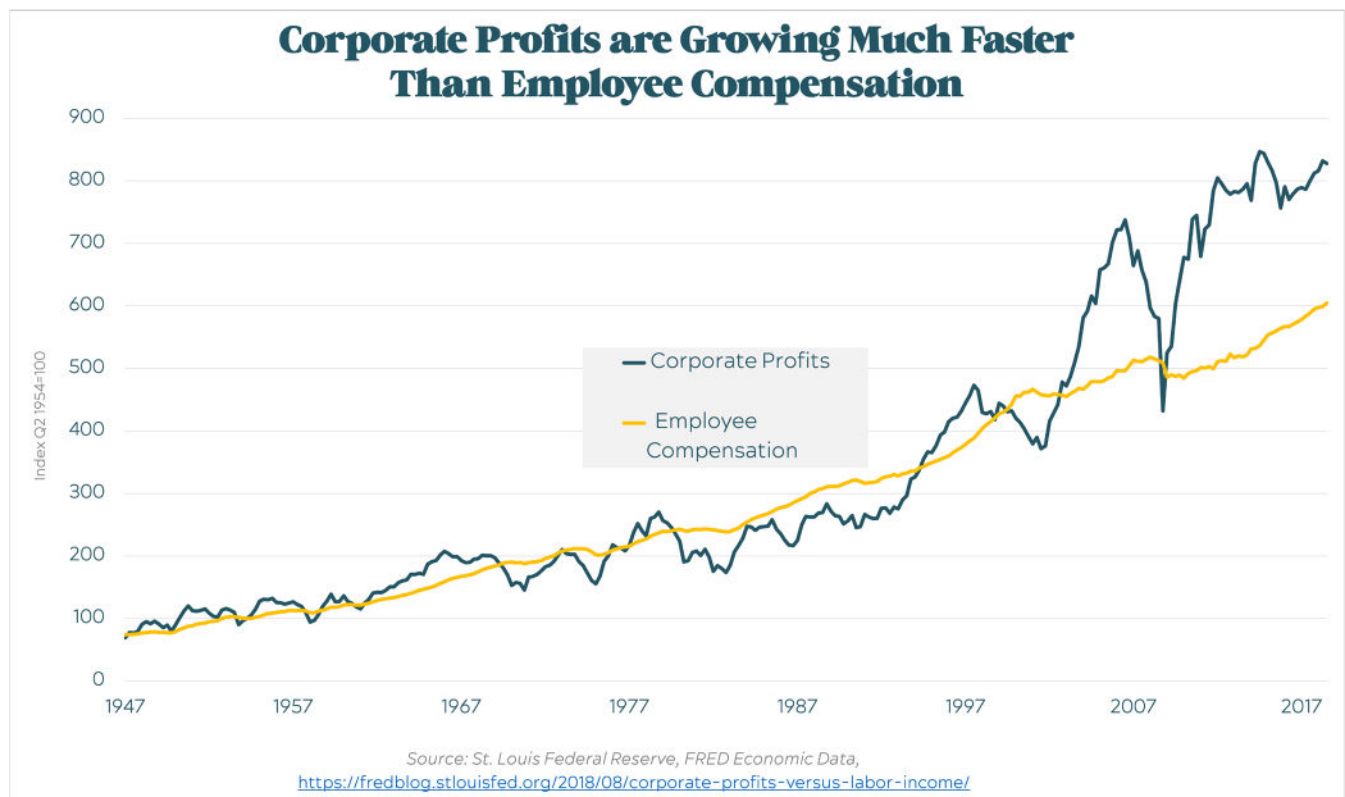
UI has always been envisioned as a policy that allows jobless workers to maintain their gains in the labor market. By giving them support, UI prevents workers from needing to take the first job available, allowing them to obtain a

position that aligns with their acquired skills and wages. Supporting striking workers achieves this same mission, ensuring workers can negotiate terms that keep them in a suitable job.

Negotiating strong employment terms has become more difficult in recent years, with corporate profits growing substantially faster than workers' wages. The chart below shows that while these two factors tended to change together for much of American history, a considerable divergence has formed over the last two decades.¹⁴

¹⁴ "Corporate profits are growing much faster than employee compensation," Joint Economic Committee Democrats, August 20, 2018, <https://www.jec.senate.gov/public/index.cfm/democrats/blog?ID=9877C1D4-3669-4DoC-BoB2-8A9098553ADA>.

FIGURE 3. CORPORATE PROFITS AND EMPLOYEE COMPENSATION, 1947 TO 2018

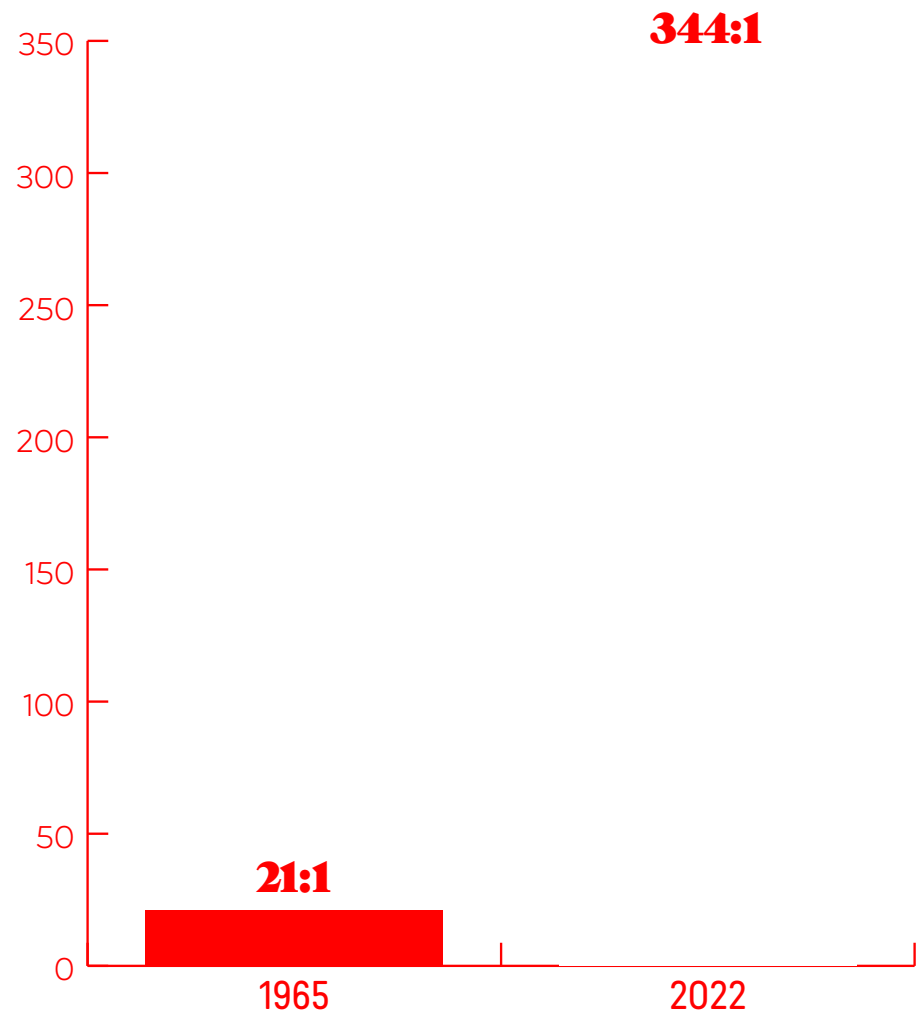


In line with this change, there has been a growing gap between the salaries of CEOs and the workers who make their businesses function. In 1965, the average CEO pay was 21 times greater than the average worker. Today, CEOs make 344 times more than their average worker.¹⁵

The result of this gap is a set of billionaire-backed wealthy corporations employing financially precarious workers. In 2022, 37% of Americans said they could not afford to cover a \$400 emergency expense, up from 32% in 2021.¹⁶ In Minnesota, 49% of renters spent more than 30% of their income on rent in 2022, up from 42% in 2019, with more than a quarter devoting over half of their income to rent.¹⁷

This is the reality on the minds of corporations and workers when they sit down to negotiate working conditions and wages. Corporations know that their healthy profits can keep them afloat and that the workers who earned those profits are unlikely to be able to go without a paycheck. Within this dynamic, the threat of a strike is reduced, thereby alleviating the pressure on corporations to provide workers with the pay, dignity, and conditions they deserve.

FIGURE 4. CEO TO AVERAGE WORKER PAY RATIO, 1965 AND 2022



The provision of UI for striking workers creates a lifeline that brings more balance to this negotiating table, allowing workers to avoid the choice between advocating for their rights and keeping food on the table. Evidence shows that UI has a tremendous impact on workers' willingness to take action in response to dangerous conditions in their workplace. For example, a recent survey found that workers are two times more likely

¹⁵ Josh Bivens and Jori Kandra, "CEO pay slightly declined in 2022," Economic Policy Institute, September 21, 2023, <https://www.epi.org/publication/ceo-pay-in-2022/>.

¹⁶ Will Daniel, "'Turbulence ahead': Nealy 4 in 10 Americans lack enough money to cover a \$400 emergency expense, Fed survey shows," Fortune, May 23, 2023, <https://fortune.com/2023/05/23/inflation-economy-consumer-finance-americans-cant-cover-emergency-expense-federal-reserve/>

¹⁷ Data on rent burden come from Joint Center for Housing Studies of Harvard University. Data can be found at <https://www.jchs.harvard.edu/americas-rental-housing-2024>

to say they would go on strike to address health and safety concerns in the workplace if they believe they will receive UI.¹⁸

Put simply, expanding UI benefits supports workers by providing them with a greater ability to maintain their gains in the labor market and exercise their collective voice when dealing with abuse from increasingly wealthy corporations.

ALLEVIATING INDIVIDUAL HARDSHIP

While this report previously noted that UI is not a complete income replacement, its assistance can go far in helping workers through the difficulties that come from being out of a job. These difficulties from unemployment have been associated with a range of poor outcomes, including lower life satisfaction among children with unemployed parents and an increased risk of suicide for those out of a job.¹⁹

Notably, there is evidence that UI can alleviate some of these consequences. For example, one study found that more generous UI benefits decrease the likelihood of unemployment leading to suicide,²⁰ suggesting that providing UI benefits reduces the mental health difficulties faced by those who find themselves without work.

This evidence suggests that UI for striking workers aids them financially, and in doing so, keeps them healthier and ensures future generations do not suffer from workers advocating for their rights.

PROTECTING THE ECONOMY

A major motivation driving the creation of UI was ensuring that times of unemployment did not spark a broader economic downturn. The concern was that if workers laid off by a company stopped being able to afford groceries, for example, the workers at the grocery store would also lose their jobs, creating a downward spiral. By providing jobless workers with assistance, UI allows those workers to continue spending money in their communities, preventing the spread of financial woes.

This theory of UI's impact has been proven correct over time. During the pandemic, every dollar paid into UI generated \$1.92 in economic activity, showing how UI can keep communities afloat during stretches of unemployment.²¹

From this perspective, providing UI to striking workers helps them and ensures they can feel confident they are not jeopardizing their communities by fighting for better working conditions.

¹⁸ Alexander Hertel-Fernandez and Alix Gould-Werth, "Labor organizations and Unemployment Insurance: A virtuous circle supporting US workers' voices and reducing disparities in benefits," Washington Center for Equitable Growth, October 2020, <https://equitablegrowth.org/wp-content/uploads/2020/10/100920-ui-workerpower-ib.pdf>.

¹⁹ Milena Nikolova and Boris N. Nikolaev, "Family matters: involuntary parental unemployment during childhood and subjective well-being later in life," Global Labor Organization Discussion Paper Series 212, 2018, <https://ideas.repec.org/s/zbw/glodps.html>

Julie A. Phillips and Colleen N. Nugent, "Suicide and the Great Recession of 2007-2009: The role of economic factors in the 50 U.S. states," *Social Science and Medicine*, Volume 116, September 2014, Pages 22-31, <https://doi.org/10.1016/j.socscimed.2014.06.015>.

²⁰ Jonathan Cylus, M. Maria Glymour, and Mauricio Avendano, "Do Generous Unemployment Benefit Programs Reduce Suicide Rates? A State Fixed-Effect Analysis Covering 1968-2008," *American Journal of Epidemiology*, Volume 180, Issue 1, July 2014, Pages 45-52, <https://doi.org/10.1093/aje/kwu106>.

²¹ Klaus-Peter Hellwig, Supply and demand effects of Unemployment Insurance benefit extensions: Evidence from US counties," International Monetary Fund Working Papers, March 12, 2021, <https://www.imf.org/en/Publications/WP/Issues/2021/03/12/Supply-and-Demand-Effects-of-Unemployment-Insurance-Benefit-Extensions-Evidence-from-U-S-50112>.

Conclusion: The Power of Strikes

America is witnessing a renewed power of strikes. In 2023, there were 451 strikes nationwide, compared to 414 in 2022 and 270 in 2021.²² While recent years have seen the most significant amount of strike activity since the 1980s, this growing number of striking workers still represents a 70% decline compared to the number of major work stoppages in the early 1970s.

Still, the results of these strikes have been impressive. Following a three-day strike, 85,000 workers at Kaiser Permanente won 21% raises and a \$25 minimum wage.²³ A strike threat from UPS workers led to crucial improvements in working conditions, including air conditioning in delivery vehicles and limits on workplace surveillance.²⁴ Strikes from autoworkers yielded immediate 11% raises and 33% raises over the next five years.²⁵ This increase came in response to decades of worker abuse and mistreatment, with autoworkers pointing out that their pay had trailed inflation by 19% since 2008, while CEO pay increased by 40% during the same period.²⁶

Unfortunately, too many workers are being prevented from realizing the power of strikes due to fear of the economic consequences that come from taking this action. Wealthy corporations rely on this fear, knowing it prevents workers from utilizing their rights to demand better treatment.

To address this issue, Minnesota should extend UI to striking workers. Providing this small level of assistance to workers brings greater balance to their negotiations with wealthy corporations, helping them to fight back against the growing inequality in the US. In taking this step, Minnesota will not be alone. New York and New Jersey already provide striking workers with UI, while eight other states are considering similar proposals, along with a legislative initiative at the federal level.²⁷

This report shows how the benefits of expanding UI outweigh its minimal costs. By alleviating the hardships workers face, supporting workers' communities, and helping them better advocate for themselves in negotiations with wealthy corporations, this policy change can substantially impact worker power and quality of life in Minnesota.

To the extent that this change scares wealthy corporations who worry that workers will be more likely to strike, there is an easy and efficient solution: stop lining the pockets of CEOs with the fruits of workers' labor and provide the kind of wages and working conditions that prevent strikes in the first place.

²² Data taken from The Labor Action Tracker at <https://strikeracker.ilr.cornell.edu/>.

²³ Steve Greenhouse, "US unions winning big gains amid 'Great Reset' in working power," *The Guardian*, October 24, 2023, <https://www.theguardian.com/us-news/2023/oct/24/us-unions-successes-contracts>

²⁴ UPS Teamsters tentative contract agreement, changes, and improvements available at <https://teamster.org/wp-content/uploads/2023/08/UPS-Master-Highlights-single-pgs-1.pdf>.

²⁵ Bob Simison, "Organized labor's wins in 2023 may spur more strikes in 2024," *Investopedia*, December 29, 2023, <https://www.investopedia.com/organized-labor-wins-in-2023-may-spur-more-strikes-in-2024-8420606>

²⁶ Adam S. Hersh, "UAW-automakers negotiations pit falling wages against skyrocketing CEO pay," *Economic Policy Institute*, September 12, 2023, <https://www.epi.org/blog/uaw-automakers-negotiations/>.

²⁷ Daniel Perez, "Extending Unemployment Insurance to striking workers would cost little and encourage fair negotiations," *Economic Policy Institute*, January 29, 2024, <https://www.epi.org/blog/extending-unemployment-insurance-to-striking-workers-would-cost-little-and-encourage-fair-negotiations/>. The EPI post lists seven additional states. Since that post was published, Maryland has also introduced legislation providing UI for striking workers: https://mgaleg.maryland.gov/2024RS/fnotes/bil_0001/sb0871.pdf. For the federal government initiative, see <https://schiff.house.gov/news/press-releases/rep-schiff-ocasio-cortez-norcross-and-35-colleagues-introduce-bill-to-grant-striking-workers-unemployment-insurance>.

