

Testimony in opposition to LD 1995, "An Act to Bolster Maine's Workforce and Economy by Increasing Assistance for Parents Pursuing Education and Employment and by Indexing Unemployment Benefits to the Unemployment Rate"

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Senator Baldacci, Representative Meyer, and members of the Joint Standing Committee on Health and Human Services, my name is Arthur Phillips, and I am an analyst at the Maine Center for Economic Policy. Please accept this testimony in opposition to LD 1995.

Like LD 1272, which failed to gain support last session in the Labor and Housing Committee, this bill would rename our laws establishing our state's unemployment insurance system from the "Economic Security Law" to the "Reemployment Assistance Program." It would also significantly reduce the benefits workers are entitled to when they find themselves out of work for no fault of their own, including at times of high unemployment.

Currently, workers can access up to 26 weeks of unemployment insurance to help them find work that suits their skill sets, needs, and career goals. If this proposal were passed, those benefits would be more than cut in half. If our state were to experience widespread unemployment, the likes of which we saw during the COVID-19 pandemic and the Great Recession, workers would be eligible for six fewer weeks of benefits than they currently are.

It is important to highlight that economic research shows more expansive unemployment benefits have minimal impact on labor force participation but significant impacts on aggregate demand and economic activity.ⁱ We recently saw a natural experiment on this subject, when during the pandemic roughly half of US states allowed enhanced federal unemployment benefits to expire while other states maintained them. In the states that terminated enhanced unemployment, there was little to no impact on employment. One study found that ending enhanced pandemic benefits was associated with slightly increased employment, very small gains in income from work, and significant cuts to personal spending and consumption in local economies.ⁱⁱ

Unemployment insurance helps sustain local economies, including those which are experiencing higher than average rates of joblessness. This is particularly important when a city or region's larger employers downsize or close altogether. While the most recent statewide unemployment rate in November 2023 was a low 3.2 percent, that masks significant geographic differences – the unemployment rate in Washington County, for

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example, is 2 percentage points higher than in Sagadahoc County.ⁱⁱⁱ This bill would harm all unemployed workers, but it would disproportionately harm those who live in rural areas, where it would also likely have broader negative economic impacts.

Simply renaming the law and cutting benefits is an unwise strategy for better supporting workers in between jobs. More important issues to tackle include improving access to UI through technology investments; ensuring employers are informing employees when they may be eligible for UI and not discouraging them from applying; continuing to support the peer workforce navigator program; and addressing cracks in the system through which part-time workers and family caregivers fall.^{iv}

The overarching problem our state must solve is how to retain the workers we have while attracting new workers to come to Maine. We can do this by improving job quality and investing in supports that enable more people to enter and stay connected to the workforce. Cutting critical supports for workers when they lose their jobs through no fault of their own would harm current workers, undermine their readiness to get back on the job, and take us in the opposite direction we need to go.

For these reasons, we ask you to vote against LD 1995.

ⁱ “Unemployment Insurance Generosity and Aggregate Employment,” Christopher Boone, Arindrajit Dube, Lucas Goodman, Ethan Kaplan, *American Economic Journal: Economic Policy*, Vol 13, No 2, May 2021, available at <https://www.aeaweb.org/articles?id=10.1257/pol.20160613>

ⁱⁱ “Early Withdrawal of Pandemic Unemployment Insurance: Effects on Employment and Earnings,” AEA Papers and Proceedings, Vol 112, May 2022, available at <https://www.aeaweb.org/articles?id=10.1257/pandp.20221009>

ⁱⁱⁱ Unemployment and Labor Force, Maine Department of Labor, Center for Workforce Research and Information, <https://www.maine.gov/labor/cwri/laus.html>

^{iv} “Lessons Learned from the Pandemic: A Data-Based Approach to Unemployment Insurance Reform,” Sandra S. Butler, https://maineequaljustice.org/site/assets/files/2442/3-9_2021_ui_report_final_-_v1.pdf