

Testimony in Support of LD 1464, “An Act to Remove the Waiting Period for Benefits Under Maine’s Unemployment Insurance System”

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April 19, 2023

Good Morning Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is James Myall. I’m an Economic Policy Analyst at the Maine Center for Economic Policy and I’m here today to testify in support of LD 1464 “An Act to Remove the Waiting Period for Benefits Under Maine’s Unemployment Insurance System.”

Unemployment Compensation provides a critical economic lifeline to workers who lose their jobs through no fault of their own, and Maine’s program should seek to get that support to former workers as quickly and easily as possible. LD 1464 would do improve the program by getting benefits to former workers as soon as possible, when they need them most.

Losing a job is an economic shock for most families. It can easily throw families into crisis – and the Unemployment Compensation program is designed to prevent this, by supporting workers as they look for a new job. Having a waiting period undermines this goal. Currently, around one in three American households don’t have the ability to meet a \$400 expense without extreme measures. For most Mainers, losing a week’s Unemployment payment would certainly meet this threshold.¹

This failure to support unemployed Mainers properly also impacts our economy as a whole. Unemployment Compensation acts as an economic stabilizer during a downturn – injecting additional funds into the economy when it’s needed most. Of all the different economic stabilizers available, Unemployment Compensation is one of the most effective. Research finds that Unemployment Compensation repeatedly overperforms programs like tax cuts and stimulus checks in the size of its multiplier effects.² The Unemployment Compensation program also has the advantage of being funded from a trust fund, rather than requiring borrowing or increasing taxes during a recession. LD 1464 would get more money into the economy quickly during the next downturn, which will help ensure money is still being spent at grocery stores, gas stations and hair salons.

Other states recognize the value of paying Unemployment benefits in full. Eight states already have no waiting period for the Unemployment Compensation programs (CT, DE, GA, IA, MD, MI, NJ and WY).³ Colorado passed a law last year to eliminate its waiting period once the Unemployment trust fund reaches a certain balance.⁴

Eliminating the waiting period would mean more payments to workers, and a commensurate cost to the state’s Unemployment trust fund. It’s worth knowing that Maine’s Unemployment trust fund currently has a record high balance, partly because Governor Mills refilled it with hundreds of millions of dollars of federal COVID relief money. In fact the balance is hundreds of millions of dollars above where it was in 2007.⁵ It therefore seems likely that the trust fund could withstand the additional cost of eliminating the waiting period without increasing taxes on businesses significantly, if at all.

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I urge you ensure Maine's Unemployment Compensation program better serves workers and the broader economy, and vote "ought to pass" on LD 1464.

Notes

¹ US Federal Reserve, Survey of Household Economics and Decision-Making (SHED), 2022.

<https://www.federalreserve.gov/publications/2022-economic-well-being-of-us-households-in-2021-dealing-with-unexpected-expenses.htm>

² Committee for a Responsible Budget, "Comparing Fiscal Modifiers," Oct 6, 2020.

https://www.crfb.org/sites/default/files/managed/media_documents/2022_02/CRFB%20Comparing%20Fiscal%20Multipliers.pdf

³ US Department of Labor, "Comparison of State Unemployment Laws 2022." <https://oui.doleta.gov/unemploy/comparison/2020-2029/comparison2022.asp>

⁴ Colorado General Assembly, "SB22-234: Unemployment Compensation." https://leg.colorado.gov/bills/sb22_234

⁵ Maine Department of Labor data as of April 19, 2023. <https://www.maine.gov/labor/cwri/ui.html>