



Testimony in opposition to LD 1538, "An Act to Index Unemployment Benefits to the Unemployment Rate"

Arthur Phillips
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Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing, my name is Arthur Phillips, and I am an analyst at the Maine Center for Economic Policy. I am here to testify in opposition to LD 1538, "An Act to Index Unemployment Benefits to the Unemployment Rate."

This bill would rename our unemployment insurance program the Reemployment Assistance Program and significantly cut the resources workers count on if they lose their job, including at times of high unemployment.

Currently, workers can access up to 26 weeks of unemployment insurance. Under this proposal, if the state's unemployment rate increased by two full percentage points, workers' eligibility for unemployment insurance would be cut by nearly three months. With this bill, if the unemployment rate increased by six full points to 9.5% – the same as at the height of the pandemic, representing tens of thousands more unemployed Mainers – people out of work for not fault of their own would be eligible for less support than they are today. This proposal arrives at a time of heightened economic fragility, with a Wall Street Journal survey of economists this month reporting a 45% chance of recession in the next year.ⁱ

Economic research shows more expansive unemployment benefits have minimal impact on labor force participation but significant impacts on aggregate demand and economic activity.ⁱⁱ A few years ago we had a natural experiment on this subject, when roughly half of US states allowed enhanced federal unemployment benefits to expire while other states maintained them. States that terminated enhanced unemployment saw 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.ⁱⁱⁱ Research also shows that extended unemployment insurance improves job matching, allowing workers to find jobs that are suitable to their education, experience, and talents, which benefits workers, employers, and economic productivity.^{iv}

Unemployment insurance helps sustain local economies, including those which are experiencing higher than average rates of joblessness. While the current, seasonally adjusted statewide unemployment rate in February was 3.5%, it is much higher in northern, rural counties (see list at the end of this testimony. This bill would harm all unemployed workers, but it would disproportionately harm those who live in rural areas and likely have negative spillover effects in those communities.

The overarching problem our state must solve is how to keep the workers we have while attracting new workers to come to Maine. We can do this by raising wages 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 when the economy recovers, and take us in the opposite direction we want to go.

For these reasons, we ask you to vote against LD 1587. Thank you and I welcome any questions you may have.

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The counties with the highest (not seasonally adjusted) unemployment rate:

- Washington: 7%
- Piscataquis: 6.8%
- Hancock: 6.2%
- Somerset: 5.6%
- Aroostook: 5.6%^v

ⁱ Paul Kiernan and Anthony DeBarros, "Economic Outlook Dives Just Three Months Into Trump's Term," *Wall Street Journal*, April 12, 2025, <https://www.wsj.com/economy/trade/us-economic-outlook-trump-b4e3469a>

ⁱⁱ "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>

ⁱⁱⁱ "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>

^{iv} "The impacts of unemployment benefits on job match quality and labour market functioning," Adriana D. Kugler, Umberto Muratori, Ammar Farooq, February 2021, available at <https://cepr.org/voxeu/columns/impacts-unemployment-benefits-job-match-quality-and-labour-market-functioning>

^v Unemployment and Labor Force, Maine Department of Labor, Center for Workforce Research and Information, <https://www.maine.gov/labor/cwri/dashboards/unemployment-and-labor-force-estimates>