



MAINE AFL-CIO

A Union of Unions Standing for Maine Workers

21 Gabriel Drive, Augusta, Maine 04330

Tel. (207) 622-9675

Fax (207) 622-9675

Visit our website: www.maineaflcio.org

President
Cynthia Phinney

Vice President
Pat Carleton

Secretary Treasurer
Doug Born

Testimony of Maine AFL-CIO Legislative & Political Director, Adam Goode, in Opposition to L.D. 1032, "An Act To Promote the Sustainability of the State's Unemployment Insurance System by Linking the Duration of Benefits to the State's Average Unemployment Rate" and L.D. 1260, "An Act To Promote the Sustainability of Unemployment Insurance by Linking the Duration of Benefits to the State's Average Unemployment Rate"

~~Senator Hickman, Representative Sylvester and members of the Joint Standing Committee on Labor & Housing, my name is Adam Goode. I'm the Legislative and Political Director of the Maine AFL-CIO. We represent 40,000 working people in the state of Maine. We work to improve the lives and working conditions of our members and all working people. We testify in opposition to both LD 1032 and LD 1260.~~

Testimony of Maine AFL-CIO Legislative & Political Director, Adam Goode, in Support of L.D. 1464, "An Act to Remove the Waiting Period for Benefits Under Maine's Unemployment Insurance System"

~~Senator Tipping, Representative Roeder and members of the Joint Standing Committee on Labor & Housing, my name is Adam Goode. I'm the Legislative and Political Director of the Maine AFL-CIO. We represent 40,000 working people in the state of Maine. We work to improve the lives and working conditions of our members and all working people. We testify in support of LD 1464.~~

~~Maine is one of a number of states that has a "waiting week" that requires claimants to wait for a period of time before receiving their first payment upon qualifying for unemployment insurance (UI). This legislation would eliminate Maine's waiting week, removing an arbitrary and now obsolete barrier to~~

¹Chad <https://www.bangordailynews.com/2023/02/09/news/portland/abbott-westbrook-layoffs/Stone-and-William-Chen-Introduction-to-Unemployment-Insurance/>, Center On Budget and Policy Priorities, July 30, 2014, <https://www.cbpp.org/research/introduction-to-unemployment-insurance>

²United States Department of Labor; Unemployment Insurance Chartbook; Recipiency Rate by State, <https://www.maine.gov/labor/cwri/ui.html>

²<https://www.wabi.tv/2023/03/29/old-town-mill-temporarily-shutting-down/>

³<https://www.bangordailynews.com/2023/03/02/business/puritan-pittsfield-furloughs/><https://oui.doleta.gov/unemploy/pdf/uilawecompar/2020/monetary.pdf> (see table 3-12)

⁴<https://www.maine.gov/governor/mills/news/mills-administration-announces-237-million-unemployment-tax-cut-maine-businesses-2022-11-17> Policy Basics: How Many Weeks of Unemployment Compensation Are Available?" Center on Budget and Policy Priorities, April 27, 2021, <https://www.cbpp.org/research/economy/how-many-weeks-of-unemployment-compensation-are-available>

⁵Josh Mitchell, "Who Are the Long Term Unemployed," Urban Institute, July 2013, <https://www.urban.org/sites/default/files/publication/23911/412885-Who-Are-the-Long-Term-Unemployed-.PDF>

⁶Kevin J. Murphy, "The impact of unemployment insurance taxes on wages," *Labour Economics* 14 (3) (2007): 457-484, available at <https://www.sciencedirect.com/science/article/abs/pii/S0927537106000078>.

accessing important funds for working class people. For the large number of unemployed workers who do not exhaust their 26 weeks of unemployment benefits, the existence of a waiting week effectively denies one week of benefits.

Unemployment Insurance is our nation and state's first line of defense to maintain economic security for laid off workers, to stabilize our economy and to assist workers to get back into other jobs. It's fundamentally designed to keep milk and bread on the table, to provide support when people lose work through no fault of their own and to act as an automatic stabilizer so that consumer purchasing – the largest driver of our economy – does not plummet when layoffs occur.

The historic reason for the existence of a waiting week is no longer relevant. Initially, waiting weeks were created because states manually determined wages needed to calculate a benefit rate. We now have wage information available electronically and it is absolutely administratively feasible to process claims in a way that allows for timely payment of benefits in the first week of unemployment.

In any labor market, the majority of UI benefit recipients will find work prior to exhausting benefits. The existence of a waiting week is tantamount to reducing these claimant's benefits by one week as someone who is unemployed for 6 weeks will only receive 5 weeks of benefits. This effective denial of one week of benefits is a penalty that has disproportionate impacts on low wage workers, women and workers of color.

A cursory look at recent stories provides examples of the type of workers that will benefit from a repeal of the waiting week. Close to 1,000 workers who assembled rapid COVID tests at an Abbot plant in Westbrook were recently laid off.¹ The Nine Dragons paper mill in Old Town just announced a shutdown and in March 250 workers in Pittsfield who made swabs were laid off.^{2,3} The vast majority of these workers will be eligible for unemployment and based on the tight labor market, it can safely be assumed that few will exhaust the 26 weeks of benefits. This means these workers will miss out on one week's worth of a modest replacement of a part their wages.

People who work for a living do not have sufficient savings to pay for day-to-day goods and services upon losing their job. The purpose of UI is to stabilize the economy and help get laid off workers back into the right job. A waiting week does the opposite, driving a recently unemployed worker into financial crises and starting their experience of unemployment with further deteriorated family incomes.

The only remaining argument to keep a waiting period is to reduce costs to the UI program. We do not deny that the elimination of the waiting week comes at a cost. Immediate access to unemployment benefits for those who have recently lost their job is the exact point of eliminating the waiting week. We have reached out to the Department of Labor to express our willingness to make changes to the legislation that minimize the impact on the Unemployment Trust Fund without compromising the intent of the bill.

In the 1960s there were no states with a waiting week. Even by 1980, when Congress passed legislation that states with no waiting weeks were to be responsible for 100 percent of their payment of the first week of benefits, a majority of states did not have waiting weeks. That change resulted in 16 states adopting waiting weeks in the subsequent year. While 8 states currently have no waiting week, we learned during the pandemic that a system without a waiting week is possible, as it was waived at that time. The pandemic-era changes to unemployment insurance, including a \$23.7 million unemployment tax cut for Maine businesses⁴ resulting from \$328 million in COVID relief funds being put into Maine's

unemployment trust fund, taught us that there are alternate ways to approach our unemployment insurance program to make improvements for workers and businesses. We think a permanent removal of the waiting week would return unemployment to its traditional role and allow it to better serve all working people.

~~These bills rename the Employment Security Law the Reemployment Assistance Program. Both bills cut the current maximum number of weeks of unemployment insurance from 26 to just 12 weeks if the state average unemployment rate is 5.5% or below. Both bills allow for a maximum of 20 weeks of benefits, which can only be received if Maine's average unemployment rate is over 9%. This would result in a 6 to 14 week cut in the number of weeks an unemployed worker can receive unemployment benefits.~~

~~It is important to have a basic understanding of who these bills impact, as these bills would make life harder for working people who have played by the rules and lost their job through no fault of their own. To qualify for unemployment insurance, a worker must have lost their job through no fault of their own, must "be able to work, available to work, and actively seeking work", and have earned a certain amount of money prior to becoming unemployed. Unemployment does not cover people who leave a job voluntarily.~~

~~While benefits are funded by taxes employers pay to our federal and state government, the funding is generally regarded as falling on workers based on the theory that the dollars employer pay in taxes would otherwise go to workers' paychecks. Efforts to make it harder to access these funds, which typically only replace about half of a worker's previous wages, essentially prevent people from receiving wealth they have created that was set aside for their potential unemployment scenario.^{1,6}~~

~~In 2019, only one out of every four unemployed workers received unemployment insurance in Maine.² Cutting 14 weeks of benefits would make that number worse. These bills would make Maine an outlier, as only 6 states vary weeks of unemployment based on unemployment rates.³ Just 7 states provide less than 26 weeks of unemployment.⁴~~

~~Tying access to unemployment insurance to the rate of unemployment unfairly harms unemployed workers because it ignores that experience with job loss doesn't vary solely based on the rate. Other factors play a big role in how long a person remains unemployed, including education levels, race, disability, and others.⁵ To only use the overall unemployment rate for all people ignores the special circumstances of large numbers of people who may be unemployed for longer periods.~~

¹Chad <https://www.bangordailynews.com/2023/02/09/news/portland/abbott-westbrook-layoffs/Stone-and-William-Chen-Introduction-to-Unemployment-Insurance/>, Center On Budget and Policy Priorities, July 30, 2014, <https://www.cbpp.org/research/introduction-to-unemployment-insurance>
²United States Department of Labor; Unemployment Insurance Chartbook; Recipiency Rate by State, <https://www.maine.gov/labor/cwri/ui.html>

²<https://www.wabi.tv/2023/03/29/old-town-mill-temporarily-shutting-down/>

³<https://www.bangordailynews.com/2023/03/02/business/puritan-pittsfield-furloughs/><https://oui.doleta.gov/unemploy/pdf/uilawecompar/2020/monetary.pdf> (see table 3-12)

⁴<https://www.maine.gov/governor/mills/news/mills-administration-announces-237-million-unemployment-tax-cut-maine-businesses-2022-11-17> Policy Basics: How Many Weeks of Unemployment Compensation Are Available?" Center on Budget and Policy Priorities, April 27, 2021, <https://www.cbpp.org/research/economy/how-many-weeks-of-unemployment-compensation-are-available>

⁵Josh Mitchell, "Who Are the Long Term Unemployed," Urban Institute, July 2013, <https://www.urban.org/sites/default/files/publication/23911/412885-Who-Are-the-Long-Term-Unemployed-.PDF>

⁶Kevin J. Murphy, "The impact of unemployment insurance taxes on wages," *Labour Economics* 14 (3) (2007): 457-484, available at <https://www.sciencedirect.com/science/article/abs/pii/S0927537106000078>.

~~Working people who have suffered job loss will not magically find work just because they lose benefits at 12 weeks, regardless of the unemployment rate. An unemployed person already must meet requirements regarding their availability and ability to work and be actively seeking work. Should the committee go forward with this bill, they will effectively ignore all of the other factors impacting someone's ability to find work outside of the unemployment rate. Black workers make up 22.6 percent of the long-term unemployed and 15.0 percent of newly unemployed workers. Single parents represent 13.3 percent of the long-term unemployed but only 7.6 percent of the employed. These are two of the many factors the committee would be ignoring if you went forward with this bill and narrowly tied duration of benefits to the unemployment rate.~~

~~Given our recent struggle with COVID-19, we would ask that the committee consider how this might have impacted working people who lost employment in 2020 at the height of the pandemic. Our understanding is this policy would determine the number of weeks one is eligible for based on the prior year, which could easily result in the weeks one is eligible for during a pandemic being inconsistent with what working people and society at large is dealing with at the time.~~

~~We urge you to vote against LD 1032 and LD 1260.~~