

**NELP**

National  
Employment  
Law  
Project

GREATER BOSTON  
LEGAL SERVICES 

---

# **Protecting Working Families and Our Economy: Unemployment Insurance in Massachusetts**

---

A Briefing Paper by the National Employment Law Project and  
Greater Boston Legal Services  
October 2003



## ABOUT THE AUTHORS

**Monica Halas** is a senior attorney in the Employment Unit at Greater Boston Legal Services. She represents both individual clients in employment matters as well as community organizations in systemic public policy campaigns. Monica is a member of UAW 2320 and serves on the executive board of the Massachusetts AFL-CIO. Monica can be reached at 617-603-1666 or [mhalas@gbls.org](mailto:mhalas@gbls.org)

**Rick McHugh** is a staff attorney at NELP. He has represented unemployed workers and advised unions on unemployment insurance and dislocated worker issues for 25 years. He works with NELP's Unemployment Insurance Safety Net Project, especially in the Midwestern states. Rick can be reached at 734-426-6773 or [rmchugh@nelp.org](mailto:rmchugh@nelp.org).

**Andrew Stettner** is a policy analyst for NELP, where he analyzes UI financial and program statistics as well as employment data. He has a Masters in Public Policy and experience working with government and community organizations on unemployment insurance, welfare, and racial and economic justice issues. Andrew can be reached at 212-285-3025 x 110 or [astettner@nelp.org](mailto:astettner@nelp.org)

### **National Employment Law Project**

**55 John St., 7<sup>th</sup> Floor, New York, NY 10038. [www.nelp.org](http://www.nelp.org)**

NELP is a non-profit policy and legal organization based in New York City. NELP has advocated on behalf of low-wage and unemployed workers for over 30 years, and is particularly concerned with assisting these workers in overcoming barriers to employment and government systems of support. NELP's Unemployment Insurance Safety Net Project supports expanding state unemployment insurance reform efforts, especially those directed at expanding UI eligibility for low-wage, women, and part-time workers.

### **Greater Boston Legal Services**

**197 Friend Street, Boston, MA, 02114. [www.gbls.org](http://www.gbls.org)**

Founded in 1900, GBLS is the primary provider of free, civil legal assistance to low-income individuals and families in 32 cities and towns in four counties in the Greater Boston area. In 2002, GBLS provided legal assistance to more than 18,500 clients. The mission of the GBLS Employment Unit is to improve wages and work-related benefits for low-wage workers. In the area of unemployment insurance, the Employment Unit seeks to achieve these goals by representing claimants in the hearing process, seeking judicial review of erroneous decisions, training members of the private bar and law school students on how to handle unemployment insurance cases, and working with community organizations on issues concerning UI access and related health insurance and job training benefits. On behalf of these organizations and eligible individuals, the unit also seeks systemic improvements through class actions, administrative advocacy, and legislative advocacy.

The authors acknowledge the research of GBLS law intern Robin Kniech.

## Executive Summary

**I. Unemployment insurance (UI) is the first line of economic defense in a recession. Yet, critics often view UI benefits solely as a cost to business, ignoring its role in reducing hardships for jobless workers, targeting help to affected communities, and boosting the state's economy.**

- **In August, Massachusetts' unemployment rate reached a nine-year high of 5.8% after experiencing the second largest job loss in the country in 2002.** As the job market continues to struggle, Massachusetts' UI program is helping large numbers of working families, with an estimated 591,762 Massachusetts UI beneficiaries in 2001 and 2002. In August 2003, there were over 130,000 residents of Massachusetts receiving weekly state UI benefits and federal extensions.
- A fair assessment of UI must include not only its costs but its benefits as well. A 1999 study of UI's economic impact found that UI benefits produced \$2.15 of increased economic activity (growth in Gross Domestic Product) for every \$1.00 in UI benefits paid to laid off workers.
- Federal extensions and regular state benefit payments have given Massachusetts' economy an injection of at least \$2.4 billion in additional spending during the first two years of the current downturn, making a bigger dollar-for-dollar impact on the economy than federal tax cuts.

**II. Cutting UI benefits or restricting eligibility reduces the positive economic stimulus of UI programs. Calls for reducing the "costs" of UI programs translate not only to reduced economic stimulus, but greater hardship for jobless workers, their families, and communities impacted by layoffs that have brought the state's unemployment rate to a nine-year high.**

- **UI benefits in Massachusetts are not too high or too generous. Massachusetts is a high wage state --- average weekly benefits replaced only 43 percent of average weekly wages in 2002, ranking Massachusetts 20th in wage replacement of 53 UI jurisdictions and 19<sup>th</sup> in employer UI taxes based on total wages.** Massachusetts' weekly UI benefit formula is in line with that of most states in replacing half of pre-layoff wages up to a weekly maximum. Massachusetts' UI system reaches about two thirds of jobless workers – a competitive position as compared to neighboring states.
- The governor's proposal to reduce the maximum length of benefits from 30 weeks to 26 weeks would target long-term unemployed workers least in a position to afford loss of benefits without greatly reducing overall program costs. Currently, weeks 27 through 30 are paid for by the federal government through federal extended benefits. While Massachusetts has a potential maximum duration of 30 weeks, most workers receive less weeks of benefits with actual duration of benefits in Massachusetts in 2002 of 19 weeks and only 16.3 weeks in 2000. Some workers receive as little as 10 weeks maximum of UI benefits and Massachusetts is among the bottom dozen states with the lowest minimum duration of benefits.
- Making it harder to qualify for UI benefits would largely hurt low-wage workers who struggle to find consistent employment. At least sixteen states have monetary earnings requirements that are easier to meet than Massachusetts' current requirements for UI monetary eligibility. The state's current

requirement of distributed earnings that equal thirty times the weekly benefit amount (translating into 15 weeks of work for most workers) effectively requires work in two calendar quarters, a common requirement in most states. The amount of base period earnings required, \$3000, is among the 10 highest dollar amounts required for UI eligibility of the 50 states.

- Toughening monetary eligibility requirements would disproportionately harm former welfare recipients who have been forced into the secondary labor market that is characterized by high turnover. As a result of the two-year time limit on welfare in Massachusetts, the UI safety net is even more critical for these vulnerable workers with families.

### **III. The current funding difficulties of the Massachusetts UI system are due to bad financing policy decisions, not overly generous benefits.**

- The tendency over the last decade to override the statutory triggers setting employer tax schedules has resulted in the current impending trust fund insolvency. These cuts have saved the state employers over \$1.69 billion in taxes. Although each tax cut was passed with assurances by the administration and employer associations that the fund's solvency would not be jeopardized, now the administration and those same employer groups seek cutbacks on UI benefits to shore up the fund.
- Massachusetts currently only taxes the first \$10,800 or 24% of the average salary. In order to secure the solvency of the UI trust fund, the taxable wage base must be increased and indexed to the average weekly wage. The 18 states with indexed and higher wage bases are much better poised to withstand recessions and the tax is fairer both to small businesses that tend to employ lower wage workers and to their workers whose wages are lower due to this disproportionate tax on their wages.

### **IV. Although the Massachusetts UI system enjoys several positive features, important reforms are necessary to assist unemployed workers during these economically difficult times.**

- The restriction on benefits for workers in part-time jobs must be ended in recognition of the needs of working families who struggle to balance work and the care of children, elderly parents and seriously ill family members.
- Access to UI benefits should not be arbitrarily denied or reduced for workers who earn fluctuating wages in two quarters, who work multiple jobs, or who are disqualified from a higher paying job and are then laid off from a lower paying job.
- Dependency allowances should not be denied to parents in low-wage families where both parents are unemployed, or where the unemployed parent earns less than 50% of the family income. In these situations, the loss of a job, coupled with the unavailability of a dependency allowance, can leave a family in poverty.
- Less than 2% of eligible unemployed workers participate in training opportunities due in part to barriers to participation and limitations on training programs. These problems should be immediately addressed so that unemployed workers can get the skills they need to be productively reemployed at family-sustaining wages and meet the needs of Commonwealth employers.

## I. Introduction

Unemployment insurance (UI) is our first line of economic defense in a recession. Unemployment insurance is designed to pay adequate weekly benefits so that jobless workers and their families can maintain essential family spending. In addition, by using accumulated payroll taxes from trust funds to pay benefits, UI automatically boosts our economy by maintaining consumer spending during a recession. UI benefits have a proven record of preventing hardship, targeting help to affected communities, and softening economic downturns. In the ongoing job slump, Massachusetts' unemployment insurance program is helping large numbers of working families. We estimate that about 592,000 Massachusetts residents were UI beneficiaries in 2001 and 2002. Over 130,000 jobless individuals were receiving UI checks each week in August 2003.

This briefing paper by Greater Boston Legal Services and National Employment Law Project provides an overview of Massachusetts' UI program and its positive impact on the state's economy and residents. We also explain significant features of the Massachusetts UI program and recommend reforms to address shortcomings in the program.

Despite its important role, some elements in the business community and the administration are making short-sighted suggestions to cutback on the UI program in Massachusetts. To a large degree, these suggestions are based upon misunderstandings of the reasons behind the current situation facing the Massachusetts UI program, as well as an erroneous perspective on the economic security function played by UI.

Given the thousands of currently jobless individuals in Massachusetts along with thousands more who will join their ranks in the coming months, preserving a strong UI program should be a high priority for Massachusetts and its leaders.

## II. Positive Impacts of Unemployment Insurance

The economic benefits of unemployment insurance programs are widely recognized by economists, but not understood or discussed enough by the business community, media, government officials, or members of the general public. For this reason, UI programs are too often discussed solely as a "cost" to business in the form of UI payroll taxes. This one-sided "business climate" approach is like analyzing a stock's value by only looking at corporate expenses and not considering income. A fair assessment of UI must include not only its costs but its benefits as well.

### A. Increasing Consumer Spending in Massachusetts

Virtually every dollar of UI benefits is immediately spent by laid off workers on expenses of daily living, including rent, mortgage payments, utility bills, groceries, gasoline, and medical bills. In other words, *UI benefits are equivalent to payments to Massachusetts businesses for goods and services*. It is commonly accepted that consumer spending is the "engine" of the U.S. economy, but the role of UI programs in maintaining consumer spending and boosting economic activity during economic hard times is overlooked. A 1999 study of UI's economic impact, commissioned by the U.S. Department of Labor, found that UI benefits produced \$2.15 of increased economic activity (growth in GDP) for every \$1.00 in UI benefits paid

to laid off workers.<sup>1</sup>

The 1999 report, whose lead author was noted economist Lawrence Chimerine, employed a widely used Wharton economic forecasting model for the national economy. While the degree of economic stimulation from UI benefits estimated by economists has varied from study to study, a positive economic impact of UI benefits is invariably reported. Despite this consistent view by most economists, critics rarely acknowledge the economic benefits of UI programs.

On a smaller scale, our review of the performance of UI in Massachusetts shows the program's benefits to the state's economy during the recession and jobless recovery. In Massachusetts, unemployment reached its low point of 2.5 percent in August 2000, with unemployment for that calendar year averaging a record low of 2.6 percent. With the onset of recession in March 2001, the state's unemployment rate was at 3.1 percent, and it has since climbed, reaching 5.8 percent in August 2003.

With this rise in unemployment levels, UI claims have also climbed steadily in Massachusetts, along with UI benefit payments. Benefit payments rose from \$822 million in CY 2000 to just over \$2 billion in CY 2002, a 240 percent increase. These payments maintained consumer spending in Massachusetts, helping the economy maintain its momentum. Figure 1 illustrates how the unemployment insurance system was able to quickly respond to the needs of the Massachusetts economy and the Commonwealth's workers.

**Figure 1 - Massachusetts UI Benefits and Unemployment 2001-2002**

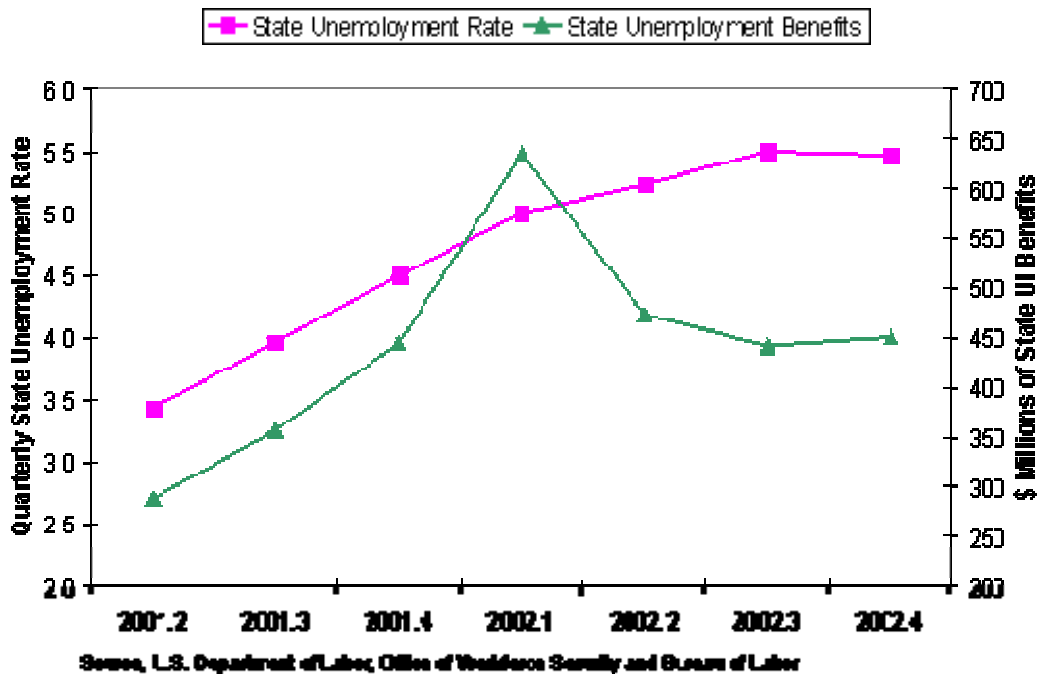


Table 1 below provides a review of the fiscal impact of the state's UI program. The top row of Table 1 provides total Massachusetts UI benefit payments since the most recent recession began in March 2001 through the end of CY 2002. Over this period, the state's UI program added over \$3 billion in state UI benefit payments to the Massachusetts economy. This figure continues to grow as the slack labor market continues, with \$134.6 million in benefits paid in August 2003 alone.

In terms of assessing the overall economic impact, we adopt a conservative approach that leads us to reduce this overall benefit amount by employer UI payroll tax contributions for this same period. As a result, we calculate a total of \$1.8 billion in net state benefit payments (UI benefits less UI payroll taxes) in Massachusetts from March 2001 through the end of calendar year 2002. See Table 1.

**Table 1: Net State UI Benefit Payments without Federal Spending**

State UI Benefits Paid 03/01/01 to 12/31/02	\$3,090,209,000
Less Taxes Paid by Employers	(\$1,267,817,000)
<b>Net Benefits of State UI Program</b>	<b>\$1,822,392,000</b>

Since March 2002, jobless workers exhausting state UI benefits have been eligible for up to 13 weeks of Temporary Emergency Unemployment Compensation (TEUC) benefits. TEUC benefits are 100 percent federally financed benefits and they cover the cost of weeks 27-30 of unemployment benefits that would normally be paid by the state.<sup>2</sup> Federal TEUC benefits provide another important source of economic stimulus for the state's economy and income support for long-term jobless workers.

Table 2 summarizes the combined impact of UI benefits in Massachusetts from March 31, 2001 and through calendar year 2002. As shown, we calculate that federal extensions and regular state benefit payments have given Massachusetts' economy an injection of at least \$2.4 billion in this current downturn. As the slack job market continues, this amount of benefit payments will continue to grow, helping both businesses and consumers in Massachusetts.

**Table 2: UI Benefits Paid in Massachusetts in Current Downturn**

UI Program	March 31, 2001- December 2002
State UI Benefits Paid (Net from Table 1)	\$1,822,392,000
Federal TEUC payments	\$628,219
<b>Total Combined UI Benefits<sup>3</sup></b>	<b>\$2,450,611</b>

TEUC benefit extensions have already added an additional \$756 million in federal spending to the Massachusetts' economy between March 2002 and March 2003. As explained further below, this second tier of "high unemployment" TEUC benefits brought about \$100 million in fully funded additional federal extension dollars to the state in the form of TEUC-X benefits in March through June 2003. Even if the life of the TEUC program is not again extended from its currently scheduled expiration of December 27, 2003, additional federal extension dollars will continue to assist long-term unemployed workers in Massachusetts until they exhaust those extensions in March 2004.

Cutting UI benefits or restricting eligibility diminishes the positive economic stimulus of UI programs. Political calls for cutting the "costs" of UI programs translate not only to reduced economic stimulus, but greater hardships for jobless workers, their families, and communities impacted by layoffs. There is no way to cut UI "costs" for businesses without imposing "costs" on jobless workers' families, local governments, other social services programs, churches and charitable groups, and affected communities.

In summary, the Massachusetts UI program has added over \$2.5 billion to the state's economy since the onset of recession in March 2001 through December 2002. With the remainder of the state's budget

undergoing severe contractions, UI benefits have provided important support to our economy and jobless workers.

## **B. How Having Broad Eligibility for UI Helps Massachusetts**

Massachusetts' UI program has higher-than-average UI benefit reciprocity. That is, in the universe of jobless workers, a fair percentage qualifies for UI benefits in Massachusetts. This is a strength of the UI program, in our view, providing critical assistance to jobless families and invaluable aid to communities hit by higher unemployment. Having above-average reciprocity levels in Massachusetts boosts the positive economic impact of UI programs as well.

The most common way to measure UI reciprocity is to compare the number of unemployed individuals to the number of insured unemployed persons. In CY 2002, Massachusetts had a UI reciprocity ratio of 63, which ranked second (tied with Vermont) of 53 jurisdictions in the country. In comparison, the national UI reciprocity ratio for 2002 was 44.

The level of UI reciprocity in a state turns on a good number of factors. These include the formal legal rules for UI eligibility, the available methods of filing UI claims in a state, state agency administration of continuing claims, generosity of UI benefits, and unionization rates. There is also an overall geographic pattern in UI reciprocity rates. In general, the Northeastern states have higher UI reciprocity than states in the South and Southwest, with states in the West and Midwest somewhere in between. Indeed Massachusetts is on par with its other "above average" neighboring states: its 2002 reciprocity rate of 63 percent is lower than Connecticut (67 percent), equal to Vermont (63 percent), and greater than Rhode Island (52 percent). Only New Hampshire (30 percent) is out of step with the state's neighbors.

Strong reciprocity has recently enabled Massachusetts to take advantage of additional weeks of federal UI extended benefits. The Temporary Extended Unemployment Compensation (TEUC) law allocates additional weeks of benefits to workers living in "high unemployment states," that have an insured unemployment rate (IUR) greater than 4.0 percent. Since the insured unemployment rate is the ratio of the number workers who have an active UI claim to the state's total covered employment, the higher a state's UI reciprocity, the higher its IUR.

In March 2003, Massachusetts' IUR passed the 4.0 percent threshold trigger. From March 13 through June 14, workers who exhausted their first Tier of federal extended benefits (up to 13 weeks) qualified for up to an additional 13 weeks of benefits. During those three months, approximately 23,000 workers who would have exhausted their federal benefits qualified for additional Tier II benefits under TEUC. We estimate that this round of additional TEUC benefits pumped about \$109 million of federally funded benefits into the state's economy. (Massachusetts also triggered onto the second tier of benefits in the spring of 2002 as noted above in our assessment of the economic benefits of UI.)

Massachusetts is one of only eight states (along with Connecticut, Michigan, North Carolina, Pennsylvania, Oregon, Alaska and Washington) that has qualified for this "high unemployment" program in 2003, and has done so because of its higher than average reciprocity. As of May 2003, Massachusetts' total unemployment rate ranked 24th and the state had a lower state unemployment rate than 4 of the 5 other states that were triggered on to the second tier of benefits this Spring. The experience of Massachusetts stands in sharp contrast with its neighbors in New York State. As of May 2003, New York State's unemployment rate has climbed to 6.1 percent statewide, and is now 7.3 percent in New York City.

Because New York has weaker reciprocity (50 percent), the state's insured unemployment rate is only 3.01 percent (as of June 2003). Thus, despite all the economic turmoil caused by the September 11th attack in that state, New York workers and its economy have never been able to access additional federal benefits potentially available through this TEUC program.

### C. Helping Working Families and Impacted Communities

Unemployment and its impact are generally more widespread than the snapshot provided by unemployment rates. The unemployment rate provides an estimate of the number of unemployed workers at any particular time: in August 2003, there were 199,000 people out of work in Massachusetts, representing 5.6 percent of the state's workforce. UI claims figures similarly provide a count of individuals currently drawing regular UI benefits. In August 2003, there were over 130,000 Massachusetts residents getting UI benefits through the state's unemployment insurance system each week.

A strong UI system ensures that the ups and downs of the business cycle do not produce unnecessary hardship on unemployed workers and their families. Research has extensively documented how UI prevents poverty, thwarts hunger, prevents foreclosures, and enables workers to retain hard-earned savings. For example, MIT Economist Jonathan Gruber found that UI benefits cut mortgage foreclosures against unemployed workers in half.<sup>4</sup> The importance of UI increases during economic downturns, with one evaluation finding that UI reduced the poverty experienced by workers from 70 percent to 40 percent during the recession of the early 1990s.<sup>5</sup> UI benefits make spells of unemployment a temporary decline in living standards between jobs, instead of a longstanding family financial crisis.

Moreover, in good times and bad, UI helps the labor market operate more effectively. In today's dynamic economy, it takes time to match up workers with appropriate employers. UI provides support for workers as they conduct a search for a job that best fits their prior skills and experience – support that can increase reemployment wages by as much as 30 percent.<sup>6</sup> UI also provides particular benefits to employers who lay off workers during temporary downturns in demand. UI enables such employers to preserve a skilled, experienced workforce, providing resources for workers to remain available until they can be rehired. For those workers whose skills have become obsolete, UI provides the opportunity to participate in agency-approved training. The UI-linked Massachusetts Medical Security Program provides at very low cost to employers a unique program offering family health insurance to low- and moderate- income unemployed workers. Additionally, as this program qualifies for matching federal dollars under the Medicaid waiver, it brings much-needed federal dollars to a depleted state budget.

The over 592,000 Massachusetts residents who have received UI over the past two years have experienced these benefits and more.<sup>7</sup> Ultimately, the overall positive influence of UI programs goes beyond these documented positive economic and social impacts. As noted by Yale law professors Michael Graetz and Jerry Mashaw in their book *True Security*, social insurance protections are "crucial to a society's ability to structure economic risks in ways that are energizing rather than demoralizing," and they "sustain and bolster a market economy."<sup>8</sup> When considered in this broader perspective, we believe that maintaining and improving a decent and humane UI program is worthwhile public policy for Massachusetts.

### III. Massachusetts UI Program in Perspective

With employment remaining stagnant in the state, and unemployment reaching a nine year high in August, now is a critical time for Massachusetts to have a strong UI system. While Massachusetts' UI program has some shortcomings, especially with regard to financing, it deserves recognition as a strong program that has served the state well during the current economic downturn. Cutting a rare state program that can stimulate the economy while state budget cuts and layoffs are moving us in a negative direction is not a smart move for the Massachusetts economy. Moreover, many of the claims of those seeking cuts in UI are simplistic. Most are largely based upon no more than the assertion that certain features are "out of line" with policies in other states or claims that Massachusetts' businesses cannot afford its UI program.

In this section, we examine aspects of the Commonwealth's UI program that have been subject to recent criticism in greater detail. We provide context for the claims of critics as well as factual background on the UI program. We demonstrate that positive features of UI are worth keeping when their operation and setting are fully understood.

#### A. UI Benefits Are Not Too High in Massachusetts

Massachusetts UI benefits are criticized by some elements of the business community and the administration as "too high." Usually, these criticisms are made in the comparison with the inadequate benefit amounts that other states pay. Massachusetts is a relatively higher wage state, and because UI benefits are based upon prior wages, Massachusetts pays higher UI benefits than many lower-wage states. For the same reason, Massachusetts' benefits will necessarily be "above average" when compared to most other states. Rather than being a problem, adequate weekly benefit levels are properly viewed as one of the stronger features of Massachusetts' UI program. In fact, payment of adequate weekly benefits is central to preserving the role of UI programs in providing economic stimulus and income support.

The accepted "rule of thumb" for UI benefit adequacy is 50 percent wage replacement.<sup>9</sup> A great majority of states pay benefits based upon this rule of thumb. The Massachusetts's UI program determines the weekly benefit amount as 50 percent of average weekly wages, plus \$25 per dependent up to one half the weekly benefit amount. In other words, Massachusetts's UI benefit formula is in line with that of most states.

Average weekly benefits were \$360 for calendar year 2002, well below the statutory maximum. Massachusetts' average weekly wage for 2002 was \$860. Average weekly benefits replaced 43 percent of average weekly wages in 2002, ranking Massachusetts 20th in wage replacement of 53 UI jurisdictions. Certainly, a ranking of 20 of 53 jurisdictions severely undercuts claims that high levels of weekly benefit amounts are a cause of inappropriate costs for the Commonwealth's UI program.

Critics of Massachusetts' UI program often discuss high benefits levels as if all UI claimants draw the maximum weekly benefit level. The maximum weekly benefit in Massachusetts is set at 57.5 percent of statewide average wages in the previous year and is adjusted annually. The maximum weekly benefit for 2003 in Massachusetts ranges from \$507 to \$760, depending upon the number of dependents. According to the recent report by the Senate Committee on Post Audit and Oversight, in 2000 only 22 percent of UI claimants received the maximum weekly UI benefit and almost half received \$250 or less in weekly UI benefits.<sup>10</sup>

In short, while the Massachusetts UI program pays higher weekly benefit amounts than most states, this occurs mostly because Massachusetts has better than average wages. High wages, in our view, are not a problem. In addition, having a maximum weekly benefit adjusted for growth in wage levels and a more-than-token dependency allowance are good policies. Adequate UI benefit amounts should not be abandoned, especially in a slack labor market with high levels of long-term unemployment.

## B. Why 30 Weeks Duration of Benefits Is Good Policy

Governor Romney, joined by some business groups, has targeted Massachusetts' maximum duration of benefits for reduction from its current level of 30 weeks of UI benefits to the more standard 26 weeks. According to some critics, having 30 weeks duration is a central reason why Massachusetts' UI program is out of line with that of other states. Careful analysis shows that these critics' claims are exaggerated and not fully supported by the facts. Moreover, a reduction in the number of total weeks of unemployment benefits during this current recession would be bad public policy.

Critics of 30 weeks duration correctly claim that all other states in the U.S. have a maximum duration of 26 weeks of UI benefits, while Massachusetts pays a maximum of 30 weeks.<sup>11</sup> But, these critics fail to add that, of the 52 states with 26 weeks maximum potential duration, 9 have a "uniform duration" of 26 weeks. In other words, all workers that qualify for UI in these nine uniform duration states have a fixed maximum potential duration of 26 weeks. This means that 10 states (Massachusetts and the 9 uniform duration states), rather than Massachusetts alone, have duration formulas of at least 26 weeks, while the remaining states have varying rules that establish maximum benefit durations up to 26 weeks. Again, the fact that some states have worse practices is not a compelling argument for Massachusetts to adopt those practices.

Critics of 30 weeks duration imply that all jobless workers in Massachusetts get 30 weeks of UI benefits. This is not factually true. While Massachusetts has a potential maximum duration of 30 weeks of benefits, the actual duration in Massachusetts in 2002 was 19 weeks, up from only 16.3 weeks in 2000. (The national average duration of benefits in 2002 was 16.5 weeks.)<sup>12</sup> Clearly, the maximum potential duration does not equal the actual duration of benefits for most jobless workers in Massachusetts. Also, recent increases in duration of benefits in Massachusetts are not out of line with what the state has experienced in prior recessions.

The reason why most workers do not get 30 weeks of benefits in Massachusetts is that a majority of workers do not earn wages sufficient to qualify for 30 weeks of benefits. The Massachusetts duration of benefits formula is 36 percent of base period wages up to 30 weeks. This means that far less than all workers qualify for the full 30 weeks of potential duration. In 1999, according to a report of the U.S. House Ways and Means Committee, a worker in Massachusetts had to earn \$31,833 or more to draw maximum weekly benefits for 30 weeks.<sup>13</sup> According to the U.S. Department of Labor, the average maximum potential duration of UI claims in Massachusetts in 2001 was 27.7 weeks, not 30 weeks.<sup>14</sup> **See Box 1.**

The best means of reducing duration of benefit payments is to find good jobs for jobless individuals. As Federal Reserve Board chair Alan Greenspan testified last November to Congress, the reason that jobless workers remain on UI benefits in a recession is that they cannot find work, not that they prefer to get UI benefits.<sup>15</sup> Studies have generally shown a modest impact on the length of unemployment when compared to the positive benefits of the UI program.<sup>16</sup>

As a practical matter, higher costs in Massachusetts during the recent recession and current jobless recovery are overwhelmingly related to higher claims levels caused by higher unemployment. As we noted above, benefits payments rose 240 percent between 2000 and 2002 due to increased unemployment, not because Massachusetts has a maximum duration of 30 weeks of benefits. Indeed, overall program costs for weeks 27, 28, 29, and 30 of any spell of unemployment have been paid for by the federal Temporary Emergency Unemployment Compensation program since March 2002. As a result, during most of the current rise in benefit payments over recent years, the federal TEUC program has paid for the up to 4 additional weeks of UI benefits offered in Massachusetts. For this reason, targeting the state's 30 week maximum duration for cost control is not really addressing a cause of the financial crisis facing the program.

Finally, a change in the maximum weeks of duration at this point in time ignores the realities that face unemployed workers in the current Massachusetts economy. As outlined in a paper prepared for the Commonwealth Corporation this spring, researchers at Northeastern University's Center for Labor Market Studies found that this recession is very different from prior recessions in several notable respects: first, Massachusetts has had the second highest rate of job loss in the nation over the past two years; and second, a much larger share of the unemployed are permanent job losers who are experiencing much longer unemployment spells.<sup>17</sup> According to the Center, during 2002, the number of dislocated workers during the last two years has more than tripled, more than one out of five workers had been out of work for more than six months, and more workers were exhausting their benefits because they were simply unable to find new employment. Consequently, Massachusetts workers are in a particularly vulnerable situation --- through no fault of their own, they are both losing jobs and finding a scarcity of replacement jobs. Under these dire circumstances, this is precisely the wrong time to cut back on the number of weeks of benefits.

#### **Box 1: Not All Workers Get 30 Weeks of Jobless Benefits**

The general impression is that all workers in Massachusetts get 30 weeks of unemployment benefits. This is especially untrue for part-year workers who marginally qualify for UI. The following example illustrates this point – using the example of a worker earning \$6.82 per hour and working 33 hours per week and working 15 weeks in a year.

1 <sup>st</sup> Quarter	13 weeks of work @ \$225/week	\$2,925
2 <sup>nd</sup> Quarter	2 weeks of work @ \$225/week	\$450
3 <sup>rd</sup> Quarter		\$0
4 <sup>th</sup> Quarter		\$0
Average Weekly Wage (AWW) Under UI Law (High Quarter/13)		\$225
Weekly Benefit Amount Under UI Law (AWW/2)		\$112.50
Maximum UI Benefits (36% of Total Earnings)		\$1215
Maximum Potential Weeks of UI Benefits (Maximum Benefit/Weekly Benefit)		10.8 weeks

A worker with only 15 weeks of work qualifies for only 10.8 weeks of UI benefits, a minimal amount to help these workers maintain labor force attachment.

### C. Qualifying Wages for Monetary Eligibility in Massachusetts

As discussed earlier, Massachusetts and most Northeastern states have higher levels of UI reciprocity than national averages. That is, of all unemployed workers typically 60 or 65 percent get UI benefits, as compared to more restrictive states in which 30 or 35 percent get benefits.

A significant factor in determining UI reciprocity is monetary eligibility requirements for UI benefits. "Monetary eligibility" includes the amount of earnings and/or duration of work that an individual must have in the months prior to his or her loss of work in order to gain eligibility for UI benefits. The time period over which those earnings or work is measured, usually a year in length, is called the "base period." In addition, monetary eligibility involves determining the weekly benefit amount and duration of weekly benefits.

In this section, we discuss the qualifying wages required for UI eligibility in Massachusetts and other states. Cost cutting proposals aimed at denying benefits to those jobless workers gaining UI eligibility with fewer than 20 weeks of work have been included in recent criticisms of UI. For this reason, an examination of how current UI rules work in Massachusetts and how those rules compare to those in other states is warranted.

All states but Washington and Oregon measure labor market attachment prior to layoff by requiring an amount of earnings and/or minimum period of work in the base period. Only Oregon and Washington use hours of work to establish monetary eligibility for UI benefits. This method avoids the inherent discrimination against lower wage workers that arises from requiring a set dollar amount of earnings as found in all other states, including Massachusetts. Oregon uses 500 hours of work while Washington uses 680 hours of work. All other states use qualifying wage formulas of widely varying complexity that measure the minimum attachment to the labor market required for a valid UI claim to be established.

Massachusetts currently requires UI claimants to earn 30 times their weekly benefit amount in their base period, with earnings of \$3000 being required to receive a minimum weekly benefit (currently ranging from \$29 to \$43, depending on the number of dependents). The duration of benefits is currently set at the *lesser* of 36 percent of base period wages or 30 times the weekly benefit rate. Since weekly benefits cover roughly 50 percent of pre-layoff wages, this formula translates to a minimum of 15 weeks of work to qualify for a minimum weekly benefit (with as little as 10 weeks duration for the claim).

A balanced evaluation of UI eligibility requirements shows that Massachusetts' current UI monetary eligibility rules are not out of line with those required in other states. The amount of base period earnings required in Massachusetts, \$3000 under current law, is above the dollar amount required for UI eligibility in more than 40 of the 50 states.<sup>18</sup> Moreover, the total benefit amount is capped at 36% of the base period earnings. For these reasons, focusing solely on 15 weeks of work produces an inaccurate overall assessment of Massachusetts' UI eligibility rules.

Accurate interstate comparisons of monetary eligibility requirements are not easy, since the requirements vary among the states by type and dollar amount. According to critics, 15 weeks of work is not enough weeks of work to merit eligibility for payment of UI benefits. These critics fail to recognize that benefits paid for claims for 15 weeks (or similarly low numbers of weeks) are generally for lower dollar amounts and for fewer weeks than claims based upon higher weeks of earnings.

We believe this criticism is based upon an unjustified characterization of Massachusetts' current UI

eligibility requirements focusing solely on the minimum weeks of work required. Fifteen weeks of work effectively requires work in two calendar quarters (that is, at most 13 weeks in one calendar quarter and 2 weeks in a second calendar quarter). According to comparison tables provided by the U.S. Department of Labor, at least 44 states have explicit 2-quarter earnings requirements. While Massachusetts does not formally require earnings in two calendar quarters, in reality, a claimant in Massachusetts is effectively required to have 15 weeks of wages, or earnings in at least two quarters to qualify for a claim of ten weeks or so in duration. The average weekly wage on which the weekly benefit amount is defined by Massachusetts General Laws, chapter 151A, section 1(w) as 1/26 of the total earnings in the two highest quarters. The average weekly wage for workers who only have two quarters of earnings (the key group affected by proposals to increase the earnings requirement to 40 X WBA) is 1/13 of earnings in the highest quarter. **See Box 2.**

Judging solely on the basis of the amount of earnings required, Massachusetts is by no means the most liberal state in terms of qualifying wages required for monetary eligibility. Table 3 below shows that at least 15 states have 2003 monetary eligibility standards that pay UI claims based upon earnings equivalent to or less than Massachusetts' current monetary eligibility requirement of 15 weeks of work at average wages.<sup>19</sup> While employer groups have been urging 20 weeks of work as a minimum earnings requirement, Table 3 shows this "standard" is certainly far from universal. Box 2 demonstrates how even some of the states that are described as having 20 weeks requirements make it easier for workers with less than 15 weeks of work to qualify.

**Table 3: 2003 State Monetary Eligibility Standards Compared**

State	Eligibility Requirement	State	Eligibility Requirement
Alaska	\$1000 and wages in 2Q	California	\$1300 in HQ
Illinois	\$1600, \$440 outside HQ	Hawaii	26 X WBA, and wages in 2Q
Minnesota	\$1000 HQ, \$250 outside HQ	Nebraska	\$1600 in BP, with \$800 in each of 2Q
New Hampshire	\$2800, with \$1400 in each of 2Q	New Mexico	\$1372.80, with wages in at least 1 other quarter
New Jersey	\$2060* in BP (20 percent of AWW)(*2002 figure)	Oregon	500 Hours, or \$1000 and 1.5 X HQ Wages
Pennsylvania	\$800 in HQ, and \$1320 in BP	Rhode Island	400 X Min.Wage in BP, w/ 200 X Min. Wage in 1Q
Utah	\$2400	West Virginia	\$2200 with wages in 2Q
Wisconsin	30 X WBA, with at least 4 X WBA outside HQ		

Source: Authors' analysis from data in U.S. Department of Labor, *Significant Provisions of State UI Laws* (January 2003).  
 Q = Quarter of Earnings; HQ = Highest Quarter of Earnings; BP= Base Period; WBA = Weekly Benefit Amount

In addition, much of the recently expressed concern about monetary eligibility rules fails to take into consideration that Massachusetts uses a minimum duration of 10 weeks of benefits. Since duration in Massachusetts is determined as the *lesser* of 36 percent of base period wages or 30 times the weekly benefit amount as calculated based on the 2 high quarters, claimants with lower or fluctuating earnings will necessarily draw fewer weeks of benefits. Many will draw the minimum of 10 weeks. (In this regard, Massachusetts is among the bottom dozen states in offering the shortest duration of benefit payments. Nine states potentially pay a uniform duration of 26 weeks of benefits to every qualifying claimant and another 31 states have minimum durations greater than the Commonwealth's 10 weeks.)

From a policy perspective, those workers currently qualifying for UI benefits with less than 20 weeks of work are unlikely objects for cost cutting. By the nature of these claims, jobless workers with lower base period earnings draw lower benefits for shorter durations. Adopting higher qualifying wage requirements for monetary eligibility for these claims simply transfers the burden of this unemployment away from employers offering part-time or part-year work to jobless workers and their families (as well as to social services and charities in their communities). For example, this change would deprive many former welfare recipients of unemployment insurance precisely at a time when Massachusetts welfare reform, by adopting one of the country's shortest time limits for the receipt of welfare, has eliminated the welfare safety net for many low-wage single heads of households. Recent research by sociologists has found that for those individuals who reside in a state like Massachusetts with a much shorter time limit than the five year time limit allowed under federal law, "the odds of having a good job is less than half as high."<sup>20</sup> This supports calculations based on a study conducted by the Department of Transitional Assistance, finding that median duration of employment was approximately 17 weeks in 1999.<sup>21</sup> (No doubt this median would be lower during today's weakened economy). This would mean that more than 50% of all unemployed former welfare recipients would be ineligible for unemployment benefits under this proposed change, even if they met all the other eligibility requirements.

A contrasting policy (that we would favor) keeps these individuals within the scope of the UI program by recognizing that their less-than-full time connection to the labor force is sufficiently reflected in current rules limiting the amount and duration of their benefits. And, as discussed above, by contributing to the rate of UI reciprocity, Massachusetts is better poised to access additional federal extended benefits. For these reasons, totally denying these claims by increasing monetary eligibility requirements to 20 weeks of work is inadvisable.

### Box 2: UI Eligibility Rules Hit Real Part Year Workers

The characterization of "weeks of work" requirement over simplifies UI eligibility in ways that make Massachusetts system appear more generous than it really is. Few state laws, including Massachusetts', say anything specific about weeks of work – rather they require a multiple of the weekly benefit amount or high quarter of wages. Here's an example of how this shorthand is off base. Take a worker earning \$6.82 per hour working 33 hours per week - \$225 per week, with the following distribution of weeks of work

1 <sup>st</sup> Quarter	7 weeks of work @ \$225/week	\$1,575
2 <sup>nd</sup> Quarter	6 weeks of work @ \$225/week	\$1,350
3 <sup>rd</sup> Quarter		\$0
4 <sup>th</sup> Quarter		\$0
Average Weekly Wage (AWW) Under UI Law (High Quarter/13)		\$121
Weekly Benefit Amount Under UI Law (AWW/2)		\$61

The worker has worked for 13 weeks and earned a total of \$2925. In Massachusetts, the worker would not qualify for benefits because their total earnings are less than \$3000. In Oklahoma, this worker would have to earn 1.5 times the high quarter wages to qualify and have total earnings of greater \$1,500. 1.5 times \$1,575 is \$2,363, thus the worker qualifies. In Mississippi, such a workers' total earnings would have to exceed 40 times the weekly benefit amount, which is \$2,423. This worker – who had only worked for 13 weeks would qualify in both Mississippi and Oklahoma but not in Massachusetts. Business groups have described Mississippi and Oklahoma as states that require 20 weeks of work. As demonstrated in the example above, low-wage workers working less than 20 weeks can qualify for benefits in both states, but not in Massachusetts.

#### **D. The Taxable Wage Base in Massachusetts Must be Increased and Indexed to Secure the Solvency of the UI Trust Fund.**

Despite many progressive features, the Massachusetts unemployment system suffers from a fatal flaw --- it has a low flat taxable wage base --- and this has substantially contributed to the current impending trust fund insolvency. Although the statute provides for automatic schedule triggers, these triggers are overridden almost annually at the insistence of the business community. As a result, the forward-funding principles of unemployment insurance that are designed to accumulate reserves during good times so that they can be drawn down in a recession are undermined.

The taxable wage base in Massachusetts is only \$10,800, lower than in 18 other states. This low taxable wage base disproportionately places the UI tax burden on employers of low wage workers, further depressing these workers' wages.<sup>22</sup> Massachusetts' current taxable wage base is only 24% of average weekly wage paid in the state, ranking the state 34<sup>th</sup> on this measure.<sup>23</sup> In order to adequately and stably insure growing wages, the taxable wage base must be increased. The current system is tantamount to insuring a new Dodge Viper automobile based on the cost of a Dodge Dart.

Massachusetts can benefit from the experience of other states: 18 states have both a higher taxable wage and index their taxable wage base to better link UI financing to growth in the economy.<sup>24</sup> The advantages of a high taxable wage base indexed to the average annual wage is dramatically demonstrated by comparing Oregon (with a taxable wage base of \$26,000 indexed at 80% of the state average annual wage) to Illinois (with a taxable wage of \$9,000 last increased in 1998). Whereas Oregon could ameliorate the effects of its high unemployment of 8.2% by enacting a 20-week extension of unemployment benefits without triggering a higher tax schedule, Illinois was forced to apply for a federal loan to cover benefits with the potential of mandatory tax increases.<sup>25</sup>

In contrast to states with an indexed taxable wage base, Massachusetts continues to be plagued by sporadic and infrequent adjustments to the taxable wage base and legislative overrides of the statutory triggers necessary to keep the fund solvent. This mischief is apparent from a review of the legislative history of the Massachusetts taxable wage base and employer tax schedules over the last decade. For example, in 1992, a number of so-called UI reforms were enacted cutting back benefits for workers, including making it more difficult for workers who are fired to qualify for unemployment insurance benefits, eliminating eligibility for claimants who must leave a job when their partners have been forced to relocate, and adding new penalties for fraud. These reforms were enacted in exchange for, among other things, increasing the taxable wage base to \$10,800 in 1992 and to \$13,000 in 1994.<sup>26</sup> However, although the cutbacks on UI benefits for workers remained permanent, less than three months later, the increase in the taxable wage base to \$13,000 was repealed and the amount has remained at \$10,800 ever since.<sup>27</sup> Had the taxable wage base been indexed in 1992, it would be \$18,664 today, with the state ranked 10<sup>th</sup> in the country. As wages during this same period have increased 73%, this would have avoided the current crisis in the trust fund.

Similarly, nine times in the last decade, the legislature has overridden the statutory triggers setting the schedules for employer taxes, which has inexorably led to the impending trust fund insolvency. The schedules were set up to automatically insure that adequate reserves would be built up during good times and well before reaching the current crisis levels. The inevitable funding problems have come and it is only logical for employers to be required to make up for the tax cuts of the 1990s.<sup>28</sup> These cuts saved employers an estimated \$1.69 billion from 1994-2003.<sup>29</sup>

Unless the taxable wage base is increased and indexed, Massachusetts will continue to suffer erosion in the unemployment trust fund, and this erosion will inevitably become the regrettable justification for cutbacks of unemployment insurance benefits for workers.

## IV. Reforms to Strengthen UI in Massachusetts

Rather than restricting access to benefits or cutting back on good features of its UI program, now is the time for Massachusetts to address shortcomings that deny safety net protections to vulnerable workers.

### A. End Restrictions on Benefits for Workers in Part-Time Jobs

Workers in Massachusetts are more likely to work part-time jobs than workers in most other states. In 1999, 590,000 Massachusetts worked part-time.<sup>30</sup> However, as society has changed, with dual-earner households becoming the norm and families often depending on second-earner wages for household income adequacy, the UI system has not evolved to accommodate these changes.<sup>31</sup>

Massachusetts restricts UI benefits to jobless individuals seeking full-time work, except in some circumstances applying to those with a history of part-time work and to disabled workers.<sup>32</sup> This policy often leads to inconsistent and unjust results: a worker leaving her job because she cannot work full-time hours due to family responsibilities is not disqualified from receiving UI for leaving her job with good cause; however, if she then limits her job search to part-time work, she is disqualified on the grounds that she is not available for full-time work.

This restrictive part-time policy has a disparate impact on women, who make up more than 70 percent of part-time workers<sup>33</sup> and who are forced to leave work more often than men because of familial and personal responsibilities.<sup>34</sup> The main way that many individuals can remain employed is to work part-time.<sup>35</sup> Restricting eligibility for part-time workers is particularly harsh on young working mothers disqualified from receiving UI when they must limit themselves to seeking part-time work due to a lack of daycare.<sup>36</sup> It is also inappropriate policy in light of the shortage of affordable day care; over 20,000 children in Massachusetts are on a waiting list for subsidized daycare, and the cost of sending an infant and a four-year-old to a day care center would consume 79 percent of the income of a two-parent family working at the minimum wage.<sup>37</sup> It also creates a hardship for family members who must juggle care for senior or ill family members with their own jobs. Nationally, over 22 million families provide care for elderly relatives and 48% of these family caregivers are employed part-time.<sup>38</sup>

Nine states have better practices regarding part-time eligibility for UI benefits than Massachusetts. These states treat part-time workers with essential "parity" with full-time workers (California, Delaware, Kansas, Nebraska, New Mexico, Pennsylvania, South Dakota, Vermont, and Wyoming). In other words, part-time jobless workers in these parity states must show that they are available for jobs of a similar nature to their prior work and in sufficient numbers to demonstrate genuine labor market attachment. Massachusetts, in contrast, essentially assumes that all workers who must move from full-time to part-time work will fail this test of availability without taking individual circumstances into consideration.

Therefore, we strongly support reforms which would allow an unemployed worker with good cause --- such as lack of child care for children or an obligation to care for an ill or elderly family member --- to collect unemployment benefits while restricting himself or herself to a part-time work search.<sup>39</sup>

## B. Increase Benefit Levels, Access to Benefits, And Access to Dependency Allowances for Lower-Wage Workers

Despite the many progressive features of Massachusetts' UI program, UI benefits still do not adequately meet the needs of low-wage workers. As a recent analysis demonstrated, a Boston family with an unemployed parent has a gap of \$915 between its monthly unemployment benefit and its basic monthly family budget.<sup>40</sup> And although Massachusetts boasts one of the highest unemployment benefit levels (\$507 per week) for those earning the most, only 22 percent of workers are eligible for this maximum weekly benefit.<sup>41</sup> In fact, 40 percent of all unemployment checks in 2002 were for \$300 or less<sup>42</sup>.

For workers already battling with poverty, replacement of only 50 percent of their income will likely send them over the edge. Research indicates that households with income less than \$15,000 spend at least 65 percent to 84 percent of their income on necessities.<sup>43</sup> Nor do these households have savings to help support them during their period of unemployment – almost one third of the unemployed do not have enough personal wealth to replace even 10 percent of their income loss.<sup>44</sup>

Former welfare recipients and other low-wage workers are most likely to rely upon UI benefits to support their families. These individuals receive inadequate benefits. Even before the economic downturn of the past year, former welfare recipients in Massachusetts in the late 1990s had a dramatically higher unemployment rate than other workers: 16.3 percent, at a time when the state's unemployment rate was only 2.3 percent.<sup>45</sup> The state's two-year time-limited welfare program is also one of the most stringent in the country.<sup>46</sup> In the past, welfare served as a poor woman's unemployment system; however, with time limits, UI is the only safety net available for most families during spells of unemployment.<sup>47</sup>

There are two modest proposals that would greatly assist these vulnerable workers. First, as the law is currently written, workers who have worked for two quarters and have fluctuating income may be disqualified if their total earnings do not exceed 30 times the weekly benefit amount which is calculated on the basis of the high quarter only.<sup>48</sup> This barrier is easily remedied by basing the calculation on the earnings in both quarters.<sup>49</sup>

### Box 3: Current law disqualifies workers with fluctuating work histories

For example, take a worker who finds a good full time job paying \$12.50 per hour. However, after a quarter of work, business slows down and she only gets 4 weeks of spot work (an average of 18 hours per week) before she is laid off. If the law treated this worker the same as full year workers, she would qualify because she has earned 30 times weekly benefit amount in her highest two quarters.

1 <sup>st</sup> Quarter	13 weeks of work @ \$500/week	\$6,500
2 <sup>nd</sup> Quarter	4 weeks of work @ \$225/week	\$900
3 <sup>rd</sup> Quarter		\$0
4 <sup>th</sup> Quarter		\$0
Total Earnings		\$7400

Current Law:  
Average Weekly Wage (High Quarter/13) = \$500  
Weekly Benefit Amount ( $\frac{AWW}{2}$ ) = \$250  
Minimum Qualifying Earnings (30\*WBA) = \$7500  
**Not Eligible**

Change Law to Parity with Full Year Workers:  
Average Weekly Wage (Two High Quarters/26) = \$246  
Weekly Benefit Amount ( $\frac{AWW}{2}$ ) = \$123  
Minimum Qualifying Earnings (30\*WBA) = \$3692  
**Eligible, 18.7 weeks at \$123/week**

Second, although Massachusetts provides a dependency allowance, it does so only for the parent who is providing over 50% of the monetary support to a child, and only to one parent when both parents are unemployed. Obviously, the loss of employment in a low wage family is devastating even where one parent remains employed. It creates an overwhelming hardship when both parents are unemployed. Again, the remedy is simple and not costly (and dependency allowances are charged to the solvency account rather than to the individual employer.) Therefore, we recommend that for those families where the income resources available to their child or children are less than or equal to 400% of the poverty guidelines (the Division of Employment and Training already uses this number to determine eligibility for the Medical Security Program), the unemployed parent(s) would be eligible for the dependency allowance.<sup>50</sup>

### C. Repeal Limitations for Workers in Multiple, Contingent, and Low-Wage Jobs

Current policies wrongfully deny or reduce benefits for hard-working individuals who work multiple, contingent, and low-wage jobs in Massachusetts. 190,000 workers — 6.6 percent of the Massachusetts workforce — worked two jobs in 1999,<sup>51</sup> and 970,000 workers — 33 percent of the Massachusetts workforce — worked in part-time or contingent jobs.<sup>52</sup> Additional eligibility reforms are necessary to provide benefits for these workers.

First, the so-called “constructive deduction” unjustly reduces benefits for many workers with two or more concurrent jobs. If a worker quits a part-time job within two months before an involuntary lay-off from a full-time job, the worker’s benefits are reduced, as if he or she was still working the part-time job. For example, “John” had always worked two jobs to save money before starting a family. However, when his first child was born, he decided to leave his part-time evening job to spend more time with his family. One month later, without warning, he was laid off from his full-time job. John was clearly entitled to full unemployment benefits; however, under current policy, his benefits were reduced as if he still had part-time earnings from his second job.<sup>53</sup>

Second, workers may be permanently barred from receiving UI when they are disqualified once from receiving benefits and then earn less money in subsequent jobs. This provision of current law disproportionately harms low-wage older workers. For example, “Emma” was forced to leave her banking job of over 12 years as a result of severe stress, after her employer failed to provide her with the support that she needed to handle an increased workload. The state agency disqualified her on the grounds that she had voluntarily quit her job. Had she not been disqualified, her weekly benefit rate would have been \$303, based on her wages of \$11 per hour plus overtime. DET notified Emma that she was disqualified indefinitely until “you have had 8 weeks of work and *in each week* have earned an amount equal to or in excess of your weekly benefit rate.” Emma diligently searched for a job but found only a temporary, although full-time, job earning \$6.75 per hour, or \$270 a week. When she was laid off after a year through no fault of her own, she was not eligible for UI because, at this hourly rate, she had not earned \$303 or more in any given week. Without finding a higher paying job, she may never be able to get UI again.<sup>54</sup>

Therefore, it is critical to (1) eliminate the constructive deduction for workers who leave a second part-time job before losing their primary full-time job,<sup>55</sup> and to (2) allow disqualified workers to re-qualify for benefits by reaching a certain amount of total earnings and working a certain number of weeks, thereby eliminating the requirement that a specific amount be earned in *each week*.

## D. Eliminate Barriers to Job Training Benefits for Low-Wage, Low-Skill Unemployed Workers

The Massachusetts "Section 30" program waives the work search requirement and provides up to 18 weeks of extended benefits to unemployment claimants who participate in full-time job training. In theory, the Section 30 program provides an exceptional opportunity for jobless individuals to upgrade their skills and to expand their job opportunities. Research shows that workers who complete training have higher earnings and lower unemployment rates over a follow-up period than those who did not receive training.<sup>56</sup> Unfortunately, however, several limitations seriously hamper participation in this important program --- a Massachusetts Blue Ribbon Commission found that only about 2% of those receiving unemployment benefits participate in this program.<sup>57</sup>

In order to be eligible to receive extended training benefits, an application for enrollment in Section 30 is currently required within a 15-week period after filing a new or continued claim. Jobless workers often do not have sufficient information about Section 30's requirements or believe that they will find work. When they become aware of the program or decide that they have a need for training, the 15-week requirement bars their participation. Accordingly, this statutory requirement should either be eliminated, or discretion provided to the Division of Employment and Training to extend the 15-week requirement for good cause shown. (This exception now exists for domestic violence survivors only.)

Additionally, many workers with low skill levels and limited English proficiency (LEP) are prevented by program limitations from taking advantage of the Section 30 program. For instance, the program currently limits training programs to those that can be completed in one year, thereby eliminating community-college degree programs from consideration. The agency also limits English for Speakers of Other Languages (ESOL) programs to six months in length and requires that programs include a vocational component (which may not be a worker's greatest need). In addition, difficulties in navigating the Section 30 program and applying for training programs and benefits prevent many low-wage workers, especially those with limited English proficiency, from participating.

To make the Section 30 program more responsive to the needs of all workers and in particular low-skilled and LEP workers, the Division of Employment and Training must be provided with the statutory authority to extend the current limitations on the time period for applying for this important benefit. DET should also be encouraged to adopt regulations that would permit longer training programs and broaden the allowable ESOL programs.<sup>58</sup>

## V. Conclusion

Recent criticisms of the Massachusetts UI program have focused upon stronger features of the program without providing important comparative information. When viewed in the context of other programs and the state's economy, these criticisms largely miss the mark in terms of sensible policies to follow for UI. Simply isolating certain characteristics of the state's UI program and claiming they are "out of line" or "above average" tells us little about how that program feature interacts with other UI rules in the state.

The Massachusetts UI program has provided billions in benefits to jobless residents of the Commonwealth since the recession that began in March 2001. In 2001 and 2002 alone, 592,000 individuals received UI benefits in the state. These benefits not only helped jobless workers and their families avoid hardship, but the overall economy of the state and the businesses where these dollars were spent were also assisted.

Rather than cutting back on UI benefits, this is the time to address several shortcomings in the Massachusetts UI system both to ensure the solvency of the trust fund and to shore up the safety net that UI provides.

## References

- Lawrence Chimerine, et al., UNEMPLOYMENT INSURANCE AS AN ECONOMIC STABILIZER: EVIDENCE OF EFFECTIVENESS OVER THREE DECADES, U.S. Department of Labor, Employment and Training Administration, UI Occasional Paper 99-8 (1999) available at <http://workforcesecurity.doleta.gov>.
- Massachusetts Senate Committee on Post Audit and Oversight, BROKEN TRUST: FIXING THE UNEMPLOYMENT INSURANCE TRUST FUND IN MASSACHUSETTS. (April 2003) available at <http://www.state.ma.us/legis/bills/st01992.htm>.
- National Employment Law Project, Economic Policy Institute, and Center on Budget and Policy Priorities, FAILING THE UNEMPLOYED. (March 12, 2002) available at [www.nelp.org](http://www.nelp.org).
- National Employment Law Project, Economic Policy Institute and Program on Gender, Work & Family, Massachusetts College of Law at American University, LAID OFF AND LEFT OUT. (February 12, 2002) available at [www.nelp.org](http://www.nelp.org).

All unemployment insurance statistics cited in this report are from U.S. Department of Labor, Office of Workforce Security and Massachusetts Division of Employment and Training, unless otherwise noted. Current UI program statistics are generally from the Quarterly UI Data Summary published by USDOL/OWS. Comparative information about UI rules in other states is generally from their Comparison of State Unemployment Insurance Laws (July 2003) or Significant Provisions of State Unemployment Insurance Laws (January 2003). Labor force statistics are from the U.S. Department of Labor, Bureau of Labor Statistics.

## ENDNOTES

- 
1. Chimerine et al. (1999) "Unemployment Insurance as an Economic Stabilizer: Evidence of Effectiveness Over Three Decades," U.S. Department of Labor, Unemployment Insurance Occasional Paper 99-8.
  2. Federal UI funds are derived from an .8 percent uniform federal tax on all private employers that is imposed on the first \$7000 in annual wages--amounting to a maximum of \$56 per employee. These funds pay for state agency (Division of Employment and Training) administration, the federal share of Extended Benefits, and a loan fund for insolvent state UI trust funds. In the case of the temporary extensions currently available under the TEUC program, federal trust funds are also the source of these benefit payments. These federal funds were also the source of a one-time federal "Reed Act" distribution of \$193.6 million deposited in Massachusetts's UI trust fund in March 2002. Federal UI payroll taxes do not increase with UI claims, as in the case of state UI payroll taxes.
  3. When calculating the impact of current benefits and taxes there is no accepted way to account for the impact of future taxes or benefits. Since benefit dollars are already in the economy, their positive impact is included here and current taxes are subtracted. This approach provides a fair snapshot of the impact of UI benefits, in our view.
  4. Jonathan Gruber (1995) "Unemployment Insurance, Consumption Smoothing, and Private Insurance: Evidence from the PSID and CEX." Advisory Council on Unemployment Insurance Background Papers, Vol. 1.
  5. Walter Corson, et al. (1999) "Emergency Unemployment Compensation: The 1990s Experience," Mathematica Policy Research, published by U.S. Department of Labor as Unemployment Insurance Occasional Paper 99-4.
  6. Ronald Ehrenberg and Ronald Oaxaca (1976) "Unemployment Insurance, Duration of Unemployment, and Subsequent Wage Gain," *The American Economic Review*, Vol. 66, no. 5, 754-766.
  7. Authors' calculation of data from the US Department of Labor, Office of Workforce Security, UI Quarterly Data Summary.
  8. Michael J. Graetz and Jerry L. Mashaw, True Security: Rethinking American Social Insurance (Yale, 1999), p. 150.
  9. Advisory Council on Unemployment Compensation, *Unemployment Insurance in the United States: Benefits, Financing, Coverage* (Washington, D.C. 1995), p. 126-127.
  10. Massachusetts Senate Committee on Post Audit and Oversight, Broken Trust: Fixing the Unemployment Insurance Trust Fund in

---

Massachusetts (April 2003) at 5 and 24.

11. In 1979, twelve states paid durations of greater than 26 weeks. By 1989, the figure was reduced to two. Stephan A. Woodbury and Murray Rubin, "The Duration of Benefits," in Christopher J. O'Leary and Stephen A. Wandner, eds. Unemployment Insurance in the United States: Analysis of Policy Issues (1997), p. 223. Washington state dropped its 30-week maximum duration earlier this year. There is no prevailing policy argument for this trend. Instead, it reflects political success by employer groups and their allies.

12. US Department of Labor Office of Workforce Security, UI Quarterly Data Summary

13. U.S. House of Representatives, Ways and Means Committee, Materials and Background on Programs within the Jurisdiction of the House Ways and Means Committee (2000 Green Book), Table 4-3 at p. 287.

14. U.S. Department of Labor Office of Workforce Security, ETA Handbook 394 and correspondence with authors.

15. Alan Greenspan. Federal Reserve Bank. The Economic Outlook. Testimony before the Joint Economic Committee, U.S. Congress. (November 13, 2002).

16. Paul T. Decker, "Work Incentives and Disincentives," in Christopher J. O'Leary and Stephen A. Wandner, eds. Unemployment Insurance in the United States: Analysis of Policy Issues (1997), p. 296.

17. Andrew Sum, Paul Harrington, Neeta Fogg, The Impacts of the 2001-2002 State Economic Recession on Unemployment and Other Labor Market Problems Among Massachusetts Workers (Boston, MA, April, 2003).

18. US Department of Labor, Comparison of State Unemployment Insurance Laws 2003, 3.9- 3.13

19. We include in Table 3 only those states we find clearly require less earnings to qualify for UI benefits in 2003. Other states might be included in our table, depending on how other factors included in monetary earnings are converted into monetary values. For example, Washington State requires 680 hours of work for eligibility. Assuming a 40 hours per week schedule, this converts to 17 weeks of work, but in terms of earnings it would amount to more than \$3000 (the current Massachusetts requirement) at even a minimum wage job.

20. Carol Heflin and Mary Noonan, Did Welfare Leavers' Employment Levels and Job Characteristics Change During TANF Implementation: An analysis using SIPP 1996-2000 (MII Clearinghouse Review, 2003)

21. Massachusetts Department of Transitional Assistance, "After Time Limits: A Study of Households Leaving Welfare Between December 1998 and 1999" (November 2000).

22. Phillip B. Levine, Financing Benefit Payments in C. O'Leary and S. Wandner, ed, *Unemployment Insurance in the United States: Analysis of Policy Issues* (W.E. Upjohn Institute, Michigan, 1997). This conclusion is consistent with earlier research commissioned by the Advisory Council on Unemployment Compensation that found that a flat rate payroll tax is often passed from the worker to the employer in the form of lower wages. 1996 Council Report at p. 74 citing to Anderson, Patricia and Bruce Meyer, *The Incidence of the Unemployment Insurance Payroll Tax*, paper prepared for the Council, 1994.

23. Authors calculations of U.S. Department of Labor UI Quarterly Data Summary and <http://www.workforcesecurity.doleta.gov/unemploy/statetax03.asp>

24. <http://www.ows.doleta.gov/unemploy/pdf.financing.pdf> (last visited 9/15/03) at 2.5-2.6.

25. <http://www.ows.doleta.gov/unemploy/pdf.financing.pdf> (last visited 9/15/03) at 2.5-2.6.

26. Massachusetts St. 1992, c. 26, § 9, passed by the House and Senate on April 27, 1992 after returned by the Governor with his objections.

27. Massachusetts St. 1992, c. 118, § 6, an emergency act, approved July 14, 1992

28. For example, see Acts and Resolves of Massachusetts St. 1992, c. 26, § 27, setting the schedule at "F" for calendar year 1992; St. 1992, c. 118, § 3A setting the schedule at "D" for calendar year 1993 and at schedule "F" for calendar years 1994 through 1996; St. 1994, c. 260, § 1, setting the schedule at "D" for calendar year 1995; St. 1997, c. 100, setting the schedule at "C" for calendar year 1998; St. 1999, c. 172, § 3, setting the schedule for "B" for calendar year 2000; St. 2000, c. 159, §§ 327, 498 setting the schedule for "B" in calendar year 2001; St. 2002, c. 428, § 2, setting the schedule for "B" in calendar year 2003. The state administration has been consistently sanguine about these schedule changes. For example: See Massachusetts Division of Employment and Training, Quarterly Trust Fund Report, November, 2002: "In a weakened economy, most observers agree that the Administration's approach, of freezing rates at Schedule "B" next year and making no adjustment in the taxable wage ceiling in 2003, is the right one. " This approach leads to the repeated passage of legislation that weakens the trust fund "notwithstanding" the statutory triggers in G.L. c. 151A, § 14, designed to protect trust fund solvency.

29. Massachusetts Senate Committee on Post Audit and Oversight, Broken Trust: Fixing the Unemployment Insurance Trust Fund in Massachusetts (April 2003) at 20. Moreover, claims that Massachusetts' employers pay the highest employer contribution rates are totally misplaced. In 2002, at an effective tax of 0.67%, Massachusetts ranked 19<sup>th</sup> in average employer contribution paid on total wages. U.S. Department of Labor, Unemployment Insurance Program Letter No. 32-03 (August 13, 2003).

30. U.S. Bureau of Labor Statistics, 1999 survey of work arrangements (finding that 20.1 percent of the Massachusetts workforce worked part-time, compared to 17.4 percent in the U.S. as a whole).

31. Graetz and Mashaw, True Security at 196-7.

- 
32. Rick McHugh, et al., "Laid Off and Left Out: Part-Time Workers and Unemployment Insurance Eligibility: How States Treat Part-Time Workers and Why UI Programs Should Include Them," National Employment Law Project, (February 2002) (noting that Massachusetts is among the states with restrictive policies for workers seeking part-time work).
33. Maurice Emsellem, et al., "Failing the Unemployed: A State by State Examination of Unemployment Insurance Systems," National Employment Law Project (2002) at 7.
34. "Women, Low-Wage Workers and the Unemployment Compensation System: State Legislative Models for Change," National Employment Law Project (1997) at 4.
35. "Women, Low-Wage Workers and the Unemployment Compensation System" at 21.
36. Radcliffe Institute for Advanced Study, "Keeping Jobs and Raising Families in Low-Income America: It Just Doesn't Work: A Report of the Across the Boundaries Project," (2002) (available at [www.radcliffe.edu/pub/pol](http://www.radcliffe.edu/pub/pol), recommending that the UI system address this issue by including part-time workers).
37. See Working Families Massachusetts, "Six Reasons to Support Paid Family Leave and Early Education and Care in Massachusetts," (2001) at 15 (available at [www.workingfamiliesma.org](http://www.workingfamiliesma.org)).
38. Family Leave Benefits Essential to Seniors' Receiving the Care They Need, National Partnership for Women & Families, (Washington, D.C., November 14, 2001).
39. This change would be accomplished through the enactment of Massachusetts Senate Bill No. 102, House Bill No. 2387: An Act to Promote Fairness in Unemployment Insurance for Workers Seeking Part-Time Work filed by Senator Marc Pacheco and Representative Patricia Jehlen and other sponsors.
40. Heather Boushey and Jeffrey Wenger, "Coming Up Short: Current Unemployment Insurance Benefits Fail to Meet Basic Family Needs," Economic Policy Institute (October 31, 2001).
41. Christopher O'Leary and Stephen Wandner, eds., Unemployment Insurance in the United States, Analysis of Policy Issues, W.E. Upjohn Institute for Employment Research (1997) at 177.
42. US Department of Labor, Benefit Accuracy Measurement, correspondence with author.
43. Advisory Council on Unemployment Compensation, Benefits, Financing, Coverage (1995) at 132. In a State of Washington claimant expenditure survey, claimants spent 77 percent of their overall monthly income on necessities such as housing, credit card and loan payments, food, health expenses, and transportation. State of Washington, "Claimant Expenditure Survey," (Washington State Employment Security Department 2002).
44. Jonathan Gruber, "The Wealth of the Unemployed: Adequacy and Implications for Unemployment Insurance," NBER working paper (1999). Similarly, in the State of Washington expenditure survey, 65 percent of households reported that UI accounted for all of their income. State of Washington Claimant Expenditure Study.
45. See Massachusetts Department of Transitional Assistance, "After Time Limits: A Study of Households Leaving Welfare Between December 1998 and 1999" (November 2000).
46. The number of families on welfare has plummeted; in Boston, for example, the percentage of households receiving welfare benefits has dropped from 12 percent to 4 percent. Cyndi Rodriguez and Bill Dedham, "Welfare Plunged in '90s while Poverty Persisted," Boston Globe (June 5, 2002).
47. Notably, the face of poverty in Massachusetts is predominantly female; in the late 1990s, female-headed households represented two-thirds of all poor families in Massachusetts. See Massachusetts Institute for a New Commonwealth (MassINC), "The State of the American Dream in Massachusetts, 2002" (May 2002) at 151.
48. See Massachusetts General Laws, ch. 151A, sec. 1(w).
49. This is accomplished by simply amending the definition of "average weekly wage" in the unemployment law, M.G.L. c. 151A, § 1(w), to read as follows: Provided further that if the individual has worked for 15 or more weeks and such deeming renders the individual ineligible for unemployment benefits, the amount [of the average weekly wage] shall be equal to one twenty-sixth of the total wages.
50. Dependency allowances are offered in these situations in pending Massachusetts legislation --- An Act Protecting the Unemployment Insurance Safety Net, section 6, filed by Senator Marc Pacheco, Chair of Massachusetts Senate Post Audit Committee.
51. 1999 U.S. Bureau of Labor Statistics survey of work arrangements.
52. Id.; Chris Tilly, PhD, University of Massachusetts at Lowell, June 18, 2002 (further analysis of BLS data).
53. See NELP, "Women, Low-Wage Workers and the Unemployment Compensation System" at 16 (using an identical example to support its suggestion for additional flexibility in state UI laws). This problem is addressed in Massachusetts Senate Bill No. 129, House Bill No. 2379: An Act to Promote Fairness in Unemployment Insurance for Workers Who Work Multiple Jobs filed by Senator Susan Tucker and Representative Antonio Cabral and several other sponsors.

---

54. A simple drafting change in pending legislation will correct this unintended consequence. See Massachusetts Senate 95: An Act Promoting Fairness for Workers Requalifying for Unemployment Insurance filed by lead sponsors Senator Robert O'Leary and Representative Demetrius Atsalis and other sponsors.

55. See "Women, Low-Wage Workers and the Unemployment Compensation System" at 16 (suggesting that state laws afford sufficient flexibility to accommodate workers with multiple employment situations).

56. Advisory Council on Unemployment Compensation, "Benefits, Financing, Coverage" (1995) at 188 (but noting that research is not able to control for self-selection effects).

57. Commonwealth of Massachusetts Blue Ribbon Commission on Older Workers, Older Workers: An Essential Resource for Massachusetts, Boston, MA, April, 2000 at 52. In 2002, the participation rate dropped even further to 1.075%. See, Senate Post Audit Committee Report, n. 10 above, at n. 30.

58. These limitations are addressed in pending Massachusetts legislation, An Act Protecting the Unemployment Insurance Safety Net, sections 10 and 11.