

MAINE STATE LEGISLATURE

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Interim Report
Unemployment Insurance Reciprocity Study

Transmitted to:

Joint Standing Committee on Labor

By:

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Maine Department of Labor

February, 2010

As Required by Title 26, Chapter 13

Interim Report
Unemployment Insurance Reciprocity Study
Maine Department of Labor

Legislative Charge: The Commissioner of Labor shall review the unemployment insurance program established under the Maine Revised Statutes, Title 26, chapter 13 to determine factors that contribute to the State's low reciprocity rate relative to other states as determined by the United States Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services. For purposes of this section, "reciprocity rate" means the number of insured unemployed persons in regular unemployment insurance programs as a percent of the total unemployed persons. The commissioner shall report findings, including any recommendations to improve the unemployment insurance reciprocity rate, to the Joint Standing Committee on Labor by February 19, 2010 (Extension granted from original date of January 15, 2010). The Joint Standing Committee on Labor is authorized to introduce any legislation in response to this report to the Second Regular Session of the 124th Legislature.

Summary: The Maine Department of Labor, Center for Workforce Research and Information has been charged to investigate questions raised about Maine's reciprocity rate. A review of available data indicated Maine reciprocity rates had been at or above the rate for the U.S. overall between 1990 and 2002. However, beginning in 2003, Maine reciprocity rates fell below the U.S. rate (Chart 1) despite innovative policy changes having been made between 1995 and 2004 that broadened unemployment insurance coverage. Policy innovations such as the provision of coverage for part time workers (2004) and the adoption of alternate wage base (1995) have not yielded increases in Maine reciprocity rates as would normally be expected. The most recent report from the U.S. Department of Labor, Employment and Training Administration covering a 12 month period ending September 2009 reports a reciprocity rate for Maine of 38%, ranking Maine 33rd lowest among the 50 states. Based upon these results, the Maine Department of Labor has engaged the services of the foremost research expert on unemployment insurance issues (including reciprocity) in the United States to examine Maine's data in greater depth. Furthermore, we have agreed to consult Maine workers directly through focus group and listening sessions to learn more directly about their knowledge of and access to Maine's unemployment insurance system.

Preliminary Findings and Further Research: In our preliminary work, we were able to identify potentially relevant information around three primary drivers of reciprocity including:

- general participation in unemployment insurance programs;
- monetary eligibility for unemployment;
- eligibility on non monetary factors

However in looking at the information identified, we concluded that more in depth research is required to determine whether these are truly factors affecting the pattern of reciprocity being experienced in Maine.

General participation in unemployment insurance programs: A key to increased reciprocity rates is to have the number of unemployed who qualify for the program grow at a faster rate than the total number of estimated unemployed, a phenomena that typically occurs during an economic downturn. Preliminary findings indicate that at least for the last three quarters of 2009, job losers have represented 48% of the total number of estimated unemployed while new entrants, reentrants and job leavers made up the balance. Job leavers typically do not qualify for unemployment insurance benefits. When we examine the ratio of job losers to regular unemployment insurance beneficiaries, we calculate that 84 % of job losers qualify as recipients, a result more consistent with Maine's unemployment insurance laws and regulations. This suggests that further research is required to examine labor force entrants and re-entrants and eligibility for unemployment insurance.

There are additional workforce and labor market challenges that can affect reciprocity. For example, the option for employer-initiated claim filings in the event of layoffs or business downsizing events, has generally been associated with higher reciprocity rates. Maine does currently not use this option although Maine does use a variation of it on a limited basis during temporary, 2 to 3 week business shutdowns. Another challenge the changing industrial and employer composition underway in Maine. Large, unionized manufacturing employers that once laid off large waves of worker at one time and then recalled these workers as the economy improved now make up a much smaller part of Maine' economy and workforce. In the past, scale and unionization ensured that more laid off workers would likely apply for and collect unemployment insurance. There is also some speculation that younger workers in unorganized industries may be less aware of their rights to unemployment insurance benefits. These factors along with other participation issues need further study to determine their possible role in reducing reciprocity in Maine.

Monetary Eligibility for unemployment: A basic requirement for receiving unemployment insurance benefits in all states is that a worker must have earned a certain level of wages during his or her recent work history to be eligible to receive unemployment benefits. The amount of earnings needed varies from state to state. Since 1980, a worker in Maine needed to have earned two times the state's average weekly wage in two quarters and six times the average weekly wage in the individual's base period (the first 4 of the past 5 completed calendar quarters prior to filing a claim for unemployment insurance benefits) to be determined monetarily eligible to collect benefits. Using this definition, for the calendar year 2008, 80.2% of Maine workers meet the minimum qualifying requirements under the regular base period or the alternate base period (the most recent 4 completed calendar quarters) provision. Our analysis shows that for those Maine workers who filed for unemployment insurance benefits, they have equaled or exceeded the U.S. rate for monetary eligibility (see Chart 2) at or above 90% for the period 2004

to 2009. However, Maine also has one of the highest minimum qualifying standards when we look at the minimum base period qualifying wages in relation to the state average weekly wage.

Eligibility Non Monetary Factors: Another key driver for reciprocity rates is the disposition of non monetary determinations. These are administrative rules applied to separation and non separation issues reported by claimants that determine whether or not an individual will be eligible to receive benefits. We have compiled quantitative information on these issues that includes denial rates and a breakdown of denials by law section. The purpose of further analysis needed in this area is to examine if the Maine unemployment insurance system applies stricter standards for receiving benefits over those states with higher reciprocity rates. (We are waiting for data the U.S. Department of Labor in order to make these comparisons)

Continued Research and Analysis: Our initial analysis of the reciprocity issue has illuminated certain contradictions between our policy initiatives designed to expand reciprocity and actual reciprocity results over time ~~results~~. To ensure that we investigate these issues more deeply, we have engaged the services of Dr. Wayne Vroman, a nationally recognized expert on the unemployment insurance system. Dr. Vroman will work closely with the staff from the Maine Department of Labor over the several months to more intensively investigate causes and issues impacting reciprocity rates in Maine. We have also committed to conducting a series of focus groups and listening sessions with Maine workers to investigate awareness of and challenges associated with accessing the unemployment insurance system in Maine. We expect to bring our findings from these efforts to Maine Legislature in the second half of 2010.

Chart 1
Reciprocity Rates for Maine and US, 1990 - 2009

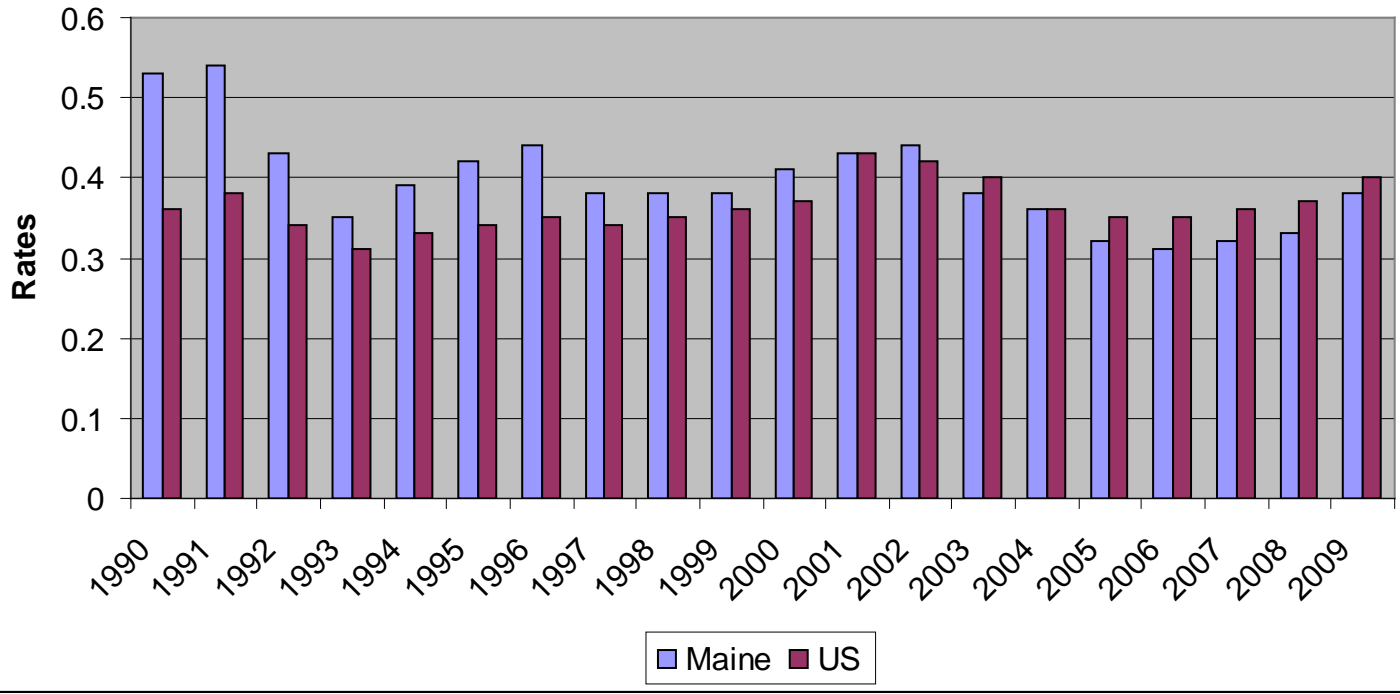


Table 1
 Reciprocity Rates by State for Regular Unemployment Insurance Program
 and All Unemployment Insurance Programs for the 12-Months Ending September 2009

State	Regular Program		All Programs	
	Reciprocity Rate	Rank	Reciprocity Rate	Rank
Alabama	37	36	51	36
Alaska	47	14	63	16
Arizona	37	36	52	34
Arkansas	61	3	76	6
California	37	36	54	31
Colorado	33	46	48	44
Connecticut	54	7	78	4
Delaware	48	12	62	19
District of Columbia	21	52	27	52
Florida	32	47	48	44
Georgia	34	44	46	46
Hawaii	46	16	59	23
Idaho	60	4	77	5
Illinois	45	21	64	14
Indiana	43	26	64	14
Iowa	55	6	70	10
Kansas	46	16	60	22
Kentucky	37	36	51	36
Louisiana	36	40	44	47
Maine	38	33	51	36
Maryland	41	30	56	28
Massachusetts	52	10	76	6
Michigan	42	28	62	19
Minnesota	45	21	61	21
Mississippi	36	40	49	41
Missouri	38	33	49	41
Montana	59	5	75	8
Nebraska	41	30	56	28
Nevada	46	16	68	12
New Hampshire	47	14	57	25
New Jersey	53	8	86	1
New Mexico	46	16	72	9
New York	44	24	66	13
North Carolina	42	28	63	16
North Dakota	43	26	50	40
Ohio	39	32	54	31
Oklahoma	36	40	44	47
Oregon	50	11	70	10
Pennsylvania	64	1	86	1
Puerto Rico	30	49	49	41
Rhode Island	35	43	53	33
South Carolina	38	33	52	34
South Dakota	26	51	29	51
Tennessee	34	44	51	36
Texas	29	50	40	50
Utah	46	16	56	28
Vermont	53	8	63	16
Virgin Islands	NA	53	NA	53
Virginia	31	48	41	49
Washington	44	24	58	24
West Virginia	45	21	57	25
Wisconsin	62	2	83	3
Wyoming	48	12	57	25
United States	42	--	59	--

Note: Reciprocity rates are calculated as a percentage of the average weekly number of claims filed for claimants living in a state (does not include those that are living in another state but are filing against an employer in that state) divided by the average monthly total unemployed for that state over the 12-month period.

Source: UI Data Summary, US DOL\OWS\DFAS