

# MAINE STATE LEGISLATURE

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**Interim Joint Committee**

**REPORT**

**To**

**THE ONE HUNDRED AND FIRST  
LEGISLATURE**

**State of Maine**



**STUDY OF THE EMPLOYMENT SECURITY LAW**

**JANUARY 1963**

LEGISLATIVE ORDER

May 10, 1961

ORDERED, The House concurring, that there be created an interim joint committee to consist of 6 members of the Advisory Council of the Maine Employment Security Commission, appointed by the Employment Security Commissioners (2 representing labor, 2 representing management and 2 representing the public), 2 Senators appointed by the President of the Senate and 2 Representatives appointed by the Speaker of the House to study the Employment Security Law and to report to the 101st Legislature such changes and amendments as may be necessary or desirable to revise and consolidate such law, so as to make such law more readily understandable, workable and useful to the persons affected thereby; and be it further

ORDERED, that there is appropriated to the Committee from the Legislative Appropriation the sum of \$1,000 for expenses of the legislative members to carry out the purposes of this order.

SP 551

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SENATE AMENDMENT "A" to S. P. 551, Joint Order, Relative to Interim Joint Committee Study of Employment Security.

Amend said Order by striking out in the 6th and 7th lines the figure and word "2 Representatives" and inserting in place thereof the figure and word '3 Representatives'

NAME: (Mayo)

COUNTY: Sagadahoc

In Senate: May 10—READ AND PASSED.

“ “ June 5—PASSAGE RECONSIDERED; Senate Amendment  
“A” ADOPTED: PASSED, As Amended.

In House: June 6—RECEDED AND CONCURRED.

## THE INTERIM JOINT COMMITTEE

Pursuant to the foregoing order:

The President of the Senate appointed on the part of the Senate:

The Senator from Aroostook: Senator E. Perrin Edmunds of Fort  
Fairfield.

The Senator from Sagadahoc: Senator Howard W. Mayo of Bath.

The Speaker of the House appointed on the part of the House:

Representative Irving D. Fogg of Madison, Minority Floor Leader.

Representative Bernard B. Estey of Portland.

Representative Peter A. Thaanum of Winthrop.

The Employment Security Commissioners appointed on the part of its Ad-  
visory Council:

Management Representative Mr. Roderick Farnham of Bangor.

Management Representative Mr. Roy Hussey of Augusta.

Labor Representative Mr. Denis Blais of Lewiston.

Labor Representative Mr. Benjamin Dorsky of Bangor.

Public Representative Dr. Robert Pullen of Colby College,  
Waterville.

Public Representative Mr. Raymond S. Finley of Skowhegan.

## THE COMMITTEE REPORT

It is well settled in this country and abroad that unemployment insurance benefits are not, in any sense of the word, "poor relief assistance" but are, in fact, similar to what is customarily known in the insurance field as "term insurance" with its various standards of eligibility, its risks of the future, its adequacy of protection, etc. In unemployment insurance, the employee is the beneficiary and the employer is the contributing premium payer. If the employee can meet the eligibility provisions of the law and is not subject to disqualification under the law, then he is entitled to benefits as a matter of right regardless of his financial status. Therefore, it is an underlying principle under this type of insurance that to qualify for benefits, the applicant must first satisfy the law that he has an adequate work record immediately prior to his application for benefits to lend to the conclusion that he is presently genuinely in the labor market and suffering from enforced wage loss for reasons beyond his control, the very purpose for which this sort of insurance is provided. Further, he must have a conscientious urge to return to suitable employment, be able to work and available for work to again lend to the conclusion that his present unemployment is not of his own choosing but rather is the result of there being no suitable work opportunity presently available to him in his particular labor market area due to existing hiring conditions, namely, few job openings and an over-supply of unemployed applicants. These underlying principles are extremely important in the administration of unemployment insurance laws, as they offer the first clues that the applicant is genuinely in the labor market and initially a proper candidate for this type of insurance.

The purpose of the disqualification provisions of the law is to withhold the payment of benefits from certain applicants for a specified period of time when it is found, in truth and in fact, that the cause of the applicant's existing unemployment, to use a rather homely phrase, "Lies on his own doorstep"; that is, if he had acted in such manner as might reasonably be expected of the ordinary, average prudent worker, he would not now be presently unemployed and seeking unemployment insurance protection.

In its early deliberations the Committee came to the conclusion that time did not make it possible for a detailed study of all of the Act, and it was agreed that the Committee's efforts would be directed at the three most important and controversial sections of the Act, namely, (1) benefits, (2) financing, and (3) disqualifications. Expert advice was sought and obtained from outside sources, both private and public, and the Employment Security

Acts of other states were studied. Much valuable help was furnished by the Maine Commission and its staff. Exhaustive studies were made by the Commission for your Committee. It was then decided that the Committee would be split into three subcommittees and each group was assigned one of the main topics.

Appointed to each of these three subcommittees was a member of the 100th Legislature, a committee representative of management, a committee representative of labor and a committee representative of the public at large. The chairman of the general committee acted as an ex officio member of all three subcommittees. These three subcommittees pursued and studied not only the present law but all available printed material supplied by the Employment Security Commission dealing with the comparison of state unemployment insurance laws and unemployment insurance legislative policy, material furnished to all the states by the Bureau of Employment Security, Washington, D. C.

The subcommittee appointed to study the benefit formula discovered at the outset that the formula now used in Maine, the "annual wage" formula so-called, was the type now being used in approximately 14% (7 states) of the fifty states including Maine, whereas a different and perhaps more up-to-date formula, the "high quarter" formula so-called, was the type now being used in approximately 78% (39 states) of the fifty states. This situation, of itself, made the subcommittee aware that the present Maine formula was not the one in common use in the majority of the states and needed its closest attention.

In the interest of having a new benefit formula which would have a minimal effect on the present beneficiaries here in Maine, the subcommittee drafted three proposed new benefit formulae and later, with the cooperation of the Employment Security Commission, arranged for a study to be made by the experts in its Economic Analysis and Research Division in order to provide cost and related data to aid in the subcommittee's evaluation of the present formula and the three proposed formulae. The Commission and its aforementioned division later submitted its report to the subcommittee and to the other members of the general committee. This report, although highly technical because it deals with a very complicated subject, points to no serious impact on the present beneficiaries under the existing provisions of the law if the formula proposed in the report is made part of the law. At this point, the Committee wishes to express its thanks and deep appreciation to the Commission and its Economic Analysis and Research Division for an

excellent job well done, notwithstanding the limited time that was available for the making of such a detailed and important report for the Committee's use.

On the basis of the foregoing, this subcommittee subsequently reported to the general Committee its recommendation that the present benefit formula provided in the Employment Security Law be changed and replaced with a more up-to-date formula and presented with this recommendation a draft of a proposed new formula, similar to that now being used in the law of the majority of the states. The general Committee then, after much discussion and making a few minor changes here and there in the proposed new formula, ultimately placed its stamp of approval on this change and respectfully submits this formula with its recommendation for adoption to the honorable members of the 101st Legislature.

In brief, this formula commonly known as the "high quarter" formula will tend to increase the average weekly benefit amount. It also provides for an increase in the maximum weekly benefit to approximately \$40.00 a week. This maximum may vary from year to year as it is tied into the average weekly wage in covered employment in the State. For very low wage earners the minimum will be raised by \$1.00 to \$10.00 per week. Heretofore all claimants were eligible for 26 weeks of benefits even though in some cases they had not been employed more than three or four weeks. Weeks of duration under the proposed formula will be on a flexible basis and will depend entirely on the claimant's gross earnings, which in turn, will reflect directly on the number of weeks he has worked. For those partially employed, a new formula is proposed which your Committee feels adds a greater incentive for unemployed people, or those partially employed, to earn all they possibly can. In reference to either partial or total benefits, no formula can be devised that will please everyone.

The subcommittee appointed to explore and study the financial status of the Maine Unemployment Compensation Fund, naturally, had to work very closely with the subcommittee appointed to explore and study the benefit formula now provided in the Maine Law because of the close relationship of the one subject matter to the other. It was the consensus of the Committee that if the proposed new formula is enacted into law, future applicants for unemployment insurance benefits would show a much more satisfactory attachment to the labor force and, under such circumstances, this should contribute to the stability of the unemployment compensation fund in the years to come.

As to financing, your Committee was seriously concerned with the impact any major tax rate change would have on Maine industry. We believe we arrived at a logical solution in that

(1) We eliminated one of the merit rating classifications so employer rates would not be further reduced until the fund balance reached \$30 millions. Without this change it would be possible for income to be reduced, starting in July 1964, and this reduction, in our opinion, would jeopardize the safety of the fund.

(2) The addition of a new rate of 3.7% for employers with a negative balance will add to the fund and legally permit these employers to pay their fair share of the costs. A negative fund balance simply means that benefits paid to a company's employees have exceeded that company's contributions to the fund. No Maine employer expects other employers to subsidize him.

The subcommittee appointed to explore and study the present eligibility and disqualification provisions in the Maine Law held many meetings in connection with this very technical and controversial part of the Law and discovered that there is a wide variance in similar provisions in other state laws.

Various individual points of view were very freely and thoroughly discussed at these meetings. However, it was the consensus of the Committee that the eligibility requirements are designed to demonstrate, over and beyond the benefit formula requirement, that an applicant is genuinely in the labor market and ready, willing and prepared to accept work for which he is qualified by training and experience; that he is available for work, and is available for work of a kind which he has some expectancy of obtaining; and that an applicant does not satisfy the eligibility requirements by being available for work for which there is little demand or being available only on a part-time basis.

As to the disqualification provisions, here again there was a sizeable amount of difference of opinion in the other state laws. However, in this area it was the consensus of the Committee that if the present benefit formula was replaced by the proposed new benefit formula as recommended, then and in that event, the present disqualification provisions in the law could be modified in favor of the beneficiaries and retain in some degree the re-qualifying wage provision.



The recommended changes in the disqualification provisions simply make it easier to requalify following a disqualification. You must keep in mind that there are no disqualifications, nor have there ever been any, for the employee who lost his job through no fault of his own. These corrections pertaining to disqualifications will make it possible to requalify without new earnings and will provide proper safeguards to prevent abuses. Your Committee recognizes that during major recessions and in certain seasons it is very difficult to obtain new work.

The adoption of the Committee's recommendation to amend the law with respect to the duties of the Commission's Advisory Council, thereby broadening its scope with relation to its responsibility to future Legislatures, will provide a continuing committee charged with the responsibility of keeping in close touch with this situation and the carrying on, year by year, of the work of this Interim Joint Committee.

In conclusion, unemployment insurance laws in all the states are highly technical and specific information is essential to an understanding of how the employment security program in a state can make its maximum contribution to individual and family security as well as to the stability of business and of the economy in general. For this reason, the Committee, after reaching its final decisions, worked closely with the Commission's attorneys and its Director of Unemployment Compensation to the end that its recommendations to the 101st Legislature could be properly incorporated into the present Employment Security Law in proper form. This assistance was invaluable to the Committee and we wish to add our thanks and deep appreciation to these gentlemen for their expert assistance in helping the Committee to round out its humble service to the unemployment insurance program here in Maine.

To the honorable members of the 101st Legislature, we present the results of our efforts in the form of a Legislative Document which is made a part of this report, and respectfully recommend its adoption.

RESPECTFULLY SUBMITTED.

INTERIM JOINT COMMITTEE  
ON  
EMPLOYMENT SECURITY LAW

For the Legislature,  
on the part of the Senate:

ABSTAINS

Senator E. Perrin Edmunds

Senator Howard W. Mayo  
Senator Howard W. Mayo

On the part of the House:

Representative Irving D. Rogg  
Representative Irving D. Rogg

Representative Bernard B. Estey  
Representative Bernard B. Estey

Representative Peter A. Thaanum, Chr.  
Representative Peter A. Thaanum, Chr.

For the Advisory Council,  
Employment Security Commission:  
Management Representative

Roderick E. Farnham  
Roderick E. Farnham

Management Representative

Leroy F. Hussey  
Leroy F. Hussey

Labor Representative

Denis Blais  
Denis Blais

Labor Representative

Benjamin J. Dorsky  
Benjamin J. Dorsky

Public Representative

Dr. Robert W. Pullen  
Dr. Robert W. Pullen

Public Representative

Raymond S. Finley  
Raymond S. Finley

State of Maine  
Senate Chamber  
Augusta

January 15, 1963

Mr. Peter Thaanum, Chairman  
Interim Study Committee  
State House

Augusta, Maine

Dear Mr. Chairman:

It is with reluctance that I feel I must abstain from voting on the report from the Interim Study Committee concerning the Employment Security Laws in the State of Maine. However, I feel the only other course open to me would be to bring out a minority report which I do not feel I am either sufficiently qualified or sufficiently certain in my thinking to do.

As you know, my record of attendance at sessions of the Committee has been sporadic. During 1962 I spent in excess of 70 days traveling to Washington, D. C., New York City, N. Y., Atlanta, Georgia, and Denver, Colorado, in connection with national potato programs. It is readily apparent that this task, together with pressure of personal business, has precluded my regular attendance at your sessions. Nevertheless, I have attended several sessions of the Committee and I feel I have developed a reasonable understanding of the intent of the Committee proposals. You will note I say a "reasonable understanding"; for this reason I do not feel I am competent to judge as to the validity of the Committee recommendations either positively or negatively.

To my way of thinking, the Committee's proposal will constitute a very sweeping revision of the Employment Security Laws of the State of Maine. The so-called Estey bill, passed by the 100th Legislature, represented a major revision of the Employment Security Laws. However, it has been stated, and is probably true, that certain inequities were created. It is my thinking that specific legislation designed to correct any reported inequities in the Estey bill should be introduced and adopted by the 101st Legislature, without revising the overall concept of the Act. I would support such legislation wholeheartedly, but there is substantial question in my mind as to whether I can support an entirely new concept in this very important field.

As a further justification for my abstention, may I point out that I am continuing to serve in the Legislature and will be a part of the leadership

team. For this reason, I do not feel I should be publicly committed either for or against legislation that is in the offing prior to its consideration by the appropriate legislative committee and both branches of the Legislature.

In closing, may I say that your Committee and yourself as Chairman are to be congratulated for the serious and dedicated attempt to discharge the responsibility devolving upon you as a result of the action of the 100th Legislature in creating the Interim Study Group. I am, indeed, sorry that I cannot agree with the Committee's findings so that it would be possible to bring out a unanimous report.

Very truly yours,

A handwritten signature in cursive script, reading "E Perrin Edmunds". The signature is written in black ink and is positioned above the printed name.

Senator E. Perrin Edmunds

EPR/elf