

MAINE STATE LEGISLATURE

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Report on the Department of Labor's Analysis
of the
Maine Unemployment Compensation Reciprocity Rate

Background: Public Law 2021 Chapter 456 Section 39

Sec. 39. Analysis of unemployment insurance reciprocity rate. The Department of Labor, Bureau of Unemployment Compensation shall complete an analysis of the State's unemployment insurance reciprocity rate to investigate the factors that contribute to the State's low reciprocity rate and make recommendations for improvement. For purposes of this section, "reciprocity rate" has the same meaning as in the Maine Revised Statutes, Title 26, section 1190, subsection 2, paragraph C-1. In conducting this analysis, the bureau may use any reliable data or research available to the bureau or conduct additional research within available resources.

1. The analysis must consider:

A. The State's unemployment insurance reciprocity rate as determined by the United States Department of Labor, Employment and Training Administration for the most recently completed 20 calendar years,

B. The State's unemployment insurance reciprocity rate relative to the average of other New England states' reciprocity rates,

C. An evaluation of the factors contributing to the State's low reciprocity rate based on the consensus of national research or any available data for the State, including consideration of monetary and nonmonetary eligibility factors and lack of awareness of potential eligibility for unemployment insurance benefits,

D. To the extent available from state or national research or data, the demographics, including gender, age, race, ethnicity, income and urban or rural geographic representation of unemployed individuals who do not file for unemployment benefits, and

E. The adequacy of unemployment benefits to replace wages for wage earners at different income levels.

2. The bureau shall issue a report with its recommendations, including any suggested legislation, to the Joint Standing Committee on Labor and Housing by February 1, 2022. Recommendations must include, but are not limited to:

- A. Administrative or legislative initiatives to increase awareness of and application rates for unemployment benefits,
- B. Changes in monetary and nonmonetary eligibility for unemployment benefits needed to increase the State's reciprocity rate,
- C. A benchmark for the State's reciprocity rate based on the experience of other New England states, and
- D. Any increase in staff capacity needed to comply with the core performance measures established by the United States Department of Labor related to unemployment insurance benefit promptness and accuracy and the timeliness of appeal determinations.

The Joint Standing Committee on Labor and Housing is authorized to introduce legislation in response to this report to the Second Regular Session of the 130th Legislature.

What is the “Reciprocity Rate” and how is it calculated?

The reciprocity rate of unemployment compensation quantifies the extent to which benefits are provided to those who are covered by the program. It is calculated on a quarterly basis by dividing the number of people receiving unemployment benefits by the number of total unemployed individuals. The number of people receiving benefits is tracked through Maine’s unemployment system, ReEmployME. The number of total unemployed individuals is derived from the Local Area Unemployment Statistics, produced by Maine’s Center for Workforce Research and Information in collaboration with the U.S. Bureau of Labor Statistics.

Maine’s reciprocity rate and comparison to New England states & national average

The chart below shows the Maine, national, and other New England States’ reciprocity rates from 2000 to 2020. Maine's rate largely follows the national trend. Most, but not all, years are slightly higher than the national average. In 12 of the years, Maine’s rate was higher than the national average, while nine were lower or at the same level. Overall, Maine’s reciprocity is reflective of the national average. For 2019, Maine had the 25th highest reciprocity rate.

Reciprocity Rates: National Average, Maine, and other New England States from 2000 - 2020

	US Average	Maine	Connecticut	Massachusetts	New Hampshire	Rhode Island	Vermont
2020	0.78	1.1	0.99	0.96	0.66	0.79	1.3
2019	0.28	0.29	0.47	0.50	0.16	0.41	0.45
2018	0.27	0.26	0.47	0.48	0.18	0.39	0.41
2017	0.27	0.27	0.45	0.48	0.18	0.36	0.40

2016	0.27	0.29	0.42	0.47	0.21	0.33	0.43
2015	0.27	0.30	0.38	0.42	0.20	0.31	0.40
2014	0.26	0.29	0.38	0.40	0.24	0.27	0.40
2013	0.25	0.28	0.34	0.37	0.23	0.24	0.40
2012	0.26	0.29	0.35	0.41	0.27	0.26	0.40
2011	0.26	0.29	0.33	0.39	0.30	0.26	0.41
2010	0.30	0.31	0.37	0.41	0.40	0.27	0.45
2009	0.40	0.36	0.53	0.51	0.49	0.34	0.58
2008	0.36	0.34	0.45	0.52	0.37	0.37	0.49
2007	0.36	0.32	0.47	0.53	0.29	0.46	0.47
2006	0.35	0.30	0.48	0.49	0.27	0.40	0.49
2005	0.34	0.31	0.46	0.51	0.25	0.43	0.51
2004	0.36	0.36	0.48	0.53	0.27	0.46	0.51
2003	0.40	0.37	0.55	0.55	0.30	0.46	0.55
2002	0.42	0.43	0.66	0.65	0.32	0.52	0.62
2001	0.43	0.43	0.76	0.70	0.27	0.58	0.53
2000	0.36	0.39	0.76	0.64	0.17	0.56	0.51

Discussion of factors contributing to reciprocity decline

Prior to 2020 in which unemployment reciprocity rates sharply increased in Maine and nationally, reciprocity rates had been steadily declining. The decline in Maine’s reciprocity rate is due in part by changes to the structure of Maine’s labor market. Since 1990, employment growth has been concentrated in the service providing sectors including health care and social assistance, educational services, leisure and hospitality and professional and technical services. Over the same period, employment has decreased in the goods producing sectors of the labor market including manufacturing. In the goods producing sectors, unions have tended to play a more prominent role in providing education and awareness about unemployment insurance. Continuing this education and awareness across sectors will be an important tool in increasing reciprocity rates. Indeed, the sharp increase in unemployment reciprocity rate during the 2020 COVID-19 pandemic can be traced directly to the widespread information campaign about the availability of unemployment insurance benefit programs (both existing and new temporary federal programs), to address the unprecedented unemployment and public need for assistance resulting from the pandemic emergency.

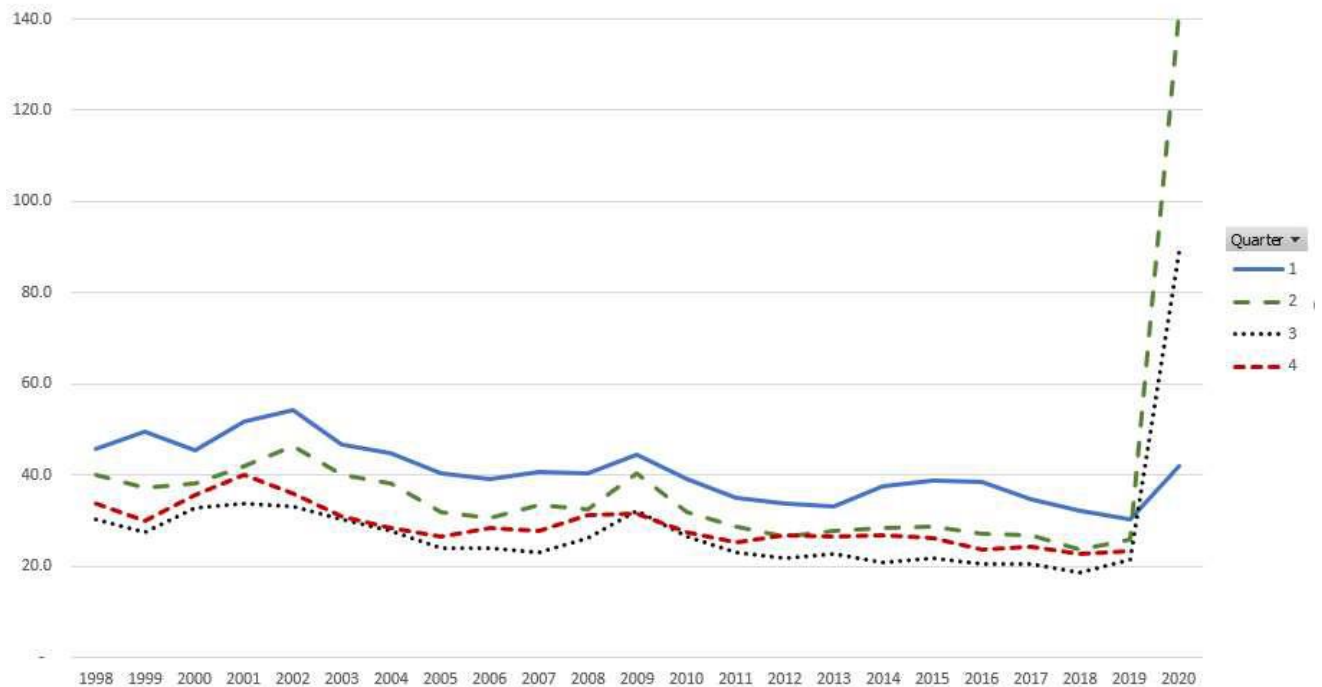
Narrowly scripted laws have often been cited in reciprocity studies as contributing to a decline in reciprocity but in Maine, the decline in reciprocity rate is in direct contrast to Maine’s relatively progressive unemployment law. Maine has expanded coverage to allow more people to access benefits. State law provides coverage to people who choose to leave their job with

good cause. This can be because of illness or disability that cannot be accommodated by their current employer; to join their spouse who is required to move; or, to leave a domestic violence situation (involving the claimant or an immediate family member). Most recently, Maine law expanded the voluntary quit provisions to include certain situations involving unexpected loss of childcare or eldercare. It should be noted that while these exceptions do not disqualify benefit eligibility, an individual cannot collect benefits until the issue has been resolved and they are once again able and available to work, seek and accept work.

Maine also has an alternate base period, provides coverage for part-time workers, and has a relatively low monetary eligibility requirement. Additionally, Maine law includes a dislocated worker benefit program that allows individuals in declining industries to collect additional unemployment benefits beyond the regular state program, when in approved training to reskill for new occupations. Maine law also requires that employers provide each separating employee with a copy of the Unemployment Insurance workplace poster which explains what unemployment insurance is, how to apply and how to contact the Department of Labor for more information on benefit eligibility and how to access benefits.

Reciency rates in Maine fluctuate with seasonal changes in jobs. The winter months have the highest rate of unemployment as the weather prohibits work in many outdoor occupations, and as the holiday-hired workforce is released. Construction, landscape and nurseries, tourism, and retail industries have regularly occurring reductions during the winter months. The individuals laid off from jobs in these industries are more apt to be familiar with the unemployment program because of layoffs in previous years or to hear about the benefits from coworkers. Because of this, the January to March quarter typically has a higher reciency rate than the rest of the year. Conversely, the 3rd quarter covering July to September typically has the lowest level of unemployment. People who lose their job during this time are more apt to be people who have less familiarity with the unemployment program. The following graph shows this quarterly trend holding true each year. The only exception is calendar year 2020, in which the COVID-19 pandemic resulted in a dramatic increase in claims and reciency in the 2nd quarter covering the April to June quarter.

Maine Reciprocity Rates by Year and Quarter



Adequacy of unemployment benefits as a wage replacement

The adequacy of a state's unemployment benefits as a wage replacement is often raised as a potential factor affecting unemployment reciprocity. Benefit adequacy con, commonly measured as the replacement of wages, was developed soon after the program began in 1935. A longstanding principle holds that a state's weekly benefit amount should replace at least one-half of a worker's prior weekly wage for a six-month period, with a maximum weekly benefit amount equal to at least two-thirds of a state's average weekly wage.

Maine's weekly benefit amount is based on the wages paid to the individual during a recent period prior to becoming unemployed called their 'base period'. The base period is the first 4 of the last 5 completed calendar quarters prior to filing their initial claim. If someone does not have enough earnings during the base period to meet eligibility, Maine law provides for an 'alternate base period' that uses wages received during the most recent 4 completed calendar quarters prior to filing the initial claim. The monetary earnings requirements are tied to what is happening with average wages in Maine and change once a year on June 1st. For initial claims filed on or after June 1, 2021 through May 31, 2022; a person must have earned a minimum of \$1,968.00 in each of 2 quarters and a total of \$5,904.00 during the base period to meet monetary eligibility to receive benefits. The calculation for a person's weekly benefit amount is designed to replace 59% of average of the individual's high quarter earnings up to the

maximum weekly benefit amount. Weekly benefits for the current period range from a minimum of \$89.00 to a maximum of \$511.00. The current average weekly benefit amount (WBA) as of December 2021 was \$353.36. Since weekly benefit amounts max at \$511.00, the degree to which weekly benefits replace a person’s wages will max at 59% and start to lessen the higher a person’s earnings are prior to becoming unemployed.

The following chart depicts the percentage of wage replacement Maine weekly benefit amounts equal based on various prior hourly wages:

Hourly Wage	Hours Per Week	Weekly Wage	Quarterly Wage	Annual Wage	WBA	Replacement Rate
\$ 12.75	40	\$ 510.00	\$ 6,630.00	\$26,520.00	\$301	59%
\$ 15.00	40	\$ 600.00	\$ 7,800.00	\$31,200.00	\$354	59%
\$ 18.00	40	\$ 720.00	\$ 9,360.00	\$37,440.00	\$425	59%
\$ 21.62	40	\$ 864.80	\$ 11,242.40	\$44,969.60	\$511	59%
\$ 21.84	40	\$ 873.60	\$ 11,356.80	\$45,427.20	\$511	58%
\$ 25.00	40	\$ 1,000.00	\$ 13,000.00	\$52,000.00	\$511	51%
\$ 30.00	40	\$ 1,200.00	\$ 15,600.00	\$62,400.00	\$511	43%
\$ 35.00	40	\$ 1,400.00	\$ 18,200.00	\$72,800.00	\$511	37%
\$ 40.00	40	\$ 1,600.00	\$ 20,800.00	\$83,200.00	\$511	32%
\$ 45.00	40	\$ 1,800.00	\$ 23,400.00	\$93,600.00	\$511	28%

Reciprocity Demographics

The Department has demographic characteristics of individuals that apply for unemployment benefits, but it is very difficult to try and define the characteristics of individuals who do not apply or even to identify who they might be in order to survey them. The U.S. Bureau of Labor Statistics released a report that included data from a supplement to the 2018 Current Population Survey that surveyed approximately 60,000 households. The supplement asked specific questions of unemployed people pertaining to whether they had applied for unemployment benefits. Some data highlights from the 2018 supplement indicated the following:

- 74% of unemployed people who worked in the previous year had not applied for unemployment benefits since their last job,
- 59% of individuals that had not applied cited the following reasons for not applying:
 - they believed they were ineligible because
 - their work was not covered by UI
 - they quit their job
 - were let go for misconduct

- they had insufficient work history, or
 - they had previously exhausted their benefits.
- 12% did not apply because they:
 - had attitudes about or barriers to applying for benefits (i.e. did not need it or did not want the hassle)
 - had a negative attitude about unemployment
 - did not know how to apply
 - or had problems with the application process
- Others indicated reasons such as they expected to start work soon, personal reasons or they planned to file soon.

While more of the supplement provided characteristics of those who had filed for benefits than those who had not, the report did indicate that more than half (54%) of people marginally attached to the labor force had not applied for benefits as they believed they were ineligible.

More information from the report can be found at the Bureau of Labor Statistics, U.S.

Department of Labor, *The Economics Daily*, Most unemployed people in 2018 did not apply for unemployment insurance benefits at <https://www.bls.gov/opub/ted/2019/most-unemployed-people-in-2018-did-not-apply-for-unemployment-insurance-benefits.htm>.

Improving Recipiency

Although the recipiency rate is in keeping with the national average, the Department is taking steps to increase the program usage amongst eligible individuals. Actions include a combination of education, public outreach, and process simplification.

The Department has implemented changes to its website to make information easier to understand and to ReEmployME to simplify filing a claim. The unemployment website (www.maine.gov/unemployment) has been updated with a more modern presentation and to be more mobile-friendly. Information is organized with a more natural flow and short videos have been added on key topics. The public interface of the ReEmployME system is being updated using a human-centered design approach. Claimants were invited to view prototypes of new claims screens and to provide feedback on the layout and function of the screens. A revised online weekly claim application using claimant input and testing was implemented in February 2021 and additional application revisions are planned or underway including:

- Integrated Chatbot (text & voice including multiple languages) – being implemented in the website in 3 phases. Phase 1 in English starting with expanded FAQs, claim status and password reset assistance. It will incorporate a ‘self-learning’ key word search that

will continually expand to adapt to a broader array of search words used. This is expected to go live in March 2022. Phase 2 will expand the functionality to begin adopting additional languages and Voicebot technology and include Appeal information as well. Phase 3 will integrate the Voicebot with the claim service 1-800 phone line.

- Web Responsive Design – which will make all applications and online forms automatically size to device used i.e. smart phone, tablet, laptop, or PC. Work is in progress now.
- User Experience Reimagined – continuation of re-engineering of all customer facing online services using human-centered design. The goal is to make services and requirements easier to understand and the applications simpler to navigate regardless of the individual’s familiarity with technology. This is extensive work that will take more than a year to complete but it is already underway, and improvements will roll out along the way as completed.
- Instructional/informational videos – additional short videos to help the visual learner understand unemployment procedures, requirements, processes – benefits and unemployment tax, initially in English but will incorporate multiple languages over time.
- Establishing a secure portal for non-citizens to easily upload any required work authorization documents needed to determine benefit eligibility and reduce benefit delays. This is in development.
- System Efficiencies – microservices, expanded use of Robotic Process Automation, increased use of data analytics and program dashboards to improve the efficiency and efficacy of program administration.

The Department believes that awareness is the greatest barrier between the program and eligible individuals. This was supported by the U.S. Bureau of Labor Statistics report referenced earlier that found 74% of people surveyed who lost their job in 2018 had not applied for unemployment insurance benefits. Of the unemployed who had not applied, 3 out of 5 did not apply because they did not believe they were eligible to receive benefits. Eligibility issues include: their work was not covered by unemployment insurance, they quit their job, they were terminated for misconduct, they had insufficient past work, or they had previously exhausted their benefits. However, Maine law does not necessarily preclude people in these situations from receiving unemployment benefits.

Education and outreach will raise awareness and reciprocity along with it. The Department’s layoff Rapid Response Team has been instrumental in helping inform people of their eligibility for unemployment benefits. During the pandemic, rapid response sessions were held online,

and a greater emphasis was placed on video recordings and honing one-page flyers. The videos and flyers can be used to help disseminate information even beyond the pandemic. In addition, the Department will partner with advocacy agencies across the state to help raise awareness and eliminate the stigma of filing for benefits.

Maine employers can also help raise reciprocity. Maine law already requires that employers provide information about unemployment to people who are leaving work. However, the Department believes that this information may not be consistently provided. Education to employers on the requirement has begun, starting with a reminder in the unemployment tax rate notices that were mailed in December 2020 and 2021. Information on the requirement will be included in future communications as well. The simplest way to comply with this requirement is to provide the separating worker with the Department's Employment Security Act Poster, which can be printed on letter-sized paper. The poster can be found at www.maine.gov/labor/posters.

The federal COVID-related unemployment programs have increased awareness and familiarity with the program overall. The ensuing coverage by national and local media has reached people who might not otherwise have known or thought about the unemployment program as a support. Over the course of the last year, the Department's CareerCenter staff stepped up to help people navigate the program. Helping thousands of people with their unemployment claims has created a much deeper understanding of the program, and that knowledge can be used to steer people to the program in the future.

Additional plans for education and outreach include:

- Making information available to individuals filing for unemployment benefits on other potential assistance and services program websites such as SNAP, childcare, housing assistance that include how to apply for them.
- Rewrite existing program materials, forms, and correspondence; replacing technical program language with everyday language to make unemployment eligibility requirements, processes, and procedures easier to understand.
- Provide training on the unemployment program and informational materials to staff selected as Workforce Peer Navigators who will be working with individuals needing employment assistance but who may also need support services such as unemployment assistance.

Data Analysis of Maine Unemployment Claim Data

The Department of Labor is not currently recommending legislative changes. Our initial focus will be to build on the increased public awareness of the unemployment program that has

come about as a result of the recent pandemic emergency by increasing outreach and education using improved, easier to read written materials, videos, website information as well as through collaboration with partner agencies and programs. Additionally, efforts will continue in modernizing our public-facing online applications and portal accounts, simplifying navigation, and rewriting text in easier to understand language and making our applications accessible on mobile-friendly devices. None of these initiatives will require legislation.

More information is needed on the reasons why individuals who are unemployed do not ultimately receive unemployment benefits and whether Maine's programs, procedures and laws may contribute to individuals experiencing challenges in accessing benefits. To this end, the Department is partnering with the Office of Data Evaluation at the U.S. Department of Labor in a 1 to 2 year Equity and Access analytic research initiative to help identify any patterns using Maine claim data that might indicate that specific groups may be having difficulties accessing unemployment benefits at a greater rate than other groups. This work may also assist with identifying reasons adversely affecting the Reciprocity rate in Maine. Should patterns or trends emerge from this work indicating that legislative changes are needed, the Department could bring its recommendations before the Committee on Labor and Housing at a future legislative session for consideration.

Summary

Over the past 20 years, Maine's reciprocity rate has tracked closely with the national average. However, it has gradually declined, despite Maine having relatively progressive unemployment eligibility laws and reasonably low monetary eligibility earnings requirements – and this is a serious concern. The decline is due in part to changes in Maine's labor market and a shift from manufacturing industries to a higher concentration in service providing sectors which are less likely to be unionized. Unions have played a large role in educating workers who lose their jobs about unemployment insurances as a means of temporary financial assistance while seeking new employment.

It is difficult to know who or why a large number of Maine workers do not file for unemployment benefits when they become unemployed, but a national survey conducted by the Federal Bureau of Labor Statistics in 2018 found that 74% of people surveyed who lost their jobs had not applied for unemployment insurance benefits. Three out of five did not apply because they did not believe they were eligible to receive benefits. Eligibility issues identified included perceptions that their work was not covered by unemployment insurance, or because they quit their job or were terminated for misconduct, or they had insufficient past work histories, or had previously exhausted their benefits. If these reasons are representative of

reasons individuals in Maine do not file for unemployment benefits, then many of these individuals may not have received benefit assistance they may have been eligible to receive as Maine law does not necessarily preclude people in these situations from receiving unemployment benefits.

Lack of public awareness about unemployment insurance, how it works and how to access it, has been identified as an underlying cause for a declining reciprocity rate. Additionally, difficulties understanding the requirements for receiving benefits and navigating confusing processes have contributed to people shying away from filing to avoid the hassle. The recent Pandemic and the extensive press around the additional temporary federal unemployment benefit programs implemented to address unprecedented levels of unemployment, helped to rapidly raise awareness of the existence of the unemployment insurance program and the assistance it offers during periods of unexpected unemployment.

The Department of Labor is focused on building on this increased awareness through expanded public outreach and education and leveraging collaborative partnerships with other agencies and service organizations that interact with groups that could benefit from the assistance that unemployment insurance can offer. Program information is being converted to easier to understand formats and wording, and information is being offered through different modalities such as videos and webinars in addition to printed materials. Improvements have been made and will continue to evolve in the Department's website, and in the Unemployment Insurance Program's customer interface through its online system applications to simplify them and make them easier to navigate. These changes are being done using a human-centered design approach which seeks the input of those that use the applications to ensure that it is meeting their needs.

While trying to identify those who do not seek our services is challenging, the Department is committed to using data analytics to help in identifying whether current laws, regulations or procedures may be contributing to difficulties for specific worker groups in accessing unemployment benefits. The Department is doing this through a partnership with the Office of Data Evaluation at the U.S. Department of Labor who will be analyzing Maine's claim data to identify any patterns or issues that may be causing inequities for specific groups in accessing unemployment benefits. This research may identify the need for making legislative or rule changes to eliminate inequities and improve benefit access.

Prepared by the Maine Department of Labor, February 2022