

**Maine's Unemployment
Compensation System
And
The Full-Time
Work Requirement**

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INTRODUCTION

There is widespread recognition that women's participation in the work force has increased dramatically in the last 70 years. Today, women's earnings are routinely factored into their families' budgets as essential for meeting their economic needs. Women represent the majority of part-time workers but little attention has been paid to the economic well being of their families when these women and other part-time workers lose their jobs.

This paper was commissioned by the Maine Women's Policy Center to examine the Maine Employment Security Law's requirement that individuals be willing to work full-time and seek full-time work to qualify for unemployment benefits. It examines the changes in the United States' economy, work force and family lives since the inception of the unemployment program in the 1930's, the effect of the full-time work requirement on workers, and the impact on women today.

Throughout this paper the term "part-time worker" means an individual who is willing and/or able to work only part-time. It does not include individuals who are willing to work full-time and have worked part-time only because they were unable to find full-time work.

About the Author:

Gail Thayer has twenty-four years of experience working in Maine's unemployment system and was the Director of the Bureau of Unemployment Compensation for fourteen years.

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PURPOSE OF UNEMPLOYMENT COMPENSATION

The Unemployment Compensation program was developed in the 1930's to mitigate the economic and social effects of involuntary unemployment. Maine Employment Security Law includes the following policy statement in Section 1042.

“Economic insecurity due to unemployment is a serious menace to the health, morals and welfare of the people of this State. Unemployment is therefore a subject of general interest and concern which requires appropriate action by the Legislature to prevent its spread and to lighten its burden which may fall upon the unemployed worker, his family and the entire community. The achievement of social security requires protection against this greatest hazard of our economic life. This objective can be furthered by operating free public employment offices in affiliation with a nation-wide system of public employment services; by devising appropriate methods for reducing the volume of unemployment; and by the systematic accumulation of funds during periods of employment from which benefits may be paid for periods of unemployment, thus maintaining purchasing power, promoting the use of the highest skills or unemployed workers and limiting the serious social consequences of unemployment.”

The Unemployment Compensation program has two major components: collection of contributions and payment of benefits. It is intended to be counter-cyclical, i.e., revenues are accumulated during relatively good economic times to fund the payment of benefits during high unemployment periods. Unemployment benefits act as an economic stabilizer by providing partial wage replacement to individuals to pay for basic needs and by infusing money into local communities and the state to counteract the multiplier effect of unemployment.

There are a variety of benefits to workers, employers, and society.

- Workers receive monetary benefits that they can use to pay living expenses and help “bridge” the gap between jobs.
- Employers are able to maintain a trained workforce when they must implement temporary layoffs. They are also relieved from some of the moral and social pressure that would be associated with layoffs if no economic safety net existed.
- A worker not eligible for benefits may be forced by financial need to take the first available job. Workers, employers and society benefit from a worker’s ability to seek work that utilizes his or her skills.

- Communities, businesses, and society benefit from the purchasing power that is maintained by unemployment compensation.

CONDITIONS WHEN UNEMPLOYMENT COMPENSATION BEGAN

The Unemployment Compensation program was enacted in response to the devastating effects of the Depression. It was designed to address the needs of workers, families, and communities, as they existed in the 1930's. Therefore, it was built for a male dominated work force, a manufacturing economy, and for families that were in large part headed by married couples: a male who worked full-time and was the primary wage earner and a female homemaker and mother.

The United States' economy, work force, and family lives have changed drastically since the 1930's.

CHANGES IN THE ECONOMY

Since the inception of the unemployment program, the percentage of jobs in the manufacturing sector has decreased while the wholesale and retail trade and service sectors have increased. In addition, part-time work is more prevalent in the expanding trade and service sectors.

Currently, in Maine, three industry sectors have the most jobs: Manufacturing, Wholesale/Retail Trade, and Services.

- Nationally between 1947 and 2000 the percentage of jobs per industry sector changed as shown below.¹

	1947	2000
Construction	4.7%	5.1%
Manufacturing	36.2%	14.1%
Transportation & Public Utilities	9.7%	5.4%
Wholesale/Retail Trade	20.1%	23.1%
Finance, Insurance, & Real Estate	4.0%	5.8%
Service Industries	11.7%	30.8%
Government	12.8%	15.8%

- In Maine between 1947 and 2000 the percentage of jobs per industry sector changed following the same trends as the national change. The changes in the Manufacturing and Wholesale/Retail Trade sectors were more extreme than the national changes.²

	1947	2000
Construction	4.5%	4.9%
Manufacturing	43.8%	14.1%
Transportation & Public Utilities	7.7%	4.0%
Wholesale/Retail Trade	17.6%	24.9%
Finance, Insurance, & Real Estate	2.4%	5.4%
Service Industries	9.7%	30.2%
Government	14.4%	16.5%

- Nationally in December 2001 there were approximately 120 million wage and salary workers. Twenty-three percent, or 27.6 million, of these worked less than 35 hours. Industry sectors during this month had the following percent of part-time workers.³
 - Mining 8%
 - Construction 16%
 - Manufacturing 11%
 - Transportation and Public Utilities 15%
 - Wholesale/Retail Trade 33%
 - Finance, Insurance, and Real Estate 16%
 - Service Industries 27%
 - Government 15%

CHANGES IN THE WORK FORCE

The changes in the work force since 1930 have been dramatic. Women make up a much larger portion of the work force and part-time jobs are a larger portion of employment.

- Women's labor force participation was about 20 percent in 1930. By 1970 it had doubled to 40 percent and, by 1999, had tripled to 60 percent.⁴
- Nationally, in 1999, women represented 42.0 percent of the full-time work force and 67.6% of the part-time work force.⁵
- In Maine, in 1999, women represented 42.9 percent of the full-time work force and 70.6% of the part-time work force.⁶
- In Maine, in 2000, women's employment was distributed throughout the industry sectors as shown below.⁷ Women's employment was heavily concentrated in the Wholesale/Retail Trade and Service Industry sectors. Those are the same sectors that have shown the largest growth and contain the largest proportion of part-time jobs.

Agriculture, Forestry, & Fishing	0.9%
Mining & Construction	1.0%
Manufacturing	11.7%
Transportation & Public Utilities	2.3%
Wholesale/Retail Trade	27.5%
Finance, Insurance, & Real Estate	6.6%
Service Industries	33.8%
Government	16.3%

- The part-time employment rate increased from 12.1 percent in 1957 to 18.5 percent in 1990.⁸

CHANGES IN FAMILY LIFE

The male breadwinner model was predominant in the 1930's when unemployment compensation was developed. Families have changed a great deal since then. Over the years families have come to depend on the wages earned by women in both full- and part-time employment to meet basic needs. More families have women as the primary or only wage earner. The days when families considered a woman's full- or part-time earnings "extra" money are gone. And, as women work more outside the home, families struggle with the issue of balancing work and family life.

- Nationally, the percentage of married couple households has decreased from 76.0 percent of total households in 1940 to 52.8 percent in 2000.⁹
- Nationally, the percentage of female-headed households has increased from 15.1 percent of total households in 1940 to 29.4 percent in 2000.¹⁰
- Nationally, the percentage of married females 15 and over decreased from 65.8 percent in 1950 to 54.7 percent in 2000. Of the unmarried females the percentage divorced increased from 7.0 percent in 1950 to 22.6 percent in 2000.¹¹

WHO ARE THE PART-TIME WORKERS?

Individuals choose or are forced into part-time work for a variety of reasons many of which are related to balancing family and economic needs.

- Nationally, in December 2001, there were 19.8 million people who worked part-time (less than 35 hours per week) for reasons other than the inability to find a full-time job. The average hours worked per week was 19.8. The reasons for working part-time were:
 - 33 percent Family obligations or medical limitations
 - 35 percent In school or training
 - 10 percent Retired or Social Security earnings limit
 - 22 percent All other reasons¹²
- In Maine, 74 percent of part-time employees work 20-35 hours per week.¹³
- Nationally, in 1999, 14.6 percent of workers were part-time—19.5 million workers.
 - 8.7 percent of male workers were part time—6.2 million male workers.
 - 21.5 percent of female workers were part-time—13.3 million female workers.¹⁴
- In Maine, in 1999, 15.4 percent of workers were part-time—100,000 workers.
 - 8.7 percent of male workers were part-time—29,000 male workers.
 - 23.0 percent of female workers were part-time—71,000 female workers.¹⁵

MAINE LAW AND ITS IMPACT—THEN AND NOW

The Maine Employment Security Law has not changed substantially with respect to part-time workers and availability for work since it was originally enacted. An applicant must be physically able to work full-time, available for full-time work, and seeking full-time work to maintain eligibility for benefits. [Since the enactment of the Americans with Disabilities Act, an exception is made for individuals who are unable to work full-time due to a disability and benefits are prorated for such individuals. This exception does not apply to someone who is unable to work full-time due to the disability of a family member.]

- Individuals who are willing to work only part-time are not and have never been eligible for unemployment benefits in Maine.
- The impact on individuals, families and communities has changed drastically over the years. The hardships created by part-time workers' inability to receive unemployment benefits are much greater today.
 - More workers are affected because of the growth in part-time employment.
 - Women are impacted more than men because they make up a larger portion of the part-time work force. In Maine there are almost 2.5 times as many female part-time workers as male part-time workers.
 - Families suffer the economic consequences of unemployment because they now depend more heavily on earnings from part-time breadwinners to pay for basic needs.
 - Communities, businesses, and society are adversely affected by the loss of purchasing power and the multiplier effect of unemployment.
 - Workers, employers and society are adversely affected if the part-time worker must take the first job that comes along rather than seeking work that utilizes his or her skills.

POSITIONS ON CHANGING THE UNEMPLOYMENT SYSTEM

The issue of unemployment benefit eligibility for part-time workers has received a fair amount of attention over the past decade.

- The National Advisory Council on Unemployment Compensation issued reports in 1994, 1995, and 1996. Recommendation 1995-20 was:

“Workers who meet a state’s monetary eligibility requirements should not be precluded from receiving Unemployment Insurance benefits merely because they are seeking part-time, rather than full-time employment.”¹⁶

- “UNEMPLOYMENT INSURANCE Role as Safety Net for Low-Wage Workers Is Limited,” a GAO Report issued in December 2000, addressed the issue of the limited role of Unemployment Insurance as a safety net for low-wage workers and identified the full-time availability requirement as one of the contributing factors. It concluded:

“Despite interest in ensuring that the UI program is meeting the needs of low-wage workers, little action has been taken at the state or federal levels to expand UI availability to this group. In part, this reflects the difficulty of addressing the cost implications of expanded eligibility and balancing states’ autonomy in operating their UI programs. Yet, as a safety net, the UI program continues to offer only minimal protection for low-wage workers.... In the event of an economic downturn, many low-wage workers may find that, unlike higher-wage workers, they will be unable to qualify for UI benefits. While the situation deserves attention on its own merits, the sweeping changes in national welfare policy heighten its importance. A UI program that supports all workers who lose their jobs through no fault of their own during times of economic hardship can play an important role in helping many former welfare recipients maintain their places in the labor force and out of the welfare system.”¹⁷

- During the 1990’s the US Department of Labor developed Unemployment Insurance Reform proposals that are evolving to this day. This reform package has included, at various times, proposals that would encourage and/or require states to pay unemployment benefits to otherwise eligible individuals who have qualified on the basis of part-time work and who seek suitable and comparable part-time work.

- The Maine Department of Labor issued reports to the 119th Legislature in 1999 and 2000 dealing with the solvency of the Unemployment Compensation Fund. These studies focused on changes that could be made to the unemployment benefit and contributions systems that would improve the solvency of the Fund. They did not include a general examination of the unemployment system and whether it meets the needs of today's workforce and economy and, specifically, did not address the requirement that individuals be available for full-time work and the impact of that requirement on Maine workers.

WHAT DO OTHER STATES DO?

The majority of states (twenty-nine) require that individuals be available for full-time work and seek full-time work to maintain eligibility for unemployment benefits. The exceptions fall into four categories.¹⁸

- Seven states pay benefits to part-time workers with no restrictions:
 - California
 - Delaware
 - Kansas
 - Nebraska
 - Pennsylvania
 - South Dakota
 - Vermont

- Eleven states pay benefits to part-time workers who have a history of part-time work.
 - Arkansas
 - Colorado
 - Florida
 - Hawaii
 - Iowa
 - Louisiana
 - Minnesota
 - New York
 - Oklahoma
 - Puerto Rico
 - Wyoming

- Two states pay benefits to part-time workers who have good cause for limiting their availability to part-time.
 - District of Columbia
 - Rhode Island

- Four states pay benefits to part-time workers under very limited circumstances.
 - Illinois
 - Massachusetts
 - Montana
 - New Jersey

COST OF EXTENDING BENEFITS TO PART-TIME WORKERS

The Maine Department of Labor estimates the annual cost of unemployment benefits for part-time workers would range from \$3.6 million when the unemployment rate is low to \$10.4 million when the unemployment rate is high. This cost would be borne by employers through higher contribution rates.

EMPLOYER CONTRIBUTIONS

The unemployment compensation system is funded by contributions from employers. The amount of contributions an employer has to pay each year is determined by their contribution rate and payroll.

- Employers pay contributions on the first \$12,000 of each of their employees' wages.
- Each employer's contribution rate is based on its experience with the unemployment system and the schedule (A through F) in effect for that year.
 - In general, employers who generate the most unemployment claims get the highest rates and employers who generate few or no claims are rewarded with the lowest rates.
 - Lower rates are in effect when the balance in the Unemployment Compensation Fund is high and higher rates when the balance is low. Schedule A generates the lowest rates and Schedule F the highest.
 - In 2001 when Schedule F was in effect:
 - Contribution rates ranged from 1.31 percent to 6.05 percent.
 - Employers paid between \$157.20 and \$726.00 for each employee earning at least \$12,000.
 - In 2002 when Schedule C is in effect:
 - Contribution rates range from 0.71 percent to 5.40 percent.
 - Employers will pay between \$85.20 and \$648.00 for each employee earning at least \$12,000.
 - If Schedule F had been in effect for 2002:
 - Total contributions would have been approximately \$40 million higher.
 - Contribution rates would have ranged from 0.97 percent to 6.02 percent.
 - Employers would have paid between \$116.72 and \$722.88 per employee earning at least \$12,000.

TRUST FUND SOLVENCY

The solvency of Maine's Unemployment Compensation Fund was an issue throughout the 1990's. In 1993, 1995, 1997, and 1998, legislation was enacted that increased contributions and decreased benefits as temporary measures to prevent the need to borrow to pay benefits and to accumulate some reserves in the Fund.

In 1999, L. D. 1970 was enacted to address the long-term solvency of the Fund. The bill included reductions to unemployment benefits, an increase in the taxable wage base from \$7,000 to \$12,000, and the implementation of an array system to set contribution rates for employers. The following year L. D. 2588 was enacted to complete the process of revamping the contribution system and to establish the methods by which employer contribution rates would be set. These changes were designed to redistribute the contribution burden among employers and to increase the balance in the Fund to prepare for an economic slowdown.

The changes made to the unemployment compensation benefit and contribution systems (assisted by a relatively low unemployment rate) have been successful in accumulating substantial reserves in the Fund and employer contribution rates decreased in 2002 because of the improved solvency of the Fund. The accumulation of reserves in the Fund, however, does not mean that benefits can be increased without having an impact on future contribution rates.

- Unemployment Compensation Fund Balances as of December 31 each year:

1992	\$ 31.0 million
1993	\$ 50.8 million
1994	\$ 71.9 million
1995	\$ 92.5 million
1996	\$111.1 million
1997	\$131.9 million
1998	\$182.0 million
1999	\$246.2 million
2000	\$332.7 million
2001	\$401.4 million

IMPACT OF POTENTIAL REED ACT DISTRIBUTIONS

Employers pay unemployment contributions to the states and also pay federal unemployment taxes (FUTA). The monies paid to the federal government are channeled into three funds: Administration, Extended Benefits, and Loan Funds. Each of these funds has a ceiling and when the amount of money in a fund reaches this ceiling, the excess monies flow into the next account, i.e. excess funds in Administration flow to the Extended Benefits Fund and excess funds in Extended Benefits flow to the Loan fund. When the Loan Fund reaches its ceiling, the excess funds are returned to the states as "Reed Act Distributions." The states may use these funds to pay benefits or administrative costs.

- Based on current projections and existing law, approximately \$4.3 billion would be distributed to the states on September 30, 2002 and about 3 to 5 billion each year thereafter. Maine's share of the September 2002 distribution would be about \$37.4 million.
- It should be noted that, in the past, Congress has raised the ceilings in the three Funds to prevent a Reed Act Distribution. Such actions insured that the funds would remain in federal coffers and offset the federal deficit.
- Another possibility is that Congress will attach conditions to receiving all or some of the monies. Since the US Department of Labor began promoting unemployment insurance reform proposals, there has been discussion of using Reed Act Distributions as incentives to get states to change their laws and modernize their benefit programs.

CONCLUSIONS

We live in a society where it is increasingly difficult to balance work and family life. There are more single parent families and most two-parent families do not have the luxury of a full-time stay at home parent. Many individuals make the reasonable and responsible decision to work part-time to meet family needs. When a person whose family depends economically on him or her is searching for a part-time job, he or she needs unemployment benefits just as desperately as an unemployed, full-time worker does.

The changes in the U.S. economy, work force, and family life support the following conclusions:

- Part-time workers have become an essential component of the workforce and of the support of Maine families.
- The denial of benefits to part-time workers, many of whose earnings are essential to the support of themselves and their families, places a burden on those workers and their families.
- Because women constitute a substantially larger portion of the part-time work force than men, this burden is borne more heavily by women, particularly those women who head single parent families.
- The unemployment compensation program is not fulfilling its purpose with respect to part-time workers.

For the unemployment compensation program to meet its purpose with respect to part-time workers, benefits should be available to those workers under the same terms and conditions as full-time workers. It will be up to the Legislature to consider this policy issue and balance the needs of part-time workers and the fiscal implications of extending benefits to these workers.

ENDNOTES

¹Dana Evans, e-mail to the author citing data from the US Department of Labor, Bureau of Labor Statistics, January 28, 2002.

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⁶Ibid.

⁷Maine Department of Labor. Division of Economic Analysis and Research. Maine Employment Statistical Handbook 2000. November 2001.

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¹⁵Ibid.

¹⁶United States, Advisory Council on Unemployment Compensation, Collected Findings and Recommendations: 1994-1996, Reprinted from

Annual Reports of the Advisory Council on Unemployment Compensation to the President and Congress, 1996.

¹⁷United States General Accounting Office, UNEMPLOYMENT INSURANCE Role as a Safety Net for Low-Wage Workers Is Limited, p. 34, December 2000.

¹⁸“Laid Off and Left Out,” National Employment Law Project, February 2002, 24 February 2002 <<http://www.nelp.org/ui/index.htm>>.