



Leadership is our business

Associated Industries of Massachusetts

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STATEMENT OF ASSOCIATED INDUSTRIES OF MASSACHUSETTS BEFORE SENATE CHAIRMAN THOMAS M. MCGEE, HOUSE CHAIRWOMAN CHERYL A. COAKLEY RIVERA AND MEMBERS OF THE JOINT COMMITTEE ON LABOR AND WORKFORCE DEVELOPMENT IN SUPPORT OF [H.1814](#), AN ACT RELATIVE TO UNEMPLOYMENT INSURANCE AND [H.3579](#), AN ACT RELATIVE TO ELIMINATING THE MEDICAL SECURITY TRUST.

On behalf of Associated Industries of Massachusetts (AIM), the state's largest nonprofit, nonpartisan association of Massachusetts' employers, I am John R. Regan, Executive Vice President of Government Affairs. AIM's mission is to promote the well-being of its members and their employees and the prosperity of the Commonwealth of Massachusetts by improving the economic climate, proactively advocating fair and equitable public policy, and providing relevant, reliable information and excellent services.

AIM wishes to be recorded in support of H.1814, An act relative to unemployment insurance reform and H.3579, An act relative to eliminating the medical security trust and urges the committee to give both bills a favorable report.

AIM has testified many times before this and other committees about the need to improve the state's economic and investment climate. We have repeatedly suggested that costs of doing business, which are higher than similar costs in other states, ought to be examined to determine the best way to address our anti-competitiveness. Unemployment Insurance (UI) is an area that cries out to be addressed. Massachusetts' UI costs, driven by our state's high wages, relatively lenient qualification requirements and overly generous benefit structure, drive our costs to the highest in the country. In a recent white paper entitled, [*Measuring Up, the Cost of Doing Business in Massachusetts*](#), the Pioneer Institute details the impact of the state's business costs on competitiveness and on profit. I would recommend this report to anyone interested in increasing private sector, for-profit job creation in the Commonwealth. One area singled out for particular attention is the UI system and the non-competitive costs imposed as a consequence.

H.1814, An act relative to unemployment insurance reform, seeks to introduce approximately \$128 to \$168 million in one-time and recurring cost savings into the system by proposing the following reforms:

1. Adjusting the UI rate schedule to require negatively rated employers, those who habitually put employees into the UI system, to pay higher rates than more stable employers whose employees rarely use the UI system; and to require that new employers contribution rate be set at the so-called zero positive rate, more accurately reflecting the employers actual trust fund balance and avoiding “sticker shock” when receiving the actual bill after the first year of operation.
2. Increasing the work requirement for eligibility to collect UI benefits from 30 times the weekly benefit amount to forty and requiring wages to be paid in at least two quarters, bringing Massachusetts into line with the majority of other states; **(estimated annual savings: \$30 million.)**
3. Reducing the maximum duration of benefit weeks from 30 to 26 when the state’s economy is performing well by adjusting the statutory trigger mechanism from 5.1 percent unemployment in each of the 10 local labor markets in the state to a straight 5.1 percent unemployment rate statewide over the preceding six months – **producing savings in the UI Trust Fund of between \$50 and \$90 million per year.** This provision would bring Massachusetts’ benefits into line with all other states.
4. Eliminating the Medical Security Trust Fund and the accompanying surcharge of \$16.80 per employee, created by Chapter 23 of the Acts of 1988, imposed on companies with more than 5 employees; (with the state’s new Health Insurance Law, this program is unnecessary); **(estimated annual savings: \$48 million.)**

These proposals represent a significant savings for employers and an opportunity to reform the state’s UI system without jeopardizing the long-term solvency of the Trust fund.

We urge the Committee to consider these reforms in order to ensure a more sustainable unemployment insurance system for our Commonwealth and to provide these bills with a favorable report.