

# Presentation to UI Study Commission October 8, 2021

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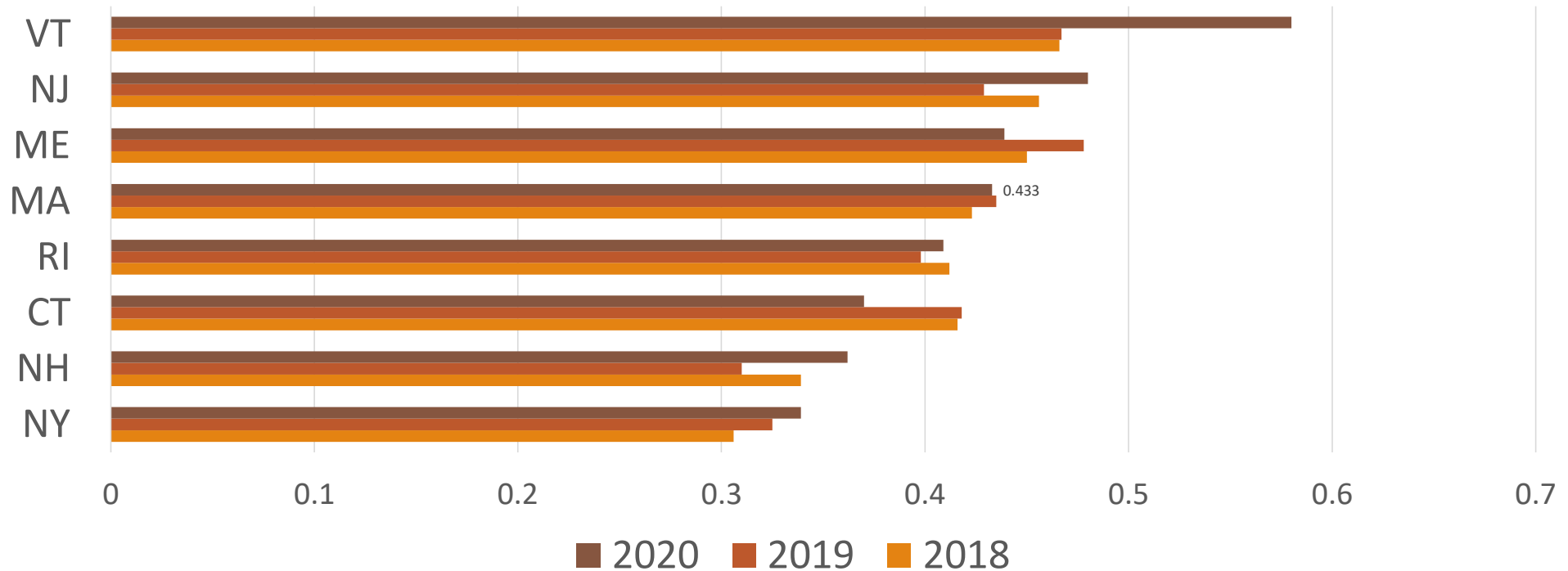
# UI Replacement Rates – Northeastern States

State	Replacement	Average UI Benefit	Average Weekly Wage
Vermont	49.8%	\$384.25	\$771.85
New Jersey	47.0%	\$412.23	\$876.73
Maine	44.5%	\$326.03	\$732.87
Massachusetts	43.1%	\$413.76	\$960.14
Rhode Island	39.9%	\$330.30	\$828.54
New Hampshire	36.3%	\$273.31	\$752.25
Connecticut	35.9%	\$307.62	\$855.74
New York	34.7%	\$341.59	\$984.76

Source: US Department of Labor Benefit Accuracy Management Data

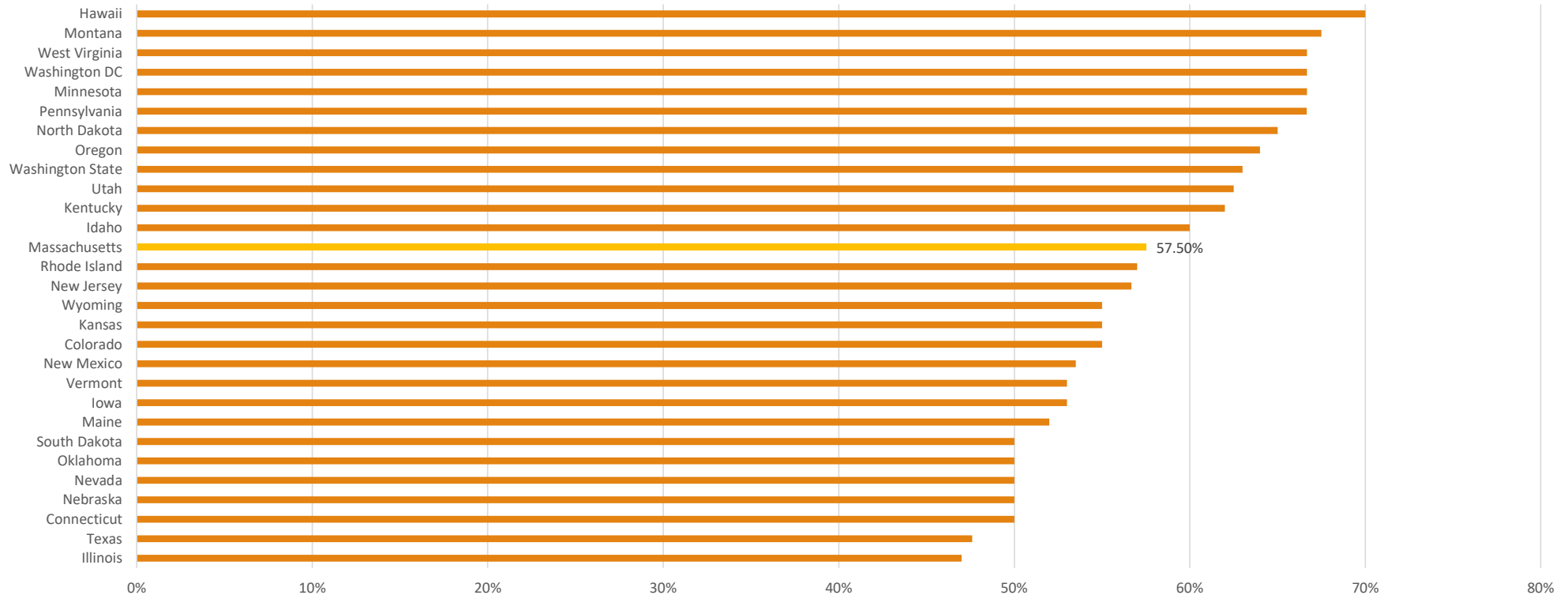
# Massachusetts is consistently in the middle of the pack in benefits generosity in the Northeast

UI Replacement Rates Over time



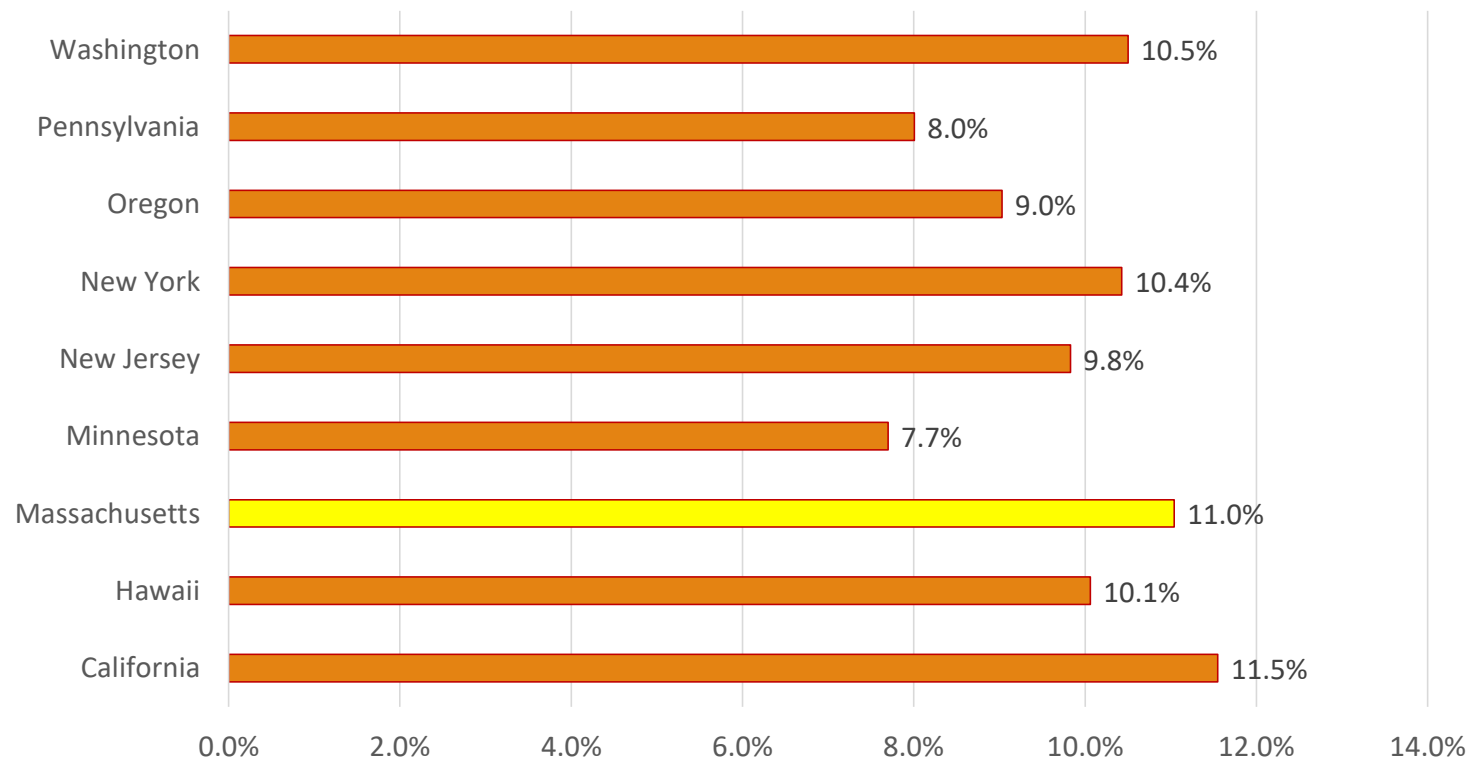
# Massachusetts Indexing Formula (57.5%) just below the National Average (58%)

Indexing formula for the Maximum Weekly Benefit Amount



# Wages Increased Sharply In Other High Wage States

Change in Average Weekly Wage 2019-2020



# Summary: UI Benefits in Massachusetts Fit It's High Wages and High Standard of Living

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- Compare Massachusetts Benefits Relative to other states not as an absolute
- Why? UI benefits are high, because Massachusetts enjoy high wages
- These UI Benefits enable jobless handle the high cost of living in the state and were vital in weathering the pandemic.





## Whose Left Out of UI Taxation

- Misclassified Workers
- Gig workers
- Cash earners
- Other freelancers
- Nonprofits
- Government Employers

# Nonprofits and government

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- More than 700,000 workers in nonprofits and government not required or allowed to pay regular contributions
- No long-term impact on the fund because benefits are reimbursed
- Massachusetts could adopt some other best practices
  - Allow nonprofits and government the option of contributing regularly
  - Require bonding of all nonprofits who are in the UI program

# Misclassification Impact on UI

Long Understood, Still Unsolved

Misclassification long-identified as a source of income loss for states

- 10-30 percent of employers misclassify some of their employees across the country (2000)
- 13 percent of Massachusetts employers misclassified at least 1 employee (2001-2003)
- 16.8 to 17.9% of Massachusetts construction misclassify workers as independent contractors, costing the state \$24.5 to \$40 million (2017-2019)

## Enforcement is Limited

ETA 581 Data

- 2,500 Audits Conducted in Massachusetts in 2019
- 772 employers found to have been misclassified (30 percent)
- 10.7 million under-reported wages, \$57,220 in lost UI contributions
- 30% of Mass Audits resulted in taxes owed compared to 48% nationally

## Who is Misclassified?

- Largely result of fissured, deregulated economy and a strategy to minimize costs
- Isolated workers
  - Trucking
  - Home Care Workers
  - Janitorial
  - Construction
  - Housecleaning

## The Gig Economy

- Estimated 200k gig platform workers in MA
- DPU reported 132,000 TNC drivers as of 2018
- No MA study, but California study found \$413 million lost to UI trust fund from 2014-19

## Gig & Freelance Workers Lose Jobs Too, But Platforms Don't Pay

- 62% Fewer TNC rides in 2020 (from 35 million to 91.1 million)
- 300,000+ self-employed Massachusetts collected PUA benefits
- With gig platforms exempt from taxation, companies paid nothing for this protection

# Summary

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- Ensuring greater participation in the UI program will enhance solvency
- Largest impacts will come from making UI taxation less regressive.