

Beacon Hill Byline by Mary Rogeness

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Cutting costs and keeping benefits

This should be a time of celebration for the Massachusetts unemployment insurance program. Unemployment claims are down. The unemployment insurance reserve fund has grown past \$800 million and it is still rising. We have the second highest benefits in the nation. Yet we have a legislative impasse as the house of representatives tries to lower the unemployment insurance cost for employers.

While other states are using their low unemployment insurance costs as a marketing tool to attract economic development, Massachusetts lawmakers cannot agree to a recommended reduction in those fees.

Here is the background of our impasse.

It goes without saying that Massachusetts workers need a network of healthy employers in order to have good jobs. It is also true that workers who lose their jobs need the safety net of unemployment insurance. In order to assure the safety net and at the same time provide a cost structure that keeps the state's employers fiscally sound, the house of representatives has passed a bill to reduce the rates charged to employers for unemployment insurance. Governor Weld has endorsed it, but the senate objects.

The last recession led to such broad claims on the reserve fund that it was completely exhausted. We had to borrow federal money to meet state obligations. Employers were then taxed to repay federal loans to the system and, once the deficit was removed, rebuild the Massachusetts fund. That has been done. The economy is so strong that unemployment reserves are outpacing all projections. It makes sense to reduce those taxes on employers.

But it does not make sense to a majority of Massachusetts senators. As they see it, the state needs well over two billion dollars to guard against another recession. Otherwise, they say, the state will cut benefits at the next dip in the business cycle. The house is on record opposing any cuts to benefits. As a further guarantee, the house wrote language into the bill that prohibits any benefit cuts.

The issue was sent to a conference committee last week, and we will soon have a compromise of some sort. Conferees are working against an impending deadline. Rates are scheduled to rise by 10 percent this year if no action is taken this month. The house would cut rates 10 percent and the senate would freeze rates.

Opponents visualize big businesses as the beneficiaries of a rate cut, but the most compelling case came to me from the operator of group homes for the mentally retarded. Her company employs 300 workers. She struggles to provide services to a needy population on a limited budget, and an additional \$13,000 to \$25,000 to her bottom line could really enhance her operations. We have the unusual opportunity to cut the cost of doing business without trimming benefits for workers or taking tax revenues from the state's general fund. Because of my early deadline for the byline, it may be resolved by the time you read this. If not, try to convince the senate conferees!