

The Honorable Charles D. Baker
Governor of the Commonwealth of Massachusetts
Massachusetts State House, Room 280
24 Beacon St.
Boston, MA 02133

Dear Governor Baker,

The Massachusetts Department of Unemployment Assistance (DUA) forecasts that the state's Unemployment Insurance (UI) Trust Fund faces an unprecedented \$5 billion deficit in the aftermath of the COVID-19 economic shutdown.¹ Employers complied with shutdown orders, taking on great risk for themselves and their employees in the interest of public health. Now, because of such circumstances beyond their control, Massachusetts' employers are tasked with repaying this debt in its entirety. On behalf of the undersigned employer organizations, we urge our Massachusetts Congressional delegation and Capitol Hill leadership to partner with government leaders in Massachusetts to share the responsibility of the state's current UI Trust Fund debt crisis.

The UI system was established as a partnership between the federal government, individual states, and employers. Historically, employers have funded the program while the federal and state governments made policy decisions on system benefits, eligibility, and emergency provisions. But right now, employers face the brunt of the financial impacts to the UI system that stem from government decisions on UI eligibility and benefits prior to the pandemic, as well as economic restrictions imposed during pandemic.

State and federal policy decisions during the pandemic – including shutdown orders, occupancy limits, and other new mandates – forced numerous businesses, through no fault of their own, to lay off workers or close entirely. Important extended emergency benefits had the unintended consequence of creating an economic incentive to use the UI system, as the majority of Massachusetts recipients earned more in weekly benefits than previous weekly work income. While the government made these decisions in the context of a global pandemic, the side effect is that they also exacerbated ongoing solvency issues with the state's UI Trust Fund by drastically increasing the number of unemployment insurance claims.

By relying on businesses to foot the bill for government decisions before and during the pandemic, the state's current approach to address the UI Trust Fund's deficit disproportionately harms Massachusetts' employers and employees. Employers appreciate their responsibility to invest in a soundly managed UI system and the importance of UI benefits during crisis periods. But forcing them alone to bear responsibility for the \$5 billion deficit – through higher UI taxes and a new unemployment obligation assessment – impedes our economic recovery and will result in residents facing lower wage and job growth potential for years to come.

We recognize that the gap is also driven by the state providing the most generous UI benefits in the country, while simultaneously applying the least stringent qualifying standards. In March, state legislators created a commission to examine the state's UI system in 2021, which will be an opportunity for public review of benefits and to recommend changes that will strengthen the system for the long-term so it can weather the next recession. This should include bringing Massachusetts in line with every other state in the country by either requiring a minimum amount of time worked to determine UI eligibility and/or to calculate weekly benefit amounts.

Therefore, the Massachusetts employer community strongly urges our state and federal partners within the UI system to share the responsibility for the ongoing UI Trust Fund debt crisis. Immediate financial relief can be accomplished through new federal UI Trust Fund aid to the states, Massachusetts using existing CARES Act or American Rescue Plan funding, or some other innovative approach. As we continue to emerge from the pandemic, employers will also seek to partner with the state government, including through the commission, on structural reforms to the UI system so that it can continue to serve as a resilient, and solvent, safety net for the Massachusetts' workforce.

Thank you for your consideration.

¹ Department of Unemployment Assistance. January 2021.

Jeannie Hebert, Blackstone Valley Chamber of Commerce
Marie Oliva, Cape Cod Canal Region Chamber of Commerce
Wendy Northcross, Cape Cod Chamber of Commerce
Mary Cavanaugh, Chatham Chamber of Commerce & Merchants Association
James Rooney, Greater Boston Chamber of Commerce
Danielle McFadden, Greater Lowell Chamber of Commerce
Sam Hendler, Massachusetts Brewers Guild
Bob Luz, Massachusetts Restaurant Association
Jonathan Kerr, Middlesex West Chamber of Commerce
Melissa Fetterhoff, Nashoba Valley Chamber of Commerce
Christopher Carlozzi, National Federation of Independent Business—MA
Tom O'Rourke, Neponset River Regional Chamber
Greg Reibman, Newton-Needham Regional Chamber
Roy Nascimento, North Central Massachusetts Chamber of Commerce
Karen Andreas, North Shore Chamber of Commerce
Rick Kidder & Mike O'Sullivan, One SouthCoast Chamber
Jon Hurst, Retailers Association of Massachusetts
Vince Jackson, The Greater Northampton Chamber of Commerce
Jack Lank, The United Regional Chamber of Commerce
John Smolinsky, The Wakefield Lynnfield Chamber of Commerce
Tim Murray, Worcester Regional Chamber of Commerce