



LEGISLATIVE BULLETIN

To: Members of the Massachusetts General Court
From: Christopher R. Anderson, President
Date: January 14, 2009
Re: Freeze 2009 Unemployment Insurance Rates

Last year, you and your colleagues correctly voted to freeze the 2008 unemployment insurance (UI) rate at 2007 levels, thereby avoiding an automatic rate increase of approximately \$150 million on payrolls affecting more than 3 million working men and women in Massachusetts.

On behalf of our CEO members, the Massachusetts High Tech Council urges you to again freeze the UI tax at their current levels. Today Senator Richard Tisei filed legislation to freeze the 2009 UI rate. Your swift action on this bill will prevent an automatic \$111 million rate increase on employers for 2009.

As was the case a year ago, the window is rapidly closing on the opportunity to prevent this unnecessary increase. Freezing the rate is considered a priority by the CEO members of the Council and any legislative action will be considered a vote on [MassTrack](#), the Council's online legislative assessment tool (www.masstrack.org). Freezing the UI rates in 2009 will not reduce the amount of weekly benefits paid out to displaced Massachusetts workers—but can only increase the likelihood of preventing more workers from needing to apply for benefits at all.

What happens if you freeze the rates now? Even amid the global financial crisis and national recession, Massachusetts ended 2008 with unemployment below the national rate and with a substantial UI trust fund balance of more than \$1.2 billion (up slightly from our year-end balance of \$1.1 billion in 2007—with the rate freeze). Projections from the Mass. Department of Workforce Development indicate that we will end 2009 with a trust fund balance of \$1.1 billion with a rate freeze (\$1.2 billion if the rate hike is allowed to go into effect). In addition, since UI is an off-budget item, raising the UI tax will not help offset cuts to state and local services.

Who suffers from higher unemployment taxes? Employers fund 100% of state UI bills and higher taxes mean that employees could face benefit reductions as employers struggle to remain competitive and retain jobs. When payroll and other costs of doing business increase too much, jobs are either reduced or sent to lower cost environments.

A 2008 study comparing state business climates ranked Massachusetts as having the second highest UI tax rank in the US (behind Rhode Island). By contrast, states such as North Carolina and California, which compete for many of the same tech jobs that dominate our economy, fare much better. North Carolina ranked as the 6th lowest UI cost state and California ranked as the 16th lowest cost state.

We believe in a fiscally solvent UI system to support workers who need it. However, the fact that our UI system remains one of the largest cost barriers to job retention and expansion continues to detract from “pro-growth” policies that have been adopted by the Legislature in recent years. Massachusetts has been much slower than other states to recover the jobs lost during the last economic downturn. This weak economic performance is compounded by the high cost of doing business in Massachusetts.

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*Dedicated to Growth...
Committed to Action*

Last year, the Legislature and Administration approved more than \$500 million in increased taxes on employers and you will be debating various new tax proposals in the coming months. We urge you to mitigate the cost burden on employers to help maximize job and benefit retention by passing this important UI legislation.

Finally, two points to remember:

- 1) Employers—not workers or unions—fund 100% of state Unemployment Insurance bills; and**
- 2) Freezing the UI rates in 2009 will not reduce the amount of weekly benefits paid out to displaced Massachusetts workers—but can only increase the likelihood of preventing more workers from needing to apply for benefits at all.**