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Research Brief: The Economic Benefits of Unemployment Insurance

Maine Department of Labor

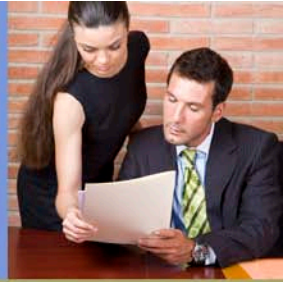
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November 2009

The Economic Benefits of Unemployment Insurance

(Authors: John Dorrer, Director, Center for Workforce Research and Information, Maine Department of Labor
Michael Levert, State Economist, State Planning Office, State of Maine)

The Impact of UI Benefits in Maine

Maine's unemployment insurance program serves as an important economic stabilizer to workers, their families and communities when jobs are lost. The program provides temporary, partial wage replacement to workers who are unemployed through no fault of their own.

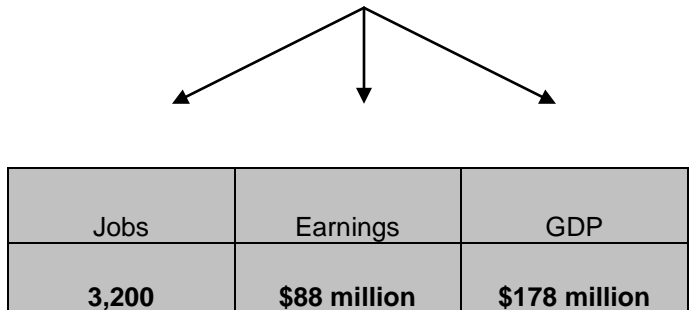
Unemployment insurance is funded by unemployment taxes paid by employers and applies to work performed for employers who are subject to Maine's unemployment compensation law. The law establishes the maximum payment amount that a worker may receive depending on individual earnings and is limited to a maximum of 26 weeks of regular unemployment benefits. Currently, the maximum weekly benefit amount is \$350.00. During difficult economic circumstances, workers may also qualify for additional weeks of benefits. At this time, some workers could receive benefits for a maximum of 79 weeks.

Economic Impact of Unemployment Insurance Payments

During the one year period from March, 2008 to March, 2009, unemployed workers received \$235 million in Unemployment Insurance benefits. These benefit payments are approximately equal to the third largest private sector payroll in the State of Maine. Unemployment insurance beneficiaries rely on these payments to cover critical needs including housing, food, utilities, and transportation.

These expenditures tend to immediately circulate through the Maine economy creating an economic ripple effect with a significant positive impact on Maine's economy. Economic models suggest that \$235 million in benefits paid to unemployed workers supports 3,200 jobs, \$88 million in earnings, and contributes \$178 million to Maine's gross state product.¹

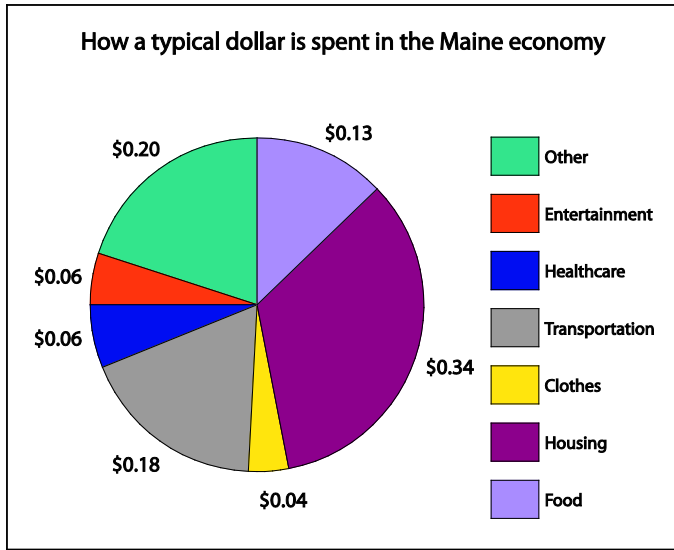
\$235 Million Dollars in Unemployment Insurance Benefits Supports



Source: RIMS

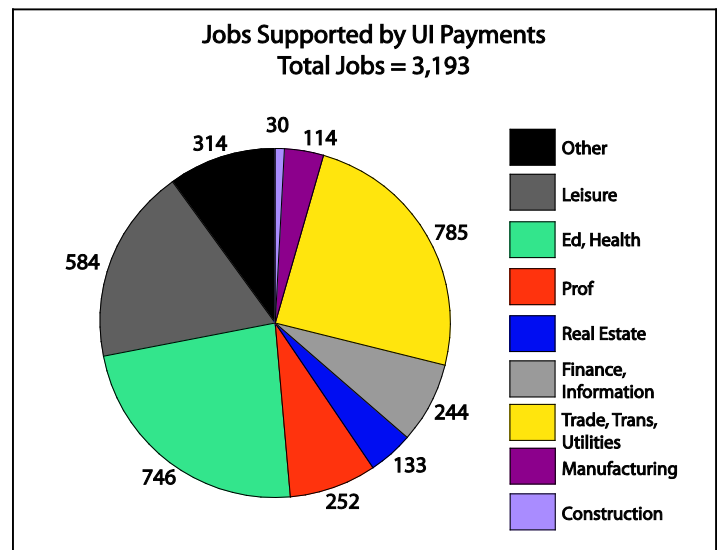
¹ Economic impacts were estimated using the Regional Input-Output Modeling System (RIMS II) from the Bureau of Economic Analysis (bea.gov/regional/rims).

Recipients spent their benefits the same way employed workers spent their paychecks, on food, housing, transportation, and healthcare.



Source: BLS, Consumer Expenditure Survey, Table 2

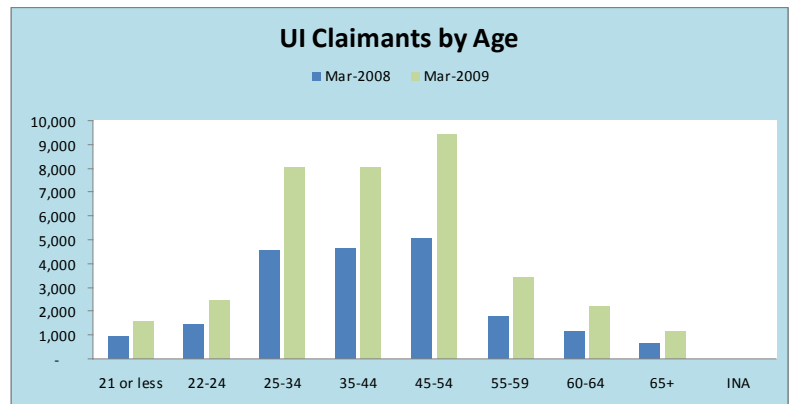
As this spending circulates through the Maine economy it supports 3,200 jobs across a multitude of industries and occupations.



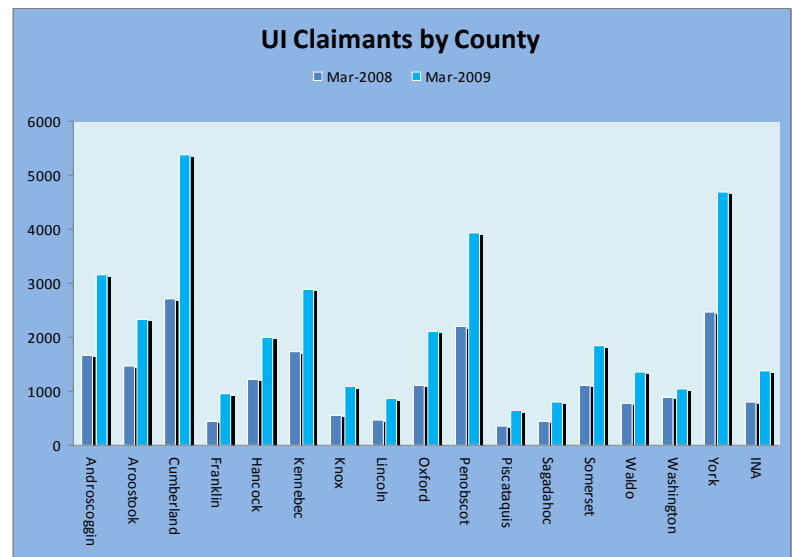
Source: RIMS

Characteristics of Recipients

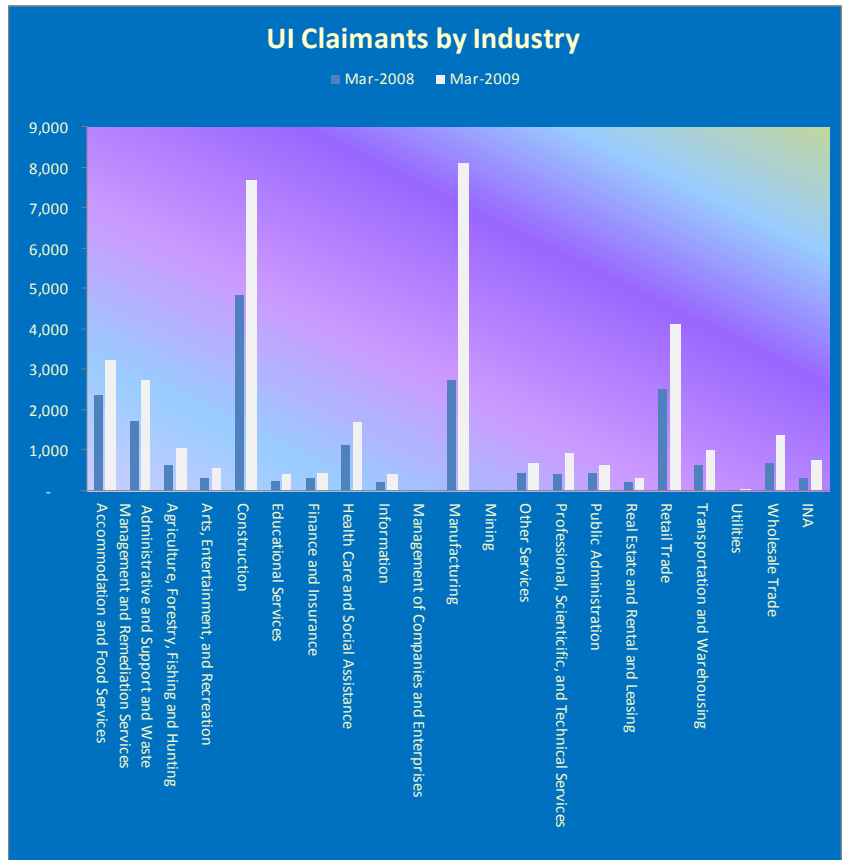
Between March of 2008 and March of 2009, the number of claimant grew from 20,416 to 36,462 reflecting deteriorating economic conditions. Workers in their prime earnings years were most adversely impacted.



Consistent with Maine's concentration of economic activity, Androscoggin, Cumberland, Kennebec, Penobscot and York Counties saw most significant increases in claimant numbers.



Maine industries shedding the most workers throughout this period included construction, manufacturing and retail trade.



Occupations of claimants showing the greatest job losses include construction and extraction, production, office and administrative support and transportation and material handling.

