Republican Proposal on Unemployment Insurance: Ending the Federal Guaranteed Benefit

- HR 1745 would eliminate Federal payments for temporary extended unemployment benefits on July 6.

- As a result, over 4 million Americans could lose their extended benefits in early July unless States provide coverage for them.

- The bill would transfer to the States money now dedicated to providing extended unemployment benefits ($31 billion) and allow the States to use it for other purposes, including paying off unemployment insurance loans from the Federal government, providing tax cuts to businesses, and/or backfilling State or Federal budget cuts to employment-related services.

- Michigan, Missouri and Florida have already passed legislation to cut the duration of regular unemployment compensation. By ending the current Federal guarantee for extended unemployment benefits, HR 1745 will push even more States to slash benefits.

- Even if States use all of the funds under the bill to continue extended benefits, the funding will begin to run out by the end of the year. This shifts the burden on to the States for any future continuation of the extended benefits programs.

- The legislation also would permanently allow regular UI funds to be diverted for other purposes through waivers. This waiver authority could allow a State (if approved by DOL) to provide private accounts to a potential UI recipient, instead of unemployment benefits.

- Finally, the bill would impose new training and work search requirements for UI recipients that States already have the flexibility to put in place, even as Republican budget proposals slash funding for training and employment services.

Americans At-Risk of Losing Unemployment Benefits
Under the Republican So-Called "JOBS" Bill

Continued Federal Claims for Week Ending 04/16/11

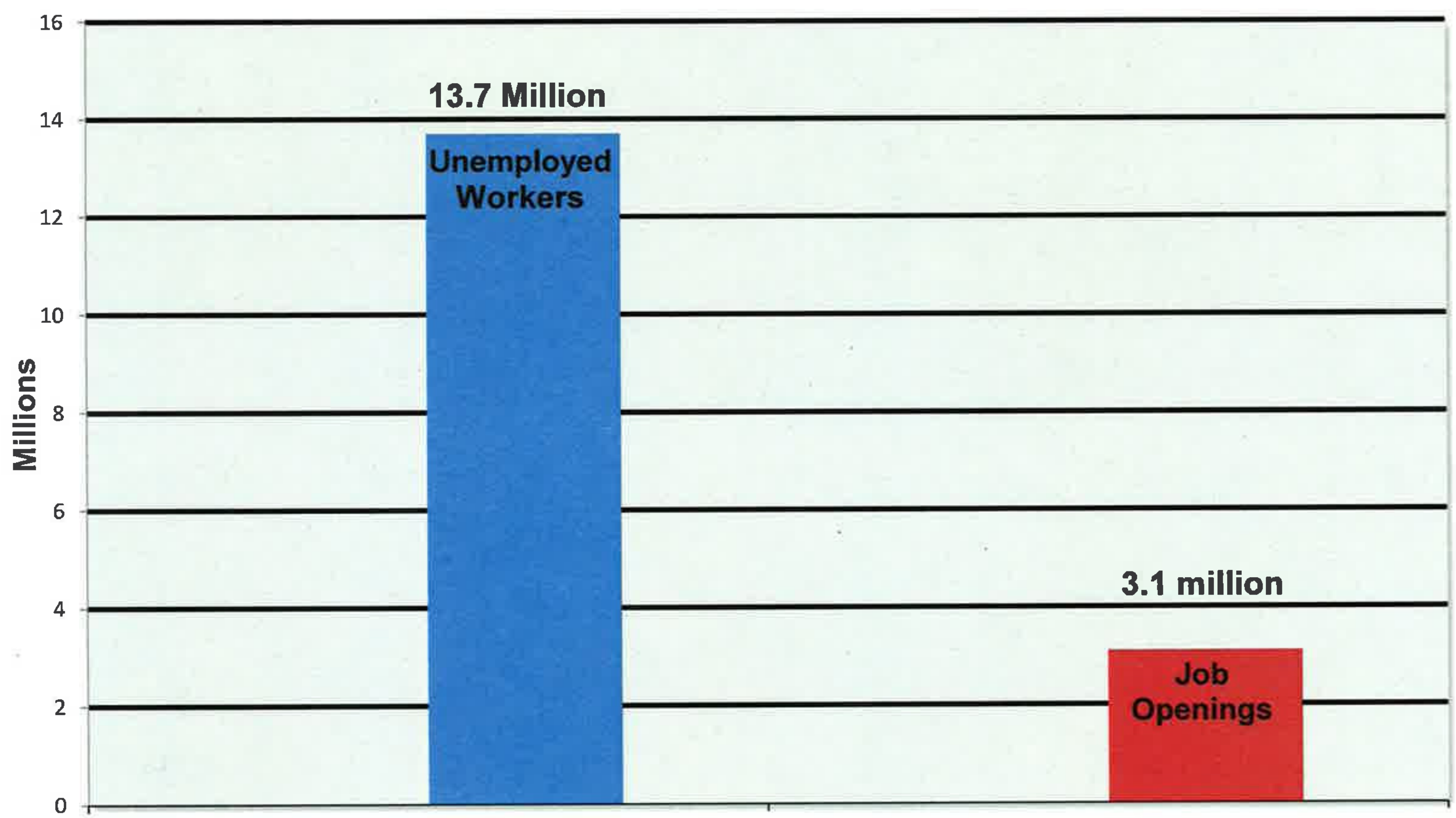
State	Federal Extended Benefits
Alabama	46,293
Alaska	11,162
Arizona	76,378
Arkansas	20,534
California	635,138
Colorado	74,102
Connecticut	52,800
Delaware	10,379
District of Columbia	7,793
Florida	278,933
Georgia	187,283
Hawaii	9,703
Idaho	16,640
Illinois	184,246
Indiana	78,920
Iowa	22,963
Kansas	24,060
Kentucky	47,810
Louisiana	24,733
Maine	12,523
Maryland	44,540
Massachusetts	108,659
Michigan	175,192
Minnesota	57,631
Mississippi	28,932
Missouri	59,778
Montana	7,760

State	Federal Extended Benefits
Nebraska	9,974
Nevada	48,480
New Hampshire	6,079
New Jersey	204,740
New Mexico	21,448
New York	279,155
North Carolina	147,532
North Dakota	2,159
Ohio	139,780
Oklahoma	24,343
Oregon	73,495
Pennsylvania	210,745
Puerto Rico	49,515
Rhode Island	16,664
South Carolina	62,831
South Dakota	1,384
Tennessee	61,248
Texas	210,984
Utah	16,571
Vermont	2,832
Virgin Islands	0
Virginia	40,016
Washington	98,655
West Virginia	12,988
Wisconsin	70,962
Wyoming	4,248
Total	**4,121,713**

Prepared by the Committee on Ways and Means, Democratic Staff on May 5, 2011. Data provided by the U.S. Department of Labor.

Tough Job Market For The Unemployed

February 2011



Source: Bureau of Labor Statistics. Prepared by the Democratic Staff of the Committee on Ways and Means, 04 May 2011.

Unemployment Benefits Are Very Modest

Average Weekly Earnings
$784

Poverty Level (Family of Four)
$ 429

Average Weekly Unemployment Benefit
$ 300

Prepared by the Democratic Staff of the Committee on Ways and Means, 10 May 2011.

GAO Findings on State Unemployment Insurance (UI) Solvency

In testimony before the Subcommittee on Human Resources in May 2010, GAO made the following assessment based on their report, *Unemployment Insurance Trust Funds: Longstanding State Financing Policies Have Increased Risk of Insolvency*, which was released at the hearing:

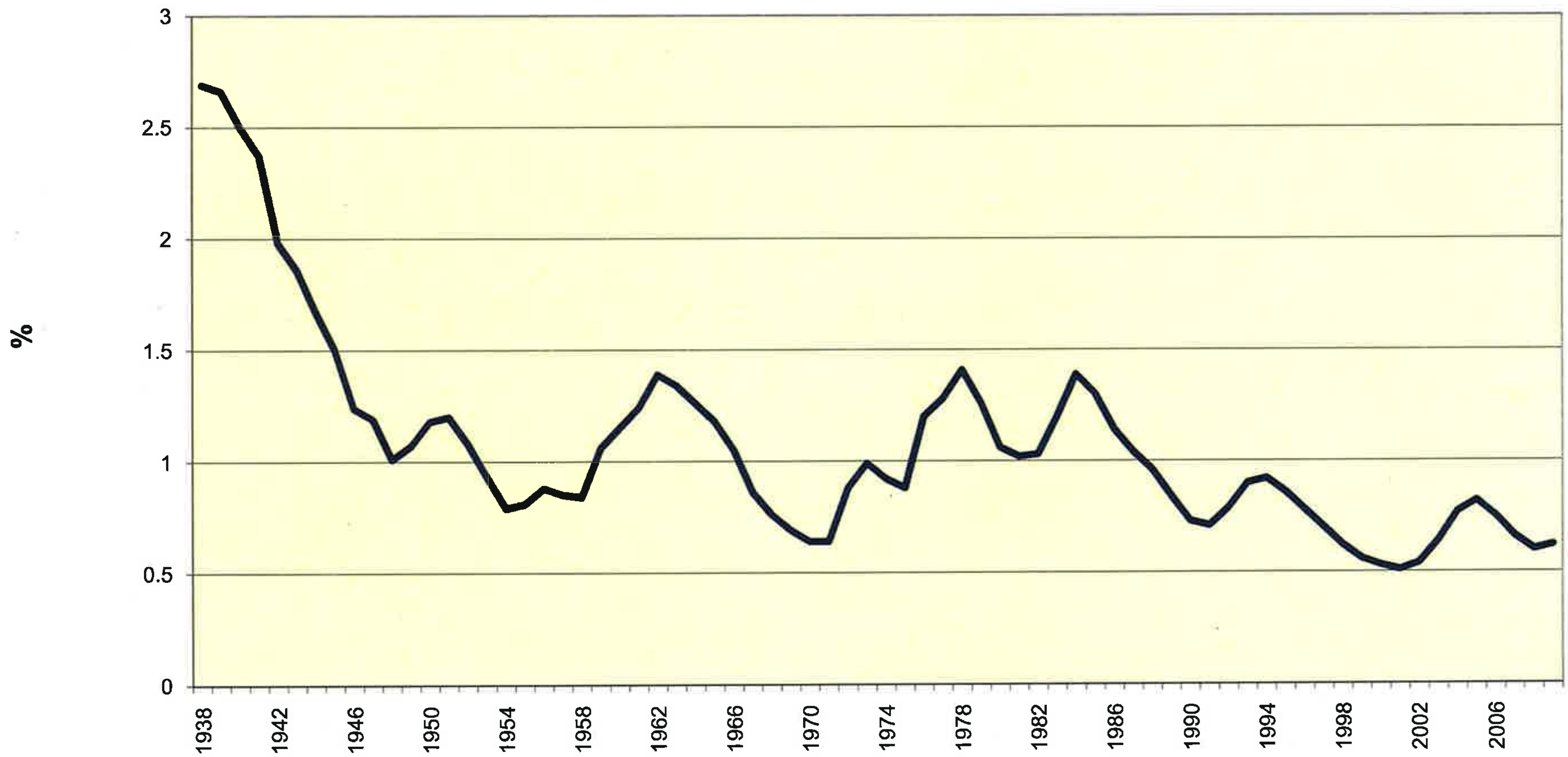
"*Long-standing UI tax policies and practices in many states over 3 decades have eroded trust fund reserves, leaving states in a weak position prior to the recent recession. Further, average U.S. pre-recession funding levels of state trust funds were lower prior to the recent recession than for the previous three recessions. While benefits over the last 3 decades have remained largely flat relative to wages, employer tax rates have declined. First, most state taxable wage bases have not kept up with increases in wages. As of 2010, only 17 of the 53 state trust funds have taxable wage bases that are indexed to average wages. Second, many employers pay very low tax rates on state taxable wage bases. From 1978 to 2008, average minimum tax rates levied on employers by states dropped from 1.14 percent to 0.37 percent of taxable wages.*

Options to improve state UI trust fund financial conditions include raising and indexing the FUTA taxable wage base, which has remained at $7,000 per worker per year since 1983. This could induce many states to raise and index their own taxable wage bases. In addition, state UI tax reform could reduce the number of employers paying very low rates and those that pay less in UI taxes than benefits paid to their former workers. Other options include adjusting state tax rates more frequently; raising solvency targets before lowering rates; setting additional conditions to receive interest-free federal loans; and raising interest credits for well funded trust funds."

Prepared by the Committee on Ways and Means, Democratic Staff on May 9, 2011

UI Taxes on Employers Not High By Historical Standards

Average UI Tax Rate on Total Wages



Last Data Point for 2009

Source: USDOL/ETA/OUI/DFAS

Prepared by the Committee on Ways and Means Democratic Staff on May 10, 2011, based on information provided by the U.S. Department of Labor.

Reality Check –
Republican Rhetoric vs. Actions on Unemployment

Republicans Blaming the Unemployed for Unemployment – Republicans say their goal is helping the unemployed find jobs, but their new bill focuses on placing new restrictions, requirements and limits on unemployment benefits rather than on helping jobless Americans find new work. Legislation (HR 1745) introduced by Republicans on the Ways and Means Committee would impose new requirements on Americans receiving regular unemployment benefits (even as the Republican budget slashes funding for employment services), and it completely eliminates the current guarantee for extended benefits for the long-term unemployed.

Republicans Cutting Job Training – Republicans say more needs to be done to promote re-employment, but the Republican budget passed last month would slash funding for education, job training and related programs by 25 percent below current levels. Furthermore, nearly every House Republican voted for a continuing resolution (HR 1) that would have eliminated all job training funds under the Workforce Investment Act for the next year.

Republicans Cutting Assistance to Dislocated Workers – Republicans say we need to better engage unemployed workers, but they have allowed vital training and assistance to expire for workers who have lost their jobs for trade-related reasons. In 2009, a number of reforms were made to the Trade Adjustment Assistance (TAA) program, such as providing coverage to service workers and making a greater investment in training. Republicans allowed these reforms to expire earlier this year, threatening benefits and training opportunities to hundreds of thousands of trade-impacted workers.

Republicans Opposing Job Creation Programs – Republicans claim they support efforts to help unemployed workers return to work, but they have opposed the continuation of programs that successfully created jobs. For example, Republicans opposed the extension of the TANF Emergency Fund, which provided wage subsidies to employers hiring unemployed workers. States used the Emergency Fund to create over 250,000 jobs, but the Fund expired last year after Republicans blocked its extension.

Republicans Should Stop Blaming the Unemployed for Unemployment

- After over four months in the Majority, House Republicans have yet to bring a jobs bill to the floor for a vote. To the contrary, Republican budget proposals would cause the loss of hundreds of thousands, and perhaps millions, of American jobs according to many economists.

- Rather than work toward continued job creation, Republicans blame the unemployed for not searching hard enough for work. New legislation introduced (HR 1745) by Republicans on the Committee on Ways and Means follows this line by increasing requirements on, and in some cases completely eliminating assistance to, Americans who have lost their jobs through no fault of their own.

- Having created 2 million new private sector jobs over the past 14 months, the economy has begun to recover under the policies put into place by President Obama and Democrats in Congress.

- However, there are still about 7 million fewer jobs in the economy today than when the "Great Recession" started in December of 2007. It is this jobs deficit that makes returning to work so difficult for the unemployed.

- Data from the Department of Labor shows there are well over four unemployed Americans for every available job.

- Americans receiving Unemployment Insurance (UI) are already required to actively look for and accept work, and they have ample incentive to do so given that the average unemployment benefit ($300 a week) only reaches 70% of the poverty line for a family of four.

- The Wall Street Journal recently reported that "roughly 1 million people in the U.S. were unable to find work *after* exhausting their unemployment benefits over the past year." This clearly shows that unemployment benefits are not holding people back from looking for work.

- Recent reports from the Federal Reserve Bank of San Francisco and from Goldman Sachs confirm that any work disincentive effects from receiving UI are very small during a depressed labor market.

Economic Policy Institute
Research and Ideas for Shared Prosperity

The JOBS Act will result in fewer, not more jobs

Ross Eisenbrey Heidi Shierholz

May 10, 2011

The "Jobs, Opportunity, Benefits, and Services Act of 2011" (JOBS Act) allows states to divert the federal funds they will receive to pay for emergency unemployment compensation (EUC) and extended benefits (EB) to other purposes, including paying off the debt many states owe to the federal unemployment trust funds, paying for regular state benefits, paying for reemployment services (e.g., job search assistance and job training), and improving the balance in their own state unemployment insurance trust funds.

The Congressional Budget Office (CBO) anticipates that $32 billion will be paid for EUC and EB from July 2011 until May 2012 under current law. The JOBS Act ends the entitlement to those funds and allocates $31 billion to the states in a new block grant.

The JOBS Act essentially allows states to terminate the payment of EUC and EB, potentially eliminating about $40 billion in economic activity, according to CBO estimates, that would result from putting cash in the hands of needy families that will spend it. The $40 billion in economic activity generated by the EUC and EB programs under current law would create around 322,000 jobs.

Spending on unemployment insurance programs gives the economy its biggest bang for the buck in terms of job creation because the GDP multiplier effect of unemployment compensation—which CBO estimates in a range from 0.7 to 1.9—is greater than any of the other possible uses under the proposed Act. Putting cash in the hands of unemployed workers generates more economic activity than any other option: it results in more consumption of goods and services produced by private-sector businesses, generating more economic activity by their suppliers and contractors.

But if the states choose not to spend the money on EUC and EB, some funding options will be better than others. For example, if a state uses its share of the $31 billion to pay down its debts to the federal UI trust funds, it will remove that amount of money from the economy, generate no new economic activity, and create no jobs at all. Likewise, if a state chooses to eliminate EUC and EB and instead deposit its share of the federal funds into its UI trust funds to improve their balance, the money will be removed from circulation and create no jobs at all.

Alternatively, under the JOBS Act a state could decide to use the federal funds to pay for regular state unemployment insurance benefits. This would relieve state employers of the need to pay for those benefits and allow for a temporary tax cut on all employers in the state that pay UI taxes. Employer payroll taxes have a modest GDP multiplier effect that CBO estimates at somewhere between 0.4 and 1.2. If all states took this approach, then about 198,000 jobs would be created,[1] or 124,000 fewer than under current law.

The other allowable activity under the JOBS Act is spending on reemployment services such as job search assistance and job training, which have an even more modest effect on GDP. The CBO estimates the multiplier effect as ranging from 0.4 to 1.1. If all states spent the entire $31 billion on such services, then about 186,000 jobs would be created,[2] or 136,000 fewer than under current law.

Needless to say, any combination of these alternative spending paths would lead to the creation of fewer jobs than under current law. If, for example, half of the funds nationwide were spent on continuing to provide EUC and EB, while the other half was divided between employer payroll tax deductions and reemployment services, then about 257,000 jobs would be created, a loss of about 65,000 jobs compared to current law.

In summary, the JOBS Act is a job loser, not a creator.

[1] This calculation uses the midpoint of the multiplier range and assumes that $125,000 of new economic activity is required to generate one job.

[2] Using the midpoint of the multiplier range and assuming $125,000 per job.

Republican Plan --Taking Money from the Unemployed

$31 Billion for Unemployment Insurance Can Be Diverted to Other Purposes

Loan Repayments on State Debt

Tax Cuts for Business

Replace Budget Cuts on Employment Programs