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HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING WASTE, FRAUD, & ABUSE WITHIN UNEMPLOYMENT INSURANCE SYSTEM

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining the waste, fraud and abuse within the federal unemployment insurance system:

I often begin my opening statements with a light-hearted comment or a joke, but not today. Not when the subject is unemployment. It's just not funny. It's not an occasion for jokes.

Fourteen million Americans are unemployed. The official unemployment rate is 9.1 percent, but that actually understates how bad things are. An article in *U.S. News and World Report* this week concludes that the unemployment rate is in fact closer to 16 percent because the official numbers ignore people who have stopped looking for work, or haven't applied for a job in more than four weeks, or who have found only part-time work but who really want a full-time job.

One might think that after the failure of its stimulus program, the Administration would be doing everything within its power to help private businesses create jobs.

But you would be wrong. In fact, the Administration in some cases is actually eliminating jobs. Consider what the Administration just did in my state of Utah. The Administration has just announced that it is reneging on a longstanding, bipartisan agreement to allow uranium mining in Southern Utah and Northern Arizona. By doing so, the Administration is blocking 4,000 new jobs and \$30 billion in economic activity.

Think of that. A year has passed since so-called Recovery Summer, and the economy is still on the ropes. We need all the jobs we can get. But the Administration is content to deny 4,000 jobs in Utah. And that's just in one corner of one state.

Four thousand jobs. That's 4,000 families that would have seen their Great Recession come to an end. But not now. We have a President who says he wants to create jobs. But as I said Monday, *I have never seen a bigger disconnect between a President's stated goals and his*

actions.

With high unemployment, and an anti-business Administration stifling job creation, the subject of Unemployment Insurance program operation is before us again and, unfortunately, addressing these issues is more important than ever. As unemployment remains high, the amount of taxpayer dollars spent on Unemployment Insurance also remains high. In 2007, before the recession, we spent \$32 billion on Unemployment Insurance. In 2010, the figure was \$156 billion.

Now here is the kicker.

At a time of trillion dollar deficits —and with the country hurtling toward a full blown debt crisis — the Department of Labor estimates that 11 cents of every unemployment dollar spent by government is spent in error.

That means in 2010 over \$17 billion was simply wasted. We can't afford this level of waste under any circumstances.

Let's put this waste in this one program in perspective. Just last month the CEOs of the five largest oil companies were brought before this Committee, with cameras rolling, over a tax subsidy for energy companies. The proposal to eliminate that subsidy would have saved \$2.1 billion per year. Many on the other side of the aisle touted that as a significant proposal for bringing our trillion dollar deficits to heel. Yet, here in the Unemployment Insurance programs we have \$17 billion in waste in one year alone.

Well, that is why today we are here to discuss *Program Integrity*. When we talk about *Program Integrity* we mean the management principles the Federal government and the State governments employ, or should employ, to ensure that those who qualify for Unemployment Insurance receive it, but that those who do not qualify for benefits do not receive them. We are here to discuss ways to shrink an 11 percent payment error rate that is costing taxpayers \$17 billion every year.

One problem is the sheer complexity of the Unemployment Insurance system. Too many in Washington are masters of bureaucracy with little regard for the costs imposed. Administration of Unemployment Insurance programs at the Federal and State level cost American taxpayers over \$5 billion in 2010. States need flexibility, not Washington mandates. States should be free to share their best practices, learn from one another, and adopt what works.

As is often the case, the Utah Way has resulted in an error rate much lower than the national average. I look forward to hearing how that was achieved and what kind of improvements Utah plans to make for the future.

Another problem that must be addressed is the substantial compliance costs the Unemployment Insurance system places on employers who are saddled with substantial paperwork and tax planning burdens. For example, not every departing employee qualifies for Unemployment Insurance, but many file claims anyway because it costs them nothing, and they believe they have nothing to lose. But this puts the burden, and the expense, of fighting unjustified claims on the employer.

Then there is the problem posed by people that qualify initially for Unemployment Insurance, but then cease to remain qualified and continue receiving a check anyway. Maybe they have stopped looking for work as they are required to do, or maybe they have returned to work after a layoff and not reported it.

There are many reasons why an Unemployment check might be paid in error, and sometimes fraud is involved. But whatever the reason for an erroneous payment, given the millions of people in the system today and the billions of dollars being spent each year, we cannot tolerate an 11 percent error rate. We cannot continue to waste billions and billions of dollars every year.

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