

# EXTENSION OF EMERGENCY JOBLESS BENEFITS

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## HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE ONE HUNDRED SECOND CONGRESS

SECOND SESSION

—————  
JANUARY 29, 1992  
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# **EXTENSION OF EMERGENCY JOBLESS BENEFITS**

**WEDNESDAY, JANUARY 29, 1992**

**U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, DC.**

The hearing was convened, pursuant to notice, at 10:00 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Moynihan, Bradley, Rockefeller, Daschle, Breaux, Chafee, and Packwood.

[The press release announcing the hearing follows:]

[Press Release No. H-2, Jan. 23, 1992]

## **SENATOR BENTSEN PLANS JOBLESS BENEFITS HEARING; FINANCE CHAIRMAN TO PROPOSE EXTENSION OF EMERGENCY BENEFITS**

WASHINGTON, DC—Senator Lloyd Bentsen, Chairman of the Senate Finance Committee, Thursday announced a hearing on legislation to further extend unemployment compensation benefits for jobless Americans.

Bentsen (D., Texas) said he will propose a bill in the next few days, with a goal of enactment next month.

The hearing will be at 10 a.m. Wednesday, January 29, 1992 in Room SD-215 of the Dirksen Senate Office Building.

"I'm optimistic we can get a bill passed and to the President for his signature in early February. Extending these benefits is of vital importance to millions of American families," Bentsen said.

"The economy continues to struggle and the unemployment rate continues to rise. Employers are doing more firing than hiring. Without question, the emergency benefits program enacted last year was badly needed and now it's clear that an extension is badly needed as well," Bentsen said.

## **OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS, CHAIRMAN, SENATE FINANCE COMMITTEE**

The CHAIRMAN. If you would please cease conversation and take your seats, we will be under way here.

Today's hearing is going to be, of course, on the extension of Unemployment Compensation benefits for millions of Americans who are the victims of the longest period of economic stagnation since the Great Depression.

I know we have some of the economists beginning to read the tea leaves, divining, possibly, the first harbingers of recovery, but the fact is, this recession has taken a terrible toll on the American work force.

Labor markets today are worse than they were before Thanksgiving when we extended benefits. The unemployment rate has increased from 6.9 to 7.1 percent.

I know that kind of a rate of increase sounds small, but it has enormous and tragic consequences for the families that are affected. It means almost 290,000 more Americans joined the ranks of the unemployed. That is about the equivalent of wiping out every job in a mid-sized city.

Since December, the layoffs by blue chip companies have averaged 2,600 people per day. Even if the recovery is beginning—which I fervently hope it is—indications are it is going to be a weak one, with gross domestic product rising at only half the post-war average of recovery from recessions.

The Congressional Budget Office says there will be virtually no improvement in the labor market this year. There is a good chance that unemployment is going to remain in the 7-percent range, or go higher.

Last year's extension of unemployment benefits provided an important lifeline for the victims of this recession, but those benefits are going to begin to run out on February 15 for some 600,000 people, and that number is going to mount week after week thereafter.

Sustained economic growth—jobs—has to be our goal for the long term. But, in the meantime, we cannot write off those hundreds of thousands of Americans with expiring benefits. I was delighted to see that the President shared that concern with us last night in his State of the Union address.

I also realize that this is a time of tight budget constraints. But I think in spite of that, we have an obligation to extend those benefits again. We have an obligation to help sustain those, who, through no fault of their own, have lost the jobs that sustained them and their families in every State of the Union.

I am certainly encouraged by the fact that we seem to have a consensus on the need to extend benefits, and that the President shares that.

The Committee on Finance will be marking up a bill tomorrow, and I hope we will be able to work with the administration—and I am optimistic we can—and with the House, to extend those benefits without delay.

We have a distinguished list of witnesses that will be appearing before us this morning. We will be hearing from the administration, as well as representatives from business and labor.

We will also be hearing about prospects for the economy from the distinguished head of research for DRI, and we will be hearing about the impact of the recession directly from workers who are experiencing it first-hand.

I am very pleased this morning to have the distinguished Secretary of Labor here, but, first, I defer to my distinguished colleague, Senator Packwood.

[The prepared statement of Senator Bentsen appears in the appendix.]

**OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S.  
SENATOR FROM OREGON**

Senator PACKWOOD. Mr. Chairman, thank you. I can tell we are much better off on unemployment now than we were last summer—unemployment bills, that is—as to whether we are going to pass one. You can almost tell the speed with which we are likely to act would be in inverse proportion to the size of the crowd here today.

And, as everyone assumes, this is a done deal, apart from is it going to be July or October, and some minor variations between what the House will pass and what we will pass.

I will predict that by next Wednesday or Thursday this would be passed, and to the President, and signed. And it will be behind us, at least for the duration of the bill.

I am going to have to apologize. Since you set this meeting, the President has asked to meet with the Republican Senators and will be here very shortly, and I am going to go to that meeting. But could I ask Secretary Martin just one question now that she could answer?

The CHAIRMAN. Yes, of course. Go ahead.

Senator PACKWOOD. Lynn, this is a problem we all have in States, and this is the pockets of unemployment. It is not average throughout the State. In my State, it is the timber industry, and most of the timber countries are 10, or 15, or 18, or 20 percent unemployment.

And the metropolitan areas are way below the average. And when you have a chance, if you could address yourself to that subject of is there some way we could accommodate within the States the rather dramatic differences in the geography of the State on the unemployment rates.

[The information follows:]

**SUBSTATE TRIGGERS**

In 1987, the Department contracted with Mathematica Policy Research (MPR) to determine the feasibility of developing and using a substate trigger for the extended benefits program. In 1989, we published this study, entitled "An Evaluation of Feasibility of a Substate Area Extended Benefit Program." Specifically, the study includes a survey of all states to obtain information on data availability and automation capacity, a simulation of various substate options using detailed data from the States of Florida and Missouri, and a review of the administrative implications of a substate program.

The study shows that there do not appear to be substantive gains in targeting by transferring the focus of the EB program from the State as a whole to local labor markets. Gains are most substantial during non-recessionary periods, but they cannot be achieved without incurring significant implementation and operational costs. For the most part, the targeting gains disappear during periods of high unemployment. In fact, unemployment in major labor markets within a State tends to be reflected in the Statewide rate, i.e., if a major labor market has a sufficiently high rate to trigger on, then chances are that the Statewide rate also would meet the trigger requirements. In conclusion, implementing a substate program is feasible, but at a very high cost. The primary costs are associated with administrative functions, e.g., identification and notification of potential claimants, determination of eligibility regarding residence or former place of work, and depending on the trigger mechanism used, the collection and processing of data.

Senator PACKWOOD. Thank you, Mr. Chairman. I will go off for that meeting.

The CHAIRMAN. Thank you. Senator Moynihan, any comments you might have.

**OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN,  
A U.S. SENATOR FROM NEW YORK**

Senator MOYNIHAN. Mr. Chairman, I would like to welcome the Secretary. I would make the simple point that unemployment insurance is a title to the Social Security Act, drawn up in the Labor Department by your distinguished predecessor, Frances Perkins.

It was something we had no difficulty enacting and accepting in the midst of the Great Depression. And 60 years later that we should still be arguing about it is not the prettiest thing we saw last year.

I am glad the administration has come to its senses, and I have to put it just that way—not you, Madam Secretary, but the administration. But we welcome you.

The CHAIRMAN. Senator Bradley.

**OPENING STATEMENT OF HON. BILL BRADLEY, A U.S.  
SENATOR FROM NEW JERSEY**

Senator BRADLEY. Thank you very much. Mr. Chairman, I will simply echo the words of both you, and Senator Moynihan, and Packwood. Welcome to the Secretary. I am very pleased that the administration seems to be on board for these extended benefits.

I do not think we should ever forget that we are dealing not with numbers here, but people; people whose lives are really at stake, losing their health insurance, and pensions endangered, not enough money to take care of their family.

In my State in December alone, 10,000 more people lost their jobs. We have nearly 300,000 people in New Jersey now who have lost their jobs.

And extended benefits is just one way of saying that we recognize that the government has a responsibility to those individuals and their families to try to give them some modest help in times of great personal and economic stress.

I would hope that we would also be able to look at the formula as it relates to extended benefits, because I think that it is really in need of some revision. One, a revision that would be more consistent with the nature of our recession now.

So I will look forward to working with the other committee members and hearing the Secretary's words, and thank the Chair.

[The prepared statement of Senator Bradley appears in the appendix.]

Senator MOYNIHAN. Madam Secretary, if you would just proceed. You may place your statement in the record if you wish.

Secretary MARTIN. I do, Mr. Chairman. Thank you.

**STATEMENT OF HON. LYNN M. MARTIN, SECRETARY OF  
LABOR**

Secretary MARTIN. It is a pleasure to be here, and I do appreciate the opportunity to testify on legislation to amend the Emergency Unemployment Compensation Act.

A reminder, not anecdotally, but when I was in the House, I represented a district with a city that had the highest unemployment



rate in the nation during the last recession. It affected my friends, and neighbors, and members of my own family.

So, there is personal deep concern for the men and women of this Nation who do not have jobs and who have exhausted unemployment benefits; not because they do not wish to work, but because they cannot find work.

You mentioned, Mr. Chairman, and it is quite true, that President Bush shares that concern about the recession's impact on the American people, particularly unemployed workers.

So, the President and I do want to work with all of you in the Congress to help the unemployed, and, at the same time, move toward an economy that will provide jobs for those Americans who want to work and who need desperately the chance.

In light of that concern, the President proposes to expand and extend the EUC to assist unemployed workers and their families while they seek employment.

By working together last year, with your help, Mr. Chairman, and the leadership of Senator Dole, and others in both Chambers, we were able to provide important emergency benefits to unemployed workers in a manner that was consistent with long-term economic growth. It is obvious that we can work together again.

The regular UI programs, which provided nearly \$25 billion to over 10 million unemployed workers in fiscal year 1991, are now supplemented. EUC provides two tiers of emergency benefits—20 weeks, or 13 weeks—depending on the State's unemployment rate.

As you have mentioned, Mr. Chairman, the program is scheduled to expire on June 13 of this year. We believe it is providing significant help to the unemployed and their families, placing checks in the hands of men and women all across this country who need help with their mortgage bills, with grocery bills, tuition payments, car payments, and the bills of everyday life.

Mr. Chairman, the Department of Labor is proud of the efforts of the State Employment Security Agencies and our own staff in getting that extended program up and running so quickly and so smoothly.

Many States' first benefit payments under that bill were made Thanksgiving week, just 2 weeks after the legislation was enacted.

Yesterday, the administration, Republican Leader of the House, Bob Michael, and the Chairman of the Ways and Means Committee, Dan Rostenkowski, of Illinois, joined forces to propose an extension of unemployment benefits that is consistent with the Budget Enforcement Act.

The proposal was adopted by the Ways and Means Committee. The proposal will expand and extend the program. First, the bipartisan package proposes adding, from the date of enactment through June 13, an additional 13 weeks of benefits.

Unemployed workers who qualify for the EUC before June 14, including those unemployed who are now receiving benefits, will be eligible to receive a total of either 33 or 26 weeks of emergency benefits, depending on the unemployment rate in their State.

Since under current law some of the unemployed would have exhausted their benefits as early as February 15, it is essential that the proposal be enacted quickly. The package also proposes extending the expiration date to July 4.

The department estimates the cost of the proposal to be \$2.7 billion in fiscal year 1992. The proposal is fully financed, Mr. Chairman, and is consistent with the Budget Agreement. No sequester would be triggered by its enactment.

Of course, we oppose proposals that would deem the costs associated with the changes to be emergency requirements under the Budget Enforcement Act, thereby waiving pay-as-you-go. Such proposals, were they to be enacted, could hinder the economic recovery that I know you seek, and so, of course, does the administration.

Mr. Chairman, the administration is committing itself, and has committed itself to responding in a very timely and fiscally responsible way to those individuals that Senator Bradley mentioned: the men and women, the people who desperately want and need our help.

The department and I, again, pledge that we will work with you and any committee members to pass this legislation expeditiously so that there will be no break in benefits for unemployed workers.

And, indeed, when we talk about the particular addendums, it might be wise to say briefly what the legislation would mean. It would mean that 1.5 million unemployed workers who would have exhausted their benefits would get additional weeks, and that means an entire year or more of unemployment benefits.

Sometimes there is confusion when we talk about 13 weeks. The total would actually be 12 months—52 weeks—and up to 59 weeks of getting unemployment benefits while the economy recovers and while job search continues.

I add something else. Our brief conversation earlier, Mr. Chairman, and your support, which is so absolutely critical; it shows we can work together.

If we can work together on this to help our fellow citizens who needed help, surely that could provide the beginnings of how we could work together for long-term and short-term changes to make sure that those who wish to work can find jobs.

I am grateful for what you have said, Mr. Chairman, publicly and privately, about your desire to make sure the unemployed of this Nation do find that they will have their benefits and will be able to rest a little easier knowing that the world is not dropping off in front of them.

Thank you, Mr. Chairman.

[The prepared statement of Secretary Martin appears in the appendix.]

The CHAIRMAN. Thank you, Madam Secretary. That phone call I went out for was to try to see what we could do to move this very expeditiously. I hope we can bring it up in the committee markup tomorrow.

Secretary MARTIN. That would be wonderful.

The CHAIRMAN. And I am optimistic that we can pass this on the floor of the Senate Tuesday, and that would be in very record time.

Secretary MARTIN. Indeed, it would.

The CHAIRMAN. And that was part of what I was trying to arrange on the telephone a moment ago.

I must tell you, my only concern is there are a lot of other tax problems out there which members of this committee and those in the Senate feel very strongly about, whether we are talking about

tax on boats, or we are talking about capital gains, or investment tax credits, or down the list.

The only possible danger is getting this tied up in some kind of a bidding war on the floor or in this committee by people who feel very strongly about these kinds of concerns.

And I am asking the leadership to join with me in resisting all amendments, because this is a priority, and because we are going to have a tax bill, and these other concerns will be addressed.

But, in listening to the President's speech last night, one of the things I noted was his reference to the bipartisan compromise that he has endorsed. It costs \$2.7 billion, and provides the extra weeks that you were speaking of, to July 4.

Most of the economists are predicting a very slow recovery out of this recession, and that unemployment will stay in the range of 7 percent for the balance of this year.

Now, in his statement the President said he had \$4.4 billion in the budget for unemployment compensation benefits—considerably more than the \$2.7 billion cost of the compromise proposal. Does that mean the administration believes high unemployment is going to continue, and that a further extension beyond the July 4 cut-off date you were talking about will be necessary?

Will the extra money in the budget be used for that purpose, or is it the administration's view that no further extension of unemployment benefits will be needed beyond the July 4 cut-off? I would like to have a further interpretation of that by you, Madam Secretary.

Secretary MARTIN. Yes. Although I do not speak here for Chairman Boskins, and, Mr. Chairman, we will get to you the administration estimates as they look ahead to the first and second quarter.

[The information follows:]

#### ECONOMIC ASSUMPTIONS

Projected Administration Civilian Unemployment Rate (as of January 10, 1992):

CY 1991, 4th Quarter.....	6.9%
CY 1991 Average.....	6.7%
CY 1992, 4th Quarter.....	6.8%
CY 1992 Average.....	6.9%

Secretary MARTIN. So, perhaps I could speak to the general view of most economists, and that is, as you know, a slower growth than any of us would wish, but that there is second quarter movement.

Now, from my department, when we do the unemployment, that, as you know, is a lagging indicator. I do not have to tell you this, Mr. Chairman, with your expertise. But we do believe that there will be some downturn in unemployment, and the faster we can put together a jobs and opportunity package, the faster we can make that work.

What this does, with the agreement of all concerned, was to try and take some of the politicization that was going on on the backs of men and women who desperately need to hear from their government—they do not care if it is Republican, or Democratic, or the legislative, or the executive—but that the unemployment problems would be met.

You know there was some criticism that it took us too long, and blame shifted last year. This is an attempt—and I think both sides should be congratulated—to make sure that people do not suffer.

If unemployment rates drop, then, of course, we will all, I assume, be enormously pleased. That is what we are after here. I cannot believe any of us just want to extend benefits. What we want to do is make sure people have jobs.

So, again, Mr. Chairman, you know, and I know that were there difficult times, this President and this Congress would respond to the needs of the people.

But this does take us to July; it does take us to the point where all of us believe there is recovery. And I just hope the faster the Congress can act—and I know tax bills are difficult; that I do know—to accelerate the economy, the better.

The CHAIRMAN. Thank you, Madam Secretary.

Secretary MARTIN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Breaux.

**OPENING STATEMENT OF HON. JOHN BREAUX, A U.S.  
SENATOR FROM LOUISIANA**

Senator BREAUX. Thank you, Mr. Chairman. I thank the distinguished Secretary and former colleague. Good to see you back, Lynn. We are delighted to have you here.

I think, as you said, and I know the Chairman has said, that this is a very important piece of legislation. But let us not kid ourselves; it does not represent a victory, it really represents a failure. It represents a failure of an economic policy that is unable to fully employ the people of this country.

So, it is important, yes, but it is a band-aid. It does nothing to address the real problem of job creation and economic growth. With this bill, we are just saying there is a big failure out there, we just have to keep putting band-aids on it to help people out.

And, of course, I do not think we have any choice but to do what the Chairman is proposing, and I intend to support him in that effort.

One of the things that does, however, directly affect jobs is one of the tax policies that was enacted the last go-round; one that I think clearly indicates that we shot ourselves in the foot, is, that, the luxury tax on boats.

The estimates are that about 19,000 jobs are going to be lost. And it is a touchy situation, because someone says, well, how can you worry about luxury yachts? Well, we are not worried about people who buy luxury yachts. They are not buying them.

We are worrying about the workers who used to work on building them: the carpenter, the electrician, the pipe-fitter. The people who built the boats are now out of work. And I think there is a direct correlation between the luxury tax and those lost 19,000 jobs. I know the Chairman wants to get this bill passed as orderly and fast as possible.

What would the administration's position be if this, as a revenue bill, had added to it a repeal of the luxury tax on boats, with a corresponding offset to pay for those lost revenues?

Secretary MARTIN. The one thing I learned as a member of the House was to certainly not tell the Senate what it should or should

not have in a bill, Senator. The Chairman—and I know, especially with Louisiana and the boat building that occurs down there—did indicate that this would be best as a clean bill, and that he wanted to then look at another tax bill. I do not think I am putting words in his mouth.

Let us be very clear here. No one is suggesting that this is a jobs-producing bill. This is to help people who have lost their jobs.

If we had not done this and could come to agreement, there would be rightful criticism, perhaps, to both sides. We have been able to achieve that. I happen to think you make an excellent point on the substance of what you are saying.

This bill, I think, will stand alone to help those and it will. However—and I think people like you, Senator Breaux, will be putting pressure on every side to achieve a tax bill that can stimulate real job production—this bill, because of the speed, it has to be out of here to help people by February 15.

And the Chairman has been both incredibly responsible and rightfully pushy about doing this. I suspect that that would make that extraordinarily difficult.

So, I think here we have a case of a clean bill to help people, and to reassure them that the cliff that they were looking at has been avoided. As a matter of fact, I think I am following the Chairman's view on that.

Senator BREAUX. I think you all are in sync. Let me ask another question then. We had 31 co-sponsors on the repeal bill that I and Senator Chafee offered. The Senate had a sense of the Senate resolution calling for the repeal, and we had 82 votes in favor of it.

Now, if there is an opportunity to offer that legislation to this tax bill, is it the position of the administration to support that, or not support it?

Secretary MARTIN. The administration has worked out, and continues to work with this Chairman, I think the conversation has been about a clean bill.

I would also tell you, as Secretary of Labor, I do not give the administration's position on tax policy, and that would be inappropriate to do so. Again, we are not talking about substance, we are talking about this bill. I think both Chairman Rostenkowski and Chairman Bentsen have indicated that they prefer and wish a clean bill. My job is to make sure the people who are out of work get served best, and I would have to say that would be done best with a clean bill.

Senator BREAUX. Thank you, Madam Secretary.

Secretary MARTIN. I should add, if I may, if you want to put the entire President's program on, but I think that might take longer than a week.

Senator BREAUX. Yes. But you all want a clean bill.

The CHAIRMAN. Senator Chafee.

#### OPENING STATEMENT OF HON. JOHN H. CHAFEE, A U.S. SENATOR FROM RHODE ISLAND

Senator CHAFEE. Thank you very much, Mr. Chairman. Madam Secretary, I am delighted to see you

My problem, Mr. Chairman, with this clean bill business is that we have been struggling here to get rid of this boat tax.

And time and time again we are assured that, no, no, we should proceed with this particular bill before us, we want it passed swiftly, it must be a clean bill, and we will get to this other legislation that is going to create jobs later on.

I think it is just as important to have job-creating measures and to preserve jobs as it is to have measures to take care of people who are without jobs.

You yourself said, Madam Secretary, there is no way in the world to look at this bill other than a bill to take care of people who are unfortunate enough to have lost their jobs.

I think we ought to attach the same urgency to legislation to repeal the boat tax; not that one is exclusive of the other. I am all for this unemployment benefits bill. It is going to help the citizens of my State. We have got the highest unemployment rate in the nation as a State. So, I am all for it, and was all for the last legislation.

But, at the same time, in our State we have people who could go to work if we repealed this crazy luxury tax. I gag over the word luxury, because I do not think it is a luxury to buy a boat.

We have pointed out 100,000 times that this has nothing to do with favoring millionaires. What we are worried about is the people who build the boats. They are the people who are being affected.

The millionaires can go buy their boats overseas and keep their boats overseas, and cruise in the Mediterranean and have a lovely time, but who gets hurt is Rhode Island boat builders. And I am talking literally hundreds, and, indeed, across the Nation, as Senator Breaux has pointed out, thousands.

So, I am not so enthusiastic about having this be a clean bill, because when are we going to get our shot? Mr. Chairman, here is what bothers me, and I know you have worked hard on this, and you are anxious to do something. But if this train leaves the station with nothing on it but the extension of the Unemployment Compensation, when do you think we will get our shot?

The CHAIRMAN. I think we will get a tax bill no later than June. That would be my expectation. You know how difficult it is to—

Senator CHAFEE. Oh, look, Mr. Chairman. I know how you feel about this; you and I have talked. So, nothing I am saying is—

The CHAIRMAN. Let me give you another thought, though. What I would like to do is to also see if we cannot work something out.

First, I am absolutely adamant on the point that I want this as a clean bill. Because if we start with the luxury tax on boats, I do not know where we end up, and I think we flounder. I think this does not pass, certainly, as expeditiously as we want.

But I think one of the ways to address what you are talking about—and there is no question but that the boat industry is in a serious depression, not a recession. I think part of that is the recession; I think part of it probably is the tax.

But I think the way we could probably take care of this—and I would want to talk to Chairman Rostenkowski and others, is, perhaps, to say if it is passed—if it is revoked in the tax bill—that it be retroactive back to the date of this bill. That takes care of your problem, it seems to me.

Senator CHAFEE. Well, that helps, because—

The CHAIRMAN. Helps? That is quite a move. That takes care of the argument.

Senator CHAFEE. Well, look, I am always grateful for small favors.

Senator BREAU. Keep pushing. Keep pushing. [Laughter.]

Senator CHAFEE. Frankly, you talk of passage of this bill, we were talking about this last year, Mr. Chairman. Remember, we discussed this. And it was not very firm, but I thought I got sort of a promise from you that it would be retroactive back to then.

The CHAIRMAN. What are you asking for then?

Senator CHAFEE. Well, heck, I would take it back to when the crazy thing was enacted, but I forgot when we did this. Was it in November?

The CHAIRMAN. Let me tell you, Senator, I have gone about as far as I am going to go this morning. But I——

Senator CHAFEE. Well, we will get you tomorrow then. [Laughter.]

Well, let me just also make another point, if I might, Mr. Chairman.

The CHAIRMAN. All right.

Senator CHAFEE. As you remember, when we did this first unemployment extension, I guess, in November, everybody said let us have a clean bill. But you remember, we had those extenders on it.

The CHAIRMAN. Yes.

Senator CHAFEE. We got those extenders on it, and that did not hurt anything. As a matter of fact, it was——

The CHAIRMAN. We got a total agreement on that, and you are not going to get it on this one. I am going to try to help you. I am going to support repeal of that tax when it comes up, and that is a further commitment to you. Now, you have done pretty well this morning.

Senator CHAFEE. Well, I know. And, as I told you, my father always used to tell me, do not insult the crocodile before you have crossed the stream. And that is about the way I feel here.

The CHAIRMAN. Well, I have been called a lot of things, but that is a new one. [Laughter.]

Senator CHAFEE. All right. Mr. Chairman, I have to go, unfortunately. There are some distinguished witnesses coming up, and I had the privilege of being here when Mr. Bieber was here previously on another piece of legislation.

So, I am sorry to not have a chance to have a little back and forth with him again. But I think we had a nice discussion, and I appreciate it.

The CHAIRMAN. What I would like to ask you is has anyone tried to sell you a car since then?

Senator CHAFEE. I will tell you this, Mr. Chairman. You and I thought the phone would ring off the hook. I have had not a single letter, not a single call from anybody trying to sell me a car.

You make a public declaration that you might buy a car, and the automobile sales force in this Nation—now I am going to stir them all up—but they do not sell cars, they deal with customers. And there is a whale of a difference. And do not give out my telephone number, please. [Laughter.]

The CHAIRMAN. All right. Thank you. Are there further questions? [No response.]

None.

Secretary MARTIN. May I thank the Chairman, and say, as Secretary of Labor, I have seldom been able to appear before a committee with such joy and peace among all of us. [Laughter.]

And the fact that any of the problems are within your committee; that happens to me, but seldom. And so, thank you, Mr. Chairman, for that wonderful experience.

And I would like to publicly state my greetings to the head of the UAW, whom I know, and has also been very active with making sure that his employees who may be unemployed through the difficulties in the auto field have availability of extended benefits.

So, I know he will be pleased, too, that the department, the administration, and the committees have been able to represent the people he, too, represents. Thank you.

[The prepared statement of Secretary Martin appears in the appendix.]

The CHAIRMAN. Thank you very much, Madam Secretary.

Our next witness will be Mr. David Wyss, who is the research director for DRI. Mr. Wyss, we are pleased to have you. Please proceed.

#### STATEMENT OF DAVID A. WYSS, RESEARCH DIRECTOR, DRI/ McGRAW-HILL, LEXINGTON, MA

Mr. WYSS. Thank you. Senator Bentsen, members of the committee, I would like to thank you for asking us to come here to speak to you on the issue of extending unemployment insurance benefits.

Last year when this issue came up, the unemployment rate looked like it was dropping from its level of 7 percent that it hit in June, and looked like it would move lower as the economy recovered slowly.

Even at that time, we thought that extending the benefits would be a good insurance policy against a more extended recession. Now that the recovery has disappeared, at least for the time being, we think that the need for benefits has become even more obvious.

I would like to talk about two issues. One is the usefulness of unemployment insurance extension as a stimulative measure for the economy; and the second, the outlook for the economy and the impact of that on the need for unemployment insurance benefits.

Extending benefits is a relatively small, but we think rather effective way, of providing a stimulus to the economy. The amount involved, about \$4.4 billion, is only a little over 1 percent of the current budget deficit. It is not exactly a big move.

But the money does go to the people most in need of the funds—the people who have been out of work the longest, and is going to be spent much more than most other tax cuts or spending increases, and going to have a pretty substantial impact on the economy as a result.

In addition, the benefits are inherently self-limiting. As the recession ends and unemployment goes down, the benefits will phase out.



That limits the fear that financial markets will otherwise feel about a stimulus package, or about increased spending. Let us face it, the bond market has backed up rather badly recently.

The yield on long-term Treasury Bonds has gone up about three-tenths of a percentage point to 7.7 percent; mortgage rates have risen about a quarter point, largely because of fears of what the stimulus package would bring. At least with a self-limiting package, bond markets worry about only 1 year, which means that the impact on the bond market on unemployment insurance is relatively limited.

In terms of the second question, what is going to happen to the economy, we expect that the recovery will resume by this summer with growth accelerating to about 4 percent or a little above in the second-half of this year.

That assumes the passage by early second quarter of something like the stimulus package proposed by President Bush in the State of the Union address last night.

Without such a package, we would expect growth in the 3½-percent range; relatively slower, but still a recovery.

Even if the economy recovers on this schedule, the unemployment rate will not peak until this summer. And even if the unemployment rate starts to come down in late summer, the number of long-term unemployed will not peak until late this year.

If you look at the history of past recessions, the number of long-term unemployed—the number of unemployed that have been out of work more than 26 weeks—does not hit a peak until about 6 months after the peak in the unemployment rate. That suggests that this problem will not even start to diminish until the very end of this year.

We have worries, obviously, even about this forecast. We were surprised by the stall in the economy that began in late summer. We had expected the recovery of the spring to continue and gather strength in the fourth quarter.

Through the summer, through the third quarter of this year, our forecast was right about on track. But it is quite clear that the fourth quarter and first quarter are substantially weaker than we thought, largely because of the collapse of consumer confidence that we saw in the late summer.

We hope that one thing that will come out of the State of the Union address, that will come out of a fiscal package is a recovery in consumer confidence.

If that happens, as we expect, the economy will re-start this fall. The problem will gradually diminish as we move into the autumn months.

But if not, if the American public remains as cynical and pessimistic as they are at the moment, there is a definite risk that this recession could last longer; that the recovery could be weaker and more delayed than we anticipated.

I would also like to point out that this is, like most recessions, a very uneven recession. The impact in some States, notably the two coasts, has been much more severe than the impact on the rest of the country. The bi-coastal expansion of the 1980's has been succeeded by the bi-coastal recession of the 1990's.

In the Northeast, in California, this recession has really almost passed the recession stage. In a State like Massachusetts, where employment has dropped over 10 percent from its peak, we are really talking depression-level declines.

On the other hand, in the mid-west, in Texas, which is recovering from its recession of the mid-1980's, this is a relatively mild downturn.

I would like to just state, in conclusion, that we definitely support the idea of the unemployment insurance extension. We believe, however, that if this is extended, this is not going to be the last extension that this committee will have to consider. Thank you.

The CHAIRMAN. You mean in the sequence of what we are doing, that we might have another extension beyond this one.

Mr. WYSS. Especially if this is only extended through July 4, there is no question.

The CHAIRMAN. Yes. All right. And looking at your forecast, as I understand it, you have been talking about a double-dip recession.

And, as I also look at your forecast, it is rather comparable to what you forecast last year, which you said you missed, as did most economists. What is different this time?

Mr. WYSS. Well, I think we do not fully understand why we missed, obviously, or we would not have missed in the first place. But I think two things happened.

Number one, during the recession, the recession was moderated by the sharp drop in imports that came. As consumers stopped spending money, they stopped spending money on imports.

But when they returned to the shopping malls in the spring, imports bounced up very sharply. We had a double-digit increase in import volume in both the second and third quarter of this year. And that meant that the rise in consumer spending did not result in an increase in jobs or an increase in incomes. As a result, the recovery stalled.

Especially as people who had been laid off during the winter saw that there were no jobs opening up in the summer, they lost confidence, lost hope, and stopped spending money.

We think that has run its course; that the imports, to a large measure, have been coming in to restock shelves, and that the growth will slow down. Therefore, we are going to lose that drag on the economy during the second-half of this year.

The CHAIRMAN. I have listened to your comments about regional concerns, and where you had, in effect, a very good economy on the coasts last time. This time the recession is on the coasts.

I could not help but think when you talked about Texas and the recession—we did not have a recession, we had a depression. It did not last 6 months, it lasted for quite a time. And we are gradually, gradually coming out of it.

You think this time that we may have a further extension of the recession for the Californians and the New England States, is that the thought? Does that mean the lack of consumer confidence is also more in those areas, and if so, why?

Mr. WYSS. Well, consumer confidence has collapsed in New England. The national number for consumer confidence is down to 50

percent. In New England, it is down to 25 percent. People are scared, and they are scared because there are not any jobs. They are moving out of the State.

The unemployment rate in Massachusetts has now dropped for 4 months in a row. It is not because people are finding jobs; it is because they are leaving the State.

The CHAIRMAN. We had the same problem, as I recall. We had tents up here in Washington, DC, we had the motels full of people from Texas who were up here as plumbers, bricklayers, while you had booming times here. That is what has happened to us. I think we have seen the greatest transfer of wealth that I believe we have had in this country since Reconstruction. Real estate is being sold at liquidating values, and it has been a traumatic experience for this country, particularly parts of it.

The CHAIRMAN. Senator Rockefeller, do you have some comments?

Senator ROCKEFELLER. No, Mr. Chairman.

The CHAIRMAN. Well, thank you very much for your comments. Mr. WYSS. Thank you.

[The prepared statement of Mr. Wyss appears in the appendix.]

The CHAIRMAN. Our next witness is Mr. Michael Roush, who is the director of Federal Government relations, National Federation of Independent Business. We are pleased to have you.

**STATEMENT OF MICHAEL O. ROUSH, DIRECTOR OF FEDERAL GOVERNMENT RELATIONS, SENATE, NATIONAL FEDERATION OF INDEPENDENT BUSINESS, WASHINGTON, DC**

Mr. ROUSH. Thank you, Mr. Chairman. I will be very brief this morning.

The National Federation of Independent Business represents over 500,000 small business owner/operators around the country. Employees are a small firm's most valuable, as well as most numerous resource. That is to say small employers are labor intensive.

That is why payroll taxes, such as the Unemployment Insurance Tax—the FUTA tax—have such a tremendous bearing on small businesses and their ability to hire additional employees. And as you consider changes in the UI program, I hope that you would consider the following points.

First, that the average income of a small business owner in this country is in the neighborhood of \$30,000 a year. If you take that on an hourly basis, the average small business owner in this country makes less than the average wage-earner in this country.

The second point that I would like to make is that payroll taxes comprise the largest single tax by far that small employers pay. Currently, they pay more in payroll taxes than they pay in income taxes.

The third point is that any emergency increase in the unemployment benefit program should last no longer than the emergency. If Congress decides—and obviously it has—that the current economic conditions warrant an emergency extension of benefits, that extension should not be accompanied by any permanent, fundamental changes in the UI program at this time.

Fourth, the depletion of the trust funds that will occur as a result of any extension that takes place at the moment is likely to lead to a future payroll tax increase, and we will oppose any such increase in the future.

Quoting from Congressman Archer yesterday, apparently sharing my view, "approval of this proposal is a precursor for payroll tax increases that will come in a few short months." That is something that we do not view with pleasantness.

The next point is that in many States, small business owners who pay into the UI program on their own behalf are ineligible to collect benefits on their own behalf when their business goes out of business.

The final point here is to say that increasing the cost of hiring additional employees for the kind of enterprises that I have just described, in order to expand benefits to the unemployed, makes, in our opinion, little sense.

Increasing the cost of labor for the kind of business that we are talking about is a very dicey proposition, and there is not a lot of margin for playing around.

What all that adds up to, I guess, is that we would oppose any extension bill that does increase the FUTA taxes, or does make permanent changes in the system. It also means that we do not support the House bill.

We are neutral on the House bill. It has reached that threshold of concern on those items I talked about as far as permanent changes, FUTA taxes, et cetera, but it has not quite crossed the line yet.

The CHAIRMAN. Well, let me get to the permanent changes that you are talking about. I do not think I really—

Mr. ROUSH. We are talking about the kinds of things that Congressman Downey has talked about, the kinds of changes—

The CHAIRMAN. No, no. I am talking about what is in the House bill now.

Mr. ROUSH. Oh. Oh, oh, oh.

The CHAIRMAN. Are you relating to that?

Mr. ROUSH. No.

The CHAIRMAN. Oh. All right.

Mr. ROUSH. No, not at all. Not at all.

The CHAIRMAN. All right.

Mr. ROUSH. And, with that, I will answer any questions that I can.

The CHAIRMAN. I think there is no question but that you are going to get changes in the way unemployment rates are figured, because I do not think that they give you a true reflection as they now are.

I am not trying to anticipate or say what those changes would be, and certainly I do not anticipate them in this piece of legislation, but I think we will—

Mr. ROUSH. For which we are thankful.

The CHAIRMAN. Pardon?

Mr. ROUSH. For which we are thankful, because there was a distinct possibility that it could have happened.

The CHAIRMAN. Well, obviously we will be happy to have your comments and your thoughts as to what those changes should be when that appropriate time comes. Senator Rockefeller.

Senator ROCKEFELLER. Mr. Roush, this is philosophical question, I suppose. It was fascinating to me to listen to the tone of your comments. There was enormous reluctance. There was a sense that if extension of emergency unemployment has to happen, we want to make sure that this, this, this, and this does not happen. I felt an overwhelming sense that you were speaking as somebody who wants to see the tough things that we have to do in this country to save our country economically, but that your only concern is saving first and foremost small business. All of these changes you perceive as hostile.

I know, from experience that we have had in terms of health care, small business, more than anything else, is drowning under the cost of health care.

Mr. ROUSH. Yes.

Senator ROCKEFELLER. And one commission offers to pay 40 percent of your health insurance premiums; another group offers to pay 25 percent of your health insurance premiums.

Always you come back with this overriding sense of hostility. We will oppose this; if you do this, we will oppose that; we are reluctant about this; we are neutral.

I wonder how it is you define your role in terms of—and your organization's role—in terms of the responsibilities that we all have to solve our National economic problems.

Mr. ROUSH. Well, you are right, Senator; that is a philosophic question. It is a good question, and I think that the sense of hostility—I did not want to convey a sense of hostility. I was hoping I was conveying a sense of sadness.

But the sense of hostility, to the extent that you perceive it from either myself or small business owners across the country, is because small business owners feel themselves to be beleaguered, under siege by Congress.

They perceive themselves to be the victims of many of the problems that you enumerated; from the health care system to the unemployment system, which they perceive is fundamentally unfair to them.

And regarding their, or my, or our shared responsibility, Senator, in solving the national problems, I think that that is the kind of thing that all of us wrestle with, but that the society, to some large extent settled hundreds of years ago in this country: I will solve my problems, you solve your problems, and I will try to help you solve your problems if I can, but keep the government off my back.

Do not tell me what to do, do not tell me what is right, do not tell me what is good. The problems of the society can largely be solved by the people of the society, not the government of the society.

That, I think, is one of the fundamental tenets of most small business people in this country. They believe themselves to be the inheritors of that freedom which the Lexington Minuteman, and others, went out to achieve. That person, that Lexington Minuteman, was a shop owner.

They believe that society's problems, and they are concerned about all the same problems—environmental, health care—that you and I are concerned about, can be solved in a drastically different manner than many people in Congress believe.

Senator ROCKEFELLER. Always by somebody else, I take it.

Mr. ROUSH. No, not always by somebody else. That is disingenuous, Senator. Small business owners, typically around the country, are the pillars—to use a cliché—of their community.

They are the people who pay for the Little League, they are the people who donate money, they are the people who do all these things. As I said, I view that as a disingenuous comment.

The government is what they do not trust and they do not like. And I think that they believe that opinion is well-founded in history. I share that view.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

The CHAIRMAN. Well, I understand some of that frustration, some of that concern. I do not think it deserves the almost blanket indictment that you are talking about. There are places where small business wants government to help, asks for its help.

Mr. ROUSH. Senator, that is right. And I think that the frustration level is at such a height that sometimes their—and perhaps even my—expression of the situation gets excessively sharp, shall I say. But it is because the frustration level is so high.

They truly do—and I hear this going around the country, and I am sure other people like yourself do—feel beleaguered. They truly feel that somebody somewhere just does not understand that they have to make a living, just like their employees have to make a living.

A lot of the people who are small business owners are small business owners because they lost their jobs someplace else, and particularly in recessionary periods that is true.

We typically see a sort of uptick in start-ups of small businesses during recessions. Their survival is not necessarily that long. But when people lose jobs from IBM or General Motors, they go out and start a business of their own sometimes; turning a hobby into a business; turning their expertise at the large corporation into a business. So, you know, there is a lot of sympathy and compassion. I mean, they are in this with the rest of us.

The CHAIRMAN. I think I understand that. I originally came from small business. But I also see where they share some of the same concerns as their employees, because, in part, they are an employee.

Mr. ROUSH. That is right.

The CHAIRMAN. And I look at what you have with job lock. I look at the fact of cherry picking among small businesses by insurance. I look at their going in and carving out one employee and saying that one has a heart condition, therefore, we will not cover that one. And maybe it is the employer's wife.

And so, I include things in the bill I have introduced to try to take care of some of that. And NFIB supports it.

Mr. ROUSH. We do.

The CHAIRMAN. Yes.

Mr. ROUSH. We do, definitely. And you are exactly right. The wife of the employer, or a 20-year employee, can be faced with these problems.

The CHAIRMAN. Yes.

Mr. ROUSH. In many of these situations, we are talking about people who work shoulder-to-shoulder, day-to-day, for years and years of their life together.

They are not anonymous employees in X department, 27 stories down, it is the person that they work with, they know their family, they know their kids. I can go on, but—

The CHAIRMAN. Yes. Well—

Senator ROCKEFELLER. Mr. Chairman.

The CHAIRMAN. Yes.

Senator ROCKEFELLER. I guess what is perplexing to me is that Mr. Roush's organization takes particular pride in saying that it will stop at nothing in order to stop this, or that, or the other bill.

The small businesses that I deal with around the country, and I suspect that I am probably out there a good deal more than you are, Mr. Roush—certainly West Virginia is almost exclusively small business—are people who, much more than the big business that you speak of, understand, in great particularity, the sensitivities of their problems and what is needed, and what is desirable.

And I find them very open. I find it interesting that almost half of all people in businesses of 10 or fewer employees, which is certainly a small business, already offer health insurance and others basically want to, but cannot afford to.

When people start trying to figure out a way to make it affordable, and they present a 30-point approach to it, that your organization, Mr. Roush, always is the one which most assuredly goes for the one or two points which it finds most difficult, which is most likely to strike a negative response with your membership—and I understand the importance of keeping up membership—and then savage it; slash and burn.

It is quite unique that way among businesses that represent any businesses, big or small, that I know of in this town, and quite destructive in ways that I have not seen in my 7 years here.

I find that sad. I find that an easy course for you to take; very, very easy. It is a simple way to keep firmness and keep people in line, and to frighten people.

But I find that in the times we are in now where everybody has to kind of rise above where they have been before and do more than they have done before, I find it peculiarly out of sync with what it is that we need from our country.

Mr. ROUSH. Senator, my first comment is that that is a naive view of either NFIB, our membership, or other business organizations in this town.

But the uniqueness that you talk about within NFIB is there, and that is that there is no other organization in this town, or in this country, as far as I am aware of, who follows its membership as much as we do.

We do not take public policy positions without first polling our entire 550,000 members. The majority rules. I do not set policy; a half a dozen people at our offices here in town do not set policy. We follow our membership.

In fact, that is the entrepreneurial idea that started this organization 50 years ago to let the membership set the position.

The other point, just in that regard, is that our membership averages eight employees. We do not represent any other than the mainstreet business in this country. We are aggressively non-partisan, but we are extremely partisan in the defense of our members' position, and we truly, truly follow their lead.

So, if you perceive NFIB to be out of step, Senator, I would contend that you have misread the small business community in this country drastically.

The CHAIRMAN. Let me say, and then hopefully this will be the end of it, but—

Mr. ROUSH. I am prepared to go on.

The CHAIRMAN. Well, I am, too, but we have some other distinguished witnesses. Congress, as sometimes said by some, is out of touch. I think that is the wildest kind of a statement.

Not only do I get, during legislative days, about 1,000 letters a day—which obviously I cannot read, and I surely do not weigh—but I do ask for representative letters to read. And with coach flights on the jet plane, I meet folks every day.

They give me a list of my appointments, but that does not count the drop-in trade I get during the day. I am in an airport, and people walk up to me to lobby me on whatever their interest is. I can be trying to take a nap in an airplane seat and have someone come up and shake my shoulder and say, I do not mean to disturb you, Senator, but—but that is what I hired out for. If I did not agree to that as being part of the job, I ought to be in something else.

But I believe, more than ever before, people up here have communications advising them of the view of constituents. Not just a matter of polling, either.

Well, thank you very much for your testimony. I appreciate it.

Mr. ROUSH. Thank you, Senator. You, too, Senator Rockefeller.

[The prepared statement of Mr. Roush appears in the appendix.]

The CHAIRMAN. Our next witness is Mr. Owen Bieber, who is president of the UAW, and is representing the AFL-CIO and the UAW. We are pleased to have you back, Mr. Bieber.

**STATEMENT OF OWEN F. BIEBER, PRESIDENT, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW), REPRESENTING THE AFL-CIO AND THE UAW, DETROIT, MI, ACCOMPANIED BY ALAN REUTHER, LEGISLATIVE DIRECTOR (UAW)**

Mr. BIEBER. Thank you, Mr. Chairman. I am glad to be here. I have with me Alan Reuther, our legislative director, and I am happy to have this opportunity, and also am happy to see Senator Rockefeller here, as well. I am sorry that Senator Chafee had to leave, but we will get an opportunity at some other time.

I am the President of the International UAW. I am also a member of the executive council of the AFL-CIO, and, as you said, Mr. Chairman, I am appearing here today on behalf of the AFL-CIO, as well as the UAW. I have a longer statement that I would like to have part of the record.

The CHAIRMAN. That will be made part of the record.



[The prepared statement of Mr. Bieber appears in the appendix.]  
 Mr. BIEBER. I wish to thank you and the committee for the opportunity to testify concerning proposals to extend the Emergency Unemployment Compensation program.

We strongly support extension of the life of the EUC program and the payment of 13 weeks of additional benefits to the long-term unemployed.

I might say, Mr. Chairman, that we are pleased that the administration is supporting the extension to July 4, however, we think the problem will be with us for a longer period than that, and, therefore, a longer, or better yet, a permanent extended benefit program, I think, needs to be worked out.

Late last year, after months of delays and prolonged debate, the EUC program was enacted. This program has provided much-needed relief for the long-term unemployed. Unfortunately, the economy shows little sign of the job growth which is needed to get the unemployed back to work.

Under the current EUC program, large numbers of unemployed workers will lose their benefits in mid-February, and there will be hundreds of thousands of workers left without benefits when the EUC program expires on June 13, 1992.

When the UAW testified last February in support of legislation to provide extended benefits to the long-term unemployed, we predicted that the recession was unlikely to be a short, painless downturn.

Now, even what I call the blue chip economic indicators are painting a gloomy picture for the coming year, predicting expansion of just 1.6 percent.

Mr. Chairman, from the first quarter of 1990 to the last quarter of 1991, the percent unemployed 15 weeks or longer climbed steadily from 1.4 to 2.1 percent. In December of 1991, 2.3 percent of the civilian labor force had been unemployed 15 weeks or longer.

The average duration of unemployment shows a similar upward climb during recent months, up from a seasonally adjusted average of 14.1 weeks in August, to 15.3 weeks in December.

The portion of the unemployed who were jobless 27 weeks or more grew from a seasonally adjusted 10.6 percent in December 1990 to 16.5 percent in December of 1991.

The prolonged recession provides a compelling case for the extension of the EUC program. Hundreds of thousands of jobs have disappeared during the recession. The lack of job growth leaves the unemployed without realistic hope of finding employment in large numbers in this economic environment.

It would be unconscionable for the Federal Government to fail to act quickly to extend the EUC program. We believe the EUC program should be extended until the end of this year, due to the continued disappearance of thousands of jobs in the economy.

In addition, since job growth lags behind the start of a recovery by several months, the EUC program will be needed throughout the coming year to provide essential financial support for the long-term unemployed.

It is also critical that benefits be extended by at least another 13 weeks. This is justified by the reality that in economic hard times, the length of unemployment increases as jobs become more scarce.

Mr. Chairman, when unexpected economic events harm hundreds of thousands of workers, those individuals, their families, and their communities have a right to expect the Federal Government to provide them with some relief.

The current recession will go on record as the longest of the post-World War II era. An extension of the EUC program is fully justified. We urge Congress to act promptly to extend this critical program.

It is also important to remember that this temporary EUC program is only necessary because in recent years the long-term unemployed have been without an effective extended benefits, or what we call EB program.

The AFL-CIO and the UAW strongly support the restoration of an effective, permanent EB program as an essential part of a fair, humane unemployment compensation system. Enactment of any EB reform program must include the adoption of realistic EB triggers.

In conclusion, Mr. Chairman, I appreciate the opportunity to testify on behalf of the AFL-CIO and UAW in support of prompt enactment of legislation to extend the life of the EUC program, and provide additional weeks of EUC benefits.

I would be happy, Mr. Chairman, to try to answer any questions that you may have.

The CHAIRMAN. Well, I think you have anticipated my questions; you have answered them. Senator Rockefeller, do you have any questions?

Senator ROCKEFELLER. Mr. Chairman, I also have a statement to put in the record, if that is all right. I would like to say that I am really glad that you are here, President Bieber, fighting for this, and for so many other things.

The country is in such a difficult situation that everybody has to be willing to do things that we have not been willing to do before. We have to be willing to look at things in new ways; we have to test ourselves and think thoughts that we have not considered before because the country is in that kind of situation.

And I think above all, whether it is in a private citizen or a public citizen, when people come forward and stand for something and are willing to accept some fight, perhaps, simply do not reflect exactly what it is that their members are thinking. I mean, that is not leadership, that is "followership."

Also, I have read some of the polls or questionnaires that the last witness send out to their people. They pre-ordain the answer by the way they ask the question.

UAW has a classic tradition; it is a troubled tradition. In many ways, it is in trouble now. But you have never done anything but fight for what you believe in, and often you have been ahead of your membership. And I think that is the way the deal has to be these days. I just appreciate your being here.

Mr. BIEBER. Thank you, Senator Rockefeller. Let me say this, that I do view myself as a leader of my organization. I think the membership of my organization has a right to expect that I provide leadership for them.

It would be very easy to, each day, send out a questionnaire and say, what should I do from 6:00 in the morning till midnight. That

would not be the life I would want to lead, and I would not be appearing here as the President of the UAW if that was my choice.

The CHAIRMAN. I do not believe anyone is going to accuse you of that, Mr. Bieber. I have been delighted to have you as a witness many times, and appreciate your friendship and your comments. I think Senator Rockefeller made a very nice tribute. And I am delighted to have your associate, Mr. Reuther. Thank you for your comments.

Mr. BIEBER. I thank both of you.

The CHAIRMAN. Our next witness will be Mr. William D. Grossenbacher, who is the president of the Interstate Conference of Employment Security Agencies, and is the Administrator of that great State of Texas Employment Commission. It's nice to have you.

**STATEMENT OF WILLIAM D. GROSSENBACHER, PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, AND ADMINISTRATOR, TEXAS EMPLOYMENT COMMISSION, AUSTIN, TX**

Mr. GROSSENBACHER. Senator, thank you very much. I appreciate the opportunity to come before the committee. It is a pleasure. I have spent a lot of the time working up on the Hill here in previous years. We have been trying to get a supplemental budget just to keep that system we operate going.

I certainly appreciate your assistance, and it is nice to be talking about a program that has bipartisan support and administration support now. So, it is a little bit different circumstance.

Today I just would like to briefly bring three issues before the committee and ask you to think about them and consider them as we talk about extending unemployment benefits.

The Secretary of Labor spoke this morning about the quick response of the States, and they were proud of the States.

And I will say, on behalf of my colleagues, we were able to put that program in place within a matter of just a very short period of weeks in Texas.

I will just tell you that as of mid-January, we sent out over 410,000 applications for the extended emergency program. We have processed over 80,000 claims for emergency benefits. We have paid \$56 million in benefit payments up through the middle of this month.

We are handling, on 800 telephone lines that we put in, over 1,200 to 1,500 calls per day on those lines.

What we did in Texas, because we were already paying approximately \$25 million a week in regular benefits, our local offices were so overrun in terms of work load, we decided, one, it would be faster, and two, it would protect those offices somewhat if we put the extended benefits program in place by mailing applications out to individuals, and having them send them back in to our central office.

So, we were able to implement the program rather quickly that way, and we were able to keep the bulk of that additional work load out of our local offices and get those claims paid quickly.

I would simply mention, as I started out, that that system is in place. There is no other system in this country that can be utilized that quickly to address issues of the unemployed.

If we allow that infrastructure of that system to fall away and get in disarray, you would not be able to implement extended benefit programs as quickly and as effectively as we have.

I mention that simply because one of the points I would really like the committee to consider is the way the Unemployment Trust Funds are treated for Federal budget purposes.

I have talked with numerous members of Congress and their staffs. The Interstate Conference, has for many years, had a position that the Unemployment Trust Fund should not be a part of the Federal deficit calculation, whether you call it moving off budget, or whatever.

We have felt that the FUTA account should be maintained off budget, and that they should be used for employment security purposes.

We will probably be back in a very short period of time testifying on budgets, so I would just ask the committee to consider that when you look at appropriations for the employment security system, and that is I think that here we tend to talk in programmatic issues.

You look at the unemployment insurance budget; you may look at an employment service budget. In Texas, that is all one local office that serves the public out there.

So, when we have to come and testify for employment service budgets, or for unemployment insurance budgets, that is all the same group of folks out there that are delivering these kinds of services.

And we would like you to think about that when you ask those systems to deliver programs like the Extended Unemployment Compensation program.

One other issue that is of concern to my colleagues in all of the States are the real restrictive requirements that we have placed on the Extended Compensation program.

The Extended Benefits eligibility and qualifying requirements also apply to the new EUC program.

There are a number of them, that are described in some detail in our written testimony. One of the most difficult is the work search requirement.

We ran a quick check before I left, and based on our program right now with the number of individuals in it, we would estimate they are going to have to make something like 540,000 employer contacts to meet those requirements.

That is a considerable amount, and if you look at the fact that we only have 326,000 covered employers in this State, we are requiring more job search contacts than we have employers.

Even though there is a high unemployment, and employers are not hiring, we are requiring these individuals to make one employer contact or work search per week.

They are also in competition with all the individuals that are making work search contacts on our State program.

We feel like those Federal requirements of work search, suitable work—I was talking with one of my colleagues in Florida.

Under the suitable work provision, Florida would have to refer airlines pilots who are unemployed to cut sugar cane. Those are just crazy requirements to have, Senator.

The CHAIRMAN. They are what?

Mr. GROSSENBACHER. They are just crazy requirements. I think all of us support work search. All of the States have work search provisions.

What we would ask is that as you talk about an extension or additional programs, that you allow the State work search requirements that have been put in place by State legislatures to be utilized on this type of program.

The CHAIRMAN. Well, I certainly understand your concern with some of the Federal requirements that have been put. And they were tightened in 1981, as I recall.

Mr. GROSSENBACHER. That is right. That is correct.

The CHAIRMAN. But I would be very reluctant to do something on a temporary piece of legislation—a temporary extension like this. You heard my comments on the luxury tax. We would have a whole series of amendments coming in on us.

And, as you said, some of these are very technical, and I sure do not want to make a hasty judgment and make them worse than they are now. I do think it needs to be addressed, and I think that we are not getting true indicators as to the unemployed.

I would also like to get a feel from you as to the kinds of changes that you are recommending, what they would cost the Federal Government and cost the States. Do you have any feel for that?

Mr. GROSSENBACHER. Well, sir, I think what I would say that in most cases, with this particular program—I hate to go on record—but I think in many cases we sort of—

The CHAIRMAN. You know we have to go on record, so let us get with it.

Mr. GROSSENBACHER. I think we wink at a lot of those requirements with this particular program in my operation right now.

The CHAIRMAN. Do you?

Mr. GROSSENBACHER. What our concern is is that after this is over in 2 or 3 years, the OIG will come in and begin doing audits on the program and we will pay for—

The CHAIRMAN. Find you not in compliance, and then you will have some problems.

Mr. GROSSENBACHER. That is correct. We will have to repay benefits. The problem we had is simply that when we looked at this program, it was to get immediate help to long-term unemployed individuals as quickly as we possibly could.

And that is how we interpreted it, and that is how we have operated it.

It does not make sense in the very small rural areas of our State, where there are only, perhaps, just a handful of employers in a town, to require the long-term unemployed to continually go back and knock on that employer's door once a week to be told that they are not hiring.

We just do not feel that that is a reasonable sort of thing to be doing. That is not where we ought to be requiring our staff time.

Calling all of these emergency unemployment compensation individuals into our job service offices is a waste of time, not only of

the unemployed individual, but a waste of time for the job service staff who ought to be calling in those folks that they can refer on jobs. We just feel like those are unrealistic kinds of requirements.

The CHAIRMAN. I did not get any cost estimates from you.

Mr. GROSSENBACHER. I do not think it would cost that much more, Senator, from what I know of my particular program.

The CHAIRMAN. How much is that much more?

Mr. GROSSENBACHER. I think probably, under the current dollars that are being talked about—

The CHAIRMAN. Ten percent, 20 percent, 30 percent?

Mr. GROSSENBACHER. Twenty percent.

The CHAIRMAN. All right. Thank you very much. I appreciate your statement. That is helpful.

Mr. GROSSENBACHER. Thank you, Mr. Chairman.

[The prepared statement of Mr. Grossenbacher appears in the appendix.]

The CHAIRMAN. I would like to now defer to the distinguished senior Senator from New York, who will be presiding over the hearings now.

Senator MOYNIHAN. Thank you, Mr. Chairman. Thank you for having the hearings. We now have a panel of representatives from the New York Unemployed Committee.

The panel consists of Mr. Keith Brooks, Mr. Chappell, and Mr. Robinson. Gentlemen, we are glad to have you here. Mr. Brooks, Mr. Chappell, and Mr. Robinson, each of you has a statement.

We will put them in the record as if read, and why do you not proceed? Either read them, if you like, or speak to the point that you want to make as you wish to make it. Mr. Brooks, you are first in the listing, so we will begin with you.

#### **STATEMENT OF KEITH M. BROOKS, COORDINATOR OF NEW YORK UNEMPLOYED COMMITTEE, BROOKLYN, NY**

Mr. BROOKS. All right. Well, first we would like to thank the committee for the opportunity to testify here today on the need for another extension of benefits.

My name is Keith Brooks. I am the Coordinator of the New York Unemployed Committee, which is a grass-roots advocacy organization of unemployed people in the New York metropolitan area that started in November of 1990, specifically around the need for more weeks of unemployment benefits.

And since then, we have gone on to take on other issues concerning unemployed people, ranging from problems of people not getting their checks on time, to things like the need for a JOBS program, and some other issues that I will be mentioning.

The current maximum that is available after the last extension of 39 weeks in States that got the 13 weeks, and 46 weeks in States that got the 20 weeks is still far short of the 65-week maximum that was available in 1977. And so, obviously, we are for more weeks of unemployment benefits.

But I think probably if there is any message that we have to bring here today, it is that the real issue here is much, much more and much deeper than simply a temporary program for a few extra weeks of unemployment benefits.

The political climate has changed dramatically since we first started our campaign for this extension. When we started in November of 1990, the experts, elected officials, and others, told us that we were tilting at windmills, and that there was no way that George Bush would ever sign into law an extension of unemployment benefits.

And, after a year of our activity—organizing, protesting, lobbying—here in Washington, you had a hearing that we requested in New York. We went up to Bush's vacation home.

We knew that we were getting somewhere when we heard, on the way back, him complaining about us disturbing his vacation. We knew we had kind of made our point.

And over that year, things have changed dramatically. The economy kept getting worse. Republicans lost in Pennsylvania. President Bush continued to play Nero while Rome burned, and we, along with others, kept putting the issue in the public eye and keeping the pressure on. And, of course, there was also the election year, by coincidence, that coincided with his change of heart.

In specific, on December 11—and we mention this because I think there is an assumption of like, history is made solely from the top down, and I think it is kind of instructive to trace a little bit the development of how, perhaps, even this hearing came about today indirectly.

On December 11, we appeared with Congressman Tom Downey at a forum in Long Island—the Long Island Coalition for Full Employment—and what was on people's minds at that point was the expiration date of the law itself, which was in June.

And we urged Congressman Downey to focus not on the expiration date of the law, but on the fact that 13 weeks from November 15 or 17 was going to wind up being the middle or late February, and we strongly urged him to immediately introduce a bill when Congress reconvened. He was very responsive; he obviously did that.

And last week, he held that hearing and we were about to leave from Brooklyn to go to that hearing where one of our members testified, when we heard at 5:00 o'clock in the morning an announcement that President Bush had said that he was not going to oppose another extension of unemployment benefits.

So, simply the fact of holding the hearing about another extension of unemployment benefits, you know, President Bush cried uncle. And we are not taking anything for granted, but I think it is a reflection of how the political scene has changed.

While I think President Bush knew fully well that it would be political suicide for him to have continued to play the same role that he did last year, we say we do not take anything for granted.

Last night we heard President Bush say that he allocated \$4.4 billion for another extension. We also heard him say in his speech that he wanted that bill to be passed by March 20.

Now, Secretary Martin contradicted that today, or had a change of emphasis, which we were glad to hear. But, again, we do not take anything for granted, and we think that the House and the Senate should obviously pass a bill as quickly as possible to be sent to the President.

But I think that President Bush, and anybody else is making a big mistake in thinking that the unemployment and jobs issue is now going to disappear.

More weeks of unemployment benefits is the least of what is needed. He left you, meaning you, the Democrats, with plenty of ammunition. We need permanent reforms of the unemployment insurance system. President Bush talked of tax breaks, and we have heard about the luxury tax on yachts.

We want to know what your position is, Senator Moynihan, and the Democratic party, on the question of eliminating the tax on unemployment benefits, which many people are about to get an notice in the mail from the government requiring them to pay back to the government money that was given to them in unemployment benefits.

I think it is necessary to point out that that tax was instituted initially under President Carter. I think the Democrats have some redeeming to do in the sense of having opened the door on the issue.

There are other issues. President Bush said nothing about health care for the unemployed. We think that has to be addressed. He said nothing about a JOBS program in any kind of meaningful way, except for former Soviet nuclear scientists.

He has a full employment program for them, but not for the 8.9 million people in this country that are counted out of work. We think the same concept of full employment has to be put back on this Nation's agenda.

We also think that when people lose their jobs through no fault of their own and are in danger of losing their homes, having their utilities turned off, their phone service cut off, their cars repossessed, that there has to be protections of their standard of living.

And if what is needed is an unemployed bill of rights, then that is what we want. We intend to come back to Washington on February 27 precisely because we do not take anything for granted.

We are planning on a rally and a lobby day that we hope is going to bring hundreds, and perhaps thousands of unemployed people from the Northeast back to Washington on that day to raise these issues.

Millions of unemployed people remain in a state of emergency. President Bush is an easy target. I mean, he is not stupid. It would have been political suicide for him to have opposed the extension.

The real question is whether or not the Democratic party, people like yourself, are going to raise these other issues, or allow, in a sense, the issue to be defined solely by more weeks of unemployment benefits. Thank you.

Senator MOYNIHAN. Thank you, Mr. Brooks.

[The prepared statement of Mr. Brooks appears in the appendix.]

Senator MOYNIHAN. Mr. Chappell.

**STATEMENT OF CHARLES CHAPPELL, MEMBER, NEW YORK  
UNEMPLOYED COMMITTEE, BROOKLYN, NY**

Mr. CHAPPELL. My name is Charles Chappell, and I am 42 years old. I live in Brooklyn, New York. I was a courier for Wall Street, and I lost the job in February of last year. And I just recently got the extension in November of 1991. And I go out and I look for



jobs, and there do not seem to be any job prospects looking up for me.

I have two twin daughters, and, as you know, it is hard to bring up a family when you only get \$220 a week on unemployment. I am also a Viet Nam veteran, and I did 2 years in Viet Nam. And I have an extensive military award background.

And what I cannot understand is I went and I put my life on the line for 2 years in Viet Nam, and I come back to the United States, and I see that the country has gone and turned its back on the unemployed. And not only the unemployed; many of the homeless, and the other little problems that we have in the United States.

What I feel is that President Bush should have taken care of business at home before he goes to all these other countries and helping them, because you are supposed to take care of home before you take care of anyplace else.

As being unemployed, as you know, the health care issue is a very important issue. Last night, we heard nothing about President Bush and the real JOBS program.

I feel that if you get people working, then we will have the economy back on track again. But without work and everybody being unemployed, things seem to get worse. And, as for me, things have not gotten any better.

But I do go out and I do try to find jobs, and I do believe that if we all get together—I am just saying this for myself—instead of arguing and bickering and we all start to look and see what is actually happening around us, because nobody knows what it really feels like until it affects those people that it has affected, nobody understands what is going on. And that is all I have to say right about now.

Senator MOYNIHAN. Well, you have said it very well, Mr. Chappell. I could not more agree with you. We will get this bill out of this committee Thursday and have it on the President's desk next week. Unemployment benefits are not the same as employment, as you know very well.

[The prepared statement of Mr. Chappell appears in the appendix.]

Senator MOYNIHAN. Mr. Robinson, you are next.

**STATEMENT OF DAVID ROBINSON, MEMBER, NEW YORK  
UNEMPLOYED COMMITTEE, BROOKLYN, NY**

Mr. ROBINSON. Senator Moynihan, thank you for this opportunity. My name is David Robinson, and I am 40 years old. I have been unemployed since August 1990, when I lost my job as a cloak cutter at Yale Trousers in New York City after working there for 3½ years. I was a member of the Amalgamated Clothing and Textile Workers Union, Local 158.

I first ran out of my benefits last March. I applied for public assistance in June 1991. After using up the little savings that I have, I was collecting \$126 of unemployment insurance.

Every week I go out hunting for jobs that simply do not exist. In fact, more people are still losing jobs than finding them. It is hard to say which is worse; being on unemployment benefits, or being on public assistance.

Senator MOYNIHAN. Well, public assistance has to be worse.

Mr. ROBINSON. I was able to get back onto unemployment benefits through the current 13 weeks' extension, but my unemployment check is not enough to pay for the rent, the medical bills, and other necessities of life.

I know some people who are being threatened with being cut off from the medical coverage and their food stamps because they were unable to go back onto unemployment benefits.

Choosing between collecting unemployment benefits or being on public assistance, it is no choice at all. Give me, and the millions of others like me, the choice between this and a decent job, and you will see us lined up, as it happened recently when 7,000 people waited in freezing cold weather in Chicago for a chance at a few jobs.

I believe that when corporate America fails to provide jobs, the government must step in with a JOBS program to provide decent jobs and a living wage.

This is the first recession without a JOBS program. And if this government cannot provide jobs, then we need unemployment benefits to last as long as necessary. I urge you to quickly pass another extension of benefits. We dare President Bush to play the game, the same role he played last year when he blocked two bills from going through.

Without jobs, another extension of benefits is the least of what we need. We need health coverage so people do not have to worry about losing their coverage if they cannot get off of welfare.

We need to remove the tax on unemployment benefits, and we need the protection against having our utilities shut off, our phone services disconnected, against being evicted, and losing our homes. Just because we lost our jobs does not mean we lose our rights.

The unemployed in this country need an unemployment bill of rights. As bad as it is being on welfare—it is tough—it is better than being homeless.

Those who say the problem with welfare is that it provides too much, they should try it sometime. My unemployment check is not enough to pay for my rent, medical, and other bills.

People should not have to choose between staying on welfare and getting health coverage, and getting off welfare unable to afford it. At a time when welfare is under attack, the answer to welfare dependency is meaningful jobs at a decent pay with health coverage. And those unable to work for various reasons have to be provided for.

President Bush complains about budget busting, but only when it relates to domestic issues. We say that it is time to bust the budget agreement and put that money here that he is so freely throwing around other countries to create jobs here and put people back to work.

Last night, as I watched his State of the Union address, he spoke about bringing back the American dream. Myself and many others like me have only experienced a nightmare. Thank you.

[The prepared statement of Mr. Robinson appears in the appendix.]

Senator MOYNIHAN. Thank you, Mr. Robinson. Let me just say that we have heard you. And how much we will be able to do with respect to the large issue of employment, I do not know.

There is not much disposition to do anything; and you cannot get things through; we could not last year. But then, last year we had hell's own time getting an unemployment extension, and we will have this bill on the President's desk next Thursday and it will be signed. I want to thank you for keeping at this issue. Do not go away. Mr. Brooks, do you have a question?

Mr. BROOKS. Yes. In the same way that last year there was a lot of pessimism that ultimately proved to be false about what was possible, is there any thinking at this point about—obviously there are a number of tax bills that are going to be coming up—and is there any thought, any initiative to remove the tax on unemployment benefits as part of some of the tax bill? We are hearing a lot of rhetoric about—

Senator MOYNIHAN. I have been around on that subject since I was Assistant Secretary of Labor under John F. Kennedy, and I have never had a good answer to it. I do not know where the AFL-CIO stands.

Mr. BROOKS. I would assume that they are against the taxation of unemployment benefits.

Senator MOYNIHAN. Well, it is not necessarily a straight-line thing, because that tends to keep unemployment benefits down. I do not know. I had better learn up on the subject. I used to know a lot more about it than I do now, and I accept your challenge.

We thank you for coming. The Chairman had to be at a meeting on this issue, otherwise he would be here. Mr. Chappell, Mr. Robinson, and Mr. Brooks, thank you. We close the hearing.

[Whereupon, the hearing was concluded at 11:42 a.m.]



# APPENDIX

## ADDITIONAL MATERIAL SUBMITTED

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### PREPARED STATEMENT OF SENATOR LLOYD BENTSEN

Today's hearing will examine the issue of extending unemployment compensation benefits for millions of Americans who are the victims of this longest period of economic stagnation since the Great Depression.

Although economists reading the tea leaves may divine the first harbingers of recovery, the fact is this recession has taken a terrible toll on the American work force.

Labor market conditions today are worse than before Thanksgiving when extended benefits were first provided. The unemployment rate has increased from 6.9% then to 7.1% in December. That rate of increase may sound small, but it has enormous and tragic consequences for the families who are affected. It means that almost 290,000 more Americans joined the ranks of the unemployed. That is the equivalent of wiping out every job in a mid-size American city. Since December, layoffs by blue-chip companies have averaged 2,600 per day.

Even if the recovery is beginning, indications are that it will be a weak one, with Gross Domestic Product rising at only one-half the postwar average for recoveries. The Congressional Budget Office suggests there will be virtually no improvement in the labor market this year. There is a good chance that unemployment will remain in the 7% range, or go even higher.

Last year's extension of unemployment benefits provided an important life-line for the victims of this recession. But those benefits will begin to run out for at least 600,000 workers after February 15, and the number will grow rapidly with each passing week.

Sustained economic growth—jobs—must be our goal for the long term. But in the meantime, we can't write off these hundreds of thousands of Americans with expiring benefits.

I realize it is a time of tight budget restraints, but I believe we have an obligation to extend those benefits again. We have an obligation to help sustain those who—through no fault of their own—have lost the jobs that sustain them and their families in every State of the Nation.

I am encouraged by the fact that we seem to have a consensus on the need to extend benefits. The Committee on Finance will be marking up a bill tomorrow. I hope we will be able to work with the Administration and with the House to extend the benefits without delay.

We have a most distinguished list of witnesses for our hearing today. We'll be hearing from the Administration, as well as representatives of business and labor. We'll also be hearing about prospects for the economy from the distinguished head of research for DRI, and we'll be hearing about the impact of recession directly from workers who are experiencing it first hand.

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### PREPARED STATEMENT OF OWEN BIEBER

Mr. Chairman, my name is Owen Bieber. I am President of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW). I am also a member of the Executive Council of the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO). I am appearing today on behalf of the AFL-CIO, as well as the UAW. I wish to thank the Committee for the opportunity to testify concerning proposals to extend the Emergency Unemployment Compensation (EUC) program. The AFL-CIO and UAW strongly support extension

of the Emergency Unemployment Compensation Act of 1991 and the payment of thirteen weeks of additional benefits to the long-term unemployed.

Late last year, after months of delays and prolonged debate, the Emergency Unemployment Compensation (EUC) program was enacted. This program has provided much needed relief for the long-term unemployed.

Under the EUC program, workers in states with unemployment rates over nine percent received 20 weeks of extended benefits, while the long-term unemployed in other states received 13 weeks of additional benefits. These federally-financed EUC benefits have provided a measure of stimulus to the economy. In addition, the EUC legislation restored fair treatment of military personnel and established a federal advisory panel on unemployment compensation. It also restored the state option to provide unemployment benefits to non-professional academic employees when they are laid off between school terms. The EUC program has been widely praised as a necessary and effective program to ease the suffering caused by the current recession.

Unfortunately, the economy shows little sign of the job growth which is needed to get the unemployed back to work. Under the current EUC program, large numbers of unemployed workers will lose their benefits in mid-February and there will be hundreds of thousands of workers left without benefits when the EUC program expires on June 13, 1992.

When the UAW testified last February in support of legislation to provide extended unemployment compensation benefits to the long-term unemployed, we predicted that the recession was unlikely to be a short, painless downturn. We noted that changes in the economy during the 1980s, which saw an increase in inequality and a decline in real median weekly earnings, meant that this recession's behavior would not mimic the pattern of milder recessions. We also stated that the loss of two million manufacturing jobs and the increase in debt accumulated over the 1980s would block an early recovery.

It is no secret that the "Blue Chip Economic Indicators" tend to be optimistic. But even that esteemed 3 source for economic forecasts paints a gloomy picture of the coming year. R.J. Eggert's summary from January 10th states:

The consensus forecast for economic growth in the new year promises a "leaner and meaner" business climate than earlier expectations. While our forecast (for Real GNP) last October called for 2.7 percent growth for 1992, the closely related Real GDP figure now suggests an expansion of just 1.6 percent. The danger banners (red and yellow) are still flying for a fourth year in a row.

The 10 forecasters that came in at the low end of the GDP estimates for 1992 anticipated, on average, .7 percent growth. The group at the low end included the Chase Manhattan Bank, Morgan Guaranty Trust Co., and the self-proclaimed "bullish" Merrill Lynch.

Many believe that falling interest rates will be sufficient to reverse the downward spiral of the economy. The labor-movement has long advocated loosening the money supply. But, as most economists would agree, the lag between lower interest rates and economic expansion may be significant. First, many businesses went deeply into debt during the 1980s, despite the recovery. These firms will require more than just cheap capital before they will invest. As Keynes reminds us, firms invest based on two things: the cost of capital and the expected return. Firms have to believe they will see increased sales. Cheap capital alone won't boost investment. In addition, credit card interest rates, which are essential to consumers, may not fall along with other interest rates.

More important than interest rates, the hemorrhaging of high paying jobs has slashed the capacity of consumers to jump start the economy. Between June of 1990 and last December's preliminary figures, and accounting for seasonal factors, the United States lost 616,000 production worker jobs in manufacturing, or 4.7 percent of all manufacturing production worker employment. In December those workers earned an average \$475 a week, compared to an average of \$365 for all private employment.

If we assume all the affected manufacturing workers are reemployed (which we know they are not) and earn average wages for the private economy, the impact of manufacturing job loss is the wage loss per week (\$110) times the 616,000 workers, or a total of \$67.8 million a week drop in consumer income. That figure is almost certainly a low estimate of the impact of manufacturing job loss because it ignores the second-round effects of workers spending money. It also underestimates the effect of changes in industry structure; the loss of manufacturing pulls other industries down as well. Further, manufacturing workers tend to have higher benefit lev-

els as well as wages. Bad employment and income numbers on this scale could easily overwhelm the supposed panacea of lower interest rates.

Recent unemployment figures support this depressing analysis. The most recent quarterly data on persons unemployed 15 weeks or longer as a percent of the civilian labor force tells the basic story. From the first quarter of 1990 to the last quarter of 1991, the percent unemployed 15 weeks or longer climbed steadily from 1.4 to 2.1 percent. In December, 1991 2.3 percent of the civilian labor force had been unemployed 15 weeks or longer. The average duration of unemployment shows a similar upward climb during recent months, up from a seasonally adjusted average of 14.1 weeks in August to 15.3 weeks in December. That number, I remind you, is an average. It climbs because the number unemployed for a long time has climbed. The portion of the unemployed who were jobless 27 weeks or more grew from a seasonally adjusted 10.6 percent in December 1990 to 16.5 percent in December, 1991.

The prolonged recession provides a compelling case for the extension of the EUC program. Hundreds of thousands of jobs have disappeared during the recession. The lack of job growth leaves the unemployed without realistic hope of finding employment in large numbers. In this economic environment, it would be unconscionable for the federal government to fail to act quickly to extend the EUC program.

A number of proposals have recently been advanced to extend the EUC program. One proposal would extend the life of the program from June 13, 1992 to October 3, 1992 and add an additional 13 weeks of EUC benefits beyond those already payable under the program. When combined with regular state UI benefits, this would result in total payments for 59 weeks in states with high unemployment rates and 52 weeks of benefits in all other states.

It is important to extend the life of the EUC program until the end of this year due to the continued disappearance of thousands of jobs in the economy. In addition, since job growth lags behind the start of a recovery by several months, the EUC program will be needed throughout the coming year to provide essential financial support for the long-term unemployed.

It is also critical that benefits be extended by at least another 13 weeks. This is justified by the reality that in economic hard times the length of unemployment spells increase as jobs become more scarce. A federal benefit extension helps fill the gaps which occur when state unemployment benefits are exhausted. In every recession since the late 1950s, some form of federal unemployment benefits extension has been passed by Congress and signed into law by the President.

When the 1990 budget agreement was reached, the current recession was not foreseen. Even as late as last October, a number of economists were saying the much-awaited recovery had begun. Today, even if the most optimistic forecasters are right, it will be several months before most unemployed workers can realistically find work. When unexpected economic events harm hundreds of thousands of workers, those individuals, their families, and their communities have a right to expect the federal government to provide them with some relief. Twenty six weeks, or even thirty three weeks of additional benefits is not too much to ask. The current recession will go on record as the longest of the post-World War II era. An extension of the EUC program is fully justified, and the AFL-CIO and UAW urge Congress to act promptly to extend this critical program.

Even with the recent concern over the economy and unemployed workers, there are undoubtedly some who will argue that further protection for the long-term unemployed is too expensive or too generous. However, a comparison of the unemployment compensation programs in Canada, France, Germany, Japan, and the United Kingdom shows that unemployed workers in these countries get better protection from their nation's unemployment compensation systems. These industrialized countries pay higher benefits to a larger percentage of the unemployed for a longer period of time than in the United States. Certainly, providing benefits for a year or more is not seen as excessive by our principal international competitors. See Exhibit 1.

In the view of the AFL-CIO and UAW, American workers deserve a similar level of assistance to those in Canada, Japan, and Europe. Unfortunately, over the last decade our unemployment compensation system has been eroded. A further extension of the EUC program would reverse this trend and help to provide the long-term unemployed in this country with a decent level of assistance.

It should be noted that the current EUC program contains some unfortunate restrictions which were incorporated from the existing Extended Benefits (EB) program. The AFL-CIO urges this Committee to consider the elimination of these provisions when extending the EUC program.

The most important of the EB restrictions relates to work search requirements. While these work search provisions may sound good on paper, they involve needless

effort by state agency personnel and claimants. They can also result in extremely harsh penalties for relatively minor work search or reporting errors by unemployed workers.

One well-known example occurred in Illinois. There the state agency adopted several "rules-of-thumb" in enforcing the Extended Benefits and Federal Supplemental Compensation work search rules. For example, only in-person job contacts were accepted by the agency and claimants had to be willing to drive at least one hour to work each way. These rules of thumb were not published and claimants were not told the rules in advance of their interviews. Claimants interviewed who answered questions contrary to the rules of thumb were disqualified regardless of the intensity of their job search. See *Cosby v. Ward*, 843 F.2d 967 (7th Cir. 1988).

We don't think that Congress intended its work search rules to be administered in this way. But the existing rules leave workers open to these types of arbitrary actions. During a serious recession, requiring intensive job search from extended benefits claimants is of doubtful benefit. It simply results in weeks of fruitless job search. We urge Congress to reconsider the wisdom of these provisions in the course of extending the EUC program.

Extension of the EUC program would represent a significant step forward in providing assistance to the long-term unemployed. But this temporary program is only necessary because, in recent years, the long-term unemployed have been without an effective extended benefits (EB) program. The AFL-CIO and UAW strongly support the restoration of an effective, permanent EB program as an essential part of a fair, humane unemployment compensation system.

The enactment of any EB reform program must include the adoption of realistic EB triggers. Many observers believe that the use of a total unemployment rate (TUR) trigger would improve the accuracy of our EB triggers. The 1980s saw an increased divergence between the Total Unemployment Rate and the Insured Unemployment Rate (IUR). The EUC program uses a combination trigger with both an IUR and a TUR component. The UAW will support any measure of unemployment as an EB trigger, so long as it is set at a level which will provide EB during periods of economic slowdowns.

The AFL-CIO and UAW also believe this Committee should consider making the EB program completely federally funded. This would relieve the added pressure on already depleted state trust funds caused by paying a state EB share when the state is experiencing high unemployment.

In conclusion, Mr. Chairman, due to the current recession hundreds of thousands of workers are without jobs and have no realistic hope of finding employment in the near future. Given the economic emergency presented by the recession, the extension of the EUC program is fully warranted by considerations of economic policy and social justice. The AFL-CIO and UAW strongly support the prompt enactment of an extension of the life of the EUC program and the payment of additional weeks of EUC benefits. Thank you.

#### Exhibit 1

	Percent of the Unemployed Receiving Benefits (1985) (1)	Duration of Benefits (1989) (Months) (2)	Replacement Rate (3)	Jobless Payments as a % of GDP (4)
Canada	NA	6.25	60%	1.58
France	72	3	42%	2.08
Germany	72	4-13	68%	1.33
Japan	NA	3-12	60%-80%	0.36
U.K.	90	13	40%	0.94
U.S.	34	6.5	37% (5)	0.38

(1) Gary Duxless, "Jobless Pay and High European Unemployment," in Robert Lawrence and Charles Schmitz, eds., *Barriers to European Growth*, (The Brookings Institute, 1987).

(2) *Social Security Programs Throughout the World 1989*, Social Security Administration.

(3) *Barless*. The replacement rate is the ratio of UI benefits to the average wage of a production worker in manufacturing who is married to a dependant spouse and has no dependant children.

(4) *The OECD Observer*, June/July 1990, p.30.

(5) U.S. Dept. of Labor, Employment and Training Administration.



Attachment.

[SUBMITTED BY OWEN BIEBER]

## STATEMENT OF WILLIAM J. CUNNINGHAM, LEGISLATIVE REPRESENTATIVE, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, I am ambivalent about being here today. The AFL-CIO has all the attributes of a modern day Cassandra, the prophet who was doomed to be unheeded. For years we have expressed our concerns about the inadequacies of the Unemployment Insurance system. We are faced with supporting another temporary Band Aid. We understand that the cost of this Band Aid will be expensive—\$2.7 billion but it is needed to make up for the flaws in the existing system. The inescapable conclusion is that the current UI system has failed to meet its primary goal of providing benefits to the unemployed and providing an effective countercyclical stimulus. The system must be reformed. Your commitment, Mr. Chairman, to reform the extended benefits program should be done in this Congress.

Before testifying on the bill, I want to make a few brief observations:

There is very real fear in this nation and among our members. The current recession has been longer than in any recent memory, although not as steep as some. There is a key difference between this recession and others—a widespread belief that after this recession, workers will not be recalled. For the first time in my memory, working men and women, white collar and blue collar workers, are being told "Don't plan on coming back here."

Hundreds of thousands of middle class jobs have been wiped out. Mothers, fathers and single workers fear for their own well being. Even those who are employed fear for members of their families. Recent estimates show that one out of every five family members have lost their job within the last two years.

Finding new work has become increasingly difficult. For example, the recent story in the Washington Post (Jan. 16, 1992) reported that 3,000 people stood out in biting sub-zero weather to apply for 500 jobs at a new hotel in Chicago. You will find such lines of job applicants all over the country. I don't have to tell you, Mr. Chairman, the grim realities that face GM workers in Arlington, Texas or its sister plant in Michigan.

Policy makers have been aware of this problem for a long time. And I am sincerely glad that George Bush has joined them. However, I am hopeful that this change of heart will ensure that a new measure of the efficacy in governmental initiatives: *New U.S. job creation*. For example, it is easy to assert that trade agreements will be in our nation's interest, but as you analyze the Gaff Round negotiations and the future Mexico Free Trade Agreement, you must look at *U.S. job creation as the most important and essential criteria*. As AFL-CIO President, Lane Kirkland said recently "it does American workers little good to have the president laud the success of U.S. executives selling Chinese-made toys in Japan or Mexican-made cars in Tokyo." In brief, as you analyze the tax and trade proposals that come before this committee, you should specifically evaluate the new jobs they will create here in the U.S.

This recession has also exposed the soft underbelly of the "new service economy." The service sector is not immune from recession. Indeed layoffs of state and local government workers, employees at financial institutions and retail stores suggest a new wave of unemployment is coming. We believe it is a direct result of the "hollowing out" of our manufacturing base.

H.R. 4095 is a concession to the reality that the 1990, 1991 and 1992 recession will continue to generate long-term unemployment. The most recent data from the Department of Labor shows that in some states there is still a record number of people who have exhausted their unemployment benefits without finding new work. We must point out again that only 37% of the unemployed get any benefits at all.

We appreciate your persistence in pressing for action by the Congress to enact the Emergency Federal Unemployment Compensation Act of 1991. This was an essential first step in the nation's anti-recession economic recovery program.

But this program must not be cut off while it is still needed. Experience from past recessions indicates that worse unemployment is yet to come. Even after the official end of a recession, unemployment remains high for a long time. The recession and its after-effects in terms of long-term unemployment are far from over.

Unemployment insurance (UI) is the first line of defense for workers and their families when the worker loses his or her job. UI helps workers and their families maintain a minimum standard of living during periods of unemployment. By helping to maintain consumer buying power, UI benefits serve as a countercyclical eco-

conomic stimulant in times of recession. To meet the immediate needs of jobless workers and their families, we need improved access to both basic state benefits and to extended benefits.

Economic conditions are still dismal, unemployment remains high, and long-term unemployment continues to rise. The most recent unemployment report for December shows 8.9 million workers officially jobless, plus another 1.1 million discouraged workers who have given up a fruitless search for jobs, plus another 6.3 million part-time workers who want full-time jobs and full-time paychecks.

The number of long-term jobless has gone up sharply in the past year to 2.9 million. Workers who have been unemployed 15 to 26 weeks have increased from 960,000 in December 1990 to 1.4 million in December 1991. And the number of workers who have been out of work for 26 weeks or more has gone up from 808,000 in December 1990 to 1.6 million in December 1991.

The U.S. Department of Labor reports that 2.8 million jobless workers exhausted their UI benefits in the 12 months ending in mid-1991. AFL-CIO economists estimate that there will be at least 3 million workers exhausting their UI benefits in 1992 and another 2.5 million exhausting their UI benefits in 1993. Without overall reform of the UI system, the AFL-CIO sees an urgent need to extend the Emergency Federal Unemployment Compensation Program to October 1993 not July 4, 1992, as called for in H.R. 4095.

The long-term unemployed accounted for one out of every three unemployed persons in December 1991. This was up from one out of every five jobless workers at the beginning of the recession in mid-1990. The Bureau of Labor Statistics reports that most of the November-to-December increase in long-term unemployment was accounted for by persons jobless for six months or longer.

Thanks to your persistence, by the end of December, 1.2 million long-term unemployed workers had filed claims under the new Emergency Unemployment Compensation Program. Many of these are jobless workers who exhausted their regular state UI benefits after February 28, 1991 and before the new emergency benefits law kicked into effect. They are the fortunate beneficiaries of the wise decision to include a reach-back provision in the law.

However, by this February, many of these people will be exhausting these benefits even while the job market remains unimproved or worse. And on June 13, 1992, the emergency extended benefits program will expire altogether. Even if the economy has begun to pick up by the second quarter, joblessness will not improve by June 1992 and will probably remain high for a long time to come.

Therefore, it is important that Congress and the administration act now to reauthorize the Emergency Federal Unemployment Compensation Program to insure that it will be in effect until the recession is over.

While it is important to expand these benefits, this emergency program serves only to highlight the weaknesses of the underlying UI system. Congress should reform the UI system. Coverage should be expanded by removing the many criteria used to disqualify workers, rather than cover them. The recommendations of the 1980 National Commission on Unemployment Compensation should be enacted, including raising the maximum benefit to two-thirds of the state average weekly wage.

The following is a list of those areas of the Unemployment Compensation system which should be reformed:

#### ELIGIBILITY

In 1989, there was an average of 6,520,000 persons unemployed every month, but the number of persons getting unemployment insurance benefits every month averaged only 2,220,000. So, only 34 percent of all unemployed persons in 1989 were getting UI benefits.

In 1990, the average number of unemployed workers grew to almost 6.9 million a month. But those receiving UI benefits were less than 2.6 million. About 4.3 million unemployed Americans went without any jobless benefits in a typical month in 1990.

Disqualification and denial of eligibility of UI claimants by state UI administrators are key reasons for the low rate of unemployed workers receiving UI benefits. State UI administrators are responsive to employers' demands to keep benefits low so that state UI taxes can be kept low. This "business climate" approach to UI encourages states to compete with one another—not in a positive sense—but in a fashion harmful to the interests of jobless workers.

The National Commission on Unemployment Insurance pointed out in 1980 that these issues go to the heart of the nature of unemployment compensation as a system of social insurance distinct from welfare.

The Commission declared that in the area of cancellation of benefit rights, the trend by states to impose strict disqualifications "has been so strong that Congress should intervene to correct what is widely regarded as a loophole in the Federal law." (page 48)

Both of these statements by the Commission indicate a long-standing need for federal standards to restrict disqualifications of UI claimants by the states. And the Commission recommended to Congress "that the FUTA be amended to provide that State laws may not require any reduction of benefit rights except for fraud or receipt of disqualifying income." (page 48). The purpose of the UI system is to help unemployed people in time of need, not to punish them for the circumstances under which they lost or left a job.

For this reason, the AFL-CIO strongly supports the provisions of H.R. 1367 which generally limit state disqualification of UI claimants to 10 weeks. We believe that jobless workers who have earned enough quarters of coverage should be eligible for UI payments after 10 weeks at a maximum, and that there should be no disqualification except for fraud or receipt of disqualifying income.

Federal standards are necessary to set minimum UI eligibility requirements to assure "safety net" assistance for the 60 percent of the unemployed who are not now getting UI benefits. This is a legitimate and proper role for the federal government, and it is much needed to assure a greater degree of fairness and equity in the state UI programs.

The experience of the last ten years indicates clearly that in the absence of strong protective federal standards, most state unemployment insurance programs do not adequately protect workers, and, in fact, deny UI benefits to most jobless workers.

We believe unemployment compensation is an earned right, based on work experience. It is not reasonable to consider that workers have a stake in this system by virtue of the contributions made on their behalf. Should they become unemployed, and if fraud and disqualifying income are not factors, they should have rights to jobless assistance.

This view justifies the prohibition contained in H.R. 1367 against states canceling a UI claimant's rights to weeks of benefits for any cause other than fraud in a UI claim, or receipt of disqualifying income.

We have reservations about exceptions for discharges for misconduct connected to work because employers so often claim such misconduct in order to evade responsibility for a layoff and thus avoid raising their experience-rated state UI taxes. We also oppose exceptions for labor disputes as a failure by the state to pay earned benefits. Failure to pay benefits in such situations places the state on the side of the employer in the dispute.

Eligibility for UI benefits should be made more inclusive than it now is in almost all states. Therefore, we strongly support federal standards which limit state disqualification of UI claimants. Hundreds of thousands of jobless workers and their families will benefit from the widening of eligibility and coverage made possible by enactment of these provisions.

#### UI BENEFIT LEVELS

Even those jobless workers lucky enough to get UI benefits do not do very well. They end up getting an average of only one-third of their previous earnings. That is certainly not substantial replacement of wage income and it is far less than the 50% average recommended by the National Commission.

The average weekly UI benefit was just \$161 a week in fiscal year 1990. But the state-by-state range goes from a high of \$212 in Massachusetts to a low of \$101 in Louisiana. As a percentage of average weekly wages, the state-by-state average weekly UI benefit ranged from a high of 46 percent in Hawaii and Rhode Island to a low of 27 percent in Louisiana.

The low level of UI benefits reflects the power of employers in state legislature. Too many state legislators and too many state UI administrators adopt the employers' view that it is more important to keep UI taxes low and UI benefits low rather than to help jobless workers and their families with adequate UI payments. This approach defeats the purpose of the UI system.

#### BENEFITS FOR THE LONG-TERM JOBLESS

The UI system does not effectively cope with long-term unemployment. Almost one-third of those who do get UI payments exhaust their benefits before they find a job. Unrealistic and unworkable triggers for extended benefits have the effect of denying benefits to most long-term unemployed workers.

In 1990, there were 2,300,000 jobless workers who used up all of their unemployment benefits. This was a 16 percent increase in the numbers of workers who exhausted UI benefit.

Unrealistic and unworkable state unemployment triggers for extended benefits have the effect of denying benefits to most long-term unemployed workers. The Trust Fund still has a \$8 billion surplus.

The existing Insured Unemployment Rate (IUR) trigger for activating extended unemployment compensation benefits is unrealistic and unworkable. The IUR is far below the Total Unemployment Rate (TUR) and, therefore, a poor indicator of the true level of unemployment. Furthermore, the IUR is excessively and wrongly stable when the TUR goes up. The TUR is the obvious and logical trigger to use in determining when a state can activate its extended benefits program.

At the beginning of last year, with total unemployment at 6.1 percent, not a single state had an extended benefits program triggered on. Even now, with unemployment at 6.8 percent, only seven states have an EB program in effect. As a result, the present EB program is only minimally effective in helping long-term jobless workers. Gary Burtless of the Brookings Institution says, "For practical purposes, the extended benefit program has now virtually ceased to function." (Brookings Review, Spring, 1991, page 40).

To amend the present EB program would not have immediate benefit because the benefits would not take effect in a state until the state amended its state extended benefits law, a process which could take over a year.

There is an urgent need, therefore, to reform or replace the present federal-state extended benefits program to help workers and their families through the personal and family crisis of long-term unemployment.

#### STATE SOLVENCY

Unfortunately state trust fund accounts from which UI benefits are paid, are in terrible shape to deal with recession and high unemployment. The General Accounting Office has detailed for this Subcommittee the failure of many states to accumulate sufficient reserves during the years of economic growth to pay UI benefits during recession years. The GAO noted that a severe recession in 1991 will force 22 states to borrow more than \$17 billion to keep up their UI benefit payments.

The May 1990 GAO report warned that the probable result of state UI trust fund insolvency in 1991 would be (1) intensified action by the states to make it more difficult for workers to qualify for UI benefits; (2) continued state action to restrict the size and duration of UI benefits; and (3) perhaps even higher state UI taxes on employers.

All these actions in time of recession would be contrary to the two key purposes of the unemployment system: first, to provide cash benefits and income support to unemployed workers; and second, to help stabilize the economy during recession by helping to maintain consumer buying power.

Mr. Chairman, I appreciate this opportunity to present some of the concerns of the AFL-CIO about unemployment compensation. We are eager to work with your subcommittee to develop and to refine appropriate legislation.

#### PREPARED STATEMENT OF SENATOR BILL BRADLEY

Mr. Chairman, I want to thank you for calling this hearing and for pushing for early passage of extended unemployment benefits. As we debate economic growth and middle-income relief packages over the next few weeks, it is important that we not wait to aid those workers and families most in need. At a time when more and more workers are being permanently laid off, when more and more workers will require assistance from the government to learn new skills and find new jobs, we cannot afford to play politics with the assistance they will need to simply get by.

Behind every one of the 8.9 million Americans out of work, there is likely to be a family, a mortgage, car payments, tuition costs, and all the other pressures of life. Behind every one of the 1.1 million discouraged workers, there is a story of losing hope for a better future and another talented individual left out. In the long-run we must offer these people a revitalized American economy, through greater savings and investment and fiscal accountability. We must build an American economy which takes everyone to the higher ground. In the short-run, we must offer them the assistance they need to make the transition into such a restructured American economy.

My state continues to be hit hard. In December, New Jersey's unemployment rate rose to 7.4%, above the national average of 7.1%. 10,000 more New Jersey workers lost their jobs. This raises the total of unemployed in our state to 294,000. This

means that since president Bush first denied there was a recession, New Jersey has lost 110,000 Jobs. Most of the current forecasts predict a continued recession, at least until the third quarter of 1992.

There can be little doubt that when the emergency unemployment benefits we fought so hard for last year expire in June, the economy will not be creating enough Jobs for the unemployed. The current recession is the longest downturn our country has faced since the Depression. The current unemployment rate is the highest we have reached in this recession. And many of our largest companies are planning further layoffs in 1992. Further, this 7.1% rate does not include discouraged workers or workers who cannot find full-time work and instead have taken part-time work 6,300,000 additional workers. If you count these individuals in the unemployment rate, you get a comprehensive unemployment rate of 10.4%. Similarly, if we had experienced normal growth in the labor force, this rate would jump up to 11.4%. Clearly part of the response to the longest post-War downturn must be to extend the safety net which allows these individuals to sustain their families until the economy recovers.

While we act quickly to extend an economic lifeline to the unemployed, we should not overlook the structural problems in the current system that force us to come back and back again with emergency benefits. The formula for extended benefits no longer responds to recessions, and in part that is because too many workers are no longer covered by the system at all, so they are not counted in the insured unemployment rate. Unemployment insurance is not only a measure of our compassion, it should also be an economic stabilizer that leads to stronger growth in the future. It is in all our interests that an unemployed worker is able to continue providing for his or her family. It is in all our interest that a skilled worker have the time to look for a job that makes the greatest use of those skills. The system has not worked for this recession. We'll patch it up a second time, but for the future, we will need a system that adjusts to real economic conditions before it's too late.

Like many other Americans, I watched the president's address last night. Like many other Americans, I wanted to find hope in his economic proposals. But what I heard did not give me very much hope. It seems the president's response to the longest economic downturn since the Depression is simply to revive supply-side economics.

It's hard for me to explain to New Jerseyans that the appropriate response to a decade of stagnating real incomes and skyrocketing budget deficits is a capital gains cut. Not many of the 294,000 individuals looking for a job in New Jersey will report capital gains on their tax forms this April. Nor will they earn passive losses or benefit from accelerated depreciation or have the liquidity to invest in a "Family Savings Account." What does the President offer these people? A \$150 tax break. And that's assuming they are fortunate enough to earn enough money to create that much tax liability.

Mr. Chairman, I look forward to working with you and our other committee members to develop a growth package which makes sense for America—a growth package which is fiscally accountable which does not favor the well-to-do over those most in need, which offers real relief to American families, and which creates real prospects for economic growth. But as a critical first step, we should get emergency benefits moving as quickly as possible so that more families will be able to adjust to the economy's long transition, so that more workers will stay in the workforce, and so that our economy will remain strong and secure for decades to come.

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## PREPARED STATEMENT OF KEITH BROOKS

My name is Keith Brooks and I am the coordinator of the New York Unemployed Committee, which is a grass roots advocacy organization of unemployed people started in November 1990. We would like to thank you for the opportunity to testify here today on the need for another extension of unemployment benefits. The current maximums of 39 and 46 weeks is still far short of the 65 week maximum available in 1977. But the real issue is much more than a temporary program for a few additional weeks of unemployment benefits.

The political climate has changed dramatically since we first started our grass roots campaign for an extension of unemployment benefits in November 1990. The experts told us we were tilting at windmills. There was no way George Bush would ever agree to extend unemployment benefits.

After a year of organizing, of lobbying and protests in New York, Washington, and Bush's vacation home in Maine, Bush was finally forced to sign an extension in November. The economy kept getting worse, the Republicans lost in Pennsylvania, Bush continued to play Nero while Rome burnt-- and we along with others were there to keep the issue in the public eye, keeping the pressure on. And of course we were going into the election year.

On December 11, 1991 we asked Congressman Downey to move quickly to introduce a bill for another extension of unemployment benefits as soon as Congress reconvened this year. We pointed to the end of February when all those able to get back onto the extension at the end of November when the bill went into effect would start using up those 13 weeks of benefits.

Congressman Downey was responsive, and scheduled a hearing last week on January 23 on the issue you are addressing today. And simply having the hearing put Bush once again on the spot. While he may be totally out of touch with the overwhelming majority of people in this country, he is not stupid. He knows it would be

political suicide to again oppose another extension of unemployment benefits. And so at 5 AM on January 23, as we were preparing to leave Brooklyn to come to Washington to testify that day at the House hearing, we heard on the radio that Bush announced he would not oppose another extension of unemployment benefits. The hearing had not even happened yet and already he cried uncle.

Last night Bush said he allocated 4.4 billion in his budget for another extension. We do not take anything for granted. When will this extension go into effect, Mr. Bush? March 20 will be too late for those running out of their 13 week extension at the end of February. We urge both the Senate and the House to quickly pass a bill for Mr. Bush to sign.

Bush-- and others--are also making a big mistake in thinking the unemployment and jobs issue will now disappear. More weeks of unemployment benefits is the least of what is needed. He left you, the Democrats with plenty of ammunition. We need permanent reforms of the unemployment insurance system. Bush talked of tax breaks but said nothing about eliminating the tax on our unemployment benefits. We challenge you, Senator Bentsen, and the rest of the Democratic leadership to take on this issue to eliminate the tax, which was first instituted by a Democratic President in 1978 named Jimmy Carter.

Bush said nothing about the immediate health care needs of the unemployed and almost 40 million uninsured. While the politicians debate what kind of health coverage reform is needed, the only question we hear at the unemployment centers where we organize is "where can I get health coverage?"

Bush said nothing about a real jobs program that would put this country back to work. He has a full employment program for former Soviet nuclear scientists, but not for the millions of unemployed in this country.

When someone works all their life and loses their job through no fault of their own, there is a need for other protections of their standard of living. During the early 80's a number of states

passed mortgage relief laws, moratoriums on utility turnoffs and other measures. We call for an Unemployed Bill of Rights, that would provide protections against people losing their homes, against gas and electric turnoffs, losing possessions as well as job retraining. How many people lost their home last year or were evicted because they had neither a job nor source of income? How many put off medical care for themselves or their families?

We think it is time to revive the notion that a job is a basic human right, along with access to health care, food and shelter.

On February 27, 1992 we intend to come back to Washington with hundreds and perhaps thousands of unemployed people to rally and lobby, to make it clear that until this country is put back to work at decent jobs at a living wage, until there is enough weeks of unemployment benefits for those without jobs, that until there is health care for all who need it, the issue will not go away-- and neither will we.

Millions of unemployed people remain in a state of emergency, without a job or source of income. We challenge you, Senator Bentsen, and the rest of the Democratic party, and all those running for President to step forward and take a stand on these issues. Will you do it?

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#### PREPARED STATEMENT OF SENATOR JOHN H. CHAFEE

Thank you Mr. Chairman. I want to commend you for holding this hearing today. There is no more important issue facing the nation today than the economy and the high unemployment rate. The ongoing recession has been particularly devastating for New England and my home state of Rhode Island.

Last year, this committee passed legislation to provide emergency unemployment benefits to the long-term unemployed. I supported that measure. At that time, Rhode Island was the only state with an unemployment rate high enough to trigger onto the permanent extended benefits program. I had hoped that the economy would improve and that we would not have to revisit this issue. Unfortunately, that is not the case.

The total unemployment rate in Rhode Island is currently at 8.5 percent, higher than the national average of 7 percent. While I am relieved to see that it has gone down since last month's 9.8 percent, clearly there is still a serious problem in my state. The number of people who are participating in the permanent unemployment program is 44 percent higher than it was just two years ago. When we passed the emergency bill late last year, over 14,000 people in Rhode Island filed claims for benefits. Adding this to the 37,500 people who are participating in the permanent program means that more than 10 percent of the state's workforce is receiving unemployment benefits. More than 1,100 Rhode Islanders have already exhausted their share of the emergency program, and more will continue to trigger off the program.



My office receives letters every day from individuals who are well-qualified, who want to work, but who cannot find a job. Between our credit Union crisis and the many business failures in New England, jobs and money are scarce. Add to all this the Defense Department's decision to terminate the "Seawolf" submarine which affects 9,000 Rhode Islanders jobs. These individuals have worked hard, they have families to support, and they deserve our help in their time of need.

So, I am pleased that we are here today to work together to try to help the thousands in my state and around the country who, through no fault of their own, simply cannot find work. I look forward to working with the President, who supports this idea, and my colleagues in the Senate toward swift enactment of an emergency unemployment compensation bill.

Thank you Mr. Chairman.

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## PREPARED STATEMENT OF CHARLES CHAPPELL

My name is Charles Chappell. I am 42 years old, and I live in Brooklyn New York. I lost my job as a courier for a firm serving the Wall Street financial district in New York City in March 1991. I have not been able to find a job since. I am currently back on unemployment benefits as a result of the extension passed in November, after having used up my first 26 weeks in October.

I do not see any job prospects on the horizon, and like millions of others, I am going to need more weeks of benefits to make it through this recession. I also help support two nine year old twin daughters on the \$220 a week I have been receiving.

In 1968, I was drafted and served two years in Vietnam. Like many others, I went because I had been taught that I had a responsibility to fulfill. I received the Purple Heart, the Bronze star, Parachutist Jump Wings, the Vietnam Service Medal, the Air Medal and other medals and commendations.

I go job hunting every day. During my work career which began when I was 14, I have picked up many different types of skills, in addition to knowing how to parachute out of a plane. And yet every time I go to apply for a job, the room is jammed with people just like me all looking for the same thing-- a way to support ourselves and our families through our own efforts.

I am not here today asking for a handout, or charity. I need a job-- or more time to make it through this recession. The way I look at it, I am asking for what is mine in the first place.

Last night, President Bush claims that he now supports another extension of unemployment benefits. But he did not say when we would get this further extension, and we cannot take anything for granted. We heard him mention March 20th-- that will be too late for hundreds of thousands exhausting their benefits every month. A domestic catastrophe has hit millions of us who have been left without a job. People have lost their homes or apartments, neglected their health care needs because they lost their health insurance when they lost their job. Families have split up, unable

to stand the strain. More weeks of unemployment benefits is the least of what we need. This is an emergency.

I received many medals in Vietnam. I do not expect to get any medals for surviving this recession. But I do expect my government, that I put my life on the line for, to fulfill its responsibility to the citizens of this country. We need jobs. In the past, the government has created jobs programs to help people through recessions. Last night, we heard nothing from Bush about a real jobs program to put this country back to work, just a lot of hot air.

If the government will not provide jobs, then we need a way to survive in the meantime. We need more weeks of unemployment benefits now, we need medical coverage, we need to eliminate the tax on our benefits.

The Democratic leadership has pledged to move quickly to get another bill through congress. Every day is too late for those who exhaust their benefits. But even with a few more weeks of unemployment benefits, the issue of jobs and economic survival will not go away.

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#### PREPARED STATEMENT OF BILL GROSSENBACHER

Mr. Chairman and members of the Subcommittee, my name is Bill Grossenbacher. I am President of the Interstate Conference of Employment Security Agencies and Administrator of the Texas Employment Commission. The Interstate Conference of Employment Security Agencies (ICESA) is the organization of state officials who administer unemployment compensation laws, the public employment service, labor market information programs, and in many states, job training programs. Thank you for the invitation to appear today to discuss implementation of the Emergency Unemployment Compensation Act.

Unemployment compensation has long been, and continues to be, the fastest and most efficient means of alleviating personal hardship and stabilizing the economy during economic downturns. An estimated \$24 billion was paid in state-financed unemployment benefits during fiscal year 1991 to about 11 million unemployed workers throughout the nation. Currently, in addition to regular state benefits, state unemployment compensation agencies are paying about one million emergency unemployment claims per week. Dollars paid in unemployment benefits are automatically directed to areas where unemployment is greatest and are returned quickly into the economy because they are used to purchase the necessities of life.

My colleagues and I are proud of our staffs and the jobs that they have done and continue to do to implement the Emergency Unemployment Compensation Act. Planning and computer programming required work virtually around the clock for several weeks. I will acknowledge that getting the EUC program up and running in Texas was no easy task. The reachback provision meant the instant quadrupling of our beneficiaries. We installed an 800 telephone number with 22 incoming lines, hired 84 temporary workers, and reassigned equipment and staff from other departments to assist benefits processing. Even after taking these steps and working

nights and weekends, we are barely keeping our heads above water. As of mid-January, we have mailed 410,000 applications, processed over 80,000 claims for emergency benefits and paid over \$56 million in benefits. We are answering between 1200 to 1500 calls per day on the 800 number.

In many states, local office hours were expanded to include evenings and weekends to handle the huge number of "reachback" claims. Other states took these claims by telephone because the number of potentially eligible individuals could not be accommodated in the space available in local offices.

In spite of these administrative challenges, many states were able to issue benefit checks before Thanksgiving, even though some administrative questions were still open to interpretation. All states were paying EUC by the second week in December.

Today, I would like to address some of the problems that states have encountered in implementing this program and make some recommendations for changes in both EUC and the permanent Federal-State Extended Unemployment Compensation Act. I will not address the questions of whether additional weeks of EUC are needed or whether the life of the program should be extended since ICESA's members have not addressed these questions collectively. On these issues, I encourage each of you to seek the opinion of the state official who heads the agency administering unemployment compensation laws in your state.

#### TERMS AND CONDITIONS OF ELIGIBILITY FOR EXTENDED BENEFITS AND EMERGENCY UNEMPLOYMENT COMPENSATION

The Emergency Unemployment Compensation (EUC) Act requires that the same "terms and conditions" that apply to claims for extended benefits (EB) will apply to claims for EUC. These requirements have the effect of restricting the number of individuals who qualify for EUC and of creating bureaucratic hurdles individuals must overcome to remain eligible.

Prior to 1981, any individual, who exhausted state unemployment benefits when the state was in an extended benefit period, qualified for EB. In December 1980, P.L. 96-499 amended the Federal-State Extended Unemployment Compensation Act to require denial of EB to individuals who had been disqualified under the state law, based on reason for separation from employment or refusal of suitable work, unless the state law required reemployment subsequent to the disqualification. In August 1981, P.L. 97-35 again amended the Federal-State Extended Unemployment Compensation Act to require a minimum of 20 weeks of work, or the equivalent in wages, to qualify for EB.

Also prior to 1981, state law requirements related to work search and suitable work also applied to claims for extended benefits. P.L. 96-499 established specific EB eligibility requirements related to seeking work and applying for suitable work.

The EB/EUC qualifying and eligibility requirements and how they are implemented are described below along with a general description of state practices.

*Work Search: Extended Benefits Requirements.* Individuals are required to make a systematic and sustained search for work and to present tangible proof of the search, such as a list of the names, addresses, and telephone numbers of persons with whom the individual filed applications. The number of job contacts which constitute a "systematic and sustained" search has been defined in many states by the courts and is usually two to four contacts per week. If the individual fails to make such a search for any reason (e.g. illness), he is disqualified for further benefits until returning to work for at least four weeks and earning at least four times his weekly benefit amount.

The "systematic and sustained" work search requirements apply regardless of the economic situation or the individual's circumstances. In some rural areas where unemployment is high, where there are only a few major employers, and where it is known that those employers are not hiring, it is a meaningless exercise to require each EUC recipient to call on those few employers every single week in order to be eligible for benefits. In many states the number of job contacts required by EUC recipients each week outnumbers the employers in the state. For example, in Texas we have about 326,000 employers. In January, an estimated 540,000 job search contacts per week will be required by EUC recipients. In addition, our regular state benefit recipients will also be out looking for work, increasing the number of people knocking on the doors of employers who have no job openings.

*Work Search: State Laws.* Under most state laws individuals are required to make a search for work each week. Some states require "proof;" others do not. However, states generally have provisions to waive work search requirements in areas where unemployment is extraordinarily high and where there are virtually no job openings in an individual's line of work. Under state laws, work search requirements can be

tailored to the locality and to the individual. In addition, under state laws if an individual fails to make a required work search for one week due to illness or other reasons, he is ineligible only for that week, not indefinitely as under the EB/EUC requirements.

**Suitable Work: Extended Benefits Requirements.** In order to qualify for EB/EUC, an individual must be willing to accept any work that is within his or her capabilities and that pays more per week than unemployment benefits. For example, unemployed airline pilots in Dade County, Florida, would be required to accept jobs cutting sugar cane were they offered. Sugar cane growers generally don't want to hire airline pilots. However, this illustrates the absurdities that result from this requirement.

**Suitable Work: State Laws.** Most state laws define suitable work as the type of work for which the individual is suited by training or experience and that offers pay comparable to the level of earnings before layoff. After the individual has been unemployed for some time, he is expected to reduce the lowest salary he will accept.

**Disqualifications: Extended Benefits Requirements.** The Extended Benefits requirements that also apply to EUC dictate that any provisions of state laws which terminate disqualifications for voluntarily leaving employment, misconduct, or refusal of suitable work on any basis other than employment subsequent to the disqualification do not apply for purposes of determining eligibility for EB/EUC.

**Disqualifications: State Laws.** Since the amendment to the Extended Benefit legislation in 1980, many states have changed state laws to match the federal EB requirement. However, a number of states still have state law provisions which disqualify individuals for a certain number of weeks rather than requiring reemployment. In response to a survey by ICESA, twelve states indicated that 1% to 34% of individuals who would otherwise have been eligible for EUC were not due to this requirement. Nebraska is the state where the largest percent of individuals, 34%, is not eligible. In Texas, this provision disqualifies from EUC one group, mostly women, who quit a job to move with a spouse.

**Qualifying Base Period Wages: Extended Benefits Requirements.** To qualify for EB/EUC, an individual must have worked at least 20 weeks in his base period or have earned the equivalent in wages. The wage equivalent is defined as 1½ times high quarter wages or 40 times the weekly benefit amount.

**Qualifying Base Period Wages: State Laws.** A number of states have less stringent requirements for base period wages than the EB requirement. In response to ICESA's survey, 21 states reported that from 1% to 18% of those who exhausted regular state benefits were not eligible for EUC due to the base period wages requirement. The average was about 4%. The greatest impact of this requirement is in Iowa, where 18% are not eligible for EUC. The largest number affected is in California where 13%, or 23,335 regular benefit exhaustees, are not eligible for EUC.

**Job Placement Requirements.** The Extended Benefits law and regulations place certain requirements on state Employment Service operations without any additional funds. Each person claiming EUC benefits, whose reemployment prospects are determined to be "not good," must be reinterviewed by the state Employment Service and referred to any jobs that are listed with the Employment Service and meet the suitable work definition, that is, the job is within the individual's capabilities.

These interview requirements, especially for the large number of individuals brought in by the "reachback," have been overwhelming for many state Employment Service offices. In many cases, a review of the individual's application with the Employment Service would be adequate to determine whether a personal interview would be beneficial. In localities where there are virtually no jobs listed due to economic conditions, or where the jobs listed are not within the capabilities of the individual, the rigid requirement for a personal interview is just another example of the bureaucratic wheel-spinning to which both unemployed workers and our own staff are subjected.

**Conclusion and Recommendation.** The stringent requirements that apply to EB/EUC are inconsistent with the fact that these programs are available only because economic times are bad and jobs are scarce. We treat people who have not been able to find a job after 26 weeks as if it were their fault; they just didn't try hard enough. The fact is that these requirements are not designed to help people get back to work, but merely to restrict the number who qualify for extended or emergency benefits. These requirements create needless paper work for staff in local unemployment offices and bureaucratic hassles for unemployed workers with enough problems already. We urge you to repeal the terms and conditions that apply to the Federal-State Extended Benefit program and to Emergency Unemployment Compensation and permit the terms and conditions of qualifying and eligibility for state

benefits to apply to Extended Benefits and Emergency Unemployment Compensation.

#### OVERPAYMENT RECOVERY PROVISIONS

A number of states have reported technical problems with implementation of the overpayment recovery provisions of EUC. These provisions, by limiting the amount of recovery to 50% of the amount payable for a week, have the effect of limiting the options for recovery. In many cases an overpayment will not be identified until the individual has received all EUC to which he is entitled. Under many state laws an individual may make restitution for an overpayment by meeting all requirements and certifying for a future week, even though he has received all benefits available to him. The provisions of EUC for overpayment recovery in these situations essentially limit recovery to cash repayment.

Another problem area is related to waivers of recovery due to hardship. Such waivers are applicable for only a short period. This technically requires states to monitor the economic status of an individual to whom a waiver was granted for the entire three year period during which overpayments can be recovered. These are very technical administrative provisions; however, their simplification would greatly ease the administrative problems associated with implementation of EUC.

ICESA would be pleased to provide further explanation of these issues to your staff and to work with you to simplify these provisions in the future.

#### ADMINISTRATIVE FUNDING

ICESA is grateful to you, Mr. Chairman, and to other members of the Senate Finance Committee for your support for a contingency reserve fund in the FY 1992 Labor, Health and Human Services, and Education Appropriation which has provided an additional \$174 million dollars to handle EUC claims. Without this provision or a supplemental appropriation, implementation of this program would not have been possible.

However, no funds were made available for the start-up costs associated with the program, such as computer programming, forms and procedures design, and in some cases, purchase of new equipment or installation of additional telephone lines. For some states, and especially small states, this has been a hardship. In Alaska, for example, computer programming staff had to be reassigned from a current benefit payment redesign project to do the systems work associated with EUC. The suspension of work on the benefit payment redesign project will now require extension of a contract with a vendor at a cost of an additional \$150,000.

The requirements placed on the Employment Service by EUC have been especially difficult to meet within the minimal funding provided for employment services in recent years. Employment Service staff levels have declined by half over the past ten years. Counseling and testing services are minimal. Most Employment Service staff are now focused on job placement activities. Diverting these scarce resources to meet the non-productive requirements of EUC have been especially frustrating. With additional resources, the Employment Service could provide an earlier and more active role in putting unemployed Americans back to work. We urge you to consider a true reemployment assistance component to EUC, with additional resources, when you consider an extension of this program.

#### UNEMPLOYMENT TRUST FUND

As you consider an extension of emergency unemployment benefits, a question which inevitably arises is the impact on the federal budget deficit. As you are well aware, EUC is paid from the Extended Unemployment Compensation Account in the Unemployment Trust Fund where funds are intended to be accumulated in good times to be used when economic times are bad.

ICESA has long-standing policy which supports removal of the state and federal accounts in the Unemployment Trust Fund from calculation of the federal budget deficit. For the past decade, state administrators have watched the decline in funding for employment security that resulted from federal budget deficit considerations while balances in the UTF's Employment Security Administration Account grew by leaps and bounds.

The Unemployment Trust Fund, like the Social Security Trust Fund, is made up of dedicated revenues. Federal and state unemployment taxes can be used only for unemployment benefits and for administration of unemployment insurance and employment services.

Including these trust funds in federal budget deficit calculations serves only to mask the size of the deficit. Removing the UTF from calculation of the federal budg-

et deficit would allow decisions to be made on the merits rather than on budget deficit considerations.

#### CONCLUSION

In considering an extension and additional weeks of EUC, we urge you to keep it as simple as possible by permitting state policies and procedures to function to the greatest extent possible rather than substituting federal requirements.

We also urge you to consider carefully reform of the budgetary treatment of the Unemployment Trust Fund.

Thank you for your interest in these implementation issues. I will be happy to answer any questions you may have and to work with your staff to sort out some of the more complicated technical issues.

#### PREPARED STATEMENT OF LYNN MARTIN

Mr. Chairman and Members of the Committee: I appreciate this opportunity to appear before you today to testify on legislation to amend the Emergency Unemployment Compensation (EUC) Act.

When I was in Congress, I represented a district with a city that had the highest unemployment rate in the nation during the last recession. This affected some of my friends, neighbors and members of my family. I am deeply concerned about the men and women of this nation who do not have jobs and who have exhausted their unemployment benefits.

I know that President Bush shares my concern about the recession's impact on the American people, and particularly unemployed workers. The President and I want to work together with the Congress to help the unemployed, and at the same time move toward an economy that will provide the jobs that all Americans need. In light of our concern, the President proposes to expand and extend EUC to assist unemployed workers and their families while they seek employment.

By working together last year, with your help Mr. Chairman, and the leadership of Senator Dole and others in both Chambers, we were able to provide these important emergency benefits to unemployed workers in a manner that was consistent with long-term economic growth. It is again time to work together to achieve this same objective.

The regular UI programs, which provided nearly \$25 billion to over 10 million unemployed workers in FY 1991, are now supplemented by the EUC program. EUC provides two tiers of emergency benefits—20 weeks or 13 weeks depending on the State's unemployment rate. The program is scheduled to expire on June 13 of this year. We believe it is providing significant help to the unemployed and their families—placing checks in the hands of men and women all across this country, who need help with mortgage payments, grocery bills, tuition payments, car payments and other bills.

Mr. Chairman, the Department of Labor is proud of the efforts of State employment security agencies and our own staff in getting the EUC program up and running so quickly. Many States' first benefit payments under EUC were made Thanksgiving week, just two weeks after the legislation was enacted.

Yesterday, the Administration, the Republican leader of the House, Bob Michel, and Dan Rostenkowski, Chairman of the ways and Means committee, joined forces to propose an extension of unemployment benefits that is consistent with the Budget Enforcement Act for fiscal years 1992-1995. The proposal was adopted by the ways and Means Committee.

The proposal will expand and extend the EUC program. First, the bipartisan package proposes adding, from the date of enactment through June 13, an additional 13 weeks of extended benefits to each tier. Unemployed workers who qualify for EUC before June 14, including those unemployed who are now receiving EUC benefits, will be eligible to receive a total of either 33 or 26 weeks of emergency benefits, depending on the unemployment rate in their State. since under current law some of the unemployed will exhaust their EUC benefits as early as February 15, it is essential that this proposal be enacted quickly. The package also proposes extending the expiration date of EUC to July 4.

The Department estimates the cost of the proposal to be \$2.7 billion in FY 1992. The proposal is fully financed and is consistent with the budget agreement. No sequester would be triggered by its enactment.

We oppose proposals that would deem the costs associated with the changes to be emergency requirements under the Budget Enforcement Act, thereby waiving pay-as-you-go requirements. Such proposals, if enacted, could hinder economic recovery and its associated job creation and jeopardize long-term economic growth.

Mr. Chairman, the Administration is committed to responding in a timely and fiscally responsible manner to the hardships being experienced by the unemployed and their families during the current recession. The Department and I will again work with you and other Committee members to pass this legislation expeditiously so that there will be no break in benefits for unemployed workers.

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PREPARED STATEMENT OF SENATOR DONALD W. RIEGLE, JR.

Mr. Riegle. Mr. Chairman, last session this Committee laid the foundation for assisting our nation's unemployed workers. With much effort, we passed, and the President finally signed into law, *The Emergency Unemployment Compensation Program*. Although this was an important effort to help American workers weather the recession and the trade problems our economy is experiencing, it was not monumental enough. We need to go further and continue to push for wide ranging reforms of this program.

As a continuation of my efforts to work toward this goal, last week I introduced S. 2143, legislation to extend the Emergency Unemployment Compensation Act of 1991, which will expire in June 1992. My bill would extend funding for the program until March 31, 1993.

In addition to this and any other extension and emergency funding legislation, I look forward to working with you and the members of this Committee to follow through on more encompassing legislation which will help correct the problems connected with the Extended Benefit program trigger, administrative financing, and eligibility criteria that plague our current Unemployment Insurance Program. It is also essential that we improve the manner in which we calculate and include discouraged unemployed workers or those who would like to work full time but are only able to find part time work in the monthly and annual Labor Department statistics.

We need to pass *comprehensive* legislation in this area to ensure that we have a better unemployment compensation system in place to help American workers ride out economic downturns in the future.

Two weeks ago we were informed that we have reached a national unemployment figure of 16 million unemployed American. In my state of Michigan, unemployment is over 9%, and more than 1.3 million Michigan citizens filed unemployment claims over the past year.

If nothing else, these disturbing and increasing figures are a strong indication of the economic suffering that is going on in America. As such, it is only logical that we work to further assist American workers who are experiencing hard times and have contributed to our country's standard of living through their daily efforts in the workplace. I believe that legislation like the extension bill I have introduced and broader reform legislation can be useful in helping us achieve this end.

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## PREPARED STATEMENT OF DAVID ROBINSON

My name is David Robinson. I am 40 years old, and I have been unemployed since August 1990 when I lost my job as a clerk cutter at Yale Trousers in New York City, after working there for 3 and a half years. I was a member of the Amalgamated Clothing and Textile Workers Union Local 158.

I first ran out of my benefits last March. I applied for Public Assistance in June 1991, after using up the little savings that I have. I was collecting \$126 on unemployment insurance. Every week I go out job hunting for jobs that simply do not exist. In fact, more people are still losing jobs than finding them.

It is hard to say which is worse--being on unemployment benefits or being on public assistance. I was able to get back onto unemployment benefits through the current 13 week extension. But my unemployment check is not enough to pay the rent, medical bills and other necessities of life. I know some people who are being threatened with being cut off from their medical coverage and their food stamps because they were able to go back onto unemployment benefits.

Choosing between collecting unemployment benefits or being on public assistance is no choice at all. Give me--and the millions of others like me-- the choice between this and a decent job, and you will see us line up, as happened recently when 7,000 people waited in freezing cold weather in Chicago for a chance at a few jobs.

I believe that when corporate America fails to provide jobs, the government must step in with a JOBS PROGRAM TO PROVIDE DECENT JOBS AT A LIVING WAGE. This is the first recession without a jobs program. And if this government cannot provide jobs, then we need unemployment benefits to last as long as necessary. I URGE YOU TO QUICKLY: PASS ANOTHER EXTENSION OF BENEFITS. WE DARE PRESIDENT BUSH TO PLAY THE SAME ROLE HE DID LAST YEAR WHEN HE BLOCKED TWO BILLS FROM GOING THROUGH.

But without jobs, another extension of benefits is the least of what we need. We need HEALTH COVERAGE, so people don't have to

worry about losing their coverage if they can get off welfare. We need to REMOVE THE TAX ON UNEMPLOYMENT BENEFITS. And we need protection against having our utilities shut off, our phone serve disconnected, against being evicted and losing our homes. Just because we lost our jobs does not mean we lose our rights. The unemployed of this country need AN UNEMPLOYED BILL OF RIGHTS.

As bad as being on welfare is though, it is better than being homeless. Those who say the problem with welfare is that it provides too much should try it sometime. My unemployment check is not enough to pay the rent, medical and other bills. People should not have to choose between staying on welfare and getting health coverage and getting off welfare unable to afford it.

At a time when welfare is under attack , the answer to welfare dependency is meaningful jobs at a decent pay, with health coverage. And those unable to work for various reasons have to be provided for.

Bush complains about budget busting--but only when it relates to domestic issues. We say its time to bust his budget agreement and put that money he is so free in throwing around for other countries to create jobs here and put people back to work. Thank you.

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#### PREPARED STATEMENT OF SENATOR JOHN D. ROCKEFELLER IV

Mr. Chairman: As we all recognize, families in West Virginia and across our country continue to struggle during this recession. The national unemployment rate for December was 7.1%, which translates into almost 8.9 million Americans who are jobless.

These unemployed Americans have families. They are struggling to make their mortgage payments or their car payments. If their child gets sick, they will worry about how to pay the doctor's bill or afford a prescription.

West Virginia suffers with an unemployment rate of over 10%, one of the highest in the country. Tens of thousands of West Virginians are unemployed. They are desperately looking for work, but in the current sluggish economy, there are more closing notices than job listings.

These unemployed workers and families deserve our compassion and our help. They need extended unemployment benefits so they can pay their bills and afford the basic necessities.

Last year, this committee and Democratic leaders realized the problems facing unemployed Americans and their families. We developed legislation to extend benefits, but we had to fight the Administration for months to acknowledge the recession and recognize that unemployed people deserved help.

Thanks to the persistence of Democratic leaders, including Chairman Bentsen, the President finally decided to work with us instead of opposing us. We enacted much needed legislation in November to extend unemployment benefits.

In West Virginia, this program is providing desperately needed benefits for 81,000 unemployed workers, individuals who have already exhausted regular unemployment benefits. These benefits are crucial for these families.

But families in West Virginia and across the country are already nervous because they know that extended benefits are limited. For some, benefits could be cut off in mid-February. The economy has not turned around just yet, unemployment continues to rise. Our people still need help and extension of unemployment benefits should be a priority.

It's good to know that as we seek to extend unemployment benefits again, the President has finally gotten the message and agrees that unemployed workers and their families deserve help. Now, we should act swiftly to enact a further extension so that unemployed Americans and their family can breathe a sigh of relief and know that their benefits will be extended.

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#### PREPARED STATEMENT OF MICHAEL O. ROUSH

Mr. Chairman, on behalf of the National Federation of Independent Business (NFIB) and the more than 500,000 small businessmen and women who are its members I want to thank you for this opportunity to present NFIB's comments on the need for further extending unemployment benefits.

NFIB is the nation's largest small business advocacy organization, and our members employ approximately 7 million people. NFIB's membership consists of approximately the same percentage of manufacturers, farmers, accountants, etc. that exist in the national economy. The typical NFIB member employs 8 workers. These firms are Main Street small businesses—they are the backbone of their local economies and, consequently, the national economy.

In the 1980's small firms were responsible for over 70% of the more than 14 million net new jobs created. The reason for this phenomenon is that small firms hire people—not machines—to work. People are a small firm's most important as well as most expensive resource. That is why payroll tax issues, like Social Security (FICA) and in this case, unemployment insurance (FUTA), have such a tremendous bearing on the health and viability of small businesses.

#### SMALL BUSINESS COMMENTS ON CURRENT LAW

Six times a year, NFIB polls its entire membership on policy issues. Based on these polls, NFIB knows the issue of unemployment insurance is a continuing concern to our small business members. Listed below are a series of positions our members have taken on issues relating to unemployment insurance.

On the overall structure of the UI system, NFIB members strongly support efforts to provide a more fully experience-rated system than is currently in place in most states (78% favor while 16% oppose—Mandate No. 463, December 1985). In most states small firms with stable work forces typically subsidize employers in declining industries with large layoffs. This shift in the UI tax burden unfairly penalizes good, stable, employers, benefiting employers with high levels of employee turnover.

NFIB members also support the change enacted in 1981 in which the national trigger for extended benefits was eliminated and state triggers were substituted (83% favoring while 14% oppose—Mandate No. 434, June 1981). This change more accurately reflected the differing employment situations in the states. States with relatively low unemployment no longer have to pay higher taxes because of the higher unemployment rates in other states.

NFIB members voted in 1985 against the creation of sub-state triggers to determine whether or not a worker should be eligible for extended benefits (10% favor while 65% oppose—Mandate No. 459, April 1985).

NFIB members also oppose extending the duration of unemployment benefits (5% favor while 92% oppose—Mandate No. 492, August, 1991). This is not surprising because business owners bear all the costs of the unemployment insurance system but are rarely eligible for benefits themselves even when they go out of business and are unemployed.

NFIB members do, however, support changing current law to increase the amount of administrative funds paid to the states. The federal government collects these funds and is supposed to then return them to the states. Unfortunately, these funds are being kept by the federal government to offset the budget deficit.

Several states have been forced to levy additional taxes on employers because they do not have enough money to operate their unemployment insurance programs. As a result, the employers of these states *end up paying the costs of administering their state's program twice*. This double taxation of employers should be remedied immediately by returning administrative funds to the state.

Another complaint we hear from small business owners regarding the unemployment compensation system relates to the unfair treatment of some owner-employees. After having paid their FUTA taxes, some small business owners are denied unemployment benefits if their firm goes out of business. NFIB members strongly support exempting employers from payment of UI taxes if they are ineligible to receive UI benefits (72% favor while 25% oppose—Mandate No. 447, February 1983). There is no reason for small business owners to be required to pay unemployment tax on their own salary if, as a matter of law, they are going to be ineligible to collect any benefits.

Although NFIB members have a variety of concerns with the current unemployment compensation system, these concerns are not with the fundamental nature of the system and do not require a major overhaul of the current operations of the system.

#### IMPACT OF PAYROLL TAXES ON SMALL BUSINESS

The concern of small business over any increase in FUTA taxes is exacerbated by the increasing burden of payroll taxes in general. Over the last decade, income taxes have come down, but payroll taxes have increased. In 1980, employers paid a 5.1% FICA tax on the first \$25,000 their employees earned. Today, employers pay a 7.65% FICA tax on the first \$53,400 their employees earn. A typical small business now pays more in payroll taxes than all other taxes combined.

Increasing reliance on payroll taxes to pay for government benefits is particularly onerous for small businesses. Small businesses are labor intensive and, as a result, pay a disproportionate amount of payroll taxes. In addition, payroll taxes must be paid regardless of whether or not the business is making any money. As a result, small businesses making little or no profit have to pay thousands of dollars in payroll taxes.

#### THE NEED FOR ADDITIONAL BENEFITS

The current UI system has worked well over the past fifty years with its specific goal of providing temporary replacement income to unemployed individuals. In our view and that of many other experts in the field of unemployment insurance, the funding, structure, and delivery system of the unemployment compensation program is not designed to be expanded beyond its current limits.

As debate on this issue has highlighted, the current UI program does not protect workers who have been out of work for more than 26 weeks (up to 59 weeks if they are eligible for extended benefits). How long unemployment benefits should last is also a question on which reasonable men and women can differ. The program should cover the amount of time it takes most people who have lost their jobs to find another. On the other hand, the system should not be converted into a long-term program for dislocated workers.

The current system already covers the vast majority of workers who lose their jobs. According to the most recent statistics from the Department of Labor, 88 percent of workers who lost their job in 1988 found another job in less than 26 weeks. Although the number of workers who will find a job will likely fall because of the current recession, Congress should still weigh the cost of expanding unemployment compensation.

NFIB understands the argument of those who maintain that the Unemployment Insurance system does not adequately address the problems of the long-term unemployed and the dislocated worker. Although we recognize this as a significant societal problem, the Unemployment Insurance program was not designed to address this problem. It was designed to provide short-term wage replacement to unemployed workers as a bridge between jobs. A complex safety net of other federal programs is already in existence to protect those who find themselves out of a job for an extended period of time. The UI system was not designed to be a social welfare program, and it should not be turned into one.

Do not forget that the UI program is funded by a tax that employers pay on all of their employees. In effect this tax is a direct tax on jobs. Increasing this tax to pay for extended benefits will make it that much more likely that employers will not hire any additional workers, resulting in an increase in the unemployment rate.

#### THE NEED FOR PERMANENT CHANGES IN THE UNEMPLOYMENT INSURANCE PROGRAM

Finally, NFIB would strenuously oppose any attempt to make permanent changes in the UI program, while giving the appearance that the legislation is an emergency extension of benefits. If Congress decides that current economic conditions warrant an emergency extension, that extension should not be accompanied by fundamental, permanent changes in the program. The unemployment insurance program has suc-

cessfully provided for the needs of workers who find themselves unexpectedly out of a job. This committee should look skeptically at those who want to use the current rush to extend benefits as a vehicle for making long-lasting, fundamental changes to the program itself.

#### CONCLUSION

The current unemployment system provides up to 59 weeks of benefits for people who are out of work and between jobs. The current system was not designed to provide for, and cannot afford to provide for, individuals who are unemployed for much longer periods. In the midst of a recession and gradually increasing unemployment, legislation increasing FUTA taxes to boost unemployment insurance benefits will increase the cost of hiring workers. The last thing Congress should do in the midst of an economic downturn is increase a tax on jobs. Congress should be encouraging employers to hire more employees, not discouraging them.

#### PREPARED STATEMENT OF DAVID A. WYSS

Senator Bentsen, members of the Committee. Thank you very much for asking us to testify on the issue of extending unemployment insurance benefits. When this issue came up last year, the unemployment rate had dropped from its peak level of 7% in June, 1991, and was moving lower. Even at that time, DRI thought that extending benefits would be a good insurance policy against a more extended recession. Today, the recession is still with us, and the need for the benefits has become more obvious.

The extension of unemployment insurance benefits is an effective way of providing a stimulus to the economy. Although the dollars involved are relatively small, and thus are not a solution to the recession, they go to the people most in need of money, and provide a relatively large stimulus for the amount of money involved—much more so than a temporary or permanent middle-income tax cut. From the standpoint of compassion, we also feel that the extension of benefits is a good program. The recipients are the people most affected by the recession, and most in need of income. The primary reason for the extended benefits effectiveness is that they go to people who have been out of work for a long period of time, and who thus, presumably, have exhausted their savings.

We estimate that individuals would spend about 70% of a temporary middle-income tax cut. In the case of a permanent tax cut, they spend less than 90%. They will spend nearly 100% of the additional funds provided by extending unemployment benefits, yielding a much greater impact on national production and employment. Considering the multiplier effects of various measures, a temporary middle-income tax cut yields only about a dollar-for-dollar impact on GNP. A permanent tax cut does a little bit better, adding about \$1.40 per dollar spent. However, a dollar of unemployment benefits—including extended benefits such as those under consideration—expands the economy by about \$1.60.

Unemployment insurance benefits are also inherently self-limiting, which reduces the impact of the extension on financial markets. One problem with a general tax cut is that financial markets are aware of the federal budget deficit and factor it into their decisions. Tax cuts will prolong and enlarge the deficit, even after the economy begins to recover. Since, quite frankly, no one in the financial markets believes that future federal spending cuts will be made, the yield on long-term government bonds will rise quite quickly in the event of a personal income tax cut.

This impact can already be seen in the market. The discussion of tax cuts is the primary reason that bond yields have soared in recent weeks. The yield on the 30-year bond has risen from 7.4% to 7.7%, and mortgage rates from approximately 8.25% to 8.5%. As tax cut talk moves closer to action, bond yields are likely to move even higher, out of fear that the bond market will have to absorb substantially more long-term Treasury bonds.

This fear is reduced if Congress passes only a temporary tax increase because then the market knows that it must absorb only one year of bonds. The extension of unemployment insurance benefits is inherently self-limiting. As the recession reverses and the economy begins to recover, which we expect by summer, the program will phase itself out. The negative impact on the bond market should thus be relatively small.

DRI expects the economy to begin to recover by summer, with growth accelerating in the second half of the year. Housing is already benefiting from the lower mortgage rates, and we expect further Federal Reserve easing in the first quarter. Growth in the second half of the year will depend in part on the tax package agreed

on. We currently are forecasting a 4.3% GNP growth rate, based on a \$30 billion tax package. Without a package, we would expect about 3.5% growth.

The unemployment rate will not peak until summer. Moreover, since we expect the recovery to be relatively sluggish, the unemployment rate will not fall below 6.5% until mid-1993. The weakness of nonresidential construction and the slower overseas growth make a stronger rebound unlikely.

Even the soft recovery that we forecast requires renewed consumer confidence. Given the current pessimistic tone to the nation's press, which could get worse during the election season, consumer sentiment could remain negative.

We were surprised last year by the weakness of the economy. After a promising start, the recovery stalled in the summer. We expect a restart this spring, but could be surprised again if consumer confidence fails to rebound. The unemployment insurance bill could represent a useful insurance policy against this risk.

Even if we are correct, and the economy begins to recover in the summer, the need for extended unemployment insurance will not disappear immediately. Although employment is contemporaneous with the overall economy, it takes a few months for the rise in employment to absorb the natural increase in the labor force. Thus the employment rate tends to peak about one quarter later than employment.

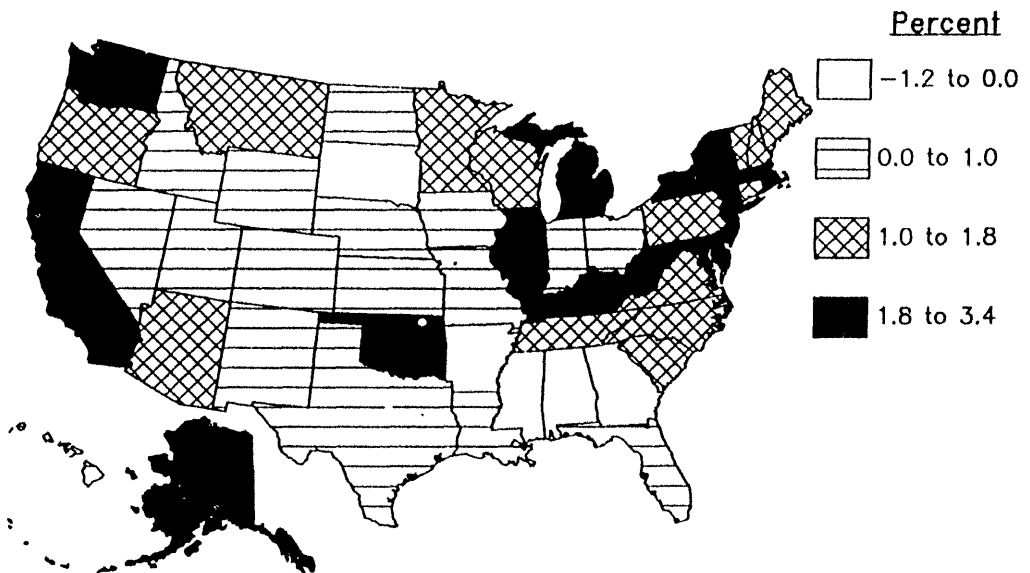
The number of long-term unemployed lags even further. After all, it takes 26 weeks for someone to become a member of the long-term unemployed, and this creates a natural lag in the process. This is further reason that the program is more important now than it was a year ago. The longer the recession extends, the more long-term unemployed will lose benefits. The percentage of unemployed who have been out of work more than 26 weeks has now risen to 16.5% from only 10.6% a year ago, and 9.8% at the beginning of the recession. This percentage will continue to rise through the early phases of the recovery.

A look at the last recession points out this lag. Although the recession ended in November, 1982, the number of long-term unemployed did not peak until mid-1983. There are only two-thirds as many persons unemployed for longer than six months today as there were in 1983, but the numbers are rising rapidly as the recession continues. As recently as December 1990, there was no significant rise in the ratio.

The unemployment insurance program is by itself no cure for the recession. It is, however, a useful step in that direction. The funds are being given to some of the neediest members of the population, and the need for the program will continue well after the recession ends, until growth brings the unemployment rate down to a more reasonable level.

## Where are the Unemployed?

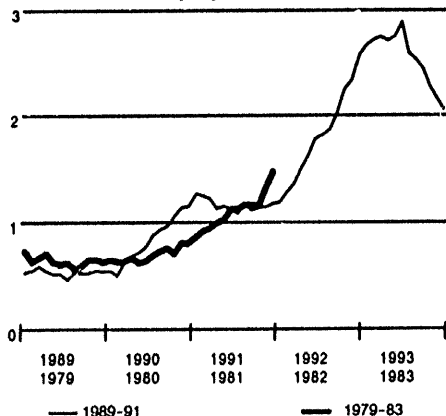
(Change in unemployment rate, 90:6-91:11)



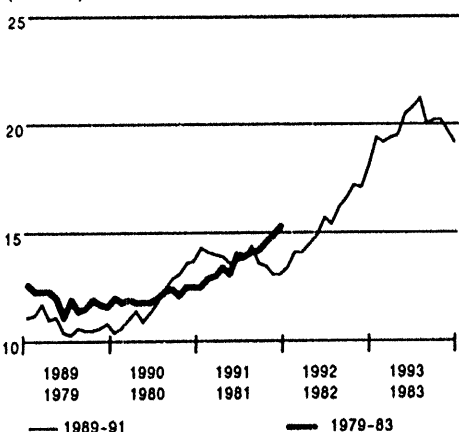
**Unemployment Indicators 1982 and 1991**

	Nov-Dec 1982	Nov 1991
<b>Percent of Labor Force</b>		
Reported .....	10.8	6.8
Plus discouraged workers .....	12.1	7.5
Job leavers .....	6.6	3.7
Job leavers .....	0.7	0.8
15+ weeks .....	4.2	2.1
Adult male .....	8.7	5.6
Adult female .....	8.4	5.2
Part-time for economic reasons .....	6.2	5.1
Median weeks unemployed .....	12.2	7.8
<b>Employment Decline (percent)</b>		
Payroll .....	3.2	1.4
Survey .....	1.7	1.3
<b>Percent of Unemployed</b>		
15+ weeks .....	41.0	30.5
Managerial .....	8	11
Technical .....	19	23
Service & other .....	28	33
Blue-collar .....	45	33

**Number of Unemployed over 26 weeks**



**Average Duration of Unemployment (Weeks)**



**Real Growth and Unemployment (Percent)**

