



Setting THE record straight

July 2010

Key points missing from current unemployment compensation debate

The attention given to the ongoing back and forth over unemployment compensation, while making good fodder for election year pundits and newspaper headlines, is not directed at the real issue: how to restore solvency to a system woefully in debt and make improvements so that it can meet the needs of recipients truly in need.

Pennsylvania's Unemployment Compensation Trust Fund is broke and has already borrowed more than \$3 billion from the federal government in order to pay regular state UC benefits. Borrowing will continue with a projected loan balance through 2017 of more than \$7 billion. To make matters worse, the federal UC account from which loans are obtained is likewise in deficit, as is the federal General Fund. So, every additional dollar paid out from Pennsylvania's UC Trust Fund increases the \$13 trillion-plus national debt. Stopping this cycle will require a multi-pronged solution that impacts employers and employees, and takes a serious look at eligibility and benefits.

Recession not solely responsible for UC fund's woes

No doubt, UC benefit payouts are at historical highs due in part to the recession. But job losses resulting from the economic downturn are only part of the problem. The liberalization of benefits over the past several years placed a strain on the fund long before the economy took a nosedive. Over the past two years, Pennsylvania has paid out more in UC benefits than any other state except California. Yet Pennsylvania also ranks among the top 10 states in terms of UC taxes paid by employers, so the call for more money from business to shore up the fund is not the cure-all some suggest.

The reality is that the state's UC law has resulted in an unsustainable system that has moved in a direction well beyond the intended purpose of compensating employees when they are out of work and their unemployment is not primarily due to their own choices or preferences.

For starters, there is nothing in Pennsylvania's UC law that requires recipients to actively look for job. Regardless of whether the unemployment rate is 10 percent or 4 percent, active job search requirements should be a condition of receiving and continuing to receive benefits. And while it is politically incorrect to suggest as much, there are a small number of people who have taken and are taking advantage of the Commonwealth's lax oversight in this area.

Under Pennsylvania's current law, recipients could also feasibly turn down legitimate work in certain circumstances and still collect benefits, and UC recipients can receive a severance package while at the same time collecting UC.

These are just some examples of a broken UC system.

Federal stimulus funds are not the answer

Many believe Pennsylvania should accept federal stimulus dollars to help address the insolvency and pay for additional UC benefits. However, drawing down these one-time funds would require a permanent expansion of benefits. This means that when stimulus dollars run out, an already insolvent UC Trust Fund would be left to absorb the cost of the imposed mandates.

Reasonable, responsible solutions needed

All employees need and deserve a UC system that provides a safety net when needed. Employers want consistency and predictability. Pennsylvanians want the UC system to be fair and honest. It's time to take steps to restore balance, fairness and sound financial principles to a system that today offers none of the above. Given the UC Trust Fund's dire financial condition – and the economic realities facing businesses and individuals – all parties will have to make sacrifices. To that end, business put a responsible proposal on the table, one that spreads the burden, including higher taxes for employers; proposes commonsense reforms that will rein in future costs; and preserves benefits for current recipients.

This sensible approach to UC reform will control costs and ensure the system is there for those in need, and make the Commonwealth a more attractive place for businesses to operate.

Contact: Lesley Smith, director of communications, 717 720-5446.

