

IMPROVING EFFORTS TO HELP UNEMPLOYED AMERICANS FIND JOBS

HEARING BEFORE THE COMMITTEE ON WAYS AND MEANS U.S. HOUSE OF REPRESENTATIVES ONE HUNDRED TWELFTH CONGRESS FIRST SESSION

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THURSDAY, FEBRUARY 10, 2011

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The committee met, pursuant to call, at 3:48 p.m., in Room B-318, Rayburn House Office Building, the Honorable Geoff Davis [chairman of the subcommittee] presiding.
[The advisory announcing the hearing follows:]

HEARING ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

Davis Announces Hearing on Improving Efforts to Help Unemployed Americans Find Jobs

February 03, 2011

Congressman Geoff Davis (R-KY), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on improving efforts to help unemployed Americans find jobs. **The hearing will take place on Thursday, February 10, 2011, in Room B-318 Rayburn House Office Building, immediately after a brief Subcommittee organizational meeting beginning at 2:00 P.M.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include public and private sector experts on unemployment benefits and employment security policies designed to promote reemployment. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

In December 2010 (currently the most recent official data; data for January 2011 will be released on February 4, 2011), there were 14.5 million unemployed individuals in the United States; the U.S. unemployment rate was above 9 percent for the 20th consecutive month, a record dating back to the beginning of official data in 1948; and the average duration of unemployment was more than 34 weeks, slightly below the all-time high set earlier last year.

To assist unemployed individuals, the federal-state unemployment compensation program created by the Social Security Act of 1935 offers weekly payments while unemployed individuals search for work. According to the U.S. Department of Labor, in order to be eligible for benefits, jobless workers must have a history of attachment to the workforce and must be able and available for work. Nearly \$160 billion in total unemployment benefits were paid in fiscal year 2010, counting both state and federal benefits, stretching to a combined maximum of up to 99 weeks per individual in high unemployment states. An additional nearly six billion dollars in federal administrative funds were spent last year to process unemployment benefits and operate public employment offices designed to connect the unemployed with new jobs.

In announcing the hearing, Chairman Davis said, **“This hearing starts with the basic question, ‘Are we doing everything we can to help the unemployed find jobs?’ In 2010, about 50 million people were hired into new positions. But in this recession, unemployed workers have been at the back of the pack when it comes to getting hired. Instead, the number of unemployed and the length of unemployment durations have grown to record levels, despite billions of dollars spent on benefits and services designed to help them find new work. This hearing will provide an opportunity to review that issue, and ask what we can do to make this system work better.”**

FOCUS OF THE HEARING:

The hearing will focus on current policies and programs designed to help unemployed individuals return to work and how they can be improved.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Thursday, February 24, 2011**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721 or (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://www.waysandmeans.house.gov/>.

Chairman DAVIS. Good afternoon and welcome.

Today's hearing is about how we can better help unemployed workers return to work. Clearly, we have our work cut out for us.

As the chart that is on the screen shows, our colleagues' 2009 stimulus plan promised to drive unemployment under 7 percent by now. Instead, unemployment has now remained at or above 9 percent for a record 21 months. The stimulus advocates promised 137.5 million jobs by now. Instead, the current number is about 7 million fewer. That has left almost 14 million workers unemployed, plus record numbers on the sideline of our economy. A full 6.2 million are long-term unemployed, and the average duration of unemployment is a record 37 weeks. That is almost double the record level before this recession.

To help the unemployed reconnect with work, our Nation operates “employment security” programs like unemployment insurance and employment security offices where laid-off workers go to connect with jobs. Last year, we spent a stunning \$165 billion on those benefits and services. But judging by the staggering figures I just mentioned, those benefits and services are not succeeding in reconnecting unemployed people with jobs at the rates necessary. We need to ask why and provide oversight at the subcommittee.

We know that every year, according to the Department of Labor, some 50 million people get hired into new jobs, so someone is finding work. But what this chart shows is how the unemployed have increasingly been left behind.

The red line shows the share of the unemployed who stay unemployed. That has risen to all-time highs. The blue line shows the share of the unemployed who return to work. That “success” rate has fallen to record lows. In fact, this is the only recession in 20 years when the unemployed are more likely to drop out of the workforce than to find a job.

This tells us our employment security programs are simply not working as intended and in time. Instead of helping the unemployed become one of the 50 million new hires every year, the unemployed are increasing being left behind. Today’s hearing is to ask questions and hear perspectives on what we can do to turn that around.

Vice President Biden recently said that the unemployed should just “hang in there” and wait until jobs return. But, at the current pace, it could be 2020 before the U.S. returns to full employment. That is a long time to “hang in there.”

Fortunately, we don’t have to wait that long to hear some good ideas from our witnesses and our members. Joining us is a distinguished panel of experts to review what can be done and in some States is being done to help unemployed workers find and take new jobs.

As we will hear, those policies range from promoting more job searches, to better engaging people who need extra training, to simply focusing current benefits where the need is greatest.

We also need to remember unemployment benefits are not free and are supported by payroll taxes that are already going up dramatically. Improving our success in helping more unemployed people find jobs will help keep future job-destroying tax hikes to a minimum. That is a key goal as well.

We look forward to all of our witnesses’ testimony. Without objection, each member will have an opportunity to submit a written statement and have it included in the record at this point.

Mr. Doggett, would you care to make an opening statement?

Mr. DOGGETT. Mr. Chairman, thank you very much.

You have appropriately raised the right question in this first hearing: How do we improve efforts of those who are unemployed to find jobs? In that endeavor, I pledge my personal and sincere interest in working with you and other Members of the Committee in seeking meaningful answers and in working together to help unemployed Americans prepare for and find work.

After reviewing the written testimony that has been submitted for this hearing, I can see that we have different perspectives on

the nature of the problem that we face and the best way to resolve it. I believe that the problem is unemployment, not the unemployed. Too many Americans remain unemployed because of a lack of work, not for their lack of wanting to work. With the average unemployment benefits nationally barely at 70 percent of the poverty line for a family of four, there is little incentive to sit home rather than to seek meaningful work at a living wage.

I don't believe in the blame-the-victim approach. After all, it is not the unemployed who gambled our economic future away on Wall Street, or took huge pay packages as companies crumbled, or failed to oversee our financial markets. And yet it is their families who are really struggling and paying the price for the wrongs of others.

As a chart that I brought shows, we have about 14 million unemployed workers but fewer than 4 million job openings. That is why we hear one report after another of employers who post jobs being flooded with applicants. For example, I know when Delta Airlines in the fall announced that it had 1,000 flight attendant openings, it received about 85,000 job applicants. If every job opening in America were filled this afternoon, about 11 million Americans would still not have a job.

While today's unemployment claims report provides a hopeful sign with first-time claims dropping to the lowest level in 2½ years, the Congressional Budget Office estimated today in the Budget Committee that unemployment will remain above 9 percent this year and above 8 percent by the end of next year. CBO also projects that only 2½ million jobs will be created this year, leaving millions dependent on the unemployment insurance system.

While our first priority must be pursuing the policies that encourage job creation, this subcommittee's immediate responsibilities focus more on what to do in the meantime for the many Americans who, through no fault of their own, have lost a job and have not been able to find new employment. In this endeavor, our States are the laboratories of democracy. We look to them for new ways to resolve this challenge. Unfortunately, not all of these experiences are successful.

With my home State of Texas, there have been some successes, and there is also an example of what happens when ideological constraints and political imperatives produce decisions that harm both employers and employees. Texas employers will be paying more because our Governor insisted on some unemployed receiving less. The Governor rejected \$555 million in Federal support for the unemployed in 2009, and Texas is now raising additional taxes on employers and incurring more public debt as a result of that.

I believe that our leadership has been, number one, unexcelled in the country in damming the Economic Recovery Act, but without the billions that has been accepted in Texas, we would have a more gargantuan budget hole than the \$27 billion in which our State is now enveloped. Nor would the Texas Back to Work Program, about which we will hear more from Commissioner Pauken, have been more than a shadow of itself but for the Federal funding received by Texas through the Recovery Act.

During the last 2 years, over \$6 billion in federally funded unemployment benefits were provided to laid-off workers in Texas. Texas

has been receiving over \$4 in Federal unemployment funds for every dollar in Federal unemployment taxes paid in the State. Last year, Democrats worked to pass legislation to extend funds for the Texas Back to Work Program and made several efforts to extend unemployment benefits for those across the country. Unfortunately, Senate Republicans blocked action on that.

I expected that the focus after all of the criticism about where are the jobs would be on job creation. Unfortunately, thus far in the broader House we have focused on health insurance reform, criticizing the United Nations, and encouraging special interest financing of Presidential campaigns. I hope the broader House will move to focus on job creation now as our subcommittee continues to work on unemployment.

Thank you, Mr. Chairman.

Chairman DAVIS. Thank you, Mr. Doggett.

Before we move on to our testimony, I want to remind our witnesses to limit their oral statement to 5 minutes.

Without objection, all of the written testimony will be made part of the permanent record.

On our distinguished panel this afternoon, we will be hearing first from Kristen Cox, Executive Director of Workforce Services from the State of Utah; Tom Pauken, Chairman of the Texas Workforce Commission; Heather Boushey, Senior Economist, Center for American Progress; and Douglas Holmes, President, UWC—Strategic Services on Unemployment and Workers' Compensation.

Ms. Cox, you may proceed with your testimony.

Ms. COX. As a favor, because I am blind, will you let me know when I have 1 minute remaining?

Chairman DAVIS. Yes. We will give you a 1-minute warning.

**STATEMENT OF KRISTEN COX, EXECUTIVE DIRECTOR,
UTAH WORKFORCE SERVICES**

Ms. COX. Thank you.

While Utah began the recession with one of the lowest total unemployment rates in the country, the rate has steadily risen to 7.5 percent. Utah's economy has expanded, and we are averaging 3.5 percent growth. That is 3½ times the national average. We have one of the lowest duration rates in the country of 16.7 percent. We have seen job growth at 1.5 percent, and our unemployment rate is just about 7.5, in the bottom third. So that environment we think has yielded some good results for our UI claimants and UI trust fund, as well as getting people back to work.

I will go into four strategies that we think are essential to pay attention to if you really want to look at reemployment. But a key thing for me to point out is that any reemployment initiative to date from my perspective is by State initiative and not by Federal design. The Federal funding streams and the programs don't necessarily sustain internal policies that allow for reemployment. They happen at the Federal level through grants, maybe haphazard initiatives, but nothing that is sustainable.

So States who want to take the initiative, we have to do a lot of work to blend different funding streams together to make that happen. I will point to some things that we think would be helpful for us on the State end.

Four things that we think we should pay attention to on the ground: Number one is claimant expectations and requirements; number two is employer incentives; number three is around program integration and system design; and, four, around resources and flexibility.

I have lots of detail, but I will try to give you one or two examples in each of those.

Let me first talk about customer expectations. And, Representative Doggett, we certainly understand that most people on UI want to go back to work, but we want to reinforce at every level of their experience that going back to work is a full-time job. So from the very beginning of them entering the system, they are required to register with our labor exchange. We require mandatory workshop participation with our Workforce Investment Act dollars.

So if we see an industry that is growing, for example, in trucking, we had an area in our State that was growing, we will bring UI claimants in to match and do jobs fairs with those employers who are willing to hire. If UI claimants are not willing to come in, they jeopardize their UI benefits. In fact, we have found over this last year 20 percent of our UI claimants did not want to participate in those type of job fairs, and they lost their benefits. So we know most people want to participate and do a good job, but those who are not willing to do that, we don't think should stay in their benefits.

So those are a few things on customer claimants. We could get into much more detail, but setting that expectation from your marketing to what they see on their screens when they check their benefits is essential, and we have been able to integrate that not just in our UI but in our Workforce Investment Act site as well.

Number two, employer incentives. Two pieces on that. Like Texas, we have done a Back to Work Program, a similar model. It is a way we can reinvest and help employers find incentives to hire UI claimants. We give them \$2,000 over 4 months if they hire a UI claimant and they sustain that employment. It has been fairly successful. We may make some changes and tweaks as we move forward. But employers have a lot of candidates to choose from, as we all know, but we want to make sure our UI claimants are front and center, and there are ways to incentivize that. Back to Work is one. There are many other options in that model.

We also have a penalties and interest account. All States do. It is part of money that we collect from unemployment insurance. We have reinvested those funds to help businesses expand, retain jobs, and bring new businesses into the State of Utah.

Again, job creation is essential if we are going to put people into employment. That is a funding stream we have flexibility over, one of the very few, and we are able to reinvest that to help businesses stay competitive in Utah.

Chairman DAVIS. Excuse me, you have 1 minute remaining.

Ms. COX. Oh, my goodness.

Let me skip the third thing. The third thing was great.

I am going to go to the fourth. The thing we really need is resource flexibility. We are working against trying to integrate WIA funds, Wagner-Peyser funds, UI funds. The UI program does not have any waiver authority for States to be innovative or progres-

sive. We don't really have a lot of venues to do that. So we are left with trying to pull a lot of complex pieces together on our own. If we could get waiver authority or you guys could grant Department of Labor waiver authority, you would start seeing much more innovation coming out of States in terms of reemployment.

The second piece of that, States have UI admin dollars. It is Title III money under Section 303 of the Social Security act. In Utah, we have been very efficient in our resources. We have extra money. We would like to reinvest that into reemployment versus just admin, and we don't have the ability to do that. We don't think we need more money. We just want more flexibility with our current money.

There are other things that you can do as well with the Workforce Reinvestment Act, some of the Wagner-Peyser so you could create a true seamless system. But really, from my perspective, we feel like we put the money up to the Federal Government, it has blown up in a thousand pieces, and down at the State level we are trying to put it back together again to give a seamless reemployment environment for people.

A final thing, there needs to be shared responsibility.

Thank you.

[The prepared statement of Kristen Cox follows:]

**Prepared Statement of Kristen Cox, Executive Director,
Utah Department of Workforce Services**

**UTAH DEPARTMENT OF WORKFORCE SERVICES RE-EMPLOYMENT
STRATEGIES FOR HELPING UNEMPLOYMENT INSURANCE CLAIM-
ANTS RETURN TO WORK**

Principle

Effective re-employment of Unemployment Insurance (UI) claimants is fundamental to maintaining the economic well-being of individuals, the state, and the nation. Providing re-employment support for UI claimants should be an integrated UI, Wagner-Peyser, and WIA service delivery effort in partnership with public and private entities.

DWS One-Stop Programs and Services

Utah's one-stop employment centers provide a comprehensive array of services, including job placement, job development, assessment, and job training. DWS also provides UI to unemployed workers and supportive services for working families in poverty, people with disabilities, and the elderly. The result is a seamless service delivery system to enhance access to programs and services, which improves economic opportunities for DWS customers.

Utah's Current Economic Situation

- While Utah began the recession with one of the lowest total unemployment rates in the country, the rate has steadily risen to 7.5%; however, Utah's UI rate still ranks in the lower third of the country.
- Utah's economy has expanded 3.5% annually over the past five years—faster than any other state except North Dakota. This is 3½ times faster than the United States as a whole.
- Total employment in the United States has shrunk over the past five years; however, Utah's employment has increased 1.5% annually—the fourth best in the nation.
- Utah household incomes have surged 5% annually—the top in the country and twice as fast as the national average.
- U.S. News has compiled a list of the 10 cities where job-seekers would have the best luck finding a job. Rankings are based on the combination of low unemployment rates and an abundance of job openings, relative to the number of job-seekers. The U.S. News ranking lists Salt Lake City as number 2, with Washington, D.C. ranked as number 1.

Key Strategies

Utah is focusing on four critical strategies for providing pathways for re-employment:

(1) **Providing Meaningful UI Claimant Requirements:** UI claimants must be provided with meaningful expectations that focus claimants on returning to the workforce as their top priority.

- In Utah, UI claimants are required to register for work with the department's online job board within five business days of their initial claim or they are denied benefits.
- Starting in February this year, Utah has doubled the minimum work search requirements to four job contacts per week. Returning to work should be a full-time job. Not all states require this type of activity.
- Utah's UI Worker Profiling and Re-employment Services (WPRS) involvement has increased 500% to over 500 claimants per week. This process requires a mandatory online UI eligibility review and an online orientation and self-assessment for those claimants profiled to most likely exhaust benefits.
 - Current data suggests higher exhaustion rates among veterans, older workers (55–64), those who have less than high school completion, and those with higher wage replacement rates (weekly benefits divided by weekly base period earnings).
 - Data on the current recession also indicates that the duration and exhaustion rates of UI have remained much higher than previous recessions, highlighting the importance of providing meaningful resources and programs to claimants throughout the life of their claim.
 - The department is currently looking into optional online workshops as a cost effective alternative to traditional staff assisted workshops.
- DWS has also worked with employers to identify occupations in which employment opportunities exist and for which a pool of occupationally qualified UI claimants is available. An example of this focused re-employment effort is bringing trucking companies together with UI claimants who are trained truck drivers. Suitable claimants are selected and invited to participate in these targeted job fairs. Claimants who receive the job fair notification and fail to participate are found no longer eligible for UI benefits.
- Utah has initiated several pilot projects, including mandatory workshop attendance, to facilitate job preparation activities. Preliminary feedback from claimants is very positive. Current workshop data shows:
 - 51 percent of UI claimants who were required to attend, did attend
 - 13 percent went back to work
 - 16 percent were deferred due to a seasonal layoff
 - 20 percent who did not attend a workshop had their UI claim terminated

(2) **Providing Employer Incentives:** Effective targeted employer incentives are critical to not only incentivizing employers to hire new workers, but also to retain existing work from potentially being outsourced.

- DWS has implemented a "Back to Work" initiative to provide Utah employers with an opportunity to re-employ up to 2,500 UI claimants and receive a wage subsidy of up to \$2,000 per participant for each employee hired.
 - ARRA TANF Contingency funds and TANF funds have been used to cover this temporary subsidy, and UI Reed Act funds are being used for the administrative costs.
 - Approximately 1,000 UI claimants and youth are currently enrolled.
- DWS has reinvested UI penalty and interest funds to assist companies with their training of new and incumbent workers.
 - The training curricula may be delivered in-house or hosted by an external education institution to support both existing and new companies in Utah. Funding is conditional on documented outcomes.
 - The projects that have been approved so far are expected to help bring 1,720 new jobs to Utah, over \$1 billion in new and retained state wages, \$69.4 million in new state revenue, and over \$100 million in capital investment to the state.
- DWS has reinvested the remaining penalty and interest funds to provide incentives to support local employers with workforce development. Generally, there must be an equal financial commitment on the part of the employer.

- The approved projects are expected to support the UI trust fund because people become re-employed more quickly. During the first few months of this new initiative, nearly 400 jobs were created or retained.
- § Rural areas could see \$5 million in direct and countable investments. The additional pending projects, if approved and implemented, could help bring another 710 new jobs to Utah which could result in \$27 million in wages over the next 20 years. The average cost for creating or retaining a job is approximately \$600—a significant return on investment.

(3) Increasing Program and Funding Integration

- Using a \$1.3 million federal Re-employment and Eligibility Assessment (REA) grant, DWS has implemented an REA program. This program focuses on providing re-employment support to 10,000 claimants who are most likely to exhaust their UI benefits. The REA program is similar to the current Worker Profiling system, with the addition of a mandatory staff assisted interview to provide counseling, more in-depth assessments, and the development of a work plan.
- The grant provides for collecting data on a similar “control group” of claimants to measure what impact this early intervention has on the long-term duration of a claimant’s collecting benefits.
- Initial data outcomes will be available this summer. However, preliminary results indicate that approximately 25% of the claimants fail to attend their appointment with their employment counselor and are thus denied future benefits.
- § About \$440,000 of ARRA Stimulus funding was devoted to integrating our current job match system with our UI benefits system. Investing in ongoing automated technology tools is critical to the ongoing future employment needs of employers and claimants—long after staff assisted funding is no longer available.
- § The integrated systems gather more accurate and complete data from job seekers (UI claimants) and eliminate redundant data collection.
- § New AutoCoder software assigns ONET codes to job seekers and employer job orders, and these assigned ONET codes are transferred to our labor market information (LMI) team. The LMI team provides individually relevant job market information to claimants on their personalized My UI Account web page.
- DWS has effectively used ARRA Re-employment Services and Wagner-Peyser funding to increase staffing for Employee Connection Teams in Utah’s Employment Centers, thereby providing more one-on-one re-employment assistance to UI claimants.

(4) Supporting Increased Flexibility of Resources: Separate federal funding sources and associated program boundaries can present obstacles to integrated service delivery. Federal law and Department of Labor regulations place clear limitations on how UI, Wagner-Peyser, and WIA funds can be spent. While the intent of the limitations is to ensure effective and appropriate program administration, the effect can be to make cross-program integration difficult.

- WIA Title I funds may not be spent on employment generating activities, economic development, and other activities, unless they are directly related to training for eligible individuals. Providing less restrictive regulations for WIA statewide activity funds could provide greater flexibility in getting individuals re-employed. Other program issues to consider include:
 - More flexibility in moving customer training funds between Youth and Adult/Dislocated Worker programs to facilitate re-allocating funds where there is the most need.
 - Real-time access to federal data about customers. This could reduce administrative costs, support a more streamlined process for the customer, and ensure more accurate delivery of services. For example, access to Social Security information (SSN verification and benefit payments) is available to states for public assistance programs such as TANF, SNAP, and Medicaid. However, it is not currently available to support other programs such as WIA and WOTC.
- Expanding the scope of the UI program to achieve claimant re-employment would be an efficient use of funds and would help claimants become re-employed as quickly as possible.

- Although state workforce agencies across the nation are organized differently, each has an established relationship with UI claimants. This relationship is founded on the administrative principles of accountability and enforceability. Allowing UI to broaden its involvement into supporting claimant re-employment is a natural extension to its existing role of assuring UI claimants are actively seeking work.
- Section 303(a)(8), SSA, provides that, as a condition of receiving a Title III grant, the state may expend its Title III grant “solely . . . for the proper and efficient administration” of the state’s unemployment compensation law.
- Broadening the definition of the “proper and efficient administration” of UI would help support the goal of cross-program integration among UI, Wagner-Peyser, and WIA and provide program administrators greater flexibility and resources to accomplish effective re-employment initiatives.
- It would not be our intent to allow a state that is struggling to maintain its core UI operational responsibilities to inappropriately divert UI administrative grant funds to expanded activities and further erode their UI program. However, perhaps some flexibility could be granted through law, rule, or administrative policy changes or through a waiver process. This could take into account some minimum UI performance levels to allow using funds that directly benefit UI claimant re-employment. For example, the “Utah Back to Work” wage subsidy program referred to earlier required extensive marketing to claimants and employers. Even though the program was established to help claimants become re-employed earlier and help safeguard the UI trust fund, UI administrative grant funds could not be used to notify claimants about the program.
- WIA, TANF, and SNAP programs offer waivers and more flexibility. If unemployment is one of our largest issues, why not give states more flexible options to help re-employ job seekers?
- DOL has recently shown good leadership with its focus on re-employment, its wage subsidy grants, and state consortium initiatives. It is time to connect benefits and employment into a seamless service delivery strategy without creating funding barriers.
- Utah has implemented multiple initiatives to help UI claimants become re-employed sooner. A few of these initiatives have been recognized at the national level. The U.S. Department of Labor awarded DWS the 2010 UI Innovation Award for our electronic correspondence system and the American Institute of Full Employment awarded DWS the 2010 Best Practices Award for our on-line worker profiling re-employment service program. These initiatives have helped Utah enjoy one of the lowest average UI duration rates in the country—16.6 weeks, despite having a fairly high wage replacement rate. While we have made significant progress, our goal is to continually strive to improve services for employers and job seekers.

Summary of Recommendations

- Establish clear expectations for claimants that re-employment is a priority and requires a full-time commitment.
- Provide employers with wage, training, and tax incentives that provide economic benefits for employers to expand or retain their workforce.
- Increase program and funding integration that supports effective meshing of UI claimants with employers’ workforce needs. Expansion of the Worker Profiling and Re-employment Services and REA grants are good examples of integrated funding between UI claimants and re-employment services.

Increase flexibility of resources to make cross-program integration more efficient without creating funding barriers or jeopardizing program accountability.

Chairman DAVIS. Your time has expired. Thank you.

Now I have the pleasure of recognizing our fellow colleague on the Ways and Means Committee, the gentleman from Texas, Mr. Brady, who would like to offer an introduction for his fellow Texan, Mr. Pauken.

Mr. BRADY. Thank you for letting me crash the party, Chairman Davis, and Ranking Member Doggett. I am grateful to introduce my friend and a true Texas patriot to the subcommittee today.

Chairman of the Texas Workforce Commission Tom Pauken is an Army veteran with a distinguished record of service to his country and our State. His career in the public and private sectors has given him valuable insight on improving efforts to help unemployed Americans find jobs. As a small business owner and the vice president of a venture capital company, Tom knows what it takes to meet a payroll and create jobs. He knows the challenges businesses are facing in this economy and the hardships job seekers experience when they look for work or try and learn new skills.

His public service has also prepared him well for the current position. While serving in the Reagan administration as director of action, Tom founded the Vietnam Veterans Leadership Program that created a nationwide network to assist unemployed and underemployed Vietnam veterans find good jobs with a future.

Since taking over as chairman in our State, he has used his experience to create the Texas Veterans Leadership Program. This is staffed and managed by veterans of Afghanistan and Iraq and seeks to help Texas veterans transition into civilian life by providing employment and training services, resources, and referral.

Tom has led the way in implementing the new Texas Back to Work Program which encourages employers to hire job seekers who have been laid off through no fault of their own. We couldn't have a better leader than Tom heading up our State's workforce development agency. Despite the difficult recession, Texas remained a national leader in job creation, netting 231,000 new jobs last year.

Tom Pauken has been a successful and innovative leader in the military and business and the Federal Government and State government; and I am certain his insights, Mr. Chairman, will be of value to the committee. I am honored to introduce him.

Chairman DAVIS. Thank you, Mr. Brady.

Mr. Pauken, you may proceed.

STATEMENT OF TOM PAUKEN, CHAIRMAN, TEXAS WORKFORCE COMMISSION

Mr. PAUKEN. Thank you, Chairman Davis and distinguished subcommittee minority leader, Congressman Doggett, and thanks for those kind words, Congressman Brady.

Congressman Doggett and I have a slightly different perspective on the Texas model. In the last decade, as you know, Congressman, we have created in Texas over 640,000 jobs in the private sector. That is at a time when every other large labor market State of the 10 largest labor market States have lost jobs. In fact, during that decade, the country has lost 3.2 million private sector jobs. And I think it is the business climate that has attracted people from other States.

But what I worry about, quite frankly, is I think we are in a period of structural unemployment, and we need to get beyond partisanship and figure out ways to bring jobs home to America and put people back to work. And I will address that in a moment as I did in my written testimony.

But, first, I would like to address the Texas Back to Work Program. It was an initiative primarily funded by State funds, a modest amount. And what it was designed to do was link employers with people of modest means who lost their jobs through no fault

of their own, making up to \$15 an hour by providing incentives to the companies to hire people off the unemployment roles. We have hired to date 11,000. That is a pretty good number, and hopefully we will do a lot more.

Most of it has been State supported. We did have some discretionary Federal funding; and, as Kristen said earlier, we would very much like to see some discretion at the Federal level to be able to continue that program and for other States, if they choose to move in that direction, to help put people back to work.

I think it is a win/win situation for Texas employers and for those people who are unemployed and are getting back to work.

Secondly, I have a modest suggestion for those who are on extended benefits. It is really a series of options. Really, the concept, we call it Train While They Claim. Those people who are on Federal and extended benefits, they would have three options:

Number one, if they don't have their high school degree, let them get their GED, study for that. Existing funds are available. Just put them at the first of the line, those who are unemployed.

Option B, if they don't fit into that category, allow people to go to postsecondary or career or community colleges in order to get vocational and technical training to upgrade their skills and be available for the workforce. Again, similar to what we do with Federal displaced workers, you simply allow these people who are unemployed to go to the front of the line.

Third, those people who don't do A or B would be required to do community service with their local communities, many of which are laying off people, or with fine nonprofits such as Habitat for Humanity in order to pay for those extended benefits. And if they choose not to do A, B, or C, then they would no longer be receiving unemployment benefits. This is an approach that would make sense, help people, and get people back to work.

Finally, I would simply say in an overview, particularly since you are on the Ways and Means Committee, in my judgment, we have got to change the way we tax businesses. We have the most onerous business tax system in the world, with a 35 percent tax rate, a 6.2 percent employer portion of the payroll tax. I believe very strongly it should be pulled out at its roots and replaced with a revenue neutral 8 percent business consumption tax which would be border adjusted. All goods and services coming into the U.S. would have to pay that tax. All exports, companies exporting would get a credit against their business consumption tax.

It levels the playing field with our trading competitors. And, currently, we are at an approximately 18 to 19 percent disadvantage with our trading competitors around the world. It would also bring jobs home. It would restore and begin to build—rebuild our manufacturing base. We have lost one-third of our U.S. manufacturing base over the last decade. That is 5½ million good American jobs which have been shipped overseas, outsourced, or simply gone away. That is why I believe we are in a structural unemployment situation and in the most serious national recession since the time of the Great Depression.

Bold action is called for. I think this is an approach. We can do all of the things at the margin. I think they are very important. But, ultimately, I think we have to bring jobs home to America.

Finally, I beg to disagree with Congressman Doggett, but, quite frankly, we were willing to come up with a program in order to get that Federal funding, to do what Congress asked, but simply allow our State law to revert to the preexisting law once the Federal funds were fully expended. I think this was, quite frankly, an overreach of the Federal Government in trying to federalize or mandate what States had to do with respect to unemployment benefits.

We stand ready to work with the Congress in order to get that money back for Texas, which is our money, and we are a donor State. We only get 35 cents on a dollar.

[The prepared statement of Tom Pauken follows:]

**Prepared Statement of Tom Pauken, Chairman,
Texas Workforce Commission**

Thank you Chairman Davis, Ranking Member Doggett and distinguished Members of the Subcommittee for allowing me to submit this written testimony.

Texas has an important story to tell and because I believe our experience can help policymakers here and in other states address the problem of unemployment.

Texas has weathered the current recession better than any other large state. While we have not been immune to its effects, consider these numbers:

Between December 2000 and December 2010, Texas created 640,600 private sector jobs, according to recent Labor Department reports. That is an 8% increase over the last decade. During that same period of time, every other of the ten largest labor market states lost private sector jobs, and the nation as a whole lost more than 3.2 million such jobs.

There are many reasons why Texas has fared better than other states during the downturn. Governor Perry and the Texas Legislature have instituted policies of fiscal restraint and lower taxes that have made Texas the number one place for business in our nation. And thanks to our state legislature, the Texas Workforce Commission has administered a new program called Texas Back to Work designed to encourage employers to hire Texans who are unemployed and who have lost their jobs through no fault of their own. More than 10,000 unemployed Texans have been hired as a result of the program and this initiative received the Department of Labor's best practices award this past fall.

The program provides an incentive of up to \$2,000 for hiring qualified UI claimants with the goal of rapid reintegration into the workplace. Employers train, develop and oversee new employees with the purpose of retaining the new hire after an initial 4 month period in order to receive the full incentive.

The program has been a win-win for employers, job seekers, and the taxpayers of Texas.

Of the participants in the program, two thirds have successfully completed, with 89% of them continuing to show wages in the following quarter. Program wide, 75% of participants whether they complete or not show wages in the following quarter.

More importantly, this program helps Texas businesses with the critical task of maintaining an up-to-date labor force, while also helping unemployed Texans get off the rolls of UI claimants and obtain what they truly seek—a job, not benefits.

Texas Back to Work was funded with seed money provided by our legislature and we later extended the program with federal funds. I have included a detailed summary of the Texas Back to Work program as part of this testimony. Please refer to Attachment 1 for more details on the success of the program.

We believe other states would benefit from following Texas' example, and I would recommend that Congress pass legislation allowing all states the option of using federal and state emergency and extended benefit funds to pursue this cost-effective measure for job-creation. I have included draft language for your consideration to allow states the flexibility to use emergency and extended benefit funds for job subsidy programs. Please refer to Attachment 2. Now is the time to be proactive, before we find ourselves in January of next year, with extended benefits expiring and wondering how much more impact we could have had.

There are additional changes we believe could make the current system more effective.

I recommend that, as a condition for receiving extended unemployment benefits, recipients would have an option to "Train While They Claim". Those without a high school diploma could choose to study for their GED. UI claimants in that category

would be entitled to first priority for participation in existing federally funded Adult Basic Education programs.

Those with a high school degree, but lacking specific vocational training, would be able to receive job skills training. Again, this would not require an increase in federal funding, but simply give claimants top priority to participate in existing federally funded training programs.

Alternatively, those who don't choose to get a GED or receive additional skills training would be required to gain additional on-the-job experience or training by volunteering for community service work for public institutions or approved non-profits like Habitat for Humanity. Those who refuse to participate in one of these three options would no longer be entitled to receive extended unemployment benefits.

I also want to bring your attention to an unprecedented overreach of federal authority over state unemployment statutes which was part of the American Recovery and Reinvestment Act of 2009. Texas was denied \$550 million allocated to us by the Act—funds that would have been used to pay unemployed workers in our state. That federal legislation mandated that, in order to receive those funds, not only was the Texas Legislature required to make changes to our laws that would have expanded the number of people eligible to receive unemployment benefits, but our legislature was prohibited from including a sunset provision that would have allowed these changes to expire once the federal funds had been completely exhausted for their intended purpose.

No other federal legislation that I am aware of continues to have strings attached to it after the funding is gone. Such legislation is a first step in the Federal Government taking over all state unemployment laws in the country. These provisions need to be repealed.

I would ask the distinguished members here today to initiate legislation that would amend ARRA and allow Texas to receive the money that has already been set aside for us. Texas is not asking for money that is not ours to begin with. Texas is a donor state in the Federal Unemployment Insurance system. For every dollar we contribute, we receive only 35 cents back.

Finally, I would be remiss if I did not emphasize that the key to creating jobs is to grow the private sector. Government programs, no matter how innovative, cannot bring about the kind of fundamental change that is needed to put America back to work.

We currently have a corporate tax system that rewards American businesses for taking on debt—which is deductible—while punitively taxing employment, savings, and capital investment—the engines of economic growth and job creation in the private sector. This is an incentive to export prosperity and export American jobs overseas—which is precisely what has happened over the past decade.

The best way to address this problem is to change the way we tax businesses. Let's replace our onerous corporate tax system with a revenue-neutral, 8% business-consumption tax that would be border-adjusted.

This new approach to taxing business would raise just as much in revenues, if not more, than the current system of taxation. All goods and services coming into the U.S. would pay the 8% tax while all exports would receive a comparable tax credit as an offset to its company's business consumption tax. This would reduce the outsourcing of American jobs, encourage long-term investment in U.S. businesses, rebuild our manufacturing base, reduce our trade deficits and put business owners back in charge of the American economy. This is a real economic stimulus plan to get Americans back to work.

Attachment 1

The Texas Back to Work Program offers a fixed subsidy of \$2000 to private sector employers who hire claimants of UI making less than \$15/hour in their job before being laid off. The program provides a tiered payment plan so that employers do not get the full subsidy unless the claimant remains employed with the employer for 4 months at 30 hours per week or more.

Claimants are offered jobs that qualify as "suitable employment" consistent with UI regulations. They may or may not know that the employer is receiving a subsidy. The job must be full time at better than minimum wage. The employer is to treat the TBTW hire as he would any other new employee to the business. Wages paid and hours worked are verified before payment is made.

TWC has done extensive publicizing of the TBTW program including through the Governor's Small Business Conferences. In addition, TWC created a TBTW certificate that it provides TBTW-eligible claimants so that they can use it in the applica-

tion process to educate employers about the program and to show that they are TBTW-eligible as an inducement to the employer.

These efforts have proven very effective because after a slow start Texas Back to Work has placed 10,332 claimants in a little over a year and continues to make roughly 250 placements per week. This includes claimants at all points in the claim process including those:

- Receiving state UI benefits (first 26 weeks);
- Receiving extended federal benefits; or
- Those who have exhausted all benefits and had not returned to work yet.

TBTW by the Numbers:

- Texas Back to Work Placements—10,332 claimants placed
- # Employers Served—2757
- Percent Completed Subsidized Period—65.5%
- Avg. Wages before Lay Off—Using November Analysis (7558 claims) \$20,663
- Avg. Wages with Subsidized Job—Again, using November's Analysis \$18,866.87 (91.31% wage replacement rate—for point of reference, 91% used to be considered very good wage replacement under WIA DW). Considering that many of the UI claimants served have been unemployed for extended periods, we believe this a very good outcome.
- Percent of TBTW participants with wages in 1st Quarter after Subsidy Completed—

Overall—75%

Successful Completers—89%

(Preliminary analysis indicates that nearly 87% of the 89% were still employed with the same employer.)

Attachment 2

The following amendments are proposed to create a wage subsidy option for the States out of funding from the Emergency Unemployment Compensation Benefits Program and the Extended Benefits Program. The creation of this option would allow States the alternative of providing up to thirteen weeks of wage subsidy, for the benefit of the claimant, to employers for the reemployment of individuals who qualify for further extended benefits. Funding for this subsidized option would not exceed the individual's weekly benefit amount and would not be permitted in any case where it would displace an employee.

The language of the proposed amendments are underlined and contained within the statutory provisions in order to provide context.

Because the claimants would be participating in subsidized reemployment under this program, it is anticipated that the claimants would be treated in the same manner as participants in the Texas Back to Work program.

TITLE IV—EMERGENCY UNEMPLOYMENT COMPENSATION
FEDERAL—STATE AGREEMENTS

<< 26 USCA § 3304 NOTE >>

SEC. 4001. (a) IN GENERAL.—Any State which desires to do so may enter into and participate in an agreement under this title with the Secretary of Labor (in this title referred to as the "Secretary"). Any State which is a party to an agreement under this title may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments of emergency unemployment compensation to individuals who—

(1) have exhausted all rights to regular compensation under the State law or under Federal law with respect to a benefit year (excluding any benefit year that ended before May 1, 2007);

(2) have no rights to regular compensation or extended compensation with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law (except as provided under subsection (e)); and

(3) are not receiving compensation with respect to such week under the unemployment compensation law of Canada.

(c) EXHAUSTION OF BENEFITS.—For purposes of subsection (b)(1), an individual shall be deemed to have exhausted such individual's rights to regular compensation under a State law when—

(1) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to such individual based on employment or wages during such individual's base period; or

(2) such individual's rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(d) WEEKLY BENEFIT AMOUNT, ETC.—For purposes of any agreement under this title—

(1) the amount of emergency unemployment compensation which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation (including dependents' allowances) payable to such individual during such individual's benefit year under the State law for a week of total unemployment;

(2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for emergency unemployment compensation and the payment thereof, except—

(A) that an individual shall not be eligible for emergency unemployment compensation under this title unless, in the base period with respect to which the individual exhausted all rights to regular compensation under the State law, the individual had 20 weeks of full-time insured employment or the equivalent in insured wages, as determined under the provisions of the State law implementing section 202(a)(5) of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note); and

(B) where otherwise inconsistent with the provisions of this title or with the regulations or operating instructions of the Secretary promulgated to carry out this title; and

(3) the maximum amount of emergency unemployment compensation payable to any individual for whom an emergency unemployment compensation account is established under Section 4002 shall not exceed the amount established in such account for such individual; and

(4) in the alternative, a State may provide a wage subsidy from the individual's emergency unemployment compensation account in an amount per week no greater than the weekly benefit amount, for the benefit of the individual eligible for emergency unemployment compensation benefits, to an employer who provides reemployment of the individual for up to thirteen weeks. The subsidized reemployment shall not displace an employee.

(e) ELECTION BY STATES.—Notwithstanding any other provision of Federal law (and if State law permits), the Governor of a State that is in an extended benefit period may provide for the payment of emergency unemployment compensation prior to extended compensation to individuals who otherwise meet the requirements of this section.

(f) UNAUTHORIZED ALIENS INELIGIBLE.—A State shall require as a condition of eligibility for emergency unemployment compensation under this Act that each alien who receives such compensation must be legally authorized to work in the United States, as defined for purposes of the Federal Unemployment Tax Act (26 U.S.C. 3301 et seq.). In determining whether an alien meets the requirements of this subsection, a State must follow the procedures provided in section 1137(d) of the Social Security Act (42 U.S.C. 1320b-7(d)).

PAYMENTS TO STATES HAVING AGREEMENTS FOR THE PAYMENT OF EMERGENCY UNEMPLOYMENT COMPENSATION

<< 26 USCA § 3304 NOTE >>

SEC. 4003. (a) GENERAL RULE.—There shall be paid to each State that has entered into an agreement under this title an amount equal to 100 percent of the emergency unemployment compensation paid to individuals and the emergency unemployment compensation wage subsidies paid for reemployment of individuals by the State pursuant to such agreement.

(b) TREATMENT OF REIMBURSABLE COMPENSATION.—No payment shall be made to any State under this section in respect of any compensation to the extent the State is entitled to reimbursement in respect of such compensation under the

provisions of any Federal law other than this title or chapter 85 of Title 5, United States Code. A State shall not be entitled to any reimbursement under such chapter 85 in respect of any compensation to the extent the State is entitled to reimbursement under this title in respect of such compensation.

(c) **DETERMINATION OF AMOUNT.**—Sums payable to any State by reason of such State having an agreement under this title shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

<< 26 USCA § 3304 NOTE >>

Federal-State Extended Unemployment Compensation Act of 1970

“Sec. 202 [Payment of extended compensation].

“(a) **[State law requirements]** (1) For purposes of section 3304(a)(11) of the Internal Revenue Code of 1986 [(formerly I.R.C. 1954) subsec. (a)(11) of this section] a State law shall provide that payment of extended compensation shall be made, for any week of unemployment which begins in the individual's eligibility period, to individuals who have exhausted all rights to regular compensation under the State law and who have no rights to regular compensation with respect to such week under such law or any other State unemployment compensation law or to compensation under any other Federal law and are not receiving compensation with respect to such week under the unemployment compensation law of Canada. For purposes of the preceding sentence, an individual shall have exhausted his rights to regular compensation under a State law (A) when no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on employment or wages during his base period, or (B) when his rights to such compensation having terminated by reason of the expiration of the benefit year with respect to which such rights existed. In the alternative, a State may provide a wage subsidy from the individual's extended compensation account in an amount per week no greater than the weekly benefit amount, for the benefit of the individual eligible for extended compensation, to an employer who provides reemployment of the individual for up to thirteen weeks. The subsidized reemployment shall not displace an employee.

“(2) Except where inconsistent with the provisions of this title [this note], the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for extended compensation and to the payment thereof.

<< 26 USCA § 3304 NOTE >>

“Sec. 204 [Payments to States].

(a) **[Amount payable]** (1) There shall be paid to each State an amount equal to one-half of the sum of—

“(A) the sharable extended compensation, and

“(B) the sharable regular compensation,

paid to individuals and the extended compensation wage subsidies paid for reemployment of individuals under the State law.

“(2) No payment shall be made to any State under this subsection in respect of compensation (A) for which the State is entitled to reimbursement under the provisions of any Federal law other than this Act, (B) paid for the first week in an individual's eligibility period for which extended compensation or sharable regular compensation is paid, if the State law of such State provides for payment (at any time or under any circumstances) of regular compensation to an individual for his first week of otherwise compensable unemployment, (C) paid for any week with respect to which such benefits are not payable by reason of section 233(d) of the Trade Act of 1974 [19 U.S.C.A. 2293(d)], or (D) paid to an individual with respect to a week of unemployment to the extent that such amount exceeds the amount of such compensation which would be paid to such individual if such State had a benefit structure which provided that the amount of compensation otherwise payable to any indi-

vidual for any week shall be rounded (if not a full dollar amount) to the nearest lower full dollar amount.

“(3) The amount which, but for this paragraph, would be payable under this subsection to any State in respect of any compensation paid to an individual whose base period wages include wages for services to which section 3306(c)(7) of the Internal Revenue Code of 1986 [26 U.S.C.A. § 3306(c)(7)] applies shall be reduced by an amount which bears the same ratio to the amount which, but for this paragraph, would be payable under this subsection to such State in respect of such compensation as the amount of the base period wages attributable to such services bears to the total amount of the base period wages.

Chairman DAVIS. Your time has expired, Mr. Pauken. Thank you.

Dr. Boushey.

STATEMENT OF HEATHER BOUSHEY, PH.D., SENIOR ECONOMIST, CENTER FOR AMERICAN PROGRESS ACTION FUND

Ms. BOUSHEY. Thank you, Chairman Davis, Ranking Member Doggett and Members of the Subcommittee for inviting me here to testify today. My name is Heather Boushey, and I am a Senior Economist with the American Progress Action Fund.

So until we fill the demand gap, we will continue to have high unemployment, which in turn will drag down economic growth. Today's high unemployment was caused by the mismanagement of the economy in the 2000s, a financial sector only in service of its own profits, rather than fostering productive investments, and a housing bubble.

The policies that will create jobs now are those that will make investments that not only boost employment in the short term but will lay the foundations for long-term economic growth.

On the one hand, our economy has grown for six straight quarters now. Much of this growth that we have seen has been due to the Recovery Act and other policies aimed at addressing the fallout from the financial crisis. Yet we continue to have a large gap between what our economy currently produces and what it would be producing if workers and the economy's productive assets were to be used at full employment.

Even though corporate America is flush with cash and profits have soared, investment is at its lowest level in more than five decades. The National Federation of Independent Businesses continues to report month after month that its members see a lack of sales as their key concern. When businesses don't see sales, they don't hire.

Thus, while this recession ended in June of 2009, for everyday Americans, this has not been a recovery. There continue to be nearly five workers seeking a job for every job opening available, compared to just over one worker for every job available in early 2000 before the financial crisis began.

While some groups have been hit harder than others, today's unemployment is not a structural problem. In May of 2007, the unemployment rate was 4½ percent. Yet just over a year and a half later, the private sector was shedding over 700,000 jobs per month. For the unemployment problem that we are facing today to be structural, there must be some new set of technological advances that made 1 in 10 workers instantaneously obsolete.

I agree with the previous speaker that there is a long-term problem, the decline in manufacturing, but there is no evidence that that is our problem, the enormous problem of unemployment is solely due to that.

Further, job losses in this recession have been widespread and not only concentrated in the sectors hardest hit by the bursting of the housing bubble.

Funds spent on benefits and services designed to help the unemployed find new work have mitigated, not exacerbated, the problem. Unemployment benefits have been good for the economy, and a growing body of empirical work shows they have not been hindering workers from finding new employment.

To boost employment, Congress should focus on three specific policy goals:

First, we continue to need to focus on boosting aggregate demand through investments in infrastructure and making sure that the unemployment insurance system and other automatic stabilizers remain in working order. The American Society of Civilian Engineers estimates that we will need to spend at least \$2.2 trillion over the next 5 years just to repair our crumbling infrastructure. This doesn't even include things like high-speed rail, mass transit, and renewable energy investments to free ourselves from foreign oil and address climate change. Infrastructure has traditionally been a bipartisan issue and one that hopefully this Congress can build a bridge across the aisle to address.

Second, if someone has a job, we should be helping them keep it by helping States and localities limit future layoffs and thinking about innovative ways to help firms keep workers on their payrolls. Simply put, right now, all across America, schools are laying off teachers, public universities are trimming their staffs, and community colleges are cutting back. These cutbacks constitute not just lost jobs now, but they will also eventually worsen educational outcomes for tens of millions of students across the country, consequences that will have long-term negative effects on the economy.

Third, we should be helping the unemployed beat the odds and find a new job. The TANF emergency fund led to partnerships with the business community to create nearly a quarter of a million new jobs. It was implemented in States with both Democratic and Republican Governors with much success. Texas, for example, created nearly 40,000 jobs with this program. It has expired as of last September, and it should be reinstated.

We could also do more to promote successful vocational programs that integrate vocation and employment-oriented goals and academic educational programs. However, yesterday, the House Appropriations Committee announced that it wants to cut job training programs by 50 percent. This will certainly not help us.

We continue to live in one of the richest nations on the planet. We continue to have the resources to solve the problems that we as a Nation choose to solve. And yet here we seem to have lost some of our can-do conviction that the economy can indeed improve

and we can create good jobs for all who need them. I hope that this Congress will continue to use its power to invest in America and create jobs.

[The prepared statement of Heather Boushey follows:]

*** THIS TESTIMONY IS EMBARGOED UNTIL ***

*** FEBRUARY 10, 2011 AT 2:00 P.M. ***

Center for American Progress Action Fund



Testimony before
Subcommittee on Human Resources of the Committee on Ways and Means
on "Improving Efforts to Help Unemployed Americans Find Jobs"

Heather Boushey,
Senior Economist, Center for American Progress Action Fund
February 10, 2010

Thank you, Chairman Davis and Ranking Member Doggett for inviting me here today to testify on how we can improve our efforts to help unemployed Americans find jobs. My name is Heather Boushey and I'm a Senior Economist with the Center for American Progress Action Fund.

The basic question for today's hearing is: Are we doing everything we can to help the unemployed find jobs? We've made progress, but there is much more we can do to focus on generating jobs and bringing the unemployment rate back down.

In my testimony today, I will make three key points:

- **The unemployment problem continues to be caused by too-little aggregate demand.** If we want to help the unemployed, we need to address the output gap, the gap between what our economy is producing and what it could be producing at full employment.
- **Today's unemployment is not a structural problem.** The Great Recession caused the record-high numbers of unemployed and the record-long spells of unemployment that we've seen.
- **Funds spent on benefits and services designed to help the unemployed find new work have mitigated, not exacerbated the problem.** The best economic evidence is that unemployment benefits and transitional jobs programs have helped, not hurt. What's more, by boosting economic growth, the actions we've taken have actually made the long-term deficit smaller than it would have been without action.

Today's high unemployment is a function of the reality that there simply aren't enough jobs to go around because there is not sufficient demand in our economy. The shortfall in aggregate demand amounts to almost 6 percent of U.S. gross domestic product, primarily due to lost investment and lost employment, and resulting from the bursting of the real estate bubble and the ensuing Great Recession. This is the output gap that we need to fill in order to make our economy whole so that everyone who wants to work can find a job.

While the economy has been growing for six quarters now, businesses have not yet begun to ramp up hiring. High unemployment not only creates significant hardships for individual families, it

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***** FEBRUARY 10, 2011 AT 2:00 P.M. *****

continues to threaten the employment recovery: The unemployed can't spend what they don't earn, which is why high unemployment directly adds to our nation's aggregate demand problem. Thus, there is a direct link between lack of hiring and future economic growth.

To address this, Congress should focus on three specific policy goals:

- **Focus on maintaining the boost in aggregate demand.** Investment—including investment in infrastructure—is the best way to ramp up employment now, while building the foundation for a high-productivity future.
- **Stop adding to the problem of unemployment.** In this recession, once someone has lost their job, they are facing historically low odds of finding a new job. Congress should seek to ensure that those who are working can stay in their jobs.
- **Help the long-term unemployed beat the odds and find work.** We know from decades of research that the displaced and long-term unemployed are more often at the bottom of the hiring queue and often suffer years of lowered earnings. Congress should consider reinvigorating the TANF Emergency Funds that put people to work in public/private partnerships.

And, I will note, at this point in the economic recovery, the costs of inaction continue to far outweigh the cost of action. While we need to keep our eye on a growing federal debt, addressing the scourge of long-term unemployment now will do more to cut future deficits than not.

Insufficient aggregate demand is hindering job creation

The unemployment problem continues to be caused by too-little aggregate demand. **If we want to help the unemployed, we need to address the output gap, the gap between what our economy is producing and what it could be producing at full employment.**

Gross domestic product, or GDP, grew at an annual rate of 3.2 percent in the fourth quarter of 2010, the sixth quarter of positive growth in a row.¹ Much of this growth would not have happened without the American Recovery and Reinvestment Act and other policies aimed at addressing the fallout from the financial crisis.

Yet, our economy continues to have what economists call “excess capacity,” which means there is not enough demand for all the goods and services we have the capacity to produce, and thus not enough demand for more workers. As of December 2010, capacity utilization was 76 percent, 4.6 percent below its average from 1972 to 2009.² Excess capacity is a technical term that economists use to describe what Americans are currently seeing everyday around them—excruciatingly high unemployment, especially long-term unemployment, and the devastation it causes families and communities all around our nation.

Another way to measure excess capacity is the “output gap,” the gap between what our economy currently produces and what it would be producing if workers and the economy's productive assets were to be used at full employment. The output gap is equal to almost 6 percent of our total gross

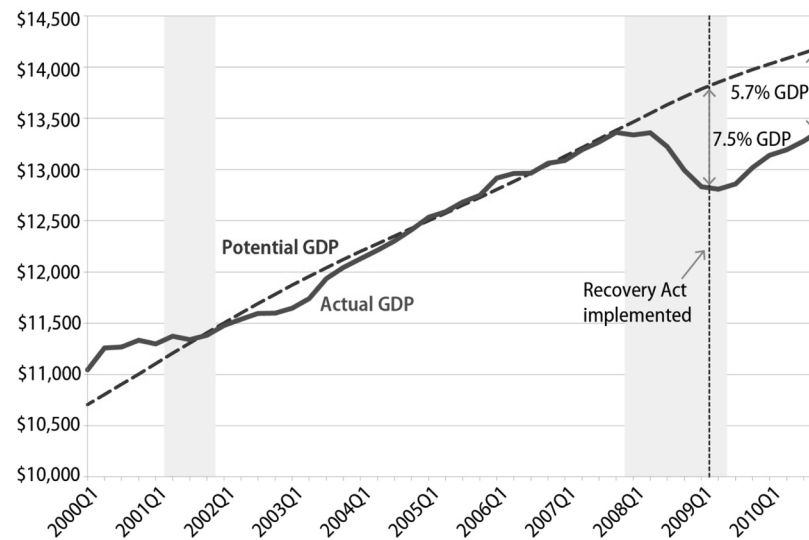
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domestic product. (see Figure 1) This is down from 7.5 percent when growth was at its nadir and just before the American Recovery and Reinvestment Act was passed and signed into law.³

FIGURE 1

U.S. gross domestic product: actual and potential

\$ billions (real 2005)



Source: Author's calculation of the Bureau of Economic Analysis and Congressional Budget Office data.

And, we are now in another jobless recovery, while profits soar. From December 2008 to September 2010, profits in the nonfinancial corporate sector rose in inflation-adjusted terms by 92.0 percent before taxes and 93.3 percent after taxes. In September 2010, profits were at their highest point since at least September 2007, before the recession started.⁴ The nonfarm nonfinancial business sector is holding more than \$1.9 trillion in cash, totaling 7.4 percent of total corporate assets in the third quarter of 2010—the highest level since the fourth quarter of 1959.⁵

We can see the lack of urgency to hire due to lack of demand in a wide array of data. For example, the National Federation of Independent Businesses continues to report that its members—most of whom have fewer than 40 employees⁶—see a lack of sales as the key factor that they are concerned about.⁷ This is an aggregate demand problem: businesses don't see enough demand for products, which then hampers hiring. The Federal Reserve's survey of senior loan officer also shows that while banks are lending for mergers and acquisitions, which often lead to job losses, they are lending for investment in plant and equipment that will create jobs and expanding economic opportunities.⁸

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Even though corporate America is flush with cash, investment is at the lowest level in more than five decades. So far in this business cycle, from December 2007 to December 2010, business investment has averaged 10.3 percent of gross domestic product, the lowest average for four decades. This low level of investment is not because of the cost or availability of capital, which continues to be at lows not seen since the 1960s.⁹

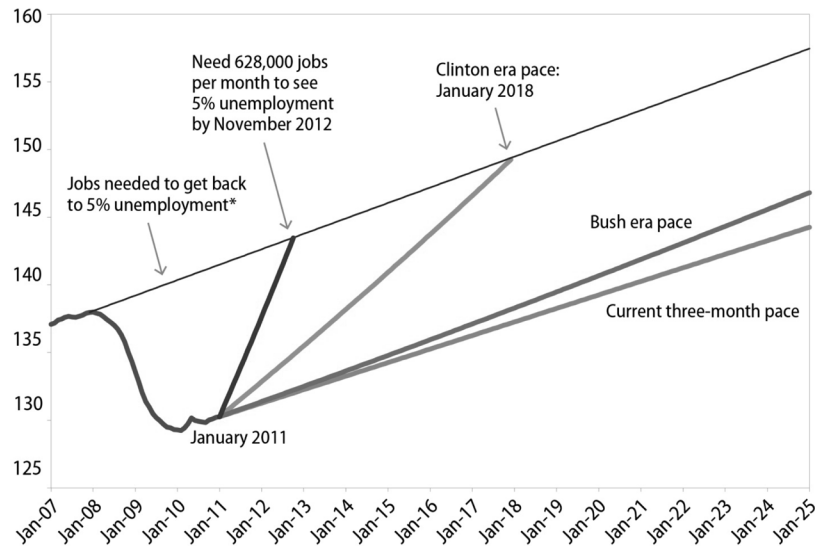
Without investment, our resources—the American people—languish in unemployment. A key challenge for policymakers is sorting out how to encourage investment.

Thus, while the recession ended in June 2009, for everyday Americans there hasn't been a recovery. The private sector has been adding jobs every month for nearly a year and averaged 106,000 jobs per month over the past three months.¹⁰ This is a faster pace than economic recovery in the 2000s, but at this rate, we won't reach 5 percent unemployment for decades.¹¹ (see Figure 2) To get to 5 percent unemployment by November 2012, we'd need to add more than four times the number of jobs that our economy is adding now—551,000 jobs each month.

FIGURE 2

Employment projections under four growth scenarios

Total employment (thousands)



Source: Author's calculation of Bureau of Labor Statistics data.
 *Assumes monthly labor force growth of 100,000.

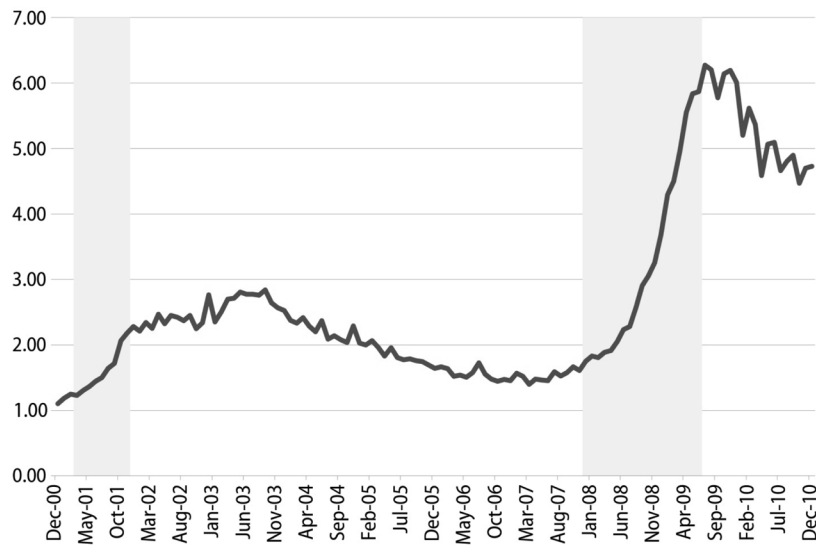
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There are nearly five workers seeking a job for every opening available. (see Figure 3) In typical economic times—before this Great Recession—there was about one and a half job seekers for every job opening.¹² Unemployment has stood at or above 9 percent for a record 21 months and economists predict it will remain this high at least through 2011.¹³ Nearly half of those unemployed (43.8 percent) have been job searching for at least six months.¹⁴

FIGURE 3

**Ratio of unemployed workers to reported job openings,
 monthly, 2000 to 2010**

Ratio of unemployed workers to reported job openings



Source: Bureau of Labor Statistics, Jobs Openings and Labor Turnover Survey and Current Population Survey.

High unemployment has long-term consequences for workers and their families, as well as our economy overall. The more than 6 million unemployed workers who have been searching for a new job for at least six months are unable to make use of their skills or contribute to our nation's productive capacity. Consider these facts: Average mature workers who lose a stable job will see their earnings fall by 20 percent over 15 years to 20 years,¹⁵ and the labor market consequences of graduating from college in a bad economy are large, negative, and persistent.¹⁶

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Many workers may never find jobs at the level of the job they lost during this Great Recession. Recent data from the Bureau of Labor Statistics has found that as of last year at this time among those who were displaced from their job—permanently losing their job or laid off because their employer’s plant closed or business failed—between 2007 and 2009, just half (49 percent) were re-employed. This is lowest re-employment rate on record for the series, which began in 1984. Of those re-employed in full-time work, more than half (55 percent) were earning less than they had prior to job displacement.¹⁷

The unemployed cannot spend what they don’t earn, a fact that threatens economic recovery. Families that receive unemployment insurance benefits typically spend these benefits rather than save them. To put some back of the envelope numbers on this, think of it this way: The typical worker brings home about \$40,000 annually and nearly 14 million are out of work, so without unemployment benefits, our economy would shrink by about \$600 billion.¹⁸ It’s that gap that unemployment insurance fills and why it’s critical to sustaining the economic recovery. And, why we can’t just fill the output gap with tax cuts. In a report for the Department of Labor, Wayne Vroman, economist at the Urban Institute, estimated that the unemployment insurance system closed about one-fifth (18.3 percent) of the shortfall in the nation’s gross domestic product during the Great Recession.¹⁹

Funds spent on benefits and services designed to help the unemployed find new work have mitigated, not exacerbated the problem

Unemployment benefits are good for the economy and in high unemployment times like the current labor market, they do not hinder workers from finding employment. The argument that helping the long-term unemployed encourages them to remain unemployed rather than seek work ignores the reality that there are nearly five job seekers for every one job opening. Further, there have been a number of new research papers that show that unemployment benefits do not extend spells of unemployment in any economically meaningful way.

Research from the 1970s and 1980s that examined when people exit unemployment benefits found a “spike” in workers exiting just as their unemployment benefits expired. However, much of this research relied on data that only measured exit from benefits, not whether the individual actually became re-employed. A key paper in the early literature was by Harvard economist Lawrence Katz and University of Chicago economist Bruce Meyer who found that there were sharp increases in the rate at which workers with unemployment benefits exited unemployment for employment that coincided with the time when unemployment benefits were likely to lapse. However, there was no such spike for those who did not receive unemployment benefits.²⁰

However, in testimony before the U.S. Congressional Joint Economic Committee in April 2010, Katz himself noted that “much of the responsiveness in this analysis came from firms and industries using temporary layoffs and the sensitivity of recall dates to unemployment insurance benefits.”²¹ Temporary layoffs are less common now than during the 1970s and early 1980s downturns. More recent research suggests only modest effects of unemployment benefits on the timing of finding employment:

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- San Francisco Federal Reserve economists Rob Valletta and Katherine Kuang analyzed data on unemployed individuals during the Great Recession and calculated that, in the absence of extended benefits, the unemployment rate would have been about 0.4 percentage points lower at the end of 2009, or about 9.6 percent rather than 10 percent.²²
- Using panel data from Austria, University of Berkeley economists David Card and Raj Chetty found that “fewer than 1 percent of jobless spells have an ending date that is manipulated to coincide with the expiration of UI benefits.”²³ Based on existing empirical research using U.S. data, Raj Chetty noted that a 10 percent increase in the value of UI benefits increases unemployment durations by four to eight percent.²⁴
- Economists David Card and Phillip B. Levine found that additional weeks of unemployment benefits only increased the fraction of workers who exhausted—that is, used up all unemployment benefits available to them—by one to three percentage points, and had the program run long enough to affect claimants from the first day of their spell, the average recipient would have collected regular benefits for just one extra week.²⁵

Other empirical work shows how unemployment benefits give workers the time to search for a new job. Massachusetts Institute of Technology Economist Jon Gruber found that unemployment insurance smoothes consumption for households with an unemployed worker, which helps them maintain their spending even in the face of a job loss.²⁶ UC Berkeley economist Raj Chetty estimated that 60 percent of difference in the length of time workers spend unemployed if they have unemployment benefits is due to a liquidity effect—a constraint on household finances because they have little access to cash in the short-term—rather than to reduced incentives to search for a new job.²⁷

Unemployment is not a structural problem

While some groups have been harder hit than others, today’s unemployment is not a structural problem. In May of 2007, the unemployment rate was 4.5 percent. Just over a year and a half later, the private sector was shedding 700,000 to 800,000 jobs per month and unemployment continues to linger at 9 percent.²⁸ For the unemployment problem to be structural, it would have to be the case that our nation’s workers and employers all of a sudden become mismatched due to some new set of technological advances that made 1 in 10 workers instantaneously obsolete. There is no evidence that this has been the case in the years since 2007.

There are a number of ways to think about this. First, if today’s high unemployment were largely about shifting workers out of the sectors hardest hit by the bursting of the housing bubble—primarily construction—job losses would have to be concentrated there. But, the distribution of job losses due to the Great Recession has been fairly broad and widespread across industries, contradicting the idea that there are one or two sectors that U.S. workers need to transition out of. Manufacturing, professional and business services, transportation and warehousing, financial activities, leisure and hospitality, and information services have all lost a larger share of jobs than construction.

Further, if unemployment was structural, the money pumped into the economy through the extraordinary monetary and fiscal policies enacted over the past few years would have led to higher prices. The logic is that if more money were chasing a limited pool of workers or capacity, then

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prices should go up. Yet, in fact what we've seen is the opposite. Over the past year, prices have risen by less than one and a half percent, below what the Federal Reserve considers the target rate of two percent.²⁹

If the problem with unemployment were structural, the primary policy lever to address this is education and training. There are many reasons for policymakers to be concerned about the skills of the U.S. labor force: American students are consistently behind their academic peers internationally. According the U.S. Department of Education, out of 30 peer countries, students in the United States were ranked 30th for math, 23rd for science, and 17th for reading.³⁰ However, even if unemployment was a structural problem and training and education could solve it, this is not a solution that can address our immediate high unemployment. Setting up those programs and getting workers the skills they need will take time, and our economy will not see the fruits of those endeavors for years. Investing in education is critical for our economy, but it cannot solve our current unemployment problem.

Addressing aggregate demand has shown good results

Congress has taken important steps to encourage private-sector job creation. The Congressional Budget Office credits the American Recovery and Reinvestment Act, or ARRA, signed into law in February 2009 with saving or creating 1.4 to 3.6 million jobs in 2010 and they estimate that 2.6 million jobs will be saved or created in 2011.³¹ The Recovery Act kept teachers in schools and police officers on their beats, even as tax revenues fell. It kept money flowing into the pockets of the long-term unemployed, which in turn has not only helped those individual families hardest hit by the Great Recession, but also helped keep dollars flowing into their local communities. It helped unemployed workers access health care, undoubtedly mitigating the well-documented negative health effects of unemployment.

Economists Alan Blinder and Mark Zandi estimated that the Recovery Act and other fiscal policies have saved or created 2.7 million jobs, and without them unemployment would stand at 11 percent and job losses would have totaled 10 million. On top of this, they estimate that if nothing had been done to address the financial crisis—no Troubled Asset Relief Program, no bailouts of American International Group Inc, and no investment in the auto industry—our economy would have 5 million fewer jobs than we do today and unemployment would be sharply higher, at 12.5 percent.³²

Even with the success of the Recovery Act, there have been clear indications since 2009 that in order to fill in the output gap and lower unemployment, Congress will need to focus on policies that raise, not lower, aggregate demand.³³ As Federal Reserve Chairman Ben Bernanke noted this January in testimony before the U.S. Senate Committee on the Budget:

Our nation's fiscal position has deteriorated appreciably since the onset of the financial crisis and the recession. To a significant extent, this deterioration is the result of the effects of the weak economy on revenues and outlays, along with the actions that were taken to ease the recession and steady financial markets. *In their planning for the near term, fiscal policymakers will need to continue to take into account the low level of economic activity and the still-fragile nature of the economic recovery* (emphasis added).³⁴

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In this Great Recession, sustained government spending until the recovery hits its full stride is the best—and only—option to push the unemployment rate down. Because the Great Recession was preceded by a massive financial crisis, we knew from day one that it was likely to be deeper and more protracted than more recent recessions.³⁵ We've also known for over two years now that the Federal Reserve has no more room to lower interest rates to boost demand.³⁶

In other recent recessions, lowering interest rates was sufficient to push the economy toward sustainable growth, but this time it's not possible. The last recession that brought us double-digit unemployment, in the 1980s, was caused by tightening of monetary policy by the Federal Reserve under Chairman Paul Volcker as they were trying to address rampant inflation. The Federal Funds Rate hit nearly 20 percent in 1981, which stopped inflation but then also gave the Federal Reserve a great deal of room to lower rates to encourage economic activity.³⁷

To boost growth, the Federal Reserve has pursued quantitative easing, using the proceeds from the central bank's mortgage bond portfolio to buy long-term government debt. That is, they are using unorthodox methods of pumping money into an economy and working to lower interest rates that central bankers do not usually control. Their effect is the same as printing money in vast quantities, but without ever turning on the printing presses. The Federal Reserve's response to the Great Recession has been effective in lowering interest rates and addressing the crisis in the banking system, however, it has not yet successfully increased investment or led to sufficient job creation.

It is important to remember that by taking actions to avert greater unemployment, we averted a bigger federal deficit. The steps taken to shore up our economy have ended up being a better investment for jobs and for the deficit than doing nothing at all. (see Figure 4) Economists Blinder and Zandi estimated that had Congress done nothing, the deficit would have ballooned to more than 2.5 times as large as it did, hitting more than \$2 trillion by the end of the 2010 fiscal year, \$2.6 trillion in fiscal year 2011, and \$2.25 trillion in fiscal year 2012. In actuality, they estimate that by the end of the 2010 fiscal year, the federal budget deficit will be \$1.4 trillion and it will fall to \$1.15 trillion in fiscal year 2011 and \$900 billion in fiscal year 2012.³⁸

The most important reason for the rise in the deficit is rising unemployment and falling incomes.³⁹ In 2009, federal receipts were \$419 billion below 2008 levels, a 17 percent drop, which was the largest decline from one year to the next in more than 70 years. Individual income tax receipts decreased by 20 percent, and corporate income tax revenues plummeted by more than 54 percent, which means corporations paid less than half in taxes than they paid the year before.⁴⁰

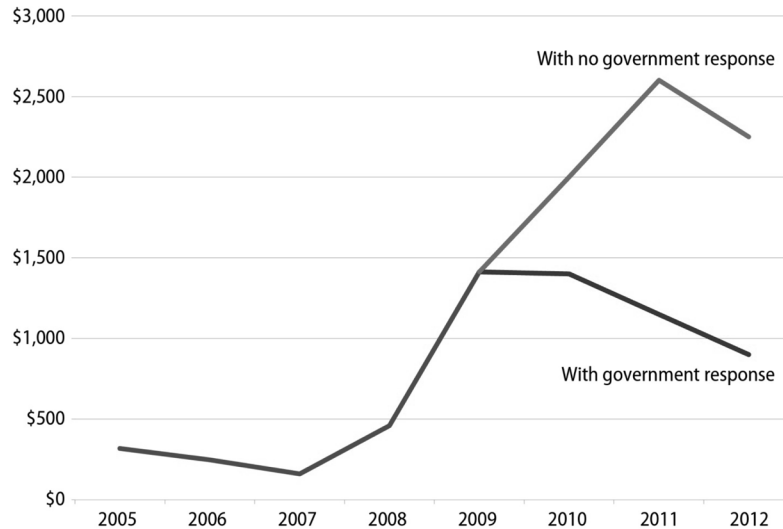
Yet there is a rising chorus of voices singing the praises of deficit reduction over the benefits of saving our economy through expansionary fiscal policies. Once our economy recovers, of course, the deficit must be addressed, but until unemployment begins to fall and the economic recovery is firmly in train, these voices push us in the wrong direction. Their rhetoric argues that we not burden the next generation with unsustainable debts, but the reality is this: by not boosting demand for goods and services by helping existing excess capacity—the nearly 14 million currently-unemployed workers in our country—millions of workers will find no means of support today and will see their economic future grows dimmer by the week.

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FIGURE 4

Federal budget deficit, in billions, 2005-2012

Billions of dollars



Source: Congressional Budget Office and Blinder and Zandi, *How We Ended the Great Recession*.

Policy recommendations

Unlike any point in the decades since before World War II, the challenge of laying the foundation for a strong economy lies with you and this body of government. These are unusual times because it continues to be the case that fiscal policy is the primary lever that the federal government has at its disposal to spur economic growth. I urge you to consider that these extraordinary times call for extraordinary action—continued spending to aid to the long-term unemployed. The sense of imminent collapse of our financial sector, thankfully, now appears behind us, but the fallout for our economy remains and it is just as dramatic and continues to require bold steps.

Congress should focus on three specific policy goals:

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- **Focus on maintaining the boost in aggregate demand.** Investment—including investment in infrastructure—is the best way to ramp up employment now, while building the foundation for a high-productivity future.
- **Stop adding to the problem of unemployment.** In this recession, once someone has lost their job, they are facing historically low odds of finding a new job. There are ways Congress can act to keep people in the jobs they have now.
- **Help the long-term unemployed beat the odds and find work.** We know from decades of research that the displaced and long-term unemployed are more often at the bottom of the hiring queue and often suffer years of lowered earnings. Specifically, Congress should consider reinvigorating the TANF Emergency Funds that put people to work in public/private partnerships.

Let's be clear: An overgrown financial sector, bloated on the real estate bubble it helped create, threw our economy into crisis. Moving forward, policymakers must continue to ensure that financial markets are focused on making funds available to promote investment in America, not just speculation and dividends for those in the financial services industry. We need vibrant capital markets so that innovative companies can access funds to invest; we do not need innovative financial products to allow Wall Street to siphon off these funds for its own gain.

Boost aggregate demand

Investment is the key to creating jobs now and building the foundation for a high-productivity future. The American Society of Civil Engineers estimates that we need to spend at least \$2.2 trillion over the next five years just to repair our crumbling infrastructure.⁴¹ This doesn't even include things like high-speed rail, mass transit, and renewable energy investments we need to free ourselves from foreign oil and climate change.

In January, the Commerce Department reported that private business investment in overall buildings, factories, and equipment grew only \$18 billion, while investment in new buildings and factories grew only \$700 million, adding just 0.13 percent to the growth in U.S. gross domestic product. As CAP economist Adam Hersh put it, "The tepid investment recovery is particularly troubling, given that in the 2001 to 2007 business cycle expansion, we'd already experienced the slowest investment growth rate since World War II. Making matters worse, much of that investment was misallocated into nonproductive residential and commercial real estate."⁴²

Federal Reserve Chairman Ben Bernanke was right last week when he said the recovery is not truly established until the unemployment rate returns to a normal level.⁴³ Bringing unemployment down will require both increased investment, which is currently lower than in past recoveries, and a strong middle class that has the jobs and incomes to maintain consumption. Policy makers should continue to encourage investment in infrastructure and in the skills of our nation's workforce and make sure that these investments create good jobs, the kind that will rebuild our middle class.

The Obama administration had proposed a \$50 billion fund, which is a good start, but we need to invest more to both address today's jobs problem and lay the foundation for long-term economic

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growth. Infrastructure has been a traditionally bipartisan issue and one that hopefully this Congress can build a bridge across the aisle to address.

The unemployment insurance system and other automatic stabilizers must remain in working order. Filling the gap in demand will require continued attention to one of the key sources of demand: high unemployment. Most of the state's unemployment insurance trust funds are insolvent as 30 states' and the U.S. Virgin Islands owing a total of \$43 billion and the debt could rise to \$90 billion by the end of 2013.⁴⁴ The loans from the federal government will require that in 2011, 25 states must pay an extra \$2 billion in federal unemployment taxes levied on employers, an increase of 30 percent over 2010.⁴⁵

We all have an interest in not seeing the cost of hiring workers rise as firms struggle to ramp up hiring, but we also need to make sure that the unemployment insurance system has the integrity to continue to act as an important automatic stabilizer. Recent analysis shows that this system generated significant positive economic effects and kept unemployment from rising to more than 11 percent.⁴⁶

Stop adding to the problem: If someone has a job, help them keep it

One of the striking things about the Great Recession is that the market for job seekers is the worst in generations. The best thing to do for the long-term unemployed is to make sure our economy stops creating unemployment. A key piece of that is to keep recovery dollars flowing until the economy recovers. Here are three tested policies to focus on:

Aid to the states. Reductions in government spending are not only dragging down U.S. economic growth, but also reducing overall employment. Reductions in government spending pulled down U.S. economic growth by 0.1 percent over the fourth quarter of 2010. The recession has had a devastating impact on states' fiscal health. Unlike the federal government, states cannot deficit spend and have to make difficult choices amid declining revenue and a weak economy. According to the Center on Budget and Policy Priorities, "Thus far some 44 states and the District of Columbia are projecting budget shortfalls totaling \$125 billion for fiscal year 2012." If nothing is done, this will be the worst year on record for state budgets and it comes on top of sharp lay-offs over the past years.⁴⁷

This has negatively impacted the job market: In January, local governments shed another 10,000 jobs, for a total of 366,000 since their peak in September 2008, nearly three-quarters of which were jobs held by women. State governments shed 2,000 jobs in January and 69,000 since their peak in September 2008.⁴⁸ As of January 2011, 39 percent of those unemployed who had jobs in the public administration industry have been out of work and searching for a job for at least six months.⁴⁹

Simply put, schools are laying off teachers, public universities are trimming their staffs, and community colleges are cutting back. These cutbacks are one of the most unfortunate outcomes of the fiscal crisis precipitated by the Great Recession and constitute not just lost jobs now, but also eventually worse educational outcomes for tens of millions of students across the country—consequences that will have long-term negative effects on the economy.

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Helping state and local governments and school districts boasts clear advantages over many of the alternatives. First, the added resources will immediately and directly boost employment in a very hard hit sector. Distinct from the private sector, job cuts are being forced exclusively by impossible budget situations, not by a lack of demand for services. Ameliorating those budget dilemmas will result in more jobs. Second, additional aid will prevent further cuts to state and local education systems—investments that will pay dividends far beyond the current recovery.

Work-sharing. When businesses need to cut back on staffing, they have two options: lay off workers or reduce hours. There are strong incentives in our labor market to simply lay off workers—benefits are often tied to the worker, not their hours.

Currently, 17 states have opted into the “short-time compensation” or “work-sharing” program within their unemployment insurance system, which allows workers to receive partial benefits from the unemployment insurance system if their hours have been reduced, not just if they lost their job or their pay is reduced. The unemployment insurance system also provides partial benefits to workers whose wages have been cut (including due to working part-time), but the thresholds are fairly low. The unemployment benefit is typically equal to the difference between the weekly benefit amount and earnings, and all states disregard some earnings as an incentive to take short-time work.⁵⁰ Mark Zandi estimates that the multiplier for the short-term compensation program would be relatively high: for every dollar spent on the program, \$1.69 would be added to our economy’s output.⁵¹

Short-term compensation or work-sharing proposals have been garnering wider support over the past year.⁵² New evidence from Germany shows that “short-term work programs,” which encourage employers to reduce hours rather than lay off workers, can significantly reduce unemployment. While output fell more in Germany during the Great Recession than it did in the United States (through winter 2010), the German unemployment rate actually *decreased*, while the U.S. unemployment rate has risen 4 percentage points. Recent research by the International Monetary Fund points to the importance of the massive expansions to Germany’s short-term work program (*Kurzarbeit*), which led to hours reductions but not unemployment.⁵³

These findings are not directly applicable in the United States as the program was implemented in largely union settings, but it should encourage Congress to examine this kind of policy. Congress should promote nationwide implementation of the short-term compensation program by encouraging the Department of Labor to provide clear guidance on the program and encourage more states to adopt it.⁵⁴ Congress could adopt a technical amendment as part of an extension of the federal Emergency Unemployment Compensation program or another vehicle. Enactment of an amendment would send a clear signal that states should adopt short-time compensation laws as an option for employers.

Help the unemployed beat the odds and find a new job

The literature is clear: The long-term unemployed suffer greater and are at risk of never regaining as strong a foothold in the labor market. Many who cannot find work will end up moving from unemployment benefits to Social Security Disability Insurance, an even greater likelihood if unemployment benefits for the long-term are not restored.⁵⁵ Especially for younger workers, the

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lifetime costs of unemployment can be startlingly high. There are ways that Congress has and can continue to help:

Reinstate TANF Emergency Funds. This program was funded through the American Recovery and Reinvestment Act but expired on September 30, 2010. It led to partnerships with the business community to create 250,000 new jobs for low-income and long-term unemployed workers. Extending this program for another year would continue to create thousands of jobs for long-term unemployed workers. The TANF Emergency Fund gave states over \$1 billion to operate subsidized jobs programs and promoted public-private partnerships. This program was implemented in states with both Democratic and Republican governors, with much success. Texas, for example, created nearly 40,000 jobs with this program.⁵⁶

Recent polling shows that 8-in-10 voters favor Congress continuing to fund the TANF Emergency Program, which was described in the poll as “states partnering with the private sector to create temporary subsidized jobs to move low-income parents from welfare to work.”⁵⁷ Congress should refund this program and put people back to work.

Promote successful vocational programs. There are successful models for how community colleges can partner with the private sector to create vocational programs that work. To train the next generation of workers, we need to make sure that our educational institutions are adequately addressing the real training needs of employers. One way to do this is through the “new vocationalism” movement, which seeks to integrate vocation and employment-oriented goals in academic educational programs. A key way that this has been happening around the country is through partnerships between community colleges and businesses.⁵⁸

There are a variety of success cases and recommendations that policymakers “promote systematic innovation by reviewing federal, state, and local finance and regulation to facilitate the ‘good practice’ innovations.”⁵⁹ Federal and state policy makers can ensure that formula funding streams and regulations do not stifle good practice when partners are building an alternative education program; use competitive grant funds to promote partnerships that emphasize sustainable, systemic change; and continue to emphasize desired student outcomes to keep community colleges and partners focused on innovation. Policymakers should also look at what tools and information we need to really measure the value of good practice and gather the data needed to make it an evidence-based best practice.⁶⁰

Invest more in national service programs such as AmeriCorps, VISTA, YouthBuild, and the youth service and conservation corps, which could create full-time positions for young people. These investments would in most cases be paid for jointly, by public and private resources. Investing \$830 million in fiscal year 2011 could create 60,000 jobs. Most of these jobs would be in nonprofit organizations.⁶¹

Invest in a summer youth employment program. The summer youth employment program does more than provide hundreds of thousands of youth with seasonal employment opportunities; it has the potential to change the long-term employment prospects of disadvantaged youth who might otherwise be disconnected from the labor market. Youth get the experience and support they need to access entry-level jobs as they transition to adulthood through training in hard and soft jobs skills and exposure to services offered by community organizations.

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Improve employment services. Research shows that employment services and job search assistance can be helpful to unemployed workers.⁶² Currently, the Workforce Investment Act systems are not designed to stay with a worker over time; they are instead focused on quick job placement. For the long-term unemployed, it may be challenging to get them into a job quickly and Congress should provide the one-stops with flexibility and funding to provide professional career counseling services.

Improvements to employment services can be done through WIA and Wagner-Pizer Act funding. One idea is to require that one-stop career center partners include opportunities to provide career guidance across agencies as part of their Memorandum of Understanding for co-location at the center.⁶³ The Department of Labor's new website, www.mynextmove.org, seeks to help workers identify career paths and skills necessary, though an interactive web-based tool.

Conclusion

I'd like to come back to the question of: Are we doing everything we can to help the unemployed find jobs? Earlier this week, in the *Financial Times*, Congressman Darrell Issa (R-CA) made the case that "President Barack Obama's \$814bn economic expansion has woefully failed to reach each of its self-imposed targets."⁶⁴ The economy has not come back to full employment, which is clearly a goal that we all share. But the reality is that employment has not returned not because we acted together as a nation to address high unemployment, but because we did not act enough.

The nearly 14 million people out of work today would be better off if we used our nation's resources to spur, not halt, economic growth. We now know that the perception of prosperity in the 2000s was in many ways a mirage. The housing bubble and financial innovations and the Great Recession masked deeper structural problems. The housing bubble, rapid growth of the real estate and financial sectors, and debt-fueled growth during the Bush era masked what were otherwise largely negative trends for American workers.

We continue to live in one of the richest nations on the planet. We have the resources to solve problems that we decide to solve. We've had enough money to give billions away in tax cuts for the very wealthiest among us. And yet, we seem to have lost our can-do conviction that the economy can indeed improve, that we can again create good jobs for all who need them. There appears to be a growing acceptance that slow job creation is "just the way things are." A growing fatalism convinces us that the economy will be stuck at the bottom for quite some time.

These diminished expectations aren't merely evidence of a national funk; they also pose a real threat to our economy—not just by making businesses and consumers less willing to invest in the future, but also by letting elected officials off the hook. We need greater investment to bring down unemployment, but the widespread idea that we are doomed to austerity gives policymakers an excuse not to tackle the problem.

In closing, I would like to underscore the urgency of Congress continuing to address long-term unemployment. In May 2010, Christine Romer, then-chair of the Council of Economic Advisers said:

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It would be penny-wise but pound-foolish to try to deal with our long-run problem by tightening fiscal policy immediately or foregoing additional emergency spending to reduce unemployment. Immediate fiscal contraction would inevitably nip the nascent economic recovery in the bud—just as fiscal and monetary contraction in 1936 and 1937 led to a second severe recession before the recovery from the Great Depression was complete. And nothing would be more damaging to our fiscal future than a protracted recession and permanently higher unemployment.⁶⁵

Addressing the deficit is certainly an important concern, but economists are largely in agreement that cutting back on government spending before the recovery has fully taken hold is not the right policy. In fact, it could exacerbate unemployment. Record-high long-term unemployment will remain until employers begin hiring in much larger numbers than they are today. Because we are in the unusual situation of a recession following a financial crisis and because policymakers have already tapped into expansionary monetary policy as far as they can, using the “power of the purse” is necessary to push the economy into a self-sustaining recovery. If we do that and lay the foundation for a strong recovery, we will be in a much better situation to address the deficit in the years to come.

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Chairman DAVIS. Thank you for your time with us, Dr. Boushey.
 Mr. Holmes.

STATEMENT OF DOUGLAS J. HOLMES, PRESIDENT, UWC-STRATEGIC SERVICES ON UNEMPLOYMENT AND WORKERS' COMPENSATION

Mr. HOLMES. Thank you.

Chairman Davis, Ranking Member Doggett, Members of the Subcommittee, I am Doug Holmes, President of UWC-Strategic Services on Unemployment and Workers' Compensation. We are a national organization representing business, particularly in research and policy related to unemployment and workers' compensation.

Thanks to you, Mr. Chairman, for your leadership in scheduling this hearing so early in the session to enable a fresh analysis on the heels of recent unemployment data from the Department of Labor and the Bureau of Labor Statistics.

As the economy turns a corner to recovery, new strategies are needed to address lingering high unemployment rates and continuing large numbers of long-term unemployed claimants. The new year calls for new solutions to match the problems at hand. The following observations will help frame the discussion.

First, the unemployment rate remains too high. Job openings are lagging the recovery. The number of mass layoffs has fallen. The number of initial applications for State unemployment compensation is declining, and the 4-week moving average of 415,500 initial claims is getting close to the 400,000 mark that is generally indicative of nonrecessionary periods. Total unemployment rates vary considerably State by State. We have 10 States that have unemployment rates of less than 7 percent, and we have 10 States with 10 percent or above.

Employers who plan to hire new employees are still uncertain, however; and in addressing how to help Americans find jobs really three steps should be taken:

First, encourage job creation by avoiding increases in the cost of hiring and employment; second, encourage unemployed workers to seek and accept work that is available in the marketplace; and, third, improve the efficiency of the system to match unemployed workers with jobs that are available in the marketplace.

This three-pronged approach removes barriers to job creation and encourages the more active and efficient matching of workers seeking work and employers filling employment needs.

First prong, reduce the cost of hiring and employment. State unemployment insurance taxes as a percent of total wages increased on average from 2009 to 2010 by 34 percent, with larger increases expected for 2011 and 2012. Special State taxes paid by employers to repay Federal interest on loans are also increasing. Thirty-one States and jurisdictions have outstanding loans of \$42.4 billion; and \$1.3 billion in interest is due this year on September 30, with more than \$1.6 billion continuing to be due on an annual basis.

FUTA taxes are increasing. Employers in Indiana, Michigan, and South Carolina have already been required to pay increased FUTA taxes for 2009 and/or 2010; and employers in 21 additional States will be subject to an increased FUTA tax for 2011. The increased tax is projected to cost employers approximately \$2 billion for 2011 and \$4 billion for 2012. Congress should, in response to this first

issue, provide a waiver of the interest on loans to States to pay unemployment compensation for 2011 and 2012 and also waive the FUTA offset credit penalties for 2011 and 2012.

Second prong of the three-pronged strategy: encourage unemployed workers to seek and accept work. In a recent survey of State unemployment insurance agencies, 39 States reported broad exceptions to the general work search requirements, and one State reported that it had no work search requirement at all. The exceptions have in many cases consumed the rule. Individuals in many States may be able to apply online, submit claims for unemployment compensation online with electronic self-attestation of their work search activities, and have benefits directly deposited into their bank accounts. The entire application and weekly claims payment process may be completed with very little contact by the claimant with a one stop or employment services office.

Work search requirements for Federal programs and standards for State work search requirements should be enacted to send the appropriate signal to claimants that active work search efforts are expected and required.

The Federal extended benefit program should also be reformed to identify areas where emergency and extended benefits might be curtailed to save some important dollars in target money appropriately.

Finally, the third prong is to implement initiatives and provide services that are most effective in assisting unemployed workers in returning to work. Such programs have been described. Utah and Texas are good examples of this.

Thank you very much.

[The prepared statement of Douglas J. Holmes follows:]

Prepared Statement of Douglas J. Holmes President, UWC-Strategic Services on Unemployment & Workers' Compensation

Chairman Davis, Ranking Member Doggett, and Members of the Subcommittee on Human Resources, thank you for the opportunity to testify on the topic of improving efforts to help unemployed Americans find jobs.

I am Douglas J. Holmes, President of UWC-Strategic Services on Unemployment & Workers' Compensation (UWC). UWC counts as members a broad range of large and small businesses, trade associations, service companies from the Unemployment Insurance (UI) industry, third party administrators, and unemployment tax professionals. The organization traces its roots back to 1933 at the time when unemployment insurance was first being considered for enactment.

Thanks, Mr. Chairman, for your leadership in scheduling this hearing early in the Congressional session to enable a fresh analysis of the economy on the heels of recent unemployment and jobs information released last week by the U.S. Department of Labor and the Bureau of Labor Statistics. As the economy turns the corner to recovery, new strategies are needed to address lingering high unemployment rates and continuing large numbers of long term unemployed claimants. The new year calls for new solutions to match the problems at hand.

The following observations and data may help frame the discussion.

The Unemployment Rate remains too high. In a December 2010 Issues paper prepared by James M. Borbely, an economist in the Division of Labor Force Statistics, Office of Employment and Unemployment Statistics, U.S. Bureau of Labor Statistics (BLS), Mr. Borbely provides a revealing comparison of the impact of the 2007–2009 recession and the previous four recessions with respect to the proportion of the labor force that is unemployed.

For the first 8 months of all five recessions, the unemployment rate followed a similar upward trend, increasing by about 1 percentage point. During the 2007–09 recession and the two long recessions of the 1970s and 1980s, the unemployment rate increased by an additional 3 percentage points or so during the next 8 months of the downturn. However, after 16 months, the similarity disappears as the unem-

ployment rate in the 2007–09 recession continued to trend upward for several months. The 2007–09 recession ended in June of 2009, the trough of the high unemployment rate following the recession was 10.1 percent in October of 2009. It has now been 16 months since the trough of high unemployment yet the unemployment rate remains much higher than at this time during any other of the post recession periods since the 1970s.

Job openings are lagging the recovery. The number of job openings reported by the Job Openings and Labor Turnover Survey Highlights published by BLS on January 11, 2011 shows that job openings declined to their lowest point one month after the end of the recession in July of 2009 and employment levels declined through December of 2009. Since that low point job openings and employment have trended up, but the number of hires only increased by 9 percent from June of 2009 to November of 2010. Hires totaled 4.2 million in November.

The number of mass lay-offs has fallen. The number of mass layoffs reported by BLS for December 2010 decreased from the prior month and reached its lowest level since April 2008. The number of mass lay-offs fell from 2009 to 2010 for temporary help services, school and employee bus transportation, motion picture and video production, professional employer organizations, automobile manufacturing, and discount department stores.

The number of initial applications for state unemployment compensation is declining. The number of initial state applications has dropped from 682,176 at the end of January of 2009 to 490,000 in 2010 and now to 415,000.

Despite the reduction in the number of initial applications, the number of ongoing federal and state unemployment compensation weekly claims remains much higher than at this point after any of the previous recessions. The series of federal measures taken to enact emergency unemployment compensation, additional compensation, relaxation of the triggers for extended benefits, and incentives to states to expand benefits enacted in the American Recovery and Reinvestment Act (ARRA) have resulted in a much larger number of unemployment claims being filed and unemployment compensation paid than any of the prior four recessionary periods. We now have 14 million unemployed individuals, and of those claiming unemployment compensation the average duration of claims is more than 34 weeks.

Total unemployment rates vary considerably state by state. The industrial mix and volatility of the local economies in the states varies considerably. Ten states; Hawaii, Iowa, Kansas, Nebraska, New Hampshire, Oklahoma, South Dakota, Vermont, Virginia and Wyoming, have three month total average unemployment rates of less than 7.0%. Ten states; California, Florida, Georgia, Kentucky, Michigan, Nevada, Oregon, Rhode Island, and South Carolina have unemployment rates of 10.0% or above.

Employer plans to hire new employees are still uncertain. The results of the monthly January economic survey conducted by the National Foundation of Independent Business (NFIB) showed that 11 percent of business owners reported increasing employment at their firms by an average of 2.8 workers while 15 percent reported reducing total employment an average of 2.9 workers per firm. Improved confidence on the part of small business owners is critical to new job creation.

In addressing how to help Americans find jobs, three steps should be taken; (1) encourage job creation by avoiding increases in the cost of hiring and employment, (2) encourage unemployed workers to seek and accept work; and (3) improve the efficiency of the system to match unemployed workers with jobs available in the market place.

REDUCE THE COST OF HIRING AND EMPLOYMENT

It is generally recognized by economists that increasing taxes during a period of nascent economic recovery is counterproductive. Congress as recently as December reduced the social security payroll tax to help spur the economy. Despite widespread recognition that now is not a good time, there are a number of automatic tax increase provisions in federal and state law that have begun to increase state and federal unemployment taxes paid by employers. These increases come at the very point in the economic cycle that such increases impair employers' ability to hire employees.

State unemployment taxes are dramatically increasing. State UI taxes as a percent of total wages increased on average from 2009 to 2010 by 34% with larger increases expected for 2011 and 2012 as states and employers in many hard hit states struggle to restore solvency to state unemployment trust funds that have been savaged by the recession and historically high unemployment claims loads.

Special state taxes paid by employers to repay federal interest on loans are increasing. States with outstanding loans with the Federal Government

through Title XII of the Social Security Act, effective January 1, 2011 are required to pay interest on the loans as a condition of receiving administrative funding for the UI program and as a condition of employers in the state receiving the normal state offset against the Federal Unemployment Tax (FUTA).

The first statutorily required payment is due on or before September 30, 2011. As of February 3, 2011, thirty-one states and jurisdictions had outstanding loans of \$42.4 billion. States and/or employers in the following states will be impacted with interest charges; Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Virgin Islands, Virginia, and Wisconsin.

Interest due to be paid on these loans is estimated on an annual basis to exceed \$1.6 billion with the amount to be paid by September 30th of approximately \$1.3 billion. Much of this cost will be paid by employers through increases in existing or new special state payroll taxes. The additional tax on payroll will add to the already dramatically increasing state unemployment taxes and discourage the creation of jobs in 2011 and 2012.

FUTA taxes are increasing. Employers are required to pay automatic increases in the Federal Unemployment Tax in states with outstanding federal loans. Employers in Indiana, Michigan and South Carolina have already been required to pay increased FUTA taxes for 2009 and/or 2010, and employers in twenty-one additional states, including Alabama, Arkansas, California, Connecticut, Florida, Georgia, Idaho, Illinois, Kentucky, Minnesota, Missouri, North Carolina, New Jersey, Nevada, New York, Ohio, Pennsylvania, Rhode Island, Virginia, Virgin Islands, and Wisconsin will be subject to an increased FUTA tax for 2011. The increased tax is projected to cost employers approximately \$2–3 billion annually for 2011 and 2012.

It is no wonder that employers are hesitant to take on the additional cost of hiring additional employees given the increases in unemployment insurance related payroll taxes and uncertainties as to the cost of doing business. A coordinated effort on the part of the states and the Federal Government is essential in response to the skyrocketing taxes.

Provide short term relief from Federal Unemployment Tax Penalties

Congress should (1) provide a waiver of the interest on loans to states to pay unemployment compensation for 2011 and 2012, and (2) waive FUTA offset credit penalties for 2011 and 2012.

These steps will reduce the cost of hiring that would otherwise automatically increase without action by Congress.

ENCOURAGE UNEMPLOYED WORKERS TO SEEK AND ACCEPT WORK

The number of unemployed workers being hired is not large enough to significantly reduce the total unemployment rate or the number of long term unemployed workers. This suggests a solution that stresses not only the creation of new jobs but unemployed workers must be more actively engaged in searching for and accepting work that is available in the labor market and/or choose the training needed to obtain the skills and abilities that are in demand in the new economy.

Some of the federal funds projected to be spent on additional weeks of emergency or extended unemployment compensation at this point in the recovery may actually produce a disincentive for active job search. The addition of 13 weeks of federal extended benefits is generally recognized by the Congressional Budget Office (CBO) as having the effect of increasing the duration of state unemployment compensation on average by more than two weeks.

There are record numbers of long term unemployed, many of whom are being paid emergency unemployment compensation and extended benefits. The U.S. DOL report for the week of January 15, 2011, shows 3,653,080 individuals were paid EUC and 898,381 were paid regular extended benefits.

In a recent survey of state unemployment insurance agencies conducted for UWC by the National Foundation for Unemployment Compensation and Workers' Compensation, 39 states reported exceptions to the general work search requirements and one state reported that it had no work search requirement as a condition of eligibility for unemployment compensation.

Exceptions to work search requirements ranged from a general exception when the state unemployment rate exceeded 8.5% to situations where individuals are attached to prior employment and expect to return to work, seek work through hiring halls or temporary services, are in approved training, or are between terms of employment for a seasonal employer.

The advent of claims systems designed to enable easier claims processing and faster payment, unfortunately, has resulted in a lower degree of verification of individuals actively seeking work as a condition of weekly payment. Although millions of individuals are filing tens of millions of weekly claims, there are very few individuals who anticipate that their claims will be denied for failure to seek work. Individuals in many states may be able to apply on line, submit claims for unemployment compensation on line with electronic self-attestation of their work search activities, and have benefits directly deposited into their bank accounts. The entire application and weekly claims and payment process may be completed with very little contact by the claimant with a one-stop or employment services office.

Increase Job Search Requirements and Reform Federal Extended Benefit and Emergency Programs

Work search requirements for federal programs and standards for state work search requirements should be enacted to send the appropriate signal to claimants that active work search efforts are expected and required as a condition of receiving unemployment compensation. Work search efforts should be recorded and verifiable.

The federal extended benefit program should be reformed. The circumstances under which federal extended benefits are triggered “on” and “off,” the circumstances under which a federal “emergency” program might be needed, and the conditions of receiving extended weeks of unemployment compensation should be reformed to more effectively target funding and respond to the needs of individuals in finding jobs.

Improve the Integrity of the UI Program

Creating a culture of personal responsibility and accountability is extremely important in assuring that funds available for unemployment compensation are properly paid and individuals for whom the program is dedicated properly receive benefits. According to CBO total state and local unemployment compensation payments jumped to \$120 billion in 2009, \$159 billion in 2010 and payments are estimated to be \$129 billion for 2011. With overpayment rates currently of approximately 10%, the amounts available for collection have increased to \$12–16 billion per year.

In 2010, Congress recognized the need to provide new tools to identify and collect the growing amount of overpayments by enacting the Claims Resolution Act of 2010 (HR 4783). The new law provides new reporting requirements to capture the new hire date of individuals as part of the National New Hire system. This data will enable states to better identify specific weeks for which individuals are being paid wages while claiming unemployment compensation, reduce fraud and increase recovery. The new law also included provisions to enable the offsetting of income tax refunds with outstanding unemployment compensation overpayments.

These new tools are projected to save \$2.4 billion over ten years, but the improved savings will only be realized if administrative funding is provided to properly implement these new tools and other integrity measures. Additional administrative funds for integrity functions are needed not only to be able to combat fraud and to recover overpayments but also as a tool to send a signal to claimants of the need for personal accountability in claiming unemployment compensation and actively seeking work as a condition of being paid unemployment compensation.

IMPLEMENT INITIATIVES AND PROVIDE SERVICES THAT ARE MOST EFFECTIVE IN ASSISTING UNEMPLOYED WORKERS IN RETURNING TO WORK

It has been well established that effective job search reduces the number of weeks that individuals remain on unemployment compensation and serves to more quickly fill the staffing needs of employers. The use of web based job search systems and public/private partnerships has demonstrated that greater efficiency and effectiveness in job search can be a win/win by reducing the duration of unemployment compensation, and returning unemployed workers to the workforce more quickly.

The population of long term unemployed workers is not monolithic. Long term unemployed claimants are broadly representative of the workforce and different strategies are needed for the variety of individuals and their barriers to employment.

The Reemployment & Eligibility Assessment Program (REA) is currently provided with a small amount of federal funding to promote rapid reemployment of UI claimants, reduce overpayments and cost-savings for the UI trust fund. The REA combines in-person interviews with assessment of individual claimant skills and abilities, labor market information and the development of a work-search plan. The REA program has been demonstrated in many states to reduce the duration of unemployment for individuals participating in the program and should be expanded as a priority to additional claimants.

Implement Effective Reemployment Initiatives

An analysis of the makeup of the 4.4 million long term unemployed claimants and those who are likely to exhaust unemployment compensation who are currently claiming state unemployment compensation is needed at the state and one-stop local area level to determine the most effective ways to assist them in returning to work.

Once there is a determination of the size of the population to be served and an evaluation of resources needed, assessments of workers should form the basis on which to determine whether the individuals are in need of additional job search, training, and/or support services.

The publicly funded workforce system in place today is limited in its capacity, and an effective plan must combine public as well as privately funded services, and an emphasis on active work search, reemployment services, targeted training and incentives to create jobs.

The leveraging of public funding across program areas as well as private funding driven by employers who are making hiring decisions can be extremely effective in developing the training and support needed to return unemployed workers to work.

UWC supports the continued use of reemployment rate measures by the U.S. Department of Labor as part of the evaluation of the UI system. The goal of employment security should be employment, and performance measures should reflect this priority.

Promote Targeted Employment Based Training

The assessment and referral to training and placement of unemployed workers can be effective in enabling workers to find new work. Employer based programs, such as customized training, on the job training, and programs such as Georgia Works that permit individuals to work as employees or trainees in anticipation of long-term employment are the most effective in moving unemployed workers into training which is likely to lead to employment.

Active participation by employers is the key to successful training as employers ultimately make the hiring decisions. Targeted initiatives in the areas of health services, manufacturing, and other growth areas make sense in the current economy as a way to meet employer needs and to reduce unemployment.

Individuals qualifying for unemployment compensation benefits typically have work experience and training from prior work that enables them to find similar work. However, particularly during a long term recession such as we have experienced, a larger number of individuals become structurally unemployed and may find themselves with skills that are no longer in demand in the labor market.

These individuals may require services well beyond the temporary partial wage replacement provided by the UI program and job search services, and are best served in partnership with private and public programs. Trade Adjustment Assistance and the Workforce Investment Act provide a broader array of support services, assessment, testing, skills training, and referral services.

Keep the Role of the UI program Focused on Returning Unemployed Claimants to Work.

A long list of social safety net programs and services has been established since unemployment insurance was enacted in 1935. The list includes TANF, TAA, WIA, SNAP, Medicaid, Medicare, heating assistance, subsidized housing, subsidized child care, subsidized health care, and earned income tax credits. Many of these programs include a cash assistance component.

Unemployment Insurance is the primary social safety net program targeted in providing economic security for individuals who rely principally on their employment and wages for support. The role of the program is to provide short term support for individuals as they search for work after becoming unemployed through no fault of their own. The program is not designed or funded to provide support payments over extended periods of time. The goal of the system must be the efficient and effective return of claimants to work.

In developing plans to assist long term unemployed workers in returning to work, the UI program should be used in conjunction with workforce programs dedicated to provide job search, reemployment and training services that may be funded from other sources but are aligned to provide economic security and effective workforce services to the benefit of the individual, employers, and economic development.

CONCLUSION

Assisting more than 4.4 million unemployed claimants in finding employment is a tremendous challenge that calls for the effective use of federal and state resources across a range of social service programs as well as the active participation of em-

employers and individual unemployed workers. In developing strategies to assist unemployed workers there must first be job creation to provide employment opportunities.

Now is not the time to increase payroll taxes and Congress should act to provide relief from Title XII interest and FUTA tax penalties in 2011 and 2012 to encourage job creation in the private sector.

Federal extended benefit and emergency programs should be reformed to better target benefits while increasing the emphasis on work search and reemployment services.

States should be properly funded to work with unemployed workers and employers to improve initiatives and services designed to return unemployed claimants to work. The REA program, job search services, assessment and referral techniques, and improved integrity should receive priority funding with the expectation that there will be a quantifiable reduction in the duration of unemployment compensation and an increase in the number of unemployed claimants referred and hired.

Training initiatives should be closely coordinated with employers in developing customized training, OJTs, apprenticeships and other employer based training that leads to employment.

Training and services provided for unemployed claimants should also be coordinated with providers in the private sector and with other workforce programs aligned to put claimants back to work.

Chairman DAVIS. Your time has expired. Thank you.

We will turn to questions now. I will begin the questioning with Mr. Holmes.

I know that you reviewed the administration's unemployment tax increase proposal regarding the moratorium and the pickup in 2014, and I have seen your testimony that supports short-term relief of State and Federal tax hikes associated with Federal UI loans to the States. If relief is provided to States now, should it be paid, in your opinion, paid for by raising taxes higher in future years or by cutting spending?

Mr. HOLMES. Thank you, Mr. Chairman.

I really think that the time to examine spending levels in extended benefits and EUC has come in light of the change in the circumstances in the economy. I think we should note that the Federal unemployment tax that funds the EUC account which funds extended benefits is in deficit and is borrowing right now. So for each additional dollar that is paid in extended benefits or EUC, we add another dollar to the Federal deficit. I think we should look at the spending side first before we move to looking at any tax.

Chairman DAVIS. Where would you look in terms of any spending?

Mr. HOLMES. I think as we look at the data State by State and look to what are the labor markets in States that are growing, where there are opportunities for work, those are States where you could curtail some of the additional weeks of extended benefits and maybe move some of that money over to other activities that would push people into work or encourage them to work. But I think those would be the places to look.

Chairman DAVIS. Following on that point, under today's rules, people in States with an unemployment rate of 6½ percent are guaranteed 86 weeks of benefits. Meanwhile, people in States like Nevada, with unemployment rates twice that level, qualify for only 13 more weeks of benefits, a total of 99 weeks. From a cost standpoint, only 19 percent of emergency extended benefit payments are targeted to the high unemployment States, with the remaining 81 percent provided without regard to the State unemployment rate.

Do you feel it makes sense to pay benefits this way or should they be better targeted to where unemployment is the highest?

Mr. HOLMES. I very much agree we should be targeting to where the unemployment is higher, because that is where the need presents itself more acutely. I would say a targeting approach makes better sense.

Chairman DAVIS. What do you think would be gained by that from a standpoint of taxes and job creation?

Mr. HOLMES. When you look at the entire package of initiatives, first of all, it enables the relief from tax that I talked about, which enables businesses to make the decision to hire more people, which reduces unemployment compensation. And, also, it targets more effectively—whether it is work search or training, you can target dollars more effectively to move people into jobs that are available in the economy.

Chairman DAVIS. Thank you very much, Mr. Holmes.

I am trying to lead from the front with the example of brevity equals elegance due to the challenges that we have had.

Mr. DOGGETT.

Mr. DOGGETT. Thank you. I will follow your excellent leadership in that regard.

Mr. Holmes, do you feel that cutting job training funds will be helpful to the efforts of getting the unemployed back to work?

Mr. HOLMES. I think that the question of training again is a matter of targeting the training to employment. So the question really should be how are we—

Mr. DOGGETT. Do you think we can cut the overall level of job training funds and still come out ahead with regard to unemployment?

Mr. HOLMES. Again, I think it is how you target the funds that are available.

Mr. DOGGETT. Ms. Cox, how do you feel about cutting job training funds?

Ms. COX. Well, two things on that piece. First, when you talk job training funds, when you talk cutting, I would say first it is flexibility right now. States have to deal with formulas set up by the Feds of where we can allocate those resources between youth, dislocated workers, and adults.

So I have already very little funds in that area, almost 7 million, and almost half of that is for youth. I have got kids, would love my kids to work. But when we are talking about dislocated workers, my first preference would be that we have that ability to switch funds between youth, dislocated workers, and adults.

Mr. DOGGETT. So you don't want to see your total amount of funds cut, you want flexibility in how they are used?

Ms. COX. I would say we are already struggling with training dollars. But I always think there are efficiencies. Right now, when I look at the bureaucracy in terms of system design, I do think there is some waste. I don't think we would want to cut training dollars, but I think we would want to look at system design and cut where the waste is and try to leave the resources for training there as much as you can. But I would certainly not be opposed to reducing bureaucracy.

Mr. DOGGETT. If you can identify any specific areas of waste after your testimony to supplement that, I think we would all like to have it.

Ms. COX. Sure. We have some ideas.

Mr. DOGGETT. We all want to ferret out waste.

[The information follows:]

Mrs. Kristen Cox, Executive Director, Utah Workforce Services

While the Workforce Investment Act provides critical services for America's workforce, its effectiveness can be hampered by overly restrictive requirements or outdated business processes. It is designed—like most mandates—through a focus on policy and oversight rather than on effective system design.

Integrating policy with efficient business process design and a focus on outcomes would eliminate waste and provide more value to the customer while maintaining funds for job training and related activities. What follows are a few recommendations to eliminate waste and improve the system. These, and other similar recommendations Utah is considering internally, take into account wasteful activities such as unnecessary hand-offs and time spent on approvals, reworks, and duplication—just to name a few.

National Emergency Grants

Allow states to retain more resources to respond to emergency lay-offs as compared to the current National Emergency Grant process. Today, it can take months for a state's NEG request to be approved—preventing states from responding to lay-offs when the need is greatest.

Data Validation

The level of effort required to provide data validation is not worth the limited benefit. Data validation of 800 cases does provide limited case trend information, but a smaller case sample—100, for example, would provide basically the same information. Over a two month period, a total of six to eight staff are dedicated to a process that produces limited results or outcomes. For data validation to have this kind of impact for a small state like Utah implies that the national implications are significant. The effort required from DOL for data validation far exceeds the dozens of other programs administered by the Department of Workforce Services.

Flexibility between Funding Streams

Current funding formulas require states to spend an allocated dollar amount within a specific training category, i.e., youth, dislocated worker, and adult. If there is a greater need in one category than another, we are unable to transfer funds between the youth category and the adult/dislocated worker categories. There have been instances when funds have gone unspent in one category and could have been used in another. States should be given the flexibility to use funds based on local economic need.

Verification of Social Security Numbers and Information

DOL has not taken the lead in coordinating the electronic verification of social security information. Manually providing the data incurs a great deal of waste in time and effort. States currently obtain social security information in an electronic format for other programs such as TANF and SNAP, but DOL training programs are behind the times in allowing the electronic verification of social security information.

Consolidation of the Trade Adjustment Act with WIA Training Programs

Training programs authorized under TAA ultimately benefit the same individuals served under WIA. Case in point: regardless of whether a worker lost his/her job because of work going out of the country or because of downsizing, the result is the same—a lost job. Allowing a state to integrate the funding and reduce duplicative administrative functions would improve efficiency and create equity among customer groups currently being served under different programs.

Many other areas could be improved such as the grant process, reporting, and state plan requirements. With the right focus and design thinking, WIA could become a much leaner and efficient program and significantly impact America's competitiveness.

Mr. DOGGETT. Dr. Boushey, I think there is some merit to the approach that Commissioner Pauken has described in the Texas Back to Work Program, but I have some concerns going forward

about financing it by taking money from extended unemployment benefits. I wonder if you might respond with your opinion on that.

Ms. BOUSHEY. I think there are a couple of issues.

First off, the money that goes out for the unemployment insurance system is supposed to help folks who are unemployed while they job search. And so certainly we both want them to be job searching, but we need to make sure that the solvency and that those funds are still being used for the unemployment insurance system. We have already heard up here today that there are a number of problems with the system. Most of the States are solvent. It doesn't seem to make a lot of sense to take moneys from a system that already is having trouble to put it towards something else.

I think that is connected to the conversation that the House is also having about whether or not you want to cut those job training programs. It doesn't make sense to cut those training programs in half. You are sort of robbing Peter to pay Paul, if you will.

But I also think that there are a couple of things. While training programs are certainly important and we need to get folks into them, we need to make sure that we are training people for both jobs that exist and that we are recognizing the demand problem in front of us.

One of the things about the labor market right now is it is not the case that every worker that is unemployed needs to get their high school diploma or needs vocational training. When you look at the long-term unemployed, for example, unemployed managers make up 1 in 10 of the unemployed. Forty-six percent have been searching for a new job for at least 6 months. But among construction workers, only 1 in 14 of the total unemployed, only 36 percent have been searching for a job for at least 6 months. So it is not the case. Those folks who are disproportionately long-term unemployed are in fact in managerial occupations and other occupations where a GED or vocational training may not be appropriate.

I think your point that you made at the very beginning, the problem isn't the unemployed, it is unemployment. We need to focus on demand as a key part of this issue.

Mr. DOGGETT. I know we won't confront each other about these points, but specifically on the issue of the half a billion dollars of unemployment funds Texas did not take, didn't your office as well as the legislative budget board determine that for almost the next decade there would be no additional burden on the State of Texas by taking those funds.

Mr. PAUKEN. Congressman Doggett, we were prepared to—in fact I came up to Washington last year, met with some members of the Texas delegation to devise a program whereby we would get the \$550 million, do what the Congress mandated. But at the time when the Federal money had run out, been fully exhausted, then we would be permitted to have a sunset provision. It is a simple two paragraph amendment; and, unfortunately, it got rejected.

And so the reality is that—I just think this is a matter, a philosophical matter. I think it is a move to federalize State unemployment laws; and the idea that a State is under a Federal law, even after the Federal funds have run out, I think is an overreach on the part of the Federal Government.

Mr. DOGETT. We will just agree to disagree.

Chairman DAVIS. The gentleman's time has expired.

The gentleman from Minnesota, Mr. Paulsen.

Mr. PAULSEN. Thank you, Mr. Chairman.

Mr. Chairman, as you noted in your opening statement—I was trying to ask a question of Ms. Cox and Mr. Pauken—

You noted in your opening statement there seems to have been a breakdown in recent years with our employment security systems becoming less successful at helping unemployed people find and take jobs. And in Minnesota, as a way to match employers with the unemployed, we have Minnesotaworks.net where we have over 71,000 resumes that are posted for nearly 32,000 jobs. It seems like a good start, but there is certainly more we can do to bridge the gap or repair the system, I would think. And see if you agree with that.

But, for example, should we hold States more financially accountable for helping unemployed workers find jobs? Do we have systems in place that do that today and do they work?

Ms. COX. Well, from my perspective—DOL recently I think has acknowledged that the reemployment of UI claimants is important, but there is not a real meaningful measure in place that drives States to reemploy individuals. As I said earlier, it is more by State design than it is by Federal design. UI can't do it alone.

So in your example with the job matching program, we have used Workforce Investment Act dollars, Wagner-Peyser dollars to build better technology to help match unemployed workers with jobs that actually exist in Utah. But that is because we have been able to pull funds across because they are all under my department and we have a singular philosophy. That is not always the case.

At the end of the day, it is much easier to define process and point to what people would do. I think the harder discussion is to say, what is the outcome and how do we measure it? And I think that measurement is something that you would have to look at across systems. Either you collapse the funding or you have a common measure across Wagner-Peyser, WIA, and UI so they are all responsible and play a role in the re-employment of UI claimants.

Because it really is at this point some States do it and some States don't based on the philosophical direction of the State. In my perspective, re-employing UI claimants is critical. I talked earlier with a colleague today the program shouldn't be the unemployment insurance program. It should be the insurance employment program. That should be our focus across all workforce development agencies.

Mr. PAULSEN. Mr. Pauken, would you agree?

Mr. PAUKEN. I would agree with her sentiments; and, in Texas, we do have a measurement for accountability, a 10-week measurement.

Mr. PAULSEN. Let me just follow up with you, too, because I think you described in your testimony the Texas Back to Work program in which Texas provides employer subsidies.

Mr. PAUKEN. I call it an incentive.

Mr. PAULSEN. Minnesota actually had a very similar wage program in the 1980s. And you mentioned this program saves taxpayers' money, counting all of the benefits paid and taxes not col-

lected while someone is unemployed compared to when they have a job. So could Texas use even \$1 of the Federal extended benefit funds for Texas Back to Work subsidies or incentives to get someone hired who might otherwise continue to collect Federal subsidies?

Mr. PAUKEN. We can't now, but I would like to see us have the discretion to be able to do that. It is a win-win situation because we have seen that we are hiring not only people who are on the Texas benefits but then they go on to the Federal benefits and even people who exhaust their Federal benefits. And we have seen—it is \$2,000 over 4 months, and it is for employees of modest means, people making \$15 or less, and that is a pool of 250,000 in Texas, and we are at 11. We will easily be at 25 if we get additional State funding. And if we had more discretion—and that is what we are really seeking.

I have been out of government since the Reagan administration days, and so much seems to be mandated from the Federal Government. Let the flowers bloom at the State and local level. This is working, and it is helping the people who are unemployed and helping the employers who want to provide, get people back to work and get some on-the-job training.

Mr. PAULSEN. So you would say it is a smart use of Federal taxpayer dollars to insist that they are spent on unemployment benefits instead of helping someone take a job if possible? More flexibility?

Mr. PAUKEN. Absolutely. That is what we are asking for. It is more flexibility. And I think States can choose to go that direction if they choose to.

But the idea of everything being in these little boxes and you are limited as to what you can do I think is the wrong way to go. I think we need to devolve power to the States and local communities in this area as well as in other areas.

Chairman DAVIS. Thank you very much.

Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

Earlier this week, the Republicans had on the calendar a bill to extend TAA for another 4 months or so, Trade Assistance Adjustment. They pulled the bill. Does it make any difference to any of you?

Mr. PAUKEN. Can I comment on that?

The real answer, Congressman, is the opening comments some people made, the comments about the excesses of the Wall Street crowd. But if you have got a tax system that rewards, if you will, debt because debt is deductible, while punitively taxing savings capital investment employment, what you are doing is you are shipping jobs overseas. And the best way to deal with that issue is not sort of picking winners and losers in the little marginal fix here and there but change the way we tax business to level the playing field with our trading competitors.

And I am glad to see Senator Fritz Hollings has come out for this, Congressman Paul Ryan has, Senator DeMint, Pat Choate, who was in our State who ran with Ross Perot as his vice presidential running mate as an independent. So I think there is a broad cross section. I think that is the way to address this issue,

rather than the idea of always trying to come up with something where the government is going to do this or that.

Mr. MCDERMOTT. Your solution for the unemployed is hold your breath until we pass a VAT in the United States Congress?

Mr. PAUKEN. Not at all. My solution is the only way we are going to grow out of this, as the Kennedy administration saw and as the Reagan administration saw, is to grow the private sector. And since the Obama stimulus—

Let me make one comment. Since the stimulus program began in February of 2009, while we have added approximately 400,00 public-sector government jobs, we have lost another 2.7 million jobs from February, 2009, through May of 2010.

What is being done isn't working. We really need to have a bold approach to change the way we tax business, and I mean this is beginning to emerge across the board. I mean, Leo Henry, who was an economic adviser to John Edwards, has been talking about this. Michael Lynn. This is an approach we need to take.

Mr. MCDERMOTT. Reclaiming my time. You have given enough of your pitch.

Ms. BOUSHEY. Can I respond to your question?

Both on two things. You know, one, on the trade adjustment assistance dollars, I mean, that is certainly an important source of funding for those workers who have been displaced by trade; and we certainly, especially in these high unemployment times, need to get those moneys out to them.

There is actually some very new interesting economic research that is doing a really nice job of documenting the impacts on both employment and wages from trade and looking at especially communities that have high imports from China and how this is affecting them. I think there is even more and more evidence this is important, we need to be doing more things to both address the kinds of things that you are talking about to make sure that we are not exporting jobs overseas but also to deal with the aftershocks of it for the policies that we have already implemented.

But then I do need to take sort of a point of information. We have seen growth in the private sector in terms of job gains over the past year. So it is not the case that since the Recovery Act we have seen the—we saw that the nadir of job losses were the month that Obama took office and then we saw job losses get smaller and smaller and they have been growing and the private sector have been adding jobs. And we know the economic growth that we have seen is in no small part attributable to what this Congress did, the dramatic actions that they took 2 years ago to help provide the economy.

Ms. COX. But one thing on the TAA that—I am not going to get in this high-policy discussion. Mine is just on-the-ground practical. The folks who get the TAA benefits tend to get a richer package than folks that are dislocated through WIA provisions. And this is again going to collapsing the bureaucracy and just creating more flexibility so that we can serve folks who need help.

And my preference would be—I guess the question I pose is, why do we have a separate TAA benefit package for one set of workers as compared to workers where they still lose their jobs, they weren't outsourced, but they get kind of a lower benefit package?

So that is just a policy question I think that is worth consideration of why we offer kind of two strategies at the end of the day for people who don't have a job. How do you blend those I think is an important question just in terms of trying to operationalize this and administer this on the ground. It becomes challenging.

Mr. MCDERMOTT. I think there ought to be a training benefit for everybody.

Mr. Holmes.

Mr. HOLMES. The only comments I would add is the kinds of services that are provided in TAA that may not be as readily available in the WIA system are the kinds of training that might be needed for longer-term unemployed. So I think I would share Ms. Cox's view and we should take a look at how to address those issues and not just with those that are impacted by trade but also more generally with the population that is long-term unemployed.

Mr. MCDERMOTT. Thank you.

Chairman DAVIS. The gentleman's time has expired.

The gentleman from North Dakota, Mr. Berg.

Mr. BERG. Thank you.

A couple of questions. First, kind of a quick comment.

Dr. Boushey, I don't think I would be here today if we increased jobs since the stimulus passed. Clearly, one of the hopes was that it would be a job creating by putting this money in and that we would never exceed 8 percent unemployment. Clearly, it has been a different path; and, of course, no one could predict the future at that time. So I am not here to say anything other than the fact that there is a couple of million more jobs out there, people looking for work.

I want to thank Ms. Cox for your presentation. I was very impressed with it. Utah has expanded an economy over 3½ percent over the last 5 years. Very impressive. Second only to North Dakota. I like that. I had to repeat that.

You know, it seems to me coming from the State that—and I have heard this—how do we get States to get more waivers? And it seems like that, you know, we did a welfare reform years ago, and States applied for waivers. They received waivers. It was like the Federal Government or the Congress said we want to hear your ideas. If I understand, we are all revenue neutral. So we weren't saying we are going to pay you more money, just we want to hear your creative ideas.

I guess what I am asking is, should we provide the States more flexibility with waivers, or is there a way we could streamline that process to bring those good ideas more quickly to action at the State level?

Ms. COX. Yes and yes. And I say that because, one, waivers is the way to really encourage laboratories of innovation at the State level. It is true how TANF came about because of that type of innovation.

I struggle with the waiver process because it can become unto itself a cottage industry in the way business is done and you don't end up getting the staff you change but just plain—this ongoing role of having to change regulations to get simple things done.

So I would say if we could get DOL waiver authority so that we could put ideas forward, it would be great, with the expectation

that there is very clear turnaround times—and this isn't DOL. This has been some of our experience with other Federal bureaucracies. There is a clear turnaround time of when those waivers have to be approved. There is clear criteria so we are not playing the back-and-forth game for 7 months and it is a simplified streamline process. I think it is plausible and very doable, but those expectations I think have to be built into any waiver initiatives.

Mr. BERG. So maybe setting three or four guiding principles that these are the waivers, these are areas we are hoping to accomplish. Let States come up with them. And what kind of a turnaround time?

Ms. COX. I like about 2 days. But knowing that is not very realistic, 8 months.

Mr. BERG. Would that count the weekend or not?

Ms. COX. We will give them the weekend off.

But I think I may have some extreme views. We have sat on some waivers—and I will be bold. We have got some really good folks at the Department of Labor, but some of our NEG grant applications have taken—this is national emergency grants, “emergency” being the operative term—4 to 6 months to get approved and turned around. They are busy. This isn't a pointing finger game. But that doesn't work when you are on the ground and you need people, you have got people at your doorstep who need help.

So I think it is a collaborative effort with the DOL with what the resources are. But I would like to see a 30-day turnaround time. That sounds extreme, but you have got to be bold or bureaucracy can creep.

Mr. BERG. Thank you. I yield back.

Chairman DAVIS. I would like to recognize my friend from Georgia, Mr. Lewis.

Mr. LEWIS. Thank you very much, Mr. Chairman. Thank you for holding this hearing.

Mr. Holmes, several media outlets, including CNN's money.com, have reported the long-term unemployed workers are now faced with hiring discrimination from some employers who have placed a restriction on their job posting that says, “unemployed candidates will not be considered or perspective candidates must be currently employed.”

What would you say to an unemployed worker who is facing this kind of discrimination? Something is not fair there. Something is not right there. If you are unemployed, it is sort of saying don't apply. But if you are employed, it is okay for you to apply. What would you say to an unemployed worker?

Mr. HOLMES. Well, I haven't seen those reports. I would say that is inappropriate for any employer to post that, and I think for the unemployed person, I think that they should be searching for work and looking for work and that is how you get from unemployed into employment.

I think it is more a question of an inappropriate notice if in fact that is what has been put up on the part of the employer.

Mr. LEWIS. It is my understanding that CNN has been running this for some time, and I would like to believe—CNN is based in my district, and I would like to believe they are pretty reliable.

Anyone else want to respond?

Mr. PAUKEN. Yes. The Texas Back to Work program discriminates in favor of people who are unemployed. In order to be able to participate in the program, you have to have lost your job through no fault of your own beyond unemployment compensation in Texas or extended benefits or even if extended benefits have been exhausted.

So that is an initiative which has got support from business and labor organizations in our State. And I think we would just like to be able to have the kind of discretion and flexibility that has been discussed in order to use some of the Federal funds supposedly to encourage job creation to expand that program.

Mr. LEWIS. Well, I have an article here that appeared in Money from last year. And looking for work, unemployed, need not apply.

Mr. Chairman, I would like to submit it for the record.

Chairman DAVIS. Without objection.

[The information follows:]

The Honorable John Lewis

LOOKING FOR WORK? UNEMPLOYED NEED NOT APPLY

CNNMoney.com

By Chris Isidore, Senior Writer

June 16, 2010: 4:25 AM ET

http://money.cnn.com/2010/06/16/news/economy/unemployed_need_not_apply/

NEW YORK (CNNMoney.com)—The last thing someone who is unemployed needs to be told is that they shouldn't even apply for the limited number of job openings that are available. But some companies and recruiters are doing just that.

Employment experts say they believe companies are increasingly interested only in applicants who already have a job.

"I think it is more prevalent than it used to be," said Rich Thompson, vice president of learning and performance for Adecco Group North America, the world's largest staffing firm. "I don't have hard numbers, but three out of the last four conversations I've had about openings, this requirement was brought up."

Some job postings include restrictions such as "unemployed candidates will not be considered" or "must be currently employed." Those explicit limitations have occasionally been removed from listings when an employer or recruiter is questioned by the media though.

That's what happened with numerous listings for grocery store managers throughout the Southeast posted by a South Carolina recruiter, Latro Consulting.

After CNNMoney called seeking comments on the listings last week, the restriction against unemployed candidates being considered came down. Latro Consulting refused to comment when contacted.

Sony Ericsson, a global phone manufacturer that was hiring for a new Georgia facility, also removed a similar restriction after local reporters wrote about it. According to reports, a Sony Ericsson spokesperson said that a mistake had been made.

But even if companies don't spell out in a job listing that they won't consider someone who currently doesn't have a job, experts said that unemployed applicants are typically ruled out right off the bat.

"Most executive recruiters won't look at a candidate unless they have a job, even if they don't like to admit to it," said Lisa Chenofsky Singer, a human resources consultant from Millburn, NJ, specializing in media and publishing jobs.

She said when she proposes candidates for openings, the first question she is often asked by a recruiter is if they currently have a job. If the answer is no, she's typically told the unemployed candidate won't be interviewed.

"They think you must have been laid off for performance issues," she said, adding that this is a "myth" in a time of high unemployment.

It is not against the law for companies to exclude the unemployed when trying to fill positions, but Judy Conti, a lobbyist for the National Employment Law Project, said the practice is a bad one.

"Making that kind of automatic cut is senseless; you could be missing out on the best person of all," she said. "There are millions of people who are unemployed

through no fault of their own. If an employer feels that the best qualified are the ones already working, they have no appreciation of the crisis we're in right now."

Conti added that firms that hire unemployed job seekers could also benefit from a recently-passed tax break that essentially exempts them from paying the 6.2% of the new hire's wages in Social Security taxes for the rest of this year.

Thompson said he also thinks ruling out the unemployed is a bad idea. But he said that part of the problem is that recruiters and human resource departments are being overwhelmed with applications for any job opening that is posted. So they're looking for any short-cuts to get the list of applicants to consider down to a more manageable size.

"It's a tough process to determine which unemployed applicants were laid off even though they brought value to their company and which ones had performance issues," he said. "I understand the notion. But there's the top x percent of unemployed candidates who are very viable and very valuable. You just have to do the work to find them."

Mr. LEWIS. Dr. Boushey, I have heard over and over again that the Recovery Act, it didn't help. That it didn't matter. Before the Recovery Act was signed into law on February 17, 2009, we were losing about 750,000 jobs per month. Since the Act was signed, we have been creating jobs, more jobs. We are not there yet. But we are on our way little by little. It takes a little time to turn around a big ship. Could you respond?

Ms. BOUSHEY. Certainly.

I mean, it takes a little time to turn around a big ship, as you said. It is also the case that we have seen job growth coming back in the private sector. We are not seeing it come back fast enough.

We knew the day that the Recovery Act was signed that it was big and it was bold, but there were many economists who said this isn't going to build a full bridge across that chasm, which is the massive unemployment that we are seeing. We have seen a lot of the dollars out there have been spent. It has created a lot of great programs. We have heard a lot today about this Texas program, which, of course, used TANF emergency funds to fund this—getting folks into these public-private partnership job training programs.

So some of the things we are talking about today are the impact of that. But it is going to take some time.

And I think I would urge us to just note that we still have an output gap in our economy. Even though we took this big step, it wasn't big enough relative to the big hole that we created.

Mr. PAUKEN. Could I just respond? Just say one correction.

Primary funding for that Texas Back to Work program was State funding. We did use some Federal funding, but the primary source was State funding.

And I would simply suggest that since the stimulus program began, through May of 2010, it has been a loss of an additional 2.7 million private sector jobs; and I don't know how you can call that a success.

Mr. LEWIS. Mr. Chairman, I have a chart here. I wish everyone could see it: Change in Private Employment December, 2007, to January, 2011.

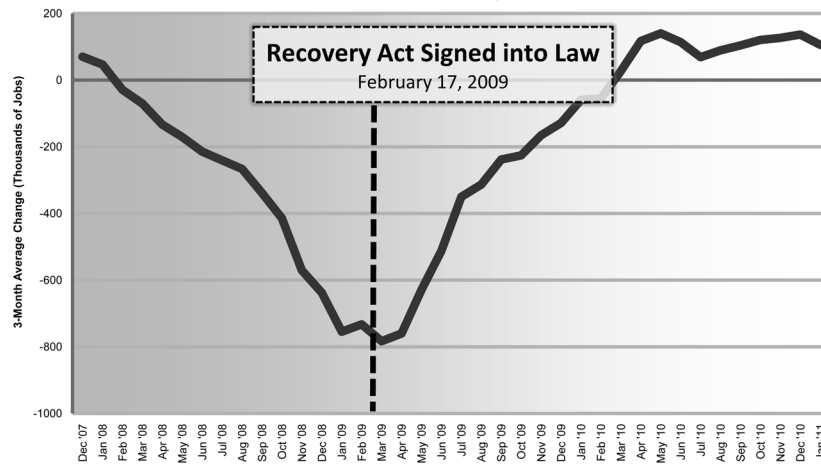
Chairman DAVIS. If the gentleman would like to put that into the record.

Mr. LEWIS. Yes.

[The information follows:]

Change in Private Employment

December 2007 - January 2011



Source: Seasonally adjusted data from the Bureau of Labor Statistics. Prepared by the Democratic Staff of the Committee on Ways and Means, 04 February 2011.

Chairman DAVIS. Thank you. The gentleman's time has expired. Mr. Smith from Nebraska.

Mr. SMITH. Thank you, Mr. Chairman; and, to the panel, I appreciate the discussion that we are able to have here today.

Mr. Holmes, if you could reflect a little bit on some of this information here, and I have a question. Obviously, you are probably well aware of the numbers, that 4 million folks are currently collecting Federal extended unemployment insurance benefits. And since June of 2008, the Federal Government has spent a record \$180 billion for these benefits and covering benefits in some States for up to 99 weeks. So this number is in comparison to the \$23 billion following the 2001 recession. Where is the money coming from, in your opinion.

Mr. HOLMES. Thank you, Representative Smith.

The money is coming from a series of—with respect to extended benefits, the money is coming from the EUC account, the Expended Unemployment Compensation account. That account is in deficit. I think the last I looked the two FUTA funded accounts were about \$30 to \$40 billion in deficit. That money is being provided then as a transfer from the general revenue into that account; and, in essence, it is adding to the Federal debt. Every additional dollar that is being spent now in extended benefits is adding to the national debt. So we are borrowing to pay for extended benefits right now.

Mr. SMITH. But it is general funds conceivably from one State to another, given the varying conditions. We don't all get to enjoy the North Dakota status.

Mr. HOLMES. Right.

Let me just be clear about this. There are really two programs here. There is the emergency unemployment compensation that was part of the Recovery Act and actually enacted prior to that starting in 2008. That money is coming chiefly from Federal revenue directly. The other, the regular extended benefits which you

are talking about that rely on targets depending on unemployment rates chiefly, that money is coming, as I described before, through the dedicated FUTA funded account and then an advance from general revenue.

Mr. SMITH. Very good. I guess, for the record, Nebraska isn't too far behind North Dakota. There is some good employment situation.

But certainly nationwide we do face those challenges. I think the issue of product demand or creating more demand for production is very important. I do share some frustration that I visited some businesses in my district that they do have the demand but they are so nervous about adding new employees. They just don't know what is coming down in terms of the regulatory front. They don't know what is around the bend.

So does anyone else wish to comment on the situation?

Ms. BOUSHEY. May I speak to that?

Certainly this has been a few years of there has been a lot of change. It has been a dramatic economy, and you can understand why especially small- and medium-sized businesses have a hard time making commitments to hiring. But it also seems that we are seeing signs the economy is improving and we are seeing especially large businesses—they are the ones that are holding on to a lot of cash and not making investment, right? Investment is at its lowest level in five decades.

That is one of the key questions that I would encourage you to think about, that you see—they may be a little concerned about—although some of those big decisions have in large part been made.

Mr. SMITH. What do you mean by large? I am just curious.

Ms. BOUSHEY. When I say small, I am typically thinking of the employer with fewer than a hundred people. Something sort of larger companies that are on the stock exchange, those kinds of companies that have made a lot of money are holding on to it and aren't making those investments here, creating jobs here in the United States.

Mr. PAUKEN. Well, the majority of the new jobs traditionally are created by small businesses, and they are not creating jobs in this environment. That is why I think it is a structural employment situation; and they are appropriately nervous, in my judgment. So I don't see that the current approach is working well. And I think until they have confidence that you are serious about growing the private sector they are going to be reluctant to hire.

And the other concern is we are seeing an up-tick in our State and elsewhere in temporary firms hiring. Normally, that is a prelude to permanent employment, but this may be different this time as companies are reluctant to put people on permanent payrolls.

Ms. COX. May I make one comment please?

It is more the moral dilemma I kind of struggle with. Utah is one of the few States that has not taken EB by choice. And a while ago, I guess it was a year ago, we were at a conference and someone from the Federal level couldn't believe we weren't taking it. Well, it is free money.

And sometimes in these discussions when you are at the State level versus the Federal level, it seems like there is a disconnect, that all of the money is ours and those who have responsibility also

need the authority. And so those at the State level we talk about our general funds, and then at the Federal level it is the Federal dollars. And there seems to be this, I don't know, disconnect that all of that money is ours—EB, EUC. And so it is easy for States to sometimes not worry about it as much because the Federal Government is going to handle it.

I have to go in front of my State legislature over my general funds, and I feel super accountable about that. But, man, if it is EUC money coming in, I am worried about it, but I am not in front of you guys having to be accountable even though we are the pass-through. So that mind-set is concerning to me.

Chairman DAVIS. Excuse me, Mrs. Cox. The gentleman's time has expired. You have a few seconds to wrap it up.

Mr. SMITH. If you wouldn't mind submitting anything for the record, I would appreciate it as well.

Chairman DAVIS. We would appreciate perhaps a detailed response in writing to that question. That way you won't be constrained by the clock.

[The information follows:]

Mrs. Kristen Cox. Executive Director, Utah Workforce Services

Supporting Increased Flexibility of Resources: Separate federal funding sources and associated program boundaries can present obstacles to integrated service delivery. Federal law and Department of Labor regulations place clear limitations on how UI, Wagner-Peyser, and WIA funds can be spent. While the intent of the limitations is to ensure effective and appropriate program administration, the effect can be to make cross-program integration difficult.

WIA Title I funds may not be spent on employment generating activities, economic development, and other activities, unless they are directly related to training for eligible individuals. Providing less restrictive regulations for WIA statewide activity funds could provide greater flexibility in getting individuals re-employed. Other program issues to consider include:

Real-time access to federal data about customers. This could reduce administrative costs, support a more streamlined process for the customer, and ensure more accurate delivery of services. For example, access to Social Security information (SSN verification and benefit payments) is available to states for public assistance programs such as TANF, SNAP, and Medicaid. However, it is not currently available to support other programs such as WIA and WOTC.

Expanding the scope of the UI program to achieve claimant re-employment would be an efficient use of funds and would help claimants become re-employed as quickly as possible.

WIA, TANF, and SNAP programs offer waivers and more flexibility. If unemployment is one of our largest issues, why not give states more flexible options to help re-employ job seekers?

- DOL has recently shown good leadership with its focus on re-employment, its wage subsidy grants, and state consortium initiatives. It is time to connect benefits and employment into a seamless service delivery strategy without creating funding barriers.
- Utah has implemented multiple initiatives to help UI claimants become re-employed sooner. A few of these initiatives have been recognized at the national level. The U.S. Department of Labor awarded DWS the 2010 UI Innovation Award for our electronic correspondence system and the American Institute of Full Employment awarded DWS the 2010 Best Practices Award for our on-line worker profiling re-employment service program. These initiatives have helped Utah enjoy one of the lowest average UI duration rates in the country—16.6 weeks, despite having a fairly high wage replacement rate. While we have made significant progress, our goal is to continually strive to improve services for employers and job seekers.

Summary of Recommendations

Establish clear expectations for claimants that re-employment is a priority and requires a full-time commitment.

Provide employers with wage, training, and tax incentives that provide economic benefits for employers to expand or retain their workforce.

Increase program and funding integration that supports effective meshing of UI claimants with employers' workforce needs. Expansion of the Worker Profiling and Re-employment Services and REA grants are good examples of integrated funding between UI claimants and re-employment services.

Increase flexibility of resources to make cross-program integration more efficient without creating funding barriers or jeopardizing program accountability.

Chairman DAVIS. Mrs. Black from Tennessee.

Mrs. BLACK. Thank you, Mr. Chairman.

My question is for you, Mr. Holmes, but any of you can answer that.

I want to go back to the work search, because I was back in my State last week doing a listening tour. I visited a number of smaller companies and some manufacturing, and they indicated to me that they thought that there was a problem with the way in which the surveys are done.

And you actually have in your testimony, you say, a recent survey of State unemployment agencies conducted for the UWC by the National Foundation for Unemployment Compensation and Workers' Compensation had 39 States reported exceptions to the general work search requirements, and one State reported that it had no work search requirement as a condition of eligibility for unemployment.

Mr. HOLMES. Correct.

Mrs. BLACK. And what I heard from many of these employers was that they knew of people in their own community that they went to church with, shopped at the grocery store, kids went to school with them, that would put down on the paper three different companies they went to when they never went there, and they just said, I still have this extension so I am not going to look for work. And these are jobs on average that—I asked what the salary was. So their average was about \$15 an hour, so that was not a bad salary. But they were really concerned they weren't able to get employees in their door and still there was a high unemployment rate in this particular county that I was in.

So I would like for you to speak to that and any one of the rest of you that might have suggestions of what we might do to make sure that the people who are unemployed, we are reaching the right population.

Mr. HOLMES. Thank you for that question.

I think that the experience that was relayed to you is fairly common across the country. That over the last, I would say, two or three decades, there has been less of an emphasis on the accountability of individuals to search for work and to take it seriously and also on whether or not those work searches are meaningful, do they have a plan to get back to work. A number of things that were often done in prior decades, I would say, more attention paid to that has been lost to some degree because of the focus on paying unemployment as quickly as possible.

So I think that—and I mentioned this in my testimony—we need to establish some minimum standards for work search that everyone can note and that individuals would be expected to meet, and that way we would change the culture back to the idea that there is a personal responsibility to search for work in a meaningful way.

Mr. PAUKEN. If I could add, in addition to that, I think that if you have the Federal extended benefits, if you also—those people on Federal extended benefits would have the option of getting the GED, getting additional vocational technical training, or if they didn't do A or B, do community service at a reasonable dollar value with local municipalities or fine non-profits like Habitat for Humanity. And I think the people who are gaming the system will choose not to do A, B, or C; and they are off the system. And the others, you give them an incentive to sort of get back in the system and kind of prepare yourself for a job.

Ms. COX. One more thing. I don't think we have to reinvent the wheel. When you look at TANF, we certainly don't want to have the same participation requirements on TANF as we do on the UI customers, but there are lessons learned both in food stamps, E&T, employment and training, TANF and different aspects of UI when you work in an integrated model like we do.

And I think it is about taking the best of all of those words. Accountability and expectations are certainly there. Random checks is part of it. Technology offers a lot of new ways to monitor logs and journals and actually document if people did their training on line. There are new technologies, and you can really blend that so it is not a one-size-fits-all approach.

But those lessons I think you can find when you do some deep digging of how you pull the best practices around work first. It is our motto in our department: If you can work, you do work across all programs. And that is our model of trying to create an integrated system for all of our claimants, regardless of if you are food stamps or UI. It is a seamless system.

Mrs. BLACK. And I am a big States rights person. So would you suggest that this be something that we would do in some way as a carrot to encourage some States or do we do it with a stick and penalize if you don't do what these criteria would be set out?

Mr. HOLMES. If I may, I think that we have in the UI system since it was started this requirement that is implied that people be available for work and actively seeking work as a condition of being paid, but it is not in a statute anywhere. So just this statement in Federal statute just to clarify that would be helpful, I think.

Chairman DAVIS. Thank you. The gentlewoman's time has expired.

I want to thank each of our witnesses for your testimony. I want to thank you for investing the time and the research to share your opinions. It is an issue I care very much about. I know Mr. Doggett cares very much about this, approaching the process issues to help people in need and at the same time address the structural questions that will assure good stewardship of the resources. And we appreciate your help in understanding this issue further and look forward to continuing the dialogue.

If any of our members have additional questions, they will submit them directly to you in writing and what we would ask is you submit your responses to us for the record so all members will have access to that information.

And, with that, the committee stands adjourned.

[Whereupon, at 5:00 p.m., the subcommittee was adjourned.]

[Submissions for the Record follow:]

Statement of Yvonne Goersch

99ers Need Help While Waiting for Job Creations!!!!

Name: Yvonne Goersch

Title of Hearing: 99ers Need Help While Waiting for Job Creations!!!!

The fact that I need to have a place to stay feed my child and to just survive while these jobs are being created is the most important thing in my life right now.

I have worked my whole life and never thought this would happen to me I have sent at least 20 to 30 resumes a day and have gone to places and have only gotten 2 interviews which I did not get the job. I know there are people that say we aren't doing anything but sitting around collecting money that is completely wrong and also very upsetting.

It drags all of us to a place where we don't and shouldn't be because we don't deserve it. We appreciate what the Government has done the fact that they only put in a 13 month extension and didn't include the 99ers is so wrong and now that the Republicans are a majority in the House it doesn't seem like we get any attention even though the Speaker of the House said if it is paid for we will get it through and they found a way to pay for it so it needs to be done!!!!!!

We have to have money for gas to get to interviews and a roof over our head and food to eat while we are still looking for jobs that are going to be created.

We help every other Country but the Government isn't willing to support 1.5 million people in the United States (that number is not correct either) and the fact that the unemployment went down to 9% from 9.4% is also not correct it is a way for the Government to say things are getting better and we are doing our job.

Well guess what even though you said 1.5 million people isn't really that much compared to how many people are on unemployment is so wrong to count us out while we voted for you and are about to have nothing.

I don't have people to help me and I need that extra time and money since the job market is getting better to sustain me and my child so I can keep looking and driving there.

Don't push us out because of our debt because this money would go straight into the economy and that will help the economy and help the 99ers survive before you have people's lives on your conscience while you are living quite good and not worried about 1.5 people (which I know is not correct) we are losing hope and you guys are the only people that can help us for now and we need you to make sure we are taken care of while looking for jobs!!!!!!!!!!

We need this bill to pass ASAP HR6556 because it is all we have for hope and time to keep looking otherwise it will be the end of a lot of 99ers so please do the right thing and help us and help the economy to keep going!!!!!!!!!!!!!!

Thank you,

Yvonne

Statement of Joyce Fields

I have a story to tell. It is a story heard over and over again all across the country, by millions of unemployed Americans.

PLEASE HELP U.S., THE UNEMPLOYED, GET BACK TO WORK. AND THERE ARE A LOT OF "US".

PROFESSIONALS CANNOT FIND JOBS

I am in my 50's and have worked hard all my life. Yet for the past year and 9 months I've been unemployed. A very humbling experience, since I held a professional banking job for almost 30 years before being laid off. Since I am single, I was able to move across the state to take another job. That job ended a few months later. The company cut my hours to 19 hours a week then laid me off.

LOOKING FOR WORK

I have sent out hundreds of resumes. I've even gone through the phonebook, sending resumes to every company nearby. To no avail. I have applied at fast food restaurants and cashiers jobs and was told I was overqualified. My last interview was six months ago. At that time, I interviewed at a large manufacturing plant. I was told over the past year almost half of their 1,500 employees were laid off and their jobs were sent to China and India. The employees who remain are working 45+ hours a week. The position I applied for was part-time and temporary. It took

months of persuasion, I was told, for the department manager to convince the company to fill this one part-time, temporary position. I also applied at a national retail store. There I was told my hours would be 0–24 a week, at minimum wage. Zero hours a week? This is happening at more and more companies. Because they know people are DESPERATE, employers can do whatever they want. Including denying employment to the long-term unemployed. Age discrimination is also a factor. Although companies do not ask your age, more and more are including round-about questions such as “what year did you graduate high school”? This should not be legal. I have a lot of experience, good workmanship and good values, and know I can bring a lot to a company. I should not be denied a chance to work there because I am older and because I haven’t been able to find another job since my last job was outsourced. I did not ask for that. I want to work!

THE HOUSING MARKET AND CRIME

Rather than losing my home to foreclosure, I put it up for short sale. There was a buyer and signed purchase agreement in February 2010. The prospective buyer pulled out after 3½ months, since the Bank did not approve the short sale by that time, even though the buyer offered \$56,000 and the principal balance on my loan was \$56,008. The Bank would rather foreclose than accept an \$8.00 principal loss on a short sale? I have since lost my house. The Bank sold it at sherrifs sale to Freddie Mac for \$30,000. My house appraised at \$114,000. Why should I owe my bank the difference? They would not work with me to set up a loan modification, or accept a short sale, and they were in possession of a home worth almost twice of what was owed to them. Yet they sold it for \$30,000 and now expect me to come up with the difference. The Bank lost my loan documents, and furnished me with an affidavit which I later found out was illegal. Why are Banks allowed to get away with this?

The house next door was empty for over a year, bank owned, after the owner lost her job. The house across the street was sold at sherrifs sale several months ago. The house next to that one was empty for a long time, another bank owned property. It is a ghost town, and where I once felt safe, there have been many robberies lately in my neighborhood. Why? Because people have lost their jobs and are getting more and more desperate. They are stealing, not for drugs, but in order to put food on the table, and to survive.

THE EFFECTS OF LONG TERM UNEMPLOYMENT

The unemployed are losing their homes, and who will rent to them if they do not have a job? Keeping utilities on is a struggle. Cell phones and cable TV are now “luxuries” and are cancelled. I live alone and have no immediate family, and must depend on others for assistance, which burdens them. I get harassed by creditors and my credit is ruined (and prospective employers run credit checks). Cannot afford medical coverage. Never eat out anymore. Never go shopping anymore (but I did recently hit the thrift store for a 50% off sale).

THE EFFECT OF THE GOVERNMENT STIMULUS ON THE UNEMPLOYED

The banks received trillions of dollars in bailout money, including the one I worked at. Banks received money, yet cut down on their employees and as a result I lost my job. Banks received money yet would not work with me to modify my loan, would not accept a short sale, and foreclosed on my home. Banks received help, U.S. citizens as individuals receive very little help and are being evicted from their homes. Why is the government turning a blind eye on the unemployed who need help, while helping Big Business line their pockets?

And why can’t unused Stimulus Funds be used to help the unemployed who have exhausted their benefits, until they can work again?

DON’T IGNORE US, WE NEED HELP

This is a nationwide crisis. Something needs to be done to create jobs immediately, and also unemployment benefits need to be extended for those who have exhausted their benefits. It is reported that unemployment numbers are down for the month of December 2010, yet job creation numbers are still in a slump. How can this be? Please fix the “system” so reporting is done accurately. Letting UI benefits run out for the unemployed who cannot find jobs creates millions of exhaustees or “99ers,” which further hinders economic growth. With no money to spend, we cannot help stimulate the economy. Without jobs, the unemployed will lose their homes, which mean less money cities receive in the form of property taxes. Without jobs, the unemployed pay less in taxes; this hurts the Federal, State and local governments. The unemployed are then forced to depend on State and County funds for food and housing, who in turn will need to borrow money from the Federal Govern-

ment. Yet, more and more of those programs, the last few resources we have to help us, are being cut.

Currently there are too many unemployed people and too few jobs. We WANT to work. We want to feel good about our lives and ourselves again. The government needs to HELP us, the unemployed, until the economy turns around and we can find jobs. AND THERE ARE A LOT OF "US". And we are SCARED. Americans should not have to live in fear like this.

Thank you for reading my story, "our" story.

Joyce Fields

Statement of Jennifer Snyder

Committee on Ways and Means

Feb. 7, 2011

RE: Hearing on Improving Efforts to Help Unemployed Americans Find Jobs

My husband has been unemployed for exactly two years now after working for the same company for almost thirty years. Since being laid off, he has submitted 100's of resumes, granted only 6 interviews and has received 0 offers of employment. Most of the time he never hears back from the jobs he applies to and it is very frustrating. He runs out of unemployment benefits in April and we have little hope that he will have a job by then. He is 50 years old and suspects that he is being discriminated against because of his age. Although illegal, ageism is very hard to prove. This is his story, but there are millions of Americans that have this same story. Imagine yourself at 50—jobless and unwanted.

He has a considerable amount in his 401k that he would like to use to start or buy a business, but the thought of paying taxes and penalty on any withdrawal makes us cringe. I wrote Senator Debbie Stabenow in October about this matter and she replied that a bill was introduced in March of 2009 (H.R. 1628) to make hardship loans, without penalty, but it was still pending before the House Ways and Means Committee. I then contacted the Ways and Means Committee asking for the status of this bill and never received a reply. This bill was never acted on and is now dead. I am wondering why.

I am urging you to please reintroduce this legislation and act on it. Too many Americans, like my husband, it just might let them make the transformation from unemployment to self-employment and it wouldn't cost the government anything.

Jennifer Snyder

Lori Parker

Thursday, February 10, 2011

Dear Committee Members:

I was laid off in January 2009 from my position at a non-profit that provided support services to adults with intellectual disabilities. After the financial crash, the social services job market evaporated because of severe budget cuts in state and federal funding. I know the budget cuts were across the board, i.e., in all social services across the state, because of the drastic budget cuts occurring in both state and federal funding for social services. For over two years I have tried to find a replacement position. But unfortunately, since all social services have been downsized due to budget cuts, there aren't any positions.

During the time I have been laid off, I repeatedly went to the Career Center at the Unemployment Office and requested re-training, as it was clear to me the social services industry was basically on life-support, and there would not be any jobs in the field for many years. The career center said I wasn't eligible for the retraining program because I was not in the category of people who were eligible for the Trade Readjustment Act (losing a job in the manufacturing sector) in which people in manufacturing were eligible to go to school for retraining, and keep their benefits while they were learning a new skill to sell on the job market.

In fact, I was told that if I went back to school to retrain, I would lose my unemployment benefits, while the people who were in manufacturing could go to school, and keep getting their unemployment benefits. I was also told that because I already had a four-year degree (sociology), that also disqualified me, even though I

received my degree in the early 90s, and my degree was no longer a marketable degree, especially since my work experience was in the social services field, and the new jobs that have emerged don't require these credentials.

Because so many jobs have been outsourced, and the American economy is changing into different types of services (green economy, etc.), the job market has drastically changed. Many of us who hold bachelor's degrees, associates degrees, etc. from twenty and thirty years ago, are having difficulty finding a job because we are older workers, and because there is no demand for our past area of training. We need viable opportunities to retrain. We cannot retrain if we are homeless. We need workable solutions that take into account that we need a roof over our heads while we retrain. Even a one-year certificate program in the new emerging industries is more likely to get us a job than the meaningless four and two year degrees that we got 20 and 30 years ago. We need new skills on top of our old skills to have a chance to compete in such a retracted and changing job market. Jobs are few and far between, and those that are there require new skill sets we don't have.

My suggestion would be to extend unemployment benefits for one year to those out of work for more than a specified number of weeks, and provide free training at a one-year certificate program for them, and not disqualify people just because they already have a degree from two and three decades ago. A one-year certificate in a new, emerging field would give people the new skill set they need to enhance their old degrees.

We have children to take care of. Please help us.

STATEMENT OF MARTIN G. THOMAS, ACTIVE MEMBER OF THE AMERICAN 99ER'S UNION

My dilemma in this unemployment search is never ending it seems. Hundreds of applications, 3 interviews, no job, simple. I've applied to everything I feel I'm qualified for. Even an "all you need is a heartbeat job" that caters to low paying alien labor. This is destroying America. The President says to get a degree and get a good job. Speaker Boehner says you need to get an education to have the "American Dream." That's all fine and well understood, but people are already trained, have degrees and still don't have jobs. How can you have any faith in the words from our leaders when these things have already been accomplished and there is no jobs available? Here's a quote from the President:

October 13, 2010 11:45 AM

Obama: "No Such Thing as Shovel-Ready Projects"

You can't argue with the horses mouth!!!

This a true statement, "There are three types of lies; lies, damned lies, and statistics."—Mark Twain

I'm fed up with being lied to, and America has been uninformed. Because of failed job creation policies and the emphasis on the useless health care bill that no one was able to read is appalling. Why do I have to suffer along with millions in my situation? We didn't ask for health care. Jobs are needed first. We can't live on health care! I can't pay my essential living expenses on health care. Without a job, I can't afford health care. To lay this burden on family and friends is unfair. America was lied to when they were told the 99ers had their benefits restored. There is 6-7 million and growing without benefits still. The unemployment rate is more like 18%. I can do the math. I/WE are treated like idiots and we're offended.

It's very discouraging I'm qualified for my field as a Maintenance Technician. Yes, there's always room for improvement. In this field, you get it on the job. I have no daily routine. Until the jobs appear, I/We need our benefits to survive. I/We want jobs and not asking for a hand out when requesting an extension of unemployment benefits.

The United Nations sends billions of American dollars to foreign countries in need of emergency assistance and they won't help America. What's wrong here? There's a national emergency here in AMERICA!!! SOS . . . THE FLAGS UPSIDE DOWN, DISTRESS . . . Can you hear me now???

I don't know who the President addressed when he told Americans to get educated and get a job. Is there a new private America we don't know about? Was he speaking to people in China??? To throw words at us that America needs to be retrained for jobs. That's insane, people have training, there are no jobs. Outsourcing American jobs to China and other 3rd world countries doesn't help.

Where's the America I once knew? If our forefathers were alive, they'd be ashamed. Please extend unemployment benefits until the jobs appear. Extending tax cuts to millionaires doesn't help me today. To leave me stranded and all the unemployed is wrong.

Thank You, and please help me and all the 99ers, Martin G. Thomas

Elizabeth Steere

February 9, 2011

To: House Ways and Means Committee, Sub-Committee on Human Resources

I am writing to urge you to take quick and immediate action on behalf of the Unemployed in America, especially the large number (which is growing larger with each new day) of long-termed unemployed who have already exhausted all available unemployment benefits (Exhaustees/99ers). Many of us do not qualify for any assistance from local, county, state, and Federal Government programs for basic living needs such as food, shelter, required daily medications, clothing and assistance with utilities to keep themselves warm through the winters and cool through the summers. For those who may qualify for some of these programs, they are not being assisted because many of the charity and government organizations who provide said programs used to assist for these types of necessities have suffered budget, funding and donation cuts. How are the Unemployed in America to survive, until such a time when jobs are plentiful and they are once again able to sustain themselves and their families? Without the lifeline of Unemployment Insurance Benefits, the unemployed will not be able to procure the basic necessities required to simply live.

I am also writing to urge you to resolve the issue of insufficient jobs in America. The Unemployed in America are not content to merely exist from the lifeline of Unemployment Insurance Benefits. We want to be able to rebuild our lives, our savings and our hopes and dreams for a brighter tomorrow. We are unable to rebuild without JOBS. We desperately need your assistance so that we can again realize a bright future for ourselves and our loved ones. Therefore, JOBS must become a high priority for America for without it, America will be unable to compete and sustain the standards in which our country was founded upon.

This brings me to my next point. The American government entities cannot create jobs, nor can they force an employer to hire, and I understand this. American government has created incentives for the employers to hire, as the American government has given the financial sectors stimulus funds to assist borrowers. However, the employers and the financial sectors have not been pro-active with the government's calls to action. Simply put, they are not helping improve the current economic crisis. Today's high percentage numbers in unemployment, foreclosures, automobile repossessions, homelessness, bankruptcy filings, overall personal debt, and so much more reflect this point to be a fact, not an opinion.

Plain and simple: Unemployment benefits are a lifeline for the unemployed. It will stimulate the economy, as the unemployed are all consumers. It will also prevent rises in the percentages of foreclosures, homelessness, bankruptcy filings, vehicle repossessions, overall personal debt and so much more. Therefore, by adding weeks to the Emergency Unemployment Compensation program and by creating JOBS so that the Unemployed in America may rebuild their lives, it will benefit all of America and the people within this great nation.

Re-establish our trust in the government systems and assist us in re-building our lives; re-instill our faith in the goodness of humanity, in our legislators and the overall system of government within our nation; assist us in being proud again to be Americans. Pass and/or create the bills necessary to create additional benefit weeks. Our lives, the lives of our family members, and the overall economic health of America is dependent on this to survive and overcome the current economic crisis.

Thank you,

Elizabeth A. Steere

Rochelle Sevier

From: Rochelle Sevier

Title of Hearing: Improving Efforts to Help Unemployed Americans Find Jobs

Dear Congressman Geoff Davis (R-KY),

Thank you for conducting the Hearing for Improving Efforts to Help Unemployed Americans Find Jobs.

I was laid off in October 2008 and have yet to be able to secure any employment despite having a Bachelor's degree in Business Administration and a Master's degree in Communications Management. I have submitted hundreds of resumes but have little to no responses to jobs that I have applied for.

At this point in time I am willing to take any job since I am a 99er and have exhausted all my benefits and have no income. I am unable to secure part-time, full-time or even temporary positions. I feel as though I will never work again.

It is crucial that Americans be put back to work as to stimulate the economy and get them off government assistance programs. Americans are living in dire situations and need jobs NOW! We cannot hold on much longer, particularly for those like myself who have exhausted my unemployment benefits and have no job.

Sincerely,

Rochelle J. Sevier

Ellen Turner

Jobs Committee February 7, 2011

I have been out of work for 99 weeks. Therefore I am a "99er". What does this mean? It means that due to no fault of my own, I have not been able to find a job.

My skill set is a graphic designer. I have a BFA and two certificates: one is Desktop Publishing and the other in New Media Technology.

I have found short term freelance and temp work only.

Most of the jobs in my skill set have been outsourced to India, Pakistan, China, Ireland and England.

This is very discouraging.

I have a mortgage to pay.

I am now receiving early SS, because I do not have any other recourse, at this time.

It just covers my mortgage.

For the sake of Americans who have been out of work for this long, please consider some sort of job programs for us to get back in the work force.

I have applied outside of my skill set for clerical work. I have not gotten any responses. Plus, I have applied for retail jobs, and I have not gotten any responses. I do follow ups on every job that I apply for.

The national unemployment rate has gone down to 9%. I believe, this is a result, of many Americans no longer on the unemployment charts due to exhausting benefits.

Please, help us, any way that you can. There is nothing like work for self-esteem and pride. Not to mention, being able to put food on my table and pay for medical care, which I desperately need.

Sincerely,

Ellen Turner

Paul Pittman

Thursday, February 10, 2011

Committee on Ways and Means
U.S. House of Representatives
Washington, DC

Representative Dave Camp:

As a former veteran of the U.S. Air Force, I have watched our freedoms continue to dwindle along with our voices. Now, it seems that for some reason, our country appears to want to turn its back on the people who tried to work and make it a

better place to live. Additionally, it seems set on creating a future generation of potential workers that will enter the workforce with a negative desire to achieve as well as a tainted attitude toward their leaders.

After honorably separating from the Air Force in 1992, I settled in Wisconsin with the hope of creating a stable future for my family. Things were working well: I was progressing in a management career in the transportation industry and felt confident about the future. Confident enough to even buy a house. In 2009, that changed as the economic woes finally caught up with the industry. The small business I worked for could no longer afford to staff me so I was let go with the "promise" of rehiring when things turned around.

Unfortunately, they did not turn around and so I made a decision with my family that I would return to school to try and tie up my work experiences into a more marketable package. I took an accelerated course (at my expense) and earned my Associates degree in less than a year. Unfortunately, the job market in the region had deteriorated to the point that it was now saturated with so many in my same situation; to the point that an Associate's Degree was not really a viable tool any longer. So I continued on and began working on my Bachelor's degree in late 2010, still without a job.

On January 22, 2011 I was notified that my Unemployment benefits had been exhausted. After finally getting through to the Wisconsin Department of Workforce Development, I learned that I could apply for a provision as a student. On February 5th, I was denied this because I was enrolled in a school that offered a bachelor's degree [WI 108.04(16)(a)1.d. The course does not grant substantial credit leading to a bachelor's or higher degree;].

So without an income, any hope of trying to redo our housing loan is gone so it will continue in foreclosure. Because of the wording of this law, there is no hope of trying to appeal the decision, even though I have: All because I am trying to better myself in a way to get a job. My daughters ask me if we are going to lose our house: I cannot answer them because they are in a school that is working well for them. My wife is concerned that my depression may be getting worse; although I do not know why it would. They tell us that unemployment is dropping. Could this be because so many like me are no longer on the unemployment role because we have been forgotten about or overlooked? Please allow me to tell those of you who have never had to deal with losing a job that we who supported you in your elections for change do still in fact exist! We are told that the economy is rebounding. Until I am back on my feet and able to provide for my family; I do not believe it!

You are now looking at an emergency extension of benefits for those of us that time has seemingly forgotten about. What I am asking you to do is look back a bit when the United States government bailed out the banks and the auto makers. They did so readily and without question. So now, why is the possibility of bailing out the actual Americans that have worked to make things better for their entire lives such a hard decision? Does America and its government want to invest in their own people or should they be swept away like yesterday's garbage? So far, that is the way it appears to us who have been forgotten about.

Thank you for your consideration and time,

Paul Pittman
One of the newest "99ers"

Statement of Tracy Santee

I'm a single mother and have always been a single mother except for the first year of my son's life. I have always had a job and supported my son, but sometimes shared rent with family and friends for many of his first years. I finally got my own place while I was in my late 20s. A place that I could afford on my own . . . a trailer in a trailer park. It isn't the perfect place, and we were and are still teased because of where we live, but it is and was always stability for my son. He went to the same school system for a majority of his life and we did well here.

I worked for 12 plus years at a great company that was sold to another/a merger that didn't provide me with another job. After that, I was unemployed for a few months, found a few temporary jobs, and then finally found permanent employment for eight years at my last job. I lost my last job due to lack of work/I was laid off. My last employer has not only laid off many people, but he has cut his work week down to four days to eliminate costs. I AM UNEMPLOYED. Since I have been unemployed, I have lost 20 pounds due to hunger. I am down to 92 pounds and it shows. I do not have the money to pay for food as I did while I was employed and

I do not qualify for food stamps. I have cut down my household costs as much as I could. I still have my car, and intend to keep it as it may be my home soon.

I have three more years left on my mortgage but I do not see any way that I can keep my home (yes, my trailer is my home) if I cannot find a job. I have been unemployed for almost two years. I have been on at least 25 interviews, sent out thousands of resumes, yet I still cannot find employment. An unemployment extension for the long term unemployed would help me/my son and MILLIONS of others to buy some time to help find a job and KEEP OUR HOMES!! If the government *can* provide us with jobs, ALL THE BETTER!!! We, the long term unemployed, don't want hand outs and we don't like to be at home every day with no purpose in our lives,—WE WANT TO WORK AND WE WANT JOBS!!!!!!

It is crystal clear to me . . . there are jobs, BUT we are competing for these jobs. There are at least 15 to 20 people interviewing for the same positions YET ONLY ONE PERSON WINS THE JOB. Soon, I will be homeless. My mortgage company will foreclose on me. The trailer park will evict me. My son . . . how will I take care of him??? How will I take care of me???

Tracy Santee

Janice Nichols

Thursday, February 10, 2011

To: House Ways and Means Committee
Hearing for Jobs for Unemployed

You have no idea how hard it is to have been laid off for over 3 years. My most recent experience has been in social services and there are no jobs. These jobs depend upon excess money in the economy and charitable contributions. Obviously, there is no excess money in the economy and charitable donations have decreased.

I have a B.S. degree in Management and Human Relations and have a business background, also. Outsourcing has taken a lot of jobs and my technological skills need updating.

The economy is changing. As an older laid-off worker, I need retraining. We need a program that will provide unemployment for us for a year, along with one-year free training in order to upgrade our skills and become more employable. The longer we stay unemployed without available jobs, the less desirable we become to employers.

We need help to survive and we need jobs. I am a widow who has lost her home and my son and I have found it necessary to move in with relatives. I have always been able to find a job before the economy took a nose dive. This has taken such a toll on all of us. It is unbearable to think that this great country cannot provide jobs for their citizens!!!

Please help us. You are not having to go through this. You are warm and well fed and your bills are being paid. Come down to our level and have some compassion.

It is your duty to help us!

Sincerely,

Janice Nichols

James Bufton

Thursday, February 10, 2011

Chairman Camp,

Americans want to work. The current political bantering is unacceptable and unproductive. Trickle down does not and never did work. History bears this out. We are facing actual (U6) unemployment number of well over 16%. No one disputes this. Yet, the heartless millionaire conservatives would allow decent hard working Americans to be cast aside and forgotten rather than face the problem and the reality at hand.

I will exhaust my UE insurance in a couple of weeks and with my savings mostly depleted will soon lose everything this disabled veteran has worked for all of his life. At age 62, even with a very credible and successful work history, I am un-

wanted. Discrimination is rampant and the conservatives want us to just go off and die somewhere so they can deal with further enriching their cronies.

I first advocate the 14 week extension that Ms. Lee is introducing to the House so those in harsh climates will not freeze to death when living on the streets. Further I endorse a public works program where displaced workers can engage in all sorts of activities that budgetary constraints have diminished. Tutoring challenged students in fundamentals, helping the aging lonely, painting schools in ill repair, teaching computer skills, and countless other projects. What community would say: "We really don't need any of these things." That was rhetorical, sorry.

Please stop pandering to the rich and DO SOMETHING concrete and measurable to create jobs in AMERICA.

Respectfully,

James Bufton

Scott Carlson

Thursday, February 10, 2011

Scott Carlson

Title Hearing: Tell a Compelling story.

Dear Committee,

I had a job that was ok, I was making money even though it was not much, it was steady and I had it for 6 years. Then all of a sudden about 3 years ago, it was gone! I made some wrong choices when I was young and I don't have a Drivers license, I was happy to get that job because it was not that far away. I walked in the rain and snow to get there every day, because I knew how lucky I was to have it. Now it has been taken away and no one will even look at my applications because, for one the new standard with almost all employers are that they require a Drivers license and a background check, even for a basic \$7.00 to \$8.00 an hour job. Also because it has taken so long for some jobs to come back, employers are only hiring people who have been out of work 6 months or less, this is a fact! and if you search the job listings you will see this requirement with many employers. I am only making it because I live with a friend who is on DISABILITY and he only brings in about \$770.00 a month. It is amazing we are even making it at all. I understand jobs are number one, However the people who have been out of work the longest are the ones who will be hired last. This is a fact! anyone who thinks the first unemployed get hired first are living in a dream world! We have and still are being left behind. Not even the President wants to say a word about us. We need more weeks of benefits now. We need hope for a better future like the rest of the unemployed. I don't think its right that some get benefits and not all! That's what was done with the tax cuts this last December, the Republicans said (ALL), should get help, so why should unemployment benefits be any different. There was a large cost for that small percent of the rich to get tax breaks, so when you look at the percentage of 99ers, Please remember the Republicans held out and stopped all for a small percentage no matter the cost!

Statement of William Milner

2/13/11

I have worked all my adult life and unfortunately I have been unemployed for the last almost two years, I LOOK FOR WORK EVERYDAY I have gone on three interviews and have received that second call I'm respectfully asking that you pass this bill immediately we need the additional help!!!! PLEASE PASS THIS BILL!!!!

