



BOB KING, President

DENNIS WILLIAMS, Secretary-Treasurer

VICE PRESIDENTS: JOE ASHTON • CINDY ESTRADA • GENERAL HOLIEFIELD • JIMMY SETTLES

IN REPLY REFER TO

December 12, 2011

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Dear Representative:

As early as tomorrow, the House is expected to vote on H.R. 3630, the so-called Middle Class Tax Relief and Job Creation Act of 2011, which includes provisions that would slash the number of weeks of federal emergency unemployment compensation (EUC) and would set the stage for dismantling the federal-state unemployment insurance program. On behalf of over one million active and retired UAW members, I strongly urge you to vote against H.R. 3630.

The United States is in the grip of a severe unemployment situation:

- The current unemployment rate is 8.6 percent.
- Nearly 14 million Americans are officially unemployed.
- Another ten million Americans are working part-time involuntarily or have become so discouraged they have dropped out of the labor force.
- For every one job opening in the United States, there are 4.2 Americans actively seeking employment.

Now is not the time to be reducing the number of weeks of federal UI, yet H.R. 3630 does just that. It eliminates Tier II of the EUC program (14 weeks for all states) and Tier IV (another six weeks in states with an unemployment rate of 8.5 percent or higher). And it fails to provide for a continuation of federal Extended Benefits (EB) for those states that have sustained the most prolonged periods of joblessness. Together, the effect is to cut 40 weeks of federal benefits from the current programs, and to do so in a manner that does the most harm to those states that were hit the hardest by the financial collapse, including Alabama, California, Connecticut, Florida, Georgia, Illinois, Idaho, Indiana, Kentucky, Michigan, Missouri, Nevada, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee, Texas, and Washington.

The federal UI programs are not only a lifeline for families and communities suffering from unemployment, but are also a significant form of economic stimulus. As the Congressional Budget Office has consistently determined, federal UI is the single most effective policy for priming the economic pump and creating jobs, putting up to \$2 back into the economy for every federal dollar spent on benefits. That is because unemployment benefits are spent immediately and in local communities.

The current federal UI program was passed by Congress and signed into law by President Bush in July 2008; at that time, the unemployment rate was 5.8 percent. With a CBO forecast of unemployment over eight percent through 2012, now is not the time to reduce the number of weeks of benefits.

H.R. 3630 also contains numerous amendments to the Social Security Act of 1935 that, if enacted, would destabilize the long-standing state-federal unemployment insurance system and undercut the authority of states to make eligibility determinations. For example, the bill requires states to impose a high school diploma or GED requirement as a condition of eligibility for state as well as federal benefits. If this provision were enacted, a 60-year old custodian without a high school degree who lost his job through no fault of his own could be denied UI benefits, even after paying, directly or indirectly, for unemployment insurance for 40 years.

Another provision in the bill imposes on the states an unfunded mandate to develop and implement expensive new systems to track where and when unemployed workers apply for jobs each week of benefits. This “documentary evidence” requirement is unnecessary and would create a huge administrative burden for states already straining from unprecedented demand. Recent research by Alan Krueger and survey research by the Heldrich Center at Rutgers University show that unemployed workers who receive unemployment compensation do *more* job search than those who never receive benefits. And new research by Jesse Rothstein at the University of California found that the federal emergency benefits had the effect of *increasing* employment and lowering the unemployment rate. These research data support the UAW’s view that the problem is not workers failing to search for jobs, but an economy failing to create jobs for workers to find.

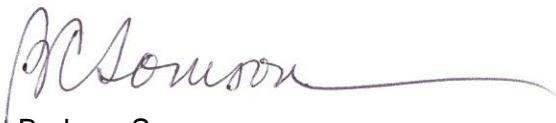
The bill also allows states to start charging UI recipients for the cost of re-employment services by authorizing states to deduct up to \$20 a month from the benefits of *all* recipients to pay for services that have always been financed by UI taxes. To displaced workers seeking new work, this provision amounts to just another way to reduce already low benefit amounts (which average \$296 a week).

Another objectionable provision in H.R. 3630 would, for the first time since the creation of the UI system in 1935, impose means testing on beneficiaries by disqualifying millionaires from receiving UI benefits. The program was designed and has operated for over 75 years as an *insurance* program: employers pay into UI trust funds on behalf of workers and eligible workers receive their insurance payments when they are involuntarily unemployed. Although it is politically popular to bash millionaires, the UAW submits that means testing the UI program is the first step on a slippery slope toward turning a social insurance program into a welfare program.

Finally, H.R. 3630 would eliminate the “non-reduction rule” in current law which requires states, as a condition of receiving federal EUC, to maintain the number of weeks of state benefits. The UAW strongly supports continuation of the non-reduction rule in order to ensure that laid off workers get their fair share of state as well as federal benefits and to maintain the integrity of the underlying state-federal system.

For the foregoing reasons, the UAW strenuously urges you to vote no on H.R. 3630 and to insist that Congress enact a “clean” reauthorization of the current federal UI programs.

Sincerely,

A handwritten signature in cursive script, appearing to read 'B. Somson', followed by a long horizontal flourish.

Barbara Somson
Legislative Director

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