

TESTIMONY

OF

RICHARD BLOOMINGDALE, PRESIDENT

THE PENNSYLVANIA AFL-CIO

ON

UNEMPLOYMENT COMPENSATION

BEFORE THE

SENATE LABOR AND INDUSTRY COMMITTEE

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Frank Snyder, Secretary-Treasurer

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Good morning Chairperson Baker, Chairperson Tartaglione, and members of the Senate Labor and Industry Committee. My name is Rick Bloomingdale. I am the President of the Pennsylvania AFL-CIO, and I am here today on behalf of the affiliated labor organizations representing over 800,000 hardworking women and men.

Thank you for the opportunity to present testimony regarding Unemployment Compensation. Unemployment Compensation is a safety net for all workers, an insurance policy that everyone needs, but no one wants to use.

Unemployment Insurance not only ensures that workers who lose their jobs by no fault of their own, are not left with nothing, it also helps businesses. Workers who receive unemployment compensation do not save the money they receive, they spend it buying groceries, clothing, fuel, on housing, and so much.

As of late, unemployment benefits have been under attack. At least some of the damage done by Act 60 ought to be repaired. Act 60 was, essentially, a legislative bonding vehicle to bail out employers. It allowed up to \$4.5 billion in bonds to repay the federal loan debt owed by employers in Pennsylvania, which relieved them from losing their Federal Unemployment Tax Act (FUTA) tax credits. Generally speaking, Act 60 reduced taxes and penalties for most employers.

For *employees*, by contrast, there have been so such benefits as a result of Act 60. Rather, Act 60 imposed severe eligibility restrictions. Both unionized and non-unionized workers—tens of thousands of previously eligible unemployed claimants—have since been denied their rightfully earned and completely paid-for Unemployment Insurance benefits. The impact on Pennsylvania workers, Pennsylvania families, and Pennsylvania employers has been extraordinary. Eligibility has been cut by approximately 50,000 people a year, with no additional burdens on employers. The high quarter earnings penalty adopted in the 2012 amendments cries for revision so as to render it internally logical. It is well for me to stress that the percentage of earnings outside the high quarter is only *one* part of the Unemployment Insurance eligibility determination. Pennsylvania's unemployment insurance current setup is sorely in need of repair. The Unemployment Insurance claimant dependent benefit must be adjusted for inflation and indexed as a means to the modernization *essential* for the Unemployment Insurance system.

On account of what have repeatedly been described as *unintended consequences*, proposals to *fix* the problem have been, to varying degrees, floated around our Capitol. We not only oppose any further cuts to benefits and eligibility, but we believe the eligibility cuts enacted in 2012 should be reversed.

The favored reason for inaction with regard to fixing Unemployment Compensation is the need to find a way to pay for it. For the Pennsylvania AFL-CIO, the answer is simple: *Employers ought to pay taxes on an appropriate taxable wage base that is adjusted to represent the current cost of benefits.* Only six other states have a lower taxable wage base than Pennsylvania. If the taxable wage base had been increased to cover the same percentage of total wages as it did in 1984, the fund would have a surplus. Effective January 1 of each calendar year, the employer taxable wage base ought to be modified to 50% of the Statewide Average Annual Wage (SAAW) (which it was, approximately, in 1984) and without the artificial cap of 66 2/3% of SAAW. Furthermore, all funds generated from present and future employee Unemployment Insurance wage funding streams should be secured and earmarked solely for benefit payments and eligibility enhancement.

The foregoing suggestions will help the Unemployment Insurance Trust Fund achieve and retain solvency and carry out the fundamental intent of the Unemployment Insurance law, namely, “To protect Pennsylvania workers, families, businesses and Communities from the ravages of Unemployment....”

More generally, in addition to aiding the immediately affected parties, modifications such as the foregoing have the overall merit of being conducive to our economy’s flow of money at just the time such a stimulus can preclude further structurally induced economic depression.

Attached you will find the key points of the Pennsylvania Labor Movement's ideas to remedy and prevent the need for future additional bond indebtedness, benefit cuts, further eligibility restrictions, and assurance of a trained, skilled, ready-to-work Pennsylvania workforce for Pennsylvania employers. These ideas will help the Unemployment Insurance Trust Fund achieve and retain solvency and carry out the fundamental intent of the Unemployment Insurance law, namely, "To protect Pennsylvania workers, families, businesses and Communities from the ravages of Unemployment...."

I thank you for this opportunity to appear before this committee.

PROPOSED REMEDIES FOR SOLVENCY OF UNEMPLOYMENT COMPENSATION FUND

- Restore the adjustable base year in eligibility determination
- Restore the steps of the multiple step Step-Down in eligibility determination
- Eliminate the variable duration of benefits (16 to 26 weeks)
- Restore the calculation of credit weeks to pre-Act 60 calculation
- Determine financial eligibility by requiring 28% of Base Year wages be earned outside the high quarter
- Deem the Application for Unemployment Insurance to be registration for work
- Reassure Claimant Unemployment Insurance benefit eligibility when employee terminates job due to workplace abuse