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96th Congress, 2d Session

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# SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

# COMMITTEE ON WAYS AND MEANS

# U.S. HOUSE OF REPRESENTATIVES

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## SUMMARY OF PRESENTED AND SUBMITTED TESTIMONY BY MEMBERS OF CONGRESS AND BY PUBLIC WITNESSES

ON

**1. H.R. 6540 (Mr. Brodhead), the "Emergency Unemployment Compensation Act of 1980"**
**2. H.R. 6690 (Mr. Hillis), the "Emergency Unemployment Compensation Act of 1980"**
**3. H.R. 7529 (Mrs. Schroeder), the "Short-Time Unemployment Compensation Act of 1980"**

Public Hearings Held on June 26, 1980

AUGUST 26, 1980

Printed for the use of the Subcommittee on Public Assistance and Unemployment Compensation

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# INTRODUCTION

On June 26, 1980, the Subcommittee on Public Assistance and Unemployment Compensation held a day of public hearings on three unemployment compensation bills: H.R. 6540 (Mr. Brodhead), the "Emergency Unemployment Compensation Act of 1980;" H.R. 6690 (Mr. Hillis), the "Emergency Unemployment Compensation Act of 1980;" and H.R. 7529 (Mrs. Schroeder), the "Short-Time Unemployment Compensation Act of 1980."

The purpose of the hearing was to receive testimony on legislative recommendations aimed at responding to increases in unemployment. H.R. 6540 and H.R. 6690 would provide an additional tier of unemployment compensation benefits in areas hit particularly hard by unemployment. H.R. 7529 would establish a demonstration project to encourage work sharing in lieu of total layoffs by providing for prorated unemployment insurance benefits to partially unemployed workers.

The Subcommittee heard testimony from the Administration and other interested individuals and organizations. Testifying for the Administration was William B. Lewis, Administrator of the Unemployment Insurance Service of the U.S. Department of Labor. Also testifying was Eleanor Holmes Norton, Chair, Equal Employment Opportunity Commission. Their testimony was followed by statements from Members of Congress, representatives of State and local governments, experts in the field of unemployment compensation, and representatives of labor and business.

## CURRENT LAW

Under present law, States generally pay unemployment benefits for a maximum of 26 weeks under the Regular-State unemployment compensation program. In times of high unemployment, however, the Federal-State Extended Benefit program becomes effective. Under the Extended Benefit program, up to a maximum of 13 additional weeks of benefits are payable to individuals who exhaust regular benefits. Half the cost of these Extended Benefits is borne by the Federal unemployment tax and half is borne by State unemployment taxes.

The Extended Benefit program goes into effect on a State-by-State basis if the insured unemployment rate reaches a level of 4 percent and is also 20 percent higher than the rate during the comparable period of 2 previous years. At State option, the program can also become effective whenever the State insured unemployment rate is 5 percent or higher regardless of how it compares with the rate in the 2 prior years.

In addition to these "State triggers," the program becomes effective in all States whenever the national insured unemployment rate reaches a level of 4.5 percent. (For both State and National triggers, the rate is measured over a moving period of 13 consecutive weeks.)

# H.R. 6540
# THE EMERGENCY UNEMPLOYMENT COMPENSATION ACT OF 1980

REP. BRODHEAD

H.R. 6540 would provide an additional 13 weeks of emergency unemployment benefits to individuals who have exhausted both Regular-State unemployment benefits (26 weeks) and Federal-State extended benefits (13 weeks) when the State's insured unemployment rate reaches 5 percent.

* * *

Trigger: State insured unemployment rate reaches 5 percent over a 13 week period.

Benefit Duration: Up to 13 weeks of "emergency benefits."

Qualifying Conditions: Benefits would be payable when an individual has exhausted both regular unemployment benefits (26 weeks) and extended benefits (13 weeks).

Eligibility Conditions: Same as under applicable State law.

Benefit Amount: Same as for regular unemployment insurance under applicable State law.

Financing: Federal funding from general revenues.

H.R. 6690
THE EMERGENCY UNEMPLOYMENT COMPENSATION ACT OF 1980

REP. HILLIS

H.R. 6690 would provide an additional 26 weeks of emergency unemployment benefits to individuals who have exhausted both Regular-State unemployment benefits (26 weeks) and Federal-State extended benefits (13 weeks) when the insured unemployment rate for a labor market area reaches 10 percent.

* * *

Trigger: When insured unemployment rate in the labor market area equals or exceeds 10 percent. A labor market area is either a continuous population center with a population of at least 50,000 or all other areas of a State not in the population center.

Benefit Duration: Up to 26 weeks of emergency benefits.

Qualifying Conditions: When the individual has exhausted all regular (26 weeks) and extended benefits (13 weeks).

Eligibility Conditions: Same as under applicable State law.

Benefit Amount: Same as regular unemployment insurance paid by State.

Financing: Federal funding from general revenues.

H.R. 7529
THE SHORT-TIME UNEMPLOYMENT COMPENSATION
ACT OF 1980

REP. SCHROEDER

H.R. 7529 authorizes a program of Short-Time Unemployment Compensation to encourage work-sharing and avoid layoffs. The Secretary of Labor would be authorized to establish demonstration projects to encourage States to provide jobless benefits to partially unemployed workers. The provision would permit payment of prorated unemployment insurance benefits to employees who are laid off for a portion of the week as a part of a program to avoid total layoffs.

* * *

The bill authorizes the Secretary of Labor to develop legislation which may be used by States as a model in developing and enacting short-time compensation programs. For the purposes of this act, the term "short-time compensation program" means a program which includes the following elements:

--Eligible Individuals - persons whose work week has been reduced pursuant to a qualified employer plan by at least 10 percent;

--Amount of benefit - a pro rata portion of the unemployment benefit payable if such individual were totally unemployed;

--Financing - benefits attributable to employers who have positive reserve accounts would be financed in the usual manner by charging reserve accounts through experience rating. Employers with negative reserve accounts may be required by the State at the end of the year to make full reimbursement to the

State trust fund or would be charged a surtax.

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Qualified employer plan - an approved plan under which the employer certifies that a reduction in the number of hours worked by employees is in lieu of layoffs which would result in an equivalent reduction in work hours. The employer must also certify that an individual on short-time compensation will not be deprived of entitlement to health benefits or to pension credits. In the case of union employees, the union would have to consent to the implementation of the plan.

Grants and technical assistance - The Secretary is authorized to make grants and provide technical assistance to States in developing, enacting and implementing short-time compensation programs.

Demonstration projects - The Secretary would be required to conduct one or more demonstration projects in cooperation with the State unemployment compensation agency.

Reports - The Secretary would be required to submit two interim reports, the first of such interim reports to be submitted on or before October 1, 1982, and a final report on October 1, 1983 evaluating the short-time compensation program and making recommendations to the Congress.

Authorization of appropriation - For fiscal years 1981-83, there would be authorized a sum not to exceed $10 million as necessary to carry out the purposes of the Act.

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TESTIFYING FOR THE ADMINISTRATION, WILLIAM B. LEWIS ADMINISTRATOR, UNEMPLOYMENT INSURANCE SERVICE, EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DEPARTMENT OF LABOR

1. The Administration opposes the authorization of supplemental benefits beyond the 39 weeks provided under the permanent Regular-State and Federal-State Extended Benefits programs, for the following reasons:

a) Insured unemployment rate is not sufficiently high to trigger nationally the Extended Benefits program which provides up to 39 weeks of compensation;

b) Payment of benefits under Regular-State programs together with triggering of additional weeks of Extended Benefits in 18 States with high unemployment indicates the present program is working well;

c) Adoption of plan to provide benefits beyond 39 weeks has serious budget implications and must be considered together with other stimulus alternatives. These conditions are being monitored by the Administration which will promptly recommend any appropriate action;

d) The Administration has not seen any major changes in the pattern of regular unemployment compensation exhaustion, nor does it expect huge nationwide increases in the immediate future.

2. No recommendation on H.R. 7529 --

The Department of Labor is presently conducting research on a work-sharing

pilot program under existing authority and is awaiting the results of the California short-time compensation program for further assessment.

ELEANOR HOLMES NORTON, CHAIR
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

1. Supports H.R. 7529 as a "significant and innovative" approach to the economic problems generated by unemployment:

   a) The country has an "obligation" to seek short-term remedies such as work-sharing while pursuing a long-range full-employment policy;

   b) Work-sharing is "promising and practical," placing a premium on working instead of unemployment;

   c) H.R. 7529 would protect minorities and women from the "last hired, first fired" syndrome to which they are susceptible because of recent access to positions traditionally unavailable to them;

   d) Work-sharing augmented by unemployment insurance has been successful in Japan and most of the industrial nations of Western Europe; participation in the California program had reached 12,500 workers and almost 600 companies by the end of March, 1980;

   e) H.R. 7529 is limited to a demonstration project requiring a modest expenditure of funds.

PATRICIA SCHROEDER, MEMBER OF CONGRESS,
(COLORADO)

1. Urges positive action be taken on H.R. 7529--

   a) Believes Short-Time Compensation is a means of reducing the negative impact of a recession;

   b) Favors a voluntary approach to encourage greater use of Short-Time Compensation;

   c) Emphasizes that the most likely persons to be laid off are the least skilled, the most recently hired, minority workers, and female workers;

   d) Feels it is timely to enact this bill, in view of the projected unemployment rate of 8.5 percent;

   e) Cites the Congressional Budget Office estimates that each additional percentage of unemployment increases Federal expenditures $5 to $7 billion, and reduces tax revenues by $20 to $22 billion;

   f) The bill she is proposing does not mandate the use of Short-Time Compensation but provides States a three year program to experiment with wider use of Short-Time Compensation, and to evaluate both voluntary State programs and the demonstration project.

2. Concerns have been expressed about the use of Short-Time Compensation. These concerns include--

   a) Whether the use of Short-Time Compensation would be a drain on the U.I. trust funds;

b) Whether senior workers would be willing to share the burden of unemployment with younger workers;

c) Whether the availability of Short-Time Compensation would permit employers to lay off workers more quickly or in larger numbers.

3. H.R. 7529 addresses these concerns-

a) The bill would mandate the use of experience rating for purposes of Short-Time Compensation so that benefits will be paid for by the employers who use the program. States may also charge negative balance employers a surtax or require full reimbursement for their use of this program;

b) This bill is voluntary and advises that union and nonunionized employers discuss the program with their employees before making a decision;

c) Employers are required to certify to the State agency that the aggregate reduction in work hours under Short-Time Compensation would be in lieu of an equivalant number of hours of full-time layoffs. It is unlikely that in a recessionary period there would be an incentive to cut production, especially since employers must continue fringe benefits for partially unemployed workers and pay for program benefits through experience rated U.I. taxes.

4. Agrees with the recommendation of the Committee for Economic Development that there be active exploration of possible legal and administrative changes to facilitate work sharing as an alternative to cyclical layoffs.

5. Short-Time Compensation is a cost-effective way to fight unemployment. The total cost of H.R. 7529 over a three-year period would be $10 million.

6. Some positive benefits of this type of program-

   a) Layoffs are costly to companies who must develop new production schedules and then rehire and retrain workers when the business cycle recovers;

   b) This legislation can benefit unions. A number of unions call for work sharing among employees before layoffs are permitted, and this bill would encourage compensation for workers whose hours are reduced;

   c) The use of Short-Time Compensation would give a boost to the local economies and would result in greater tax revenues for the State.

ELWOOD HILLIS, MEMBER OF CONGRESS (INDIANA)

1. Stresses that any additional unemployment benefits must be limited to the most severe cases, balancing the concerns of the unemployed in the hardest hit areas with those persons still employed and financing those benefits through taxes. Thus, H.R. 6690 targets additional 26 weeks of unemployment benefits to labor market areas with an insured unemployment rate (IUR) of 10 percent or higher.

2. Testifies that extremely high local unemployment rates have not only personal but community-wide ramifications, affecting businesses, crime rates, domestic disputes, dislocation of citizens, and attractiveness for business investment.

3. Notes that Congress has recognized special problems of high unemployment in the past with temporary programs such as the Emergency Unemployment Compensation Act of 1974 authorizing an additional 13 weeks of benefits after exhaustion of "Regular-State" and Federal-State extended benefit periods, and the Tax Reduction Act of 1975 providing for another 13-week period, thus creating a maximum eligibility period of 65 weeks through combination of all programs -

   Under H.R. 6690, maximum eligibility would extend to 65 weeks--26 weeks of regular unemployment benefits, 13 weeks if the State IUR triggers Federal-State extended benefits, and 26 additional weeks if the IUR in the "labor market area" reaches the levels required by H.R. 6690.

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FRED D. WEAGLEY, MAYOR, CITY OF MARION, INDIANA

1. Supports H.R. 6690 as a "needed addition" to present unemployment compensation law.

2. Testifies that support of H.R. 6690 reflects not only the interests of local government and the unemployed, but also "the majority of business, industry, and labor who have expressed themselves on the subject."

3. States that Grant County (pop. 85,000) and its County Seat, Marion (pop. 43,500) are severely affected by unemployment, currently at 10.3 percent and expected to increase when seasonal work is no longer available--

   a) Of the total Grant County work force of 38,600, there were 6,059 workers who applied for unemployment benefits between January 1 and June 15, 1980, with 3,795 present recipients;

   b) 945 persons have already exhausted regular benefits, and an additional 207 persons have exhausted extended benefits;

   c) Although much of the local industry is auto-related, the economy is diversified, consisting of industry in the wine, glass, rubber, radio, television, and paper-board container product areas, all suffering from the recession.

THOMAS R. MCMAHAN, MAYOR, CITY OF ANDERSON, INDIANA

1. Supports H.R. 6690.

2. States that the Madison County (pop. 140,000) unemployment rate between January and April, 1980 ranged from 16.1 to 17.5 percent compared with 6.0 to 7.0 percent for approximately the same period in 1979, with rates for the city of Anderson (pop. 72,000) about .5 percent higher than the SMSA, making it "the city with the highest unemployment rate in the nation."

   a) By June 14, total claimants (Anderson office) were 6,708, 5,119 being General Motors claimants, 1,589 non-General Motors claimants, with 1,843 people exhausting regular benefits since January 1, 1980;

   b) Unemployment figures for minority population of Anderson (mostly black) is "conservatively estimated" at 30 to 40 percent, and "a majority of these persons are probably not reflected in the unemployment figures cited."

3. Testifies that over 5,600 laid-off GM employees have been eligible for Supplemental Unemployment Benefits (SUB), but 300 people have exhausted benefits, and an additional 500 could exhaust them by August 1--if Trade Readjustment Assistance (TRA) is not funded and present unemployment level remains, SUB fund will be solvent only through the balance of 1980; if TRA is funded, TRA payments would have the effect of replacing SUB and restoring the solvency of the fund.

a) 300 GM employees have already relocated to another community;

b) The group that would benefit most by H.R. 6690 is the non-GM segment (25 percent of the unemployed) composed of retail and service activities, construction, insurance, and real estate.

4. Emphasizes that Anderson is making an effort to diversify local industry to maximize gainful employment opportunities, but H.R. 6690 "will help to offset the unemployment hardships as this effort takes place."

5. Suggests a re-vitalization of American industry as the best opportunity to recover substantial employment in a relatively short-time, since that industry affects "one of twelve manufacturing jobs in the U.S." The program could possibly include:

a) Massive retooling to meet demands of smaller, fuel-efficient cars;

b) Liberalizing tax and investment credits and depreciation schedules to produce additional cash;

c) Review of federal regulations governing fuel efficiency, emissions standards and safety;

d) Consideration of an import fee on foreign cars to fund TRA benefits;

e) Rededication of workers, union leadership, and management to productivity and quality of work to make plants competitive in international markets.

STEPHEN J. DAILY, MAYOR, CITY OF KOKOMO, INDIANA

1. Supports H.R. 6540, H.R. 6690 and H.R. 7529 as means to "buy us the time we need to help ourselves."

2. Testifies that Kokomo has had an unemployment rate of over 10 percent in seven of the last eight months since November, 1979:

   a) Workers laid off at the beginning of the economic downturn have now been unemployed 32 weeks, with many unemployment benefits now exhausted;

   b) A major employer, Chrysler, is unlikely to return to its formerly dominant position in the Kokomo economy, latest reports indicating that at best only 50 percent of those laid off will be recalled to their jobs;

   c) Large lay-offs by Delco Electronics, Kokomo's major employer, have been coupled with the closure of both the World Color Press and American Standard Pottery Co., and the possible loss of two steel companies under Chapter 11 bankruptcy could mean a loss of 1,800 additional jobs.

3. Emphasizes that, beyond the short-term impact on the individual, there are long-term effects on the city and "a very real possibility" that the unemployed who have exhausted benefits will leave the city (causing a population drop endangering Kokomo's Standard Metropolitan Statistical Area (SMSA) designation and affecting its ability to attract and compete for federal funding).

4. Stresses that Kokomo is undertaking long-range efforts to diversify the local economy, but long-range efforts will be ineffective if citizens lose hope and move out of the area.

NATIONAL GOVERNORS' ASSOCIATION
JAMES H. BRINKLEY, LIEUTENANT GOVERNOR,
STATE OF MICHIGAN

1. The National Governor's Association (NGA) believes that the costs of the type of program anticipated by H.R. 6540 are beyond the capability of the unemployment insurance system to absorb and should be assumed by the Federal government as provided in H.R. 6540.

2. Urges that States be given the option to implement innovative work and training benefits, including the flexibility to provide benefits in the form of training stipends for limited periods of time -- such programs could provide a stabilizing effect on local economies by training persons for new employment opportunities to avoid permanent dislocation.

3. The NGA is concerned about the administrative difficulties of H.R. 6690 because it would involve expansion of the benefit period to 65 weeks and would require increased staffing in the target areas (where IUR exceeds 10 percent).

   a) Questions whether the UI system is the best mechanism to attack exceptionally high unemployment;

   b) Concerned that, because benefits are based on location of employment, unemployed living in an eligible area but working in another area would produce a substantial "notch effect." The NGA notes that an accurate statistical source has not yet been developed to calculate substate employment/unemployment statistics.

4. The NGA appreciates the ideas offered in H.R. 7529, but questions whether Federal legislation is needed at this time, since each State must independently assess the ramifications of altering its UI plan. The NGA will continue to study H.R. 7529 and to seek answers to the questions it raises.

5. The NGA urges Congress to consider a coordinated Federal policy that draws on several mechanisms to encourage economic recovery.

6. The 1980 Annual Meeting of the NGA, to be held in August, 1980, will focus on various governmental responses for countering recession in an inflationary economy, including programs "called forth in the past, often with little time for effective planning, that might work better if coordinated and planned earlier" such as public service employment buildup, local public works, tax cuts, counter-cyclical revenue sharing and extension of unemployment insurance.

JAMES H. BRICKLEY, LIEUTENANT GOVERNOR, STATE OF MICHIGAN

1. "Strongly" supports H.R. 6540--

a) Indicates that Michigan has been "hit very hard" by the recession, with 14.0 percent of Michigan's labor force unemployed as of May, 1980, and a 15.4 percent rate forecast for the third quarter, 1980;

b) States that the Extended Benefit program triggered into effect in Michigan in the week ending October 6, 1979; and that approximately 90,000 workers had already exhausted their entitlement by June, 1980.

c) Notes that although Michigan's unemployed auto workers are assisted by Trade Readjustment Assistance (TRA), there is no TRA eligibility for displaced workers in supplier and other auto-related industries who will need additional unemployment benefits until economic conditions improve;

d) Does not believe additional unemployment benefits provided in H.R. 6540 will be a work disincentive, since the present maximum weekly unemployment benefit amount ($136.00) is $233.72 less than the 1979 average weekly wage of Michigan production workers ($359.72);

e) Notes that it is believed that a high proportion of exhaustees are compelled to seek social welfare assistance. This is undesirable because--

1) Costs of welfare assistance exceed that of unemployment compensation;

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2) There are negative implications for moving workers with strong labor attachment onto welfare rolls;

3) Many exhaustees do not qualify for welfare because they have assets which, while not great in value, (such as heavily mortgaged homes) exceed the minimum asset requirement for welfare assistance.

2. Opposes H.R. 6690--

a) States that the provision for different labor market triggers within a State, operating independently of each other, would result in unfair and arbitrary application of the UI program--area triggers would make benefits available according to applicant's last place of employment rather than his need;

b) Would be administratively complex, requiring a new statistical reporting system to manually collect and manually compute the area IUR, a costly process requiring considerable time to implement.

3. Supports H.R. 7529--

a) Notes that H.R. 7529 is exploratory and encourages experimentation in a "concept that deserves further study and consideration;"

b) Adds that Michigan has been independently studying the feasibility of implementing such a program. The Michigan Employment Security Commission is reviewing the matter and will be releasing their recommendations soon.

SENATOR BILL GREEN, SENATE OF THE STATE OF CALIFORNIA

1. Supports Representative Schroeder's "Short-Time Unemployment Compensation Act of 1980" and strongly suggests that this program be tested nationwide.

2. Notes he is the author of legislation establishing a Short-Time Compensation program which has been operating in California since 1978.

   a) The enactment of California's program was initially designed to provide public agencies and their employees some time to determine the consequences of Proposition 13;

   b) Finds that it is beneficial to employees and employers alike during periods of temporary business downturns.

3. Emphasizes that this type of program is not a substitute for existing employment programs, rather an addition to the arsenal for fighting unemployment.

4. Supports reform of the unemployment compensation system but insists we throw our strongest efforts into employment programs. Short-Time Compensation is an employment program. It is not a cure for unemployment, but it does reduce the number of layoffs when the economy is not as healthy as it should be.

5. Thinks we should be careful not to overstate the affirmative action aspects of Short-Time Compensation programs--

   a) It is not a panacea for the last hired-first fired problem;

b) Employers usually use the program to permit them to retain their most skilled and experienced workers.

6. Feels it is important to keep people attached to their jobs--

a) When a person loses such attachment, they are likely to begin losing their skills;

b) This results in employers having to invest time and money in recruiting and retraining;

c) It also means less quality in production and lower productivity.

7. Fears that the mandatory maintenance of full health and pension benefits in the Schroeder bill, as introduced, could inhibit program demonstration--

a) Believes that a majority of the employers will preserve those benefits without mandate, because the program is used for a limited period of time, and the administrative problems of pro-rating or eliminating such benefits would be too costly;

b) Emphasizes that no employer is going to want to antagonize employees that he is going out of his way to maintain on his payroll.

INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC., THERMAN C. KALDAHL, PRESIDENT-ELECT (EXECUTIVE DIRECTOR, NORTH DAKOTA JOB SERVICE)

1. The Interstate Conference does not support H.R. 6540 or H.R. 6690.

2. They believe the duration of unemployment insurance should not exceed thirty-nine weeks-

   a) The unemployment insurance program was created to insure individuals with a strong labor market attachment, who are involuntarily unemployed, and to provide short-term partial wage replacement while they attempt to find other employment;

   b) Unemployment beyond thirty-nine weeks becomes a problem which unemployment insurance was not designed to remedy;

   c) They advocate programs that encourage re-employment, public service employment, relocation assistance, job development, job search assistance, training, and possibly some income replacement for individuals who remain unemployed beyond thirty-nine weeks;

   d) They have seen sustained levels of unemployment in only a few states, and they believe that the current unemployment in the nation is seasonal in nature;

   e) If there is an extension of benefits, they believe it should be temporary and funded from Federal general revenues.

3. The Interstate Conference has been on record as opposed to any program which uses area triggers such as those suggested in H.R. 6690.

   a) There is no data currently available to determine when a given labor market area has reached a 10 percent insured unemployment rate;

   b) They believe that establishing an area trigger concept will be costly, require significant development time, create potential inequities and be a major administrative burden.

4. Notes that H.R. 6540, not only establishes a permanent program, but it modifies the method of computing the insured unemployment rate, which would create confusion in an already difficult situation.

5. The Interstate Conference supports H.R. 7529. They support voluntary cooperation between the State and Federal partners and encourage the Subcommittee to act favorably on this legislation.

STATE OF CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT, FRED BEST, PROJECT DIRECTOR, SHARED WORK UNEMPLOYMENT COMPENSATION EVALUATION UNIT

1. Describes and evaluates the California Work Sharing Unemployment Insurance Program to aid the Committee's consideration of H.R. 7529--

   a) The program pays a proportion of a worker's unemployment insurance eligibility for portions of lost weekly worktime, in order to allow work-sharing as an alternative to layoffs;

   b) Employers are eligible if more than 10 percent of their work force experiences a work week reduction of 10 percent or more;

   c) If the workers belong to a union, the union must approve the program;

   d) Workers are eligible to receive Work Sharing UI benefits if they are experiencing work week reductions of 10 percent or more for a waiting period of one week, and are employed by an organization certified to use Work Sharing UI;

   e) Workers are eligible to receive Work Sharing UI benefits for a period of twenty weeks and will receive one-fifth of the UI benefits that would have been paid for one week of full unemployment;

   f) The program is financed by taxes collected from employers in accord with the balance between tax contributions and UI benefits drawn by existing or former employees;

g) "Negative Balance" employers are those who have allowed their UI tax contributions to fall below the UI benefit drawings of their employees. They must pay a penalty of between .5 percent and 3.0 percent when using Work Sharing.

2. Describes recent trends in participation--

   a) 76 percent of the workers using Work Sharing UI are employed in the manufacturing sector;

   b) This pattern of industrial participation parallels Germany's short-time compensation;

   c) Participation does not appear to be reduced by unionization; 25.5 percent of the workers participating in the program belong to unions;

   d) Responses to a recent nationally representative survey of the American labor force indicated that unionized workers were more positive about the program than non-union workers;

   e) Short-Time Compensation programs will cost only slightly more than layoffs under the regular unemployment insurance program.

3. Notes that before the evaluation project was established, an informal "satisfaction poll" of participating firm and union representatives indicated that the Work Sharing UI program was generally well received--

   a) Of the 30 employers actually interviewed, 25 strongly favored the program and 5 were neutral;

   b) Work Sharing UI programs were viewed as more equitable than layoffs; participating workers were seen as better

off financially because they lost only some of their earnings and retained most fringe benefits;

c) The major reason for program participation was the retention of valuable employees;

d) Only one firm indicated an unwillingness to use the program due to the extra bookkeeping time involved;

e) According to the employers, workers commonly favored the program;

f) All of the businesses interviewed at this time reported that they had maintained all employee fringe benefits provided prior to work week reductions;

g) These findings were tentative and preliminary. The final evaluation will involve demographic, social, and economic analysis of representative samples of workers and firms.

4. Recommends the following--

a) Supports the general concept of Short-Time Compensation and recommends research and program experimentation;

b) Suggests that formal restrictions should not be imposed on States until there is evidence of a need. Recommends that item c3 of Section 3 be deleted or amended;

c) Supports items 2 of Section 3. Feels a pre-defined formula for the distribution of assistance given by the Secretary of Labor is necessary. Would like to see a fixed sum of about $50,000 be given to all States for the administrative development and evaluation of legislated Short-Time Compensation programs and future funds be provided State population or the number of unemployed within the State.

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## APPENDIX I

## CALIFORNIA SENATE BILL NO. 210 -- CHAPTER 506

1. An individual is considered unemployed in any week if--

   a) The individual works for his or her regular employer less than his or her normal hours or days in a week;

   b) There is a finding that the regular employer has reduced or restricted the individual's hours or days of work, as the result of a plan to reduce employment and stabilize the work force by a program of sharing the work among not less than ten percent of the employer's permanent work force.

2. The unemployment compensation benefit amount shall be a precentage of the reduction of the individual's wages rounded to the nearest 10 percent and multiplied by the individual's weekly benefit amount.

3. The employer and the employee's bargaining agent agree in writing to voluntarily participate in the worksharing program.

4. The State's legislative analyst must issue a final report to the legislature on or before January 1, 1981, on the use and operation of this program.

## APPENDIX II

## SHORT-TIME COMPENSATION AND WORK SHARING: A NEW ALTERNATIVE TO LAYOFFS

1. Background of the worksharing concept--

   a) Short-time compensation programs have been widespread and reportedly

successful with many European nations since the 1920s;

b) Consideration of short-time compensation within the United States emerged as a response to the aggrevated unemployment problems in New York City during 1975. This was called the "Poses Plan." This plan received the persistent support of many groups, because it appeared to have the potential to both reduce joblessness and minimize slippage in affirmative action gains;

c) Federal interest in short-time compensation has progressed cautiously;

d) California established an experimental statewide Short-Time Compensation program in mid-1978.

2. Shared Work Unemployment Compensation (SWUC) in California--

a) Each employee participating in SWUC must meet basic UI eligibility requirements;

b) The decision about fringe benefit continuation is left to each employer;

c) California employers are not required to document or prove that a reduction in hours cannot be avoided;

d) Workers who moonlight or perform work in excess of their reduced hours have those earnings deducted from their SWUC benefits;

e) Workers whose employers have stated that the SWUC plan will be used as a temporary measure are automatically exempted from the normal work search requirements of regular unemployment insurance programs;

f) So far, the size of participating firms has been small;

g) Many employers have chosen to involve only a portion of their total workforce in the SWUC program;

h) A general demographic breakdown of the claimant data suggests that use of the program may provide greater job security for low seniority and minority workers; a further breakdown shows there is little difference by sex, and the proportion of minority use of SWUC is higher than the proportion using regular unemployment insurance; a more detailed analysis will be necessary to assess the affirmative action implications of SWUC;

i) Opposition decreased once workers became familiar with the program.

3. Economic costs and benefits of Short-Time Compensation--

a) Under STC, all workers would maintain some degree of job attachment and most of the fringe benefits;

b) The average employee under STC would maintain 94.2 percent of total full-time, take-home compensation as opposed to 92.5 percent under layoffs;

c) Low seniority workers who are ineligible for UI benefits would maintain at least partial wages as opposed to complete loss of income resulting from a total layoff;

d) The typical firm is likely to have lower labor and turnover costs under STC than in the case of layoffs because STC reduces wages and avoids recall, new hiring, and retraining;

e) Firms may be reluctant to retain low seniority workers by cutting back the time of senior employees;

f) The level of benefits under STC is likely to be higher than UI payments resulting from layoffs because benefits for senior workers with higher earnings will be greater than those collected by low paid junior workers;

g) Costs will be partially recouped in the long run by increased UI taxes for firms participating in the STC program;

h) Losses will be slightly offset by lower expenditures on public programs such as food stamps, social security and medicare for work groups using STC;

i) All parties are likely to gain in firms and work groups where the program is applicable.

4. The climate of acceptance for STC--

a) Those with higher incomes feared they would personally lose too much;

b) Preference for the program increased with age;

c) Union members were slightly more favorable than non-members;

d) Skilled laborers were more favorably inclined toward STC than other occupations;

e) Women favored STC more than men;

f) There was little variation of preferences according to race;

g) Workers did not favor use of the program for a prolonged period;

h) American workers endorse the concept of temporary subsidization of work sharing, but see little value in raising the subsidization of work sharing to a point where it virtually replaces lost take home pay.

5. Examining foreign short-time compensation programs--

a) Among the nation reporting use of such programs are the Federal Republic of Germany, Belgium, France, Italy, Great Britain, Luxembourg, Denmark, Netherlands, Norway, Austria, and most recently Canada;

b) The German program most closely parallels the framework that is being discussed within the United States; it first appeared in the Placement and Unemployment Insurance Act of July, 1927 and is administered by the Federal Labor Institute; the program is financed by a 3 percent payroll tax divided equally between employers and employees and is available to firms with at least one paid employee if it can be demonstrated that a reduction in hours of labor is unavoidable; administrators are somewhat at the mercy of firms in determining the eligibility of applicants;

c) German labor law requires that decisions to reduce work time or to lay off workers must be done with the mutual agreement of the employer and the worker councils established within most firms; the firm pays these benefits directly to its employees and is reimbursed for these expenditures by the government; the government will reimburse firms for up to 50 percent of the cost of health insurance and 75 percent of the cost of retirement programs; the maximum duration of benefits is six months, but it is

possible to apply for an extension of up to two years; utilization varies with the business cycle, particularly during the early stages of an economic down turn; 95 percent of all German workers receiving short-time payments are found in manufacturing, mining, and construction; the average number of employees in participating firms was 63, and a small proportion of large firms were participating; large portions of European fringe benefits are administered by the government, a barrier which is detering U.S. firms from participating.

6. Unanswered questions and future prospects--

   a) There are potentials for short-time compensation, but there are many reservations about it as well;

   b) Organized labor has expressed concern about the concept; they feel that this type of program would disrupt hard won seniority provisions and established union procedures;

   c) There is concern that use of the program would stimulate work group conflicts leading to a reduction of union solidarity and bargaining power;

   d) Others feel that the program might encourage unions to push for shorter work weeks or might subsidize economically marginal firms at the expense of healthy firms.

AMERCIAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, BERT SEIDMAN, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY

1. Testifies that exhaustion rates in States with highest unemployment, where extended benefits have already triggered "on" are beginning to climb rapidly with "no end to the recession in sight" and no program to provide benefits beyond the extended benefits period:

   a) By May, 1980, there were 69,000 exhaustees in Michigan, over 18,000 in Pennsylvania and nearly 14,000 in Ohio;

   b) 18 States currently have extended benefits in effect, with 238,000 workers now receiving extended benefits.

2. The AFL-CIO is pleased that H.R. 6540 would establish a permanent program beyond the extended benefits period wholly financed from general revenues, and supports H.R.6540 with recommended modifications as follows:

   a) Provision of a State emergency "on" trigger at 4.5 percent insured unemployment rate (IUR) and a national emergency "on" trigger at 5 percent IUR. The AFL-CIO believes that the gap between IUR and the total unemployment rate (TUR) is widening (the current spread nationally is over 3 percentage points--IUR is 4.7and TUR is 7.8 percent). Present trigger levels are no longer appropriate and should be lowered for both the extended benefit and emergency programs;

b) Recommends that this legislation remove the "120 percent formula" from the extended benefit program; that formula currently results in denial of extended benefits to jobless workers in States where the level of unemployment is not 20 percent higher than the unemployment level in the previous two years--regardless of how high the level was then or now;

c) Urges that 65 weeks of benefits rather than 52 be made available in this bill, as was done in the last recession under the Federal Supplemental Benefits program.

3. Opposes H.R. 6690-

a) State election feature would not ensure implementation in any state;

b) 10 percent IUR feature would preclude meaningful application in most labor market areas;

c) Definition of labor market area in H.R. 6690 does not distinguish between unemployment by residence or by work site and data determining the extent of unemployment in a labor market area as defined here is unavailable or sketchy.

4. Opposes H.R. 7529 at this time, pending a review of the final evaluation of the California Short-Time Compensation law.

CHAMBER OF COMMERCE OF THE UNITED STATES, ERIC J. OXFELD, ASSOCIATE DIRECTOR, EMPLOYEE BENEFITS

1. Opposes all 3 bills as introduced.

2. Unconvinced that the present economic climate requires implementation of long-term benefit program, but emphasizes that, if Congress feels a new program is necessary, it must be carefully designed to increase the opportunities for persons to prepare and find employment. Believes that a better program--one that might draw business support--would include:

   a) Provision for repayment of the Federal portion of the Extended Benefits debt and the Federal Supplemental Benefits debt, together totalling $8.8 billion, before further spending programs are authorized;

   b) Preservation of the regular UI program while designing a special long-term benefit program that does not weaken the regular UI system but rather supplements it and serves as a bridge between UI and CETA; availability of funds for up to a year may reduce incentives to find suitable employment;

   c) Financing from general revenues as both H.R. 6540 and H.R. 6690 provide;

   d) Persons unemployed after 9 months must demonstrate a continuing strong attachment to the labor force for benefits to continue:

      1) Requirement of longer period of weeks worked before eligibility

for post-Extended Benefits (beyond 9 months);

2) Job search requirements must be strengthened and strictly enforced, and a more stringent test of "suitable work" should be applied;

e) The duration of the program should not exceed 13 weeks as provided in H.R. 6540 but not in H.R. 6690;

f) Program should not trigger "on" at levels below 6 or 7 percent;

g) Only Regular Benefit recipients should be used to calculate IUR (H.R. 6540 would include recipients of extended and long-term benefits in determining IUR).

3. Opposes H.R. 7529 at this time--

a) Persons receiving benefits for work-sharing would have little incentive to search for full-time employment;

b) Any work-sharing program must be financed on a reimbursable basis to avoid shifting costs of administration and benefits to employers who do not use the plan;

c) Recommends that any Federal action await an appraisal of the California program.

COUNCIL OF STATE CHAMBERS OF
COMMERCE, EMPLOYEE BENEFITS AND RELATIONS
COMMITTEE, MARK CAHOON, ASSOCIATE DIRECTOR

1. Opposes H.R. 6540 as introduced and suggests the following modifications--

a) A temporary rather than permanent program, terminating at the end of 2 years;

b) A qualifying wage requirement (such as 39 weeks in the past 2 years);

c) Provision whereby those who have been disqualified would receive a full 52 weeks, but total benefits would be reduced by the disqualification period imposed under State laws;

d) Full offset of any payments received under any other plan;

e) 5 percent IUR trigger raised; all Extended Benefit claimants would be excluded from calculation of IUR;

f) Strict requirement that applicant accept suitable job (as under the Federal Supplemental Benefits program);

g) One-week uncompensated waiting period;

h) Any program requiring payments out of State trust fund would not be done on a reimbursement basis, but by advance estimated payments to the States; Federal government would pay administrative costs of the program.

2. Opposes H.R. 6690--

a) 26 weeks beyond Extended Benefits period is excessive--present system

affords sufficient time (39 weeks) to find re-employment;

b. Determination of "labor market area" would be difficult to administer and would subject unemployed to different regulations based on "arbitrarily" drawn geographic boundaries.

3. Opposes H.R. 7529 as introduced. Recommends the bill be modified to provide for a mandatory dollar-for-dollar reimbursement to avoid shifting the cost to other employers.

NATIONAL URBAN LEAGUE, INC., MAUDINE R. COOPER, VICE PRESIDENT FOR WASHINGTON OPERATIONS.

1. The National Urban League supports H.R. 7529 to encourage work sharing.

2. NUL believes work sharing is important, particularly during a recession -

   a) During the 1974-75 recession blacks were hit hardest by job terminations;

   b) The Bureau of Labor Statistics reported in May that the total unemployment rate reached 7.8 percent.

3. NUL beleives the Short-Time Compensation Act will respond to these problems by providing pro-rated unemployment insurance benefits for employees who are laid off for a portion of the week and by strenghtening affirmative action.

4. Also supports the legislation's proposed timetable and feels the Federal government should encourage states to institute similar plans by conducting demonstration projects as soon as possible.

MOTOROLA, INC., C.F. KOZIOL, CORPORATE DIRECTOR OF PERSONNEL ADMINISTRATION.

1. Motorola supports Representative Schroeder's bill, H.R. 7529.

2. Believes the bill represents an idea whose time is long overdue.

3. Benefits of the program, with regard to the workers -

   a) They would maintain their skills and advancement opportunities;

   b) The most recently hired would suffer less financially and psychologically;

   c) They would maintain fringe benefits which otherwise they could not obtain or could not afford;

   d) They would have fewer work-related expenses;

   e) The experience of several companies has demonstrated a willingness on the part of senior employees to make that temporary sacrifice for their co-workers.

4. Benefits of the program, with regard to the community -

   a) Compensation would result in a more equitable distribution of the impact of an economic downturn;

   b) The integrity of affirmative action programs would be preserved;

   c) While the limited mobility of workers might result in a misallocation of resources, but it may also provide the

the stability desired by workers and their families.

5. Benefits of the program, with regard to the employer -

   a) An employer would be able to maintain and improve existing levels of productivity and quality;

   b) Significant costs would be avoided by not having to recruit, train and retrain workers;

   c) Employers would be able to expand rapidly when the economy recovers;

6. Feels that the advantages of the bill outweigh the disadvantage of higher fringe benefit costs.

7. Notes that Motorola has committed total support to the Department of Labor in conducting demonstration programs on Short-Time Unemployment Compensation; has attached a letter written by Robert W. Galvin, Chairman of the Board, Motorola Inc., as evidence of this commitment.

8. Suggests two modifications for the program -

   a) To protect against employer abuses, negative reserve employers should be required to make installment payments into the trust fund to cover all of the costs associated with their participation in the program;

   b) Fixed fringe benefits, such as health insurance, should not be reduced but variable fringe benefits, such as those tied to earnings or hours of work, should be prorated. If employer costs increase, support for the program would diminish.

SUPPLEMENT FOR
MOTOROLA INC.

1. Addresses two key issues which surfaced during the hearing conducted on June 26, 1980--

a) Some witnesses did not favor any Short-Time Compensation demonstrations until the results of the California program are made available in 1981--

1) He feels it would be wrong to base an evaulation of Short-Time Compensation totally upon a single experience;

2) To acheive a comprehensive evaluation of the concept, several simultaneous demonstration programs are needed;

3) The State's industry mix, variation in firm size within the State and the attitudes toward Short-Time Compensation of businesses, unions, and community leaders can affect the utilization of Short-Time Compensation within different States.

b) Witnesses questioned whether there was a need for Federal involvement in demonstration projects, since the States have the right to conduct such demonstrations on their own--

1) He feels it is natural that the Federal government be the agent which encourages the States to pass such laws;

2) Such action is justified by the potential benefits of Short-Time Compensation;

3) It is also consistent with the traditional research role of the Federal government in the Federal-State partnership;

4) Without funding from the Federal government, States will be reluctant to introduce new uncertainties into their unemployment insurance programs.

2. Emphasizes that the Schroeder bill, H.R. 7529, represents sound public safety. Without this bill there will be a tendency to fall back on layoffs in time of economic downturns.

PHILADELPHIA UNEMPLOYMENT PROJECT,
VERONICA CALLENDER, MEMBER

1. Testifies that she is a member of the Philadelphia Unemployment Project, an organization of unemployed workers in Philadelphia, and a member of UAW Local 1695, unemployed since November, 1979 after a 9-year employment at Philco-Ford Co. in Lansdale, PA (where 1,417 of 2,000 workers have lost jobs in the past year).

2. Seeking "on behalf of millions of unemployed people...an extension of unemployment compensation to 52 weeks in States with high unemployment."

3. Emphasizes that the exhaustion of unemployment benefits requires the unemployed to seek welfare assistance and that it is "humiliating to be forced to apply for welfare."

4. Stresses that what the unemployed really want are decent jobs, but they need an extension until jobs are available. They should not have to suffer without help because of attempts to combat inflation. A lack of jobs or benefits will result in "trouble from people who are tired and frustrated and mad."

ALFRED W. BLUMROSEN, PROFESSOR
RUTGERS UNIVERSITY GRADUATE SCHOOL OF LAW

1. Urges the Committee to give H.R. 7529 their support. Believes this bill involves a better utilization of the resources we have already dedicated to cushioning the effects of a downturn in the economy.

2. Testifies that, about 1970, employers and unions had begun to hire and promote minorities and women into jobs which they had not traditionally held. During the recession of 1974-75, these persons were junior employees and most susceptible to being laid off. Thus, there was the potential for layoffs cancelling equal employment gains.

3. Notes that some unions have expressed concern in the past that work-sharing would cause senior workers to bear the cost of providing continued employment for newly-hired minorities and women. Believes this bill minimizes the disadvantage to senior workers by assuring that they will receive some unemployment compensation for the days they are not working. This increases the likelihood of support from senior workers and unions.

4. Notes that fear has been expressed that the program will misfire and employers will discharge their younger employees, including minorities and women, and adopt the work-sharing option with respect to their remaining employees. Believes this fear is unjustified. An employer who adopts such an approach would probably violate Title VII of the Civil Rights Act of 1964.

5. Cites three points in support of H.R. 7529--

   a) It is a useful labor relations tool and an additional option in the face of recession;

   b) The program would give a positive advantage to younger workers, enabling them to maintain their attachment to the workforce;

   c) Stresses the importance of having this option be voluntary on the part of the employer.

6. Cites a problem with the bill and suggests a modification--

   a) Because employers now using the shorter work week adopted their programs without taking into account the costs of unemployment compensation, STC will increase the labor costs of these employers. Thus, the only group of employers to face a cost increase under this program will be those who have lead the way in adopting work-sharing programs;

   b) This could be avoided by (1) "grandfathering" those employers or industries who had done work-sharing in the past to exempt them from STC payments or (2) providing that STC should not become effective in connection with such employers until some date in the future. This approach gives these employers and unions an opportunity to assess the new costs of the Short-Time Compensation law and build them into their wage and price structure.

RUTH G. BLUMROSEN, ASSOCIATE PROFESSOR, RUTGERS UNIVERSITY GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

1. Supports H.R. 7529. It is a no-cost proposal which offers new ways of using already existing resources. There should be no additional cost, because an employer can choose to share work instead of laying off employees.

2. Believes that work-sharing is an innovative and useful approach to work, and that the concept of short-time compensation is one whose time has come.

3. States that less than a third of American workers have recall rights, thus many of them end up in jobs other than their original employment.

4. Believes that work-sharing has a potential for helping smooth the business cycle, by permitting management more flexibility, moderating income, and credit fluctuations.

5. The underlying principle of both unemployment compensation laws and civil rights laws is that employers have a responsibility to plan their work requirements to minimize unemployment and to provide equal employment opportunitites. Believes that work-sharing can help acheive both objectives through redistributing the burden of unemployment and maintaining the dignity associated with work.

6. Strongly supports the bill but suggests it does not go far enough -

   Sees no reason to treat unemployment due to worksharing differently than that due to a total layoff. The way the proposal now reads an employer paying the top tax rate is penalized for worksharing but not

for layoffs. She suggests the solution is to raise the maximum tax so these employers will pay their own way.

7. Beleives the demonstration project to be unnecessary and suggests action -

   a) Since 1974-75, there have been exhaustive studies concerning Short-Time Compensation by the Department of Labor;

   b) European experience has been surveyed;

   c) California has provided two years of practical experience.

8. Emphasizes that the bill does not invent or require work-sharing. Work-sharing already exists. The bill would allow unemployment insurance to cover the resulting unemployment and encourage States to participate in the program.

9. Hopes that, if Congress should decide not to endorse the concept of STC, it would not make adoption of STC by the States more difficult.

ATTACHMENT

THE DUTY TO PLAN FOR FAIR EMPLOYMENT REVISITED: WORK-SHARING IN HARD TIMES, 28 RUTGERS L. REV. 1082 (1975), ALFRED W. BLUMROSEN AND RUTH G. BLUMROSEN

1. The initial application of the Equal Employment Opportunity provisions of the Civil Rights Act of 1964 took place during the prosperity of the mid-1960's.

2. The objective of the law was to assure that minorities and women would have a fair share of these expanding opportunities.

3. The Supreme Court said, "that childhood deficiencies in the education and background of minority citizens resulting from the forces beyond their control, should not be allowed to work a cummulative and invidious burden on such citizens for the remainder of their lives."

4. The massive application of the Supreme Court's "effect test" produced measurable results by 1973 --

   a) Women workers experienced a major increase in employment during this period, with the growth concentrated in white-collar and service sectors;

   b) More women are working and working longer.

5. Employers have emphasized length of service in connection with layoffs, applying the "last-in, first out" principle to reduce their labor force. Protection of senior employees has been very important to American Unions.

6. It was fortunate that the first cases arising in connection with the recession dealt with the principle of "last-in, first-out" rather than the question of whether any layoff was proper.

7. The employer has a duty to provide equal employment opportunity and compliance with this duty will minimize the potential conflict associated layoffs.

8. In 1971, the Blumrosens suggested that there was a duty to plan for fair employment implicit in Title VII.

9. All employer practices should be reviewed to determine if they adversly affect minority and female employment opportunities.

10. During a recession, a reduction in demand occurs, which leads to reduced production and hours of work.

11. An employer has a duty to reduce work hours in a manner which does not have an adverse effect on minorities and women unless the effect is justified by business necessity.

12. There are two traditional methods of being laid off which may have the adverse effect prescribed by Title VII -

    a) Layoff of employees on a last-in, first-out basis;

    b) Selective layoffs where the most "efficient" workers are retained.

13. Work-Sharing would meet the requirements of Title VII.

14. The Blumrosens feel that the layoff issue may be the cutting edge of larger national solutions.

NATIONAL COMMISSION ON UNEMPLOYMENT COMPENSATION
WILBUR J. COHEN, CHAIRMAN

1. The Commission strongly recommends enactment of a supplementary program of extended unemployment compensation payable to claimants who have exhausted Federal-State Extended Benefits.

2. Recommends that general specifications for an emergency benefit program extending beyond 39 weeks should include--

   a) Financing from general revenues;

   b) State trigger levels for emergency benefits set at 4.5 percent insured unemployment rate (IUR), seasonally adjusted; the 20 percent factor required to trigger Extended Benefits would not be included for purposes of emergency benefits;

   c) National trigger levels for emergency benefits set at 5.0 percent IUR, seasonally adjusted;

   d) Basic duration for emergency benefits set at 50 percent of Regular-State unemployment insurance entitlement, with overall duration including Regular-State unemployment insurance and Extended Benefits up to a maximum of 52 weeks;

   e) Additional duration of 50 percent of Regular-State unemployment insurance entitlement, with overall duration including Regular-State unemployment insurance and Extended Benefits increased to a maximum of 65 weeks when State IUR reaches 5.0 percent, and when national IUR reaches 5.5 percent;

f) The program should be enacted without an automatic termination date, but should include a provision for Congressional review after two years of operation.

3. The Commission opposes using local labor market areas as the basis for determining unemployment compensation eligibility--

a) Special treatment for an area or areas of a State would be unacceptable to workers who share all other benefits and responsibilities within a State's borders and from a public relations point of view, be impossible to enforce;

b) Administrative costs would be considerable, and the possibility of error would be high, as each local office in the Federal-State UI system would be required to make weekly counts of the area's insured unemployed, publish and maintain quarterly basis area data, and keep track of the current trigger status of every other local area.

4. The Commission has not yet taken a position regarding any worksharing proposals. However, the Commission recommends continued study and evaluation of various partial benefit provisions including worksharing proposals.

STATE OF NEW YORK, HUGH L. CAREY, GOVERNOR

1. Supports H.R. 7529 and believes it is essential that Congress enact this legislation to encourage States to develop programs which may mitigate the loss of jobs during economic downturns.

2. Notes that H.R. 7529 is significant because it will--

   a) Provide encouragement for States exploring alternative strategies for solving the "chronic and persistent" problem of unemployment;

   b) Offer direction and financial assistance to the States to administer and evaluate the effectiveness and efficiency of worksharing;

   c) Ensure that worker's rights and benefits are secured;

   d) Require union consent of employer plans where employees are represented by a union.

3. Approves the suggested quarterly payment or surtax charge for negative reserve accounts as important to the solvency of State trust funds; adds, however, that New York State has established a third category for accounts that are not defined as either positive or negative, and therefor recommends the addition of a referance to special account categories that may exist and an allowance for States to establish payment requirements for such accounts as may be appropriate.

4. Indicates that passage of H.R. 7529 and the availability of Federal technical assistance would be particularly advantageous to New York State, which is currently designing a worksharing demonstration program--

   a) The New York State Department of Labor and the Governor's Office of Development Planning are presently designing a voluntary participation program that will be limited in size and closely monitored;

   b) It is anticipated that enabling legislation will soon be sought for a New York State demonstration essentially similar to the program authorized by H.R. 7529.

NATIONAL EMPLOYMENT LAW PROJECT

1. The National Employment Law Project is the Legal Services Corporation support center that specializes in the employment and unemployment problems of poor and low-income people.

2. Supports H.R. 6540 with recommended modifications--

   a) Extending of emergency benefit period to 26 weeks, as was provided in the Federal Supplemental Benefits program created during the 1974 recession. Enactment of only a 13-week benefit period, as H.R. 6540 provides, would only result in the need for future amendments as economic conditions worsen.

   b) Establishment of a national trigger at 5 percent insured unemployment rate (IUR);

   c) Lowering of State trigger level to 4.5 percent IUR to more accurately reflect true unemployment rates;

   d) Revising of the definition of IUR to ensure that all persons filing claims for all benefits--regular, extended, emergency, and additional--be included in the calculation.

3. Opposes H.R. 6690--

   a) "Labor market area" trigger provided in H.R. 6690 would be administratively unfeasible, requiring implementation of a new IUR computation system;

b) Basing claimant eligibility according to last area of employment could result in substantial inequities;

c) The 10 percent IUR trigger level set by H.R. 6690 fails to address the overall problem of widespread, prolonged unemployment.

4. Reserves judgment on H.R. 7529 until evaluation of the California program.

THE AMERCIAN JEWISH COMMITTEE, HARRY FLEISCHMAN
LABOR AND RACE RELATIONS DIRECTOR

1. Believes that "Equal opportunity for all cannot be achieved unless we have full as well as fair employment, housing and education."

2. Many unions have traditionally "shared the work" instead of sticking to a strict seniority system under which the last-hired is first-fired.

3. Work-sharing tends to minimize the economic and social impact of layoffs.

4. Proposes that Federal and State governments use unemployment compensation to supplement work-sharing programs voluntarily adopted by unions and management.

5. Reasons for supporting work-sharing--

   a) Allows more minority and women workers to retain their jobs;

   b) Provides greater income for those who would otherwise have been laid off completely;

   c) Maintains fringe benefits;

   d) Enables workers to continue accumulating job skills without interruption;

   e) Enables employers to maintain their work force;

   f) Requires lesser expenditures for public assistance to fully unemployee workers;

   g) Minimizes social costs of unemployment.

6. This concept is a practical, worthwhile measure which has been used successfully abroad in many countries.

7. Suggests the demonstration program include--

   a) Eligibility requirements which would exclude very small employers to prevent fraud, collusion and subsidization of marginal firms;

   b) Limits on employers' ability to cut back hours;

   c) Limits on employers' ability to hire new people while STC is in effect;

   d) Requirement that employers certify that no speed-ups will occur.

8. Would like to include in collective bargaining agreements a provision that such shared-work compensation be considered as equal to full wages for the purposes of computing pension benefits.

9. Proposes that the National Commission on Unemployment Compensation recommend that the Federal government consider imposing on the regular Federal-State unemployment insurance system a one-day wage replacement standard.

10. Urges consideration of Federal legislation to give an incentive to States to adopt innovative programs for unemployment compensation by providing small sums of general revenue if unemployment in a State goes above a trigger point, perhaps 4.5 percent.

11. Suggests eliminating the waiting period by providing that the employer give two weeks notice to the unemployment insurance office of any impending shared work layoff.

12. Does not view work-sharing as a cure-all.

13. It would reduce intergroup tensions and bitterness and would stimulate many employers and unions to combat the misery of total layoffs for some and would reveal to the world that America can be inventive in caring for people.

THE NATIONAL ASSOCIATION OF MANUFACTURERS (NAM)

1. The NAM is a trade association representing approximately 12,300 manufacturers nationwide, 80 percent of which are small business. NAM member companies employ 15.5 million persons in manufacturing, "roughly 78 percent of all employees in manufacturing in the United States."

2. The NAM opposes the addition of any Federal supplemental benefits to the UC system--

   a) The present system allows adequate time for those seeking work to secure employment;

   b) The UC system is designed to offset sudden and temporary loss of wages and is not structured to finance prolonged unemployment;

   c) Payments beyond the 39th week exceed the scope of unemployment insurance and assume the character of welfare payments, disrupting UC financing while discouraging relocation and acceptance of suitable work.

3. Although the NAM opposes H.R. 6540 and H.R. 6690, it offers the following comments should Congress choose to adopt such a program--

   a) Suggests temporary rather than permanent implementation;

   b) Disapproves of the "area" triggers provided in H.R. 6690 as administratively and statistically difficult;

   c) Suggests separate trigger levels in each State, determined by the State's previous unemployment experience;

d) Recommends 13-week limit on benefits, in light of evidence from an analysis commissioned by the Department of Labor that a longer duration leads to longer spells of unemployment; notes that the study, "Extending Unemployment Insurance Benefits During Recession: Lessons from the FSB Experience" (Mathematica Policy Research, May 1980), may be of value to Congress in considering the FSB issue.

e) Suggests strict eligibility and disqualification criteria, including:

1) "Suitable work" defined as any offer paying at least as much as the average weekly benefit amount or at least the Federal, State, or local minimum wage;

2) Mandatory job search and retraining programs coordinated between State Employment Security Administrations and private sector employment agencies;

f) The inclusion of only regular UI recipients in computation of the IUR.

4. Opposes H.R. 7529, noting that the concept of worksharing envisioned in this bill could adversely affect productivity, UC programs, and the work ethic--

a) Believes H.R. 7529 could defray the financing of short-time compensation to non-participating employers, socializing costs and jeopardizing the experience rating system--

1) Section 3(b)(4) reads that States "<u>may</u>" impose a surtax on negative balance STC employers--but 19 States currently not using reserve-ratio experience rating systems could not determine over time if

an employer had a negative balance and could instead defray costs among all employers;

2) STC programs would diminish the correlation between an employer's employment history and his State UI tax, thus damaging the equity of State UC financing methods and destroying the experience rating objective of job security and stabilization;

b) H.R. 7529 could prevent partially unemployed workers from finding full-time employment;

c) STC plans could fuel declining productivity by altering work patterns toward a reduced workweek--

1) H.R. 7529 as drafted would not prevent an employer from reducing his workweek by one half, conceivably an attractive alternative to low-income workers who are not taxed on UC benefits;

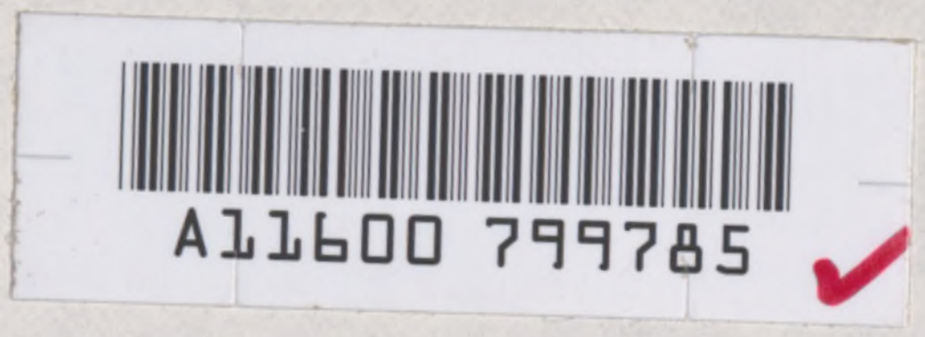
2) The absence of triggers or controls on the use of STC, aside from benefit exhaustion by employees, is one of the bill's primary weaknesses; suggests that STC could be used "at whim" by any employer who anticipates a 10 percent reduction in his workweek.

d) The addition of STC participants could distort the IUR and adversely affect its use as an accurate indicator of unemployment.

ASSOCIATED BUILDERS AND CONTRACTORS, INC.

1. ABC opposes any legislation, including H.R. 6690 and H.R. 6540, which would provide disincentives to individuals to seek employment by extending the duration of unemployment benefits beyond the 39 weeks currently available under federal law.

2. Believes that the needs of the long-term and the structurally unemployed can best be met by providing incentives to the private business sector to expand their production capacities and thus create additional jobs.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