

# ***ADVISORY***

## **FROM THE COMMITTEE ON WAYS AND MEANS SUBCOMMITTEE ON INCOME SECURITY AND FAMILY SUPPORT**

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### **McDermott Announces Hearing on Increasing Economic Security for American Workers**

Congressman Jim McDermott (D-WA), Chairman of the Subcommittee on Income Security and Family Support of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing to review proposals designed to improve security for American workers. **The hearing will take place on Thursday, March 15, 2007, at 10:00 a.m. in room B-318 Rayburn House Office Building.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include Robert Reich, former Secretary of Labor under President Clinton, and other experts on programs and policies designed to assist jobless workers and respond to changes in the U.S. labor market. 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:**

The Unemployment Insurance (UI) system, established in 1935, continues to serve a vital role in providing temporary and partial wage replacement for unemployed workers and in stabilizing the economy during recessions. However, significant changes have occurred in the American workforce and in the U.S. labor market since the program's inception. Most obviously, women now constitute a much larger share of the workforce. But many other important changes have occurred, including a major decline in the portion of the workforce employed in manufacturing jobs, an increase in the share of the labor force working part-time, a rise in the duration of unemployment, and a drop in employment tenure in the same job. In some cases, the UI system has failed to adequately respond to these and other changes in terms of access to unemployment benefits. In other instances, there may be a need for additional support systems for workers moving between jobs.

In announcing the hearing, Chairman McDermott stated, **"Our first, best approach to ensuring economic security for American workers are policies that support good jobs and rising wages. But, we also need a broader vision of supporting employment – one that helps workers through periods of dislocation and transition. I want to consider two**

**possibilities. First, helping States fix some of the more obvious holes in the unemployment insurance system. And second, establishing a new program of wage insurance to support dislocated workers when they move into a new job that pays less than their previous employment. The concept of insurance is to be prepared in case something adverse happens, not because you expect it to happen. That's how I view this issue."**

### **FOCUS OF THE HEARING:**

The hearing will focus on proposals to improve the unemployment insurance system and to replace a portion of any lost wages between past and current employment for workers involuntarily changing jobs.

### **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 "110th Congress" from the menu entitled, "Hearing Archives" (<http://waysandmeans.house.gov/Hearings.asp?congress=18>). 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, completing all informational forms and clicking "submit" on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You **MUST REPLY** to the email and **ATTACH** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business **March 29, 2007**. 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.

### **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 or WordPerfect 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.

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

## DRAFT CONCEPT

# The Unemployment Insurance Modernization Act

*Proposed by Representative Jim McDermott*

### Summary:

- ❑ *The draft legislation would distribute up to \$7 billion from the federal Unemployment Insurance (UI) Trust Funds to encourage, assist and reward States for modernizing and improving their UI programs. The measure focuses on: removing barriers that block coverage for low-wage and part-time workers; ensuring a more family-friendly UI system; and helping dislocated workers increase their skills.*

### Outline:

- ❑ Provide up to \$7 billion from the Federal Unemployment Account for *UI Modernization Incentives* to be distributed between FY 2008 through FY 2012 to States meeting specific criteria related to their unemployment insurance systems.
- ❑ Every State's potential maximum share of this distribution would be determined under the same criteria used to disburse current-law Reed Act distributions (amount of disbursement proportionate to FUTA taxes paid in that State).
- ❑ A State is eligible for one-third of its share of the *UI Modernization Incentives* when State law (as certified by the Department of Labor) includes provisions for counting an applicant's most recent wages (from the last completed quarter) when determining eligibility for UI benefits. At State option, this alternative base period may be used only after an initial determination of ineligibility.
- ❑ A State is eligible for the remaining two-thirds of its share of the *UI Modernization Incentives* when a State is in compliance with the alternative base period requirement and when State law (as certified by the Department of Labor) meets at least two of the following three conditions (outlined on following page):

1. The State does not deny UI to an individual solely because the person is seeking part-time work (a State may limit application of this provision to former part-time workers).
  2. When determining UI eligibility, the State permits good cause allowance for voluntary employment separations that relate directly to compelling family reasons, including at least the following: (1) avoidance of domestic violence; (2) caring for a disabled family member; and (3) following a spouse whose employment has been relocated to a different locality.
  3. The State provides training assistance benefits to claimants who: (1) have been dislocated from a declining occupation; (2) have exhausted regular UI; (3) are in a State-approved training program related to a high-demand occupation; and (4) are making satisfactory progress in such program. The weekly cash benefit under such program shall be the same as the benefit provided under regular unemployment insurance, and the duration of such benefits must be at least 26 weeks.
- Provide \$100 million per year in special Reed Act distributions to the States in FY 2008 through FY 2012 for the purpose of administering and implementing the reforms under the *UI Modernization Incentives* and to make other improvements in the administration of the unemployment insurance and employment services systems.
  - The cost of this proposal would be financed by extending the current 0.2% FUTA surtax for five years, which costs employers \$14 per worker, per year.

**[DISCUSSION DRAFT]**110<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION**H. R.** \_\_\_\_\_

To provide for special transfers of funds to States to promote certain improvements in State unemployment compensation laws.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. MCDERMOTT introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To provide for special transfers of funds to States to promote certain improvements in State unemployment compensation laws.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Unemployment Insur-  
5       ance Modernization Act”.

1 **SEC. 2. SPECIAL TRANSFERS TO STATE ACCOUNTS IN THE**  
2 **UNEMPLOYMENT TRUST FUND.**

3 (a) IN GENERAL.—Section 903 of the Social Security  
4 Act (42 U.S.C. 1103) is amended by adding at the end  
5 the following:

6 “Special Transfers in Fiscal Years 2008 Through 2012

7 “(f)(1)(A) In addition to any other amounts, the Sec-  
8 retary of Labor shall provide for the making of unemploy-  
9 ment insurance modernization incentive payments (herein-  
10 after ‘incentive payments’) to the accounts of the States  
11 in the Unemployment Trust Fund, by transfer from  
12 amounts reserved for that purpose in the Federal unem-  
13 ployment account, in accordance with succeeding provi-  
14 sions of this subsection.

15 “(B) The maximum incentive payment allowable  
16 under this subsection with respect to any State shall, as  
17 determined by the Secretary of Labor, be equal to the  
18 amount obtained by multiplying \$7,000,000,000 times the  
19 same ratio as is applicable under subsection (a)(2)(B) for  
20 purposes of determining such State’s share of any funds  
21 to be transferred under subsection (a) as of October 1,  
22 2007.

23 “(C) Of the maximum incentive payment determined  
24 under subparagraph (B) with respect to a State—

25 “(i) one-third shall be transferred upon a cer-  
26 tification under paragraph (4)(B) that the State law

1 of such State meets the requirements of paragraph  
2 (2); and

3 “(ii) the remainder shall be transferred upon a  
4 certification under paragraph (4)(B) that the State  
5 law of such State meets the requirements of para-  
6 graph (3).

7 “(2) The State law of a State meets the requirements  
8 of this paragraph if such law provides that, in the case  
9 of an individual who would not otherwise be eligible for  
10 regular compensation under the State law because of the  
11 use of a definition of base period that does not count  
12 wages earned in the most recently completed calendar  
13 quarter, eligibility for regular compensation shall be deter-  
14 mined using a definition that includes the most recently  
15 completed calendar quarter.

16 “(3) The State law of a State meets the requirements  
17 of this paragraph if such law includes provisions to carry  
18 out at least 2 of the following subparagraphs:

19 “(A) An individual shall not be denied regular  
20 compensation under any State law provisions relat-  
21 ing to availability for work, active search for work,  
22 or refusal to accept work, solely because such indi-  
23 vidual is seeking only part-time (and not full-time)  
24 work, except that such law may provide for the pro-  
25 visions carrying out this subparagraph to exclude an

1 individual if a majority of such individual's base pe-  
2 riod employment was not from or did not consist of  
3 part-time employment.

4 "(B) An individual shall not be disqualified  
5 from regular compensation for separating from work  
6 for compelling family reasons, which, for purposes of  
7 this subparagraph, shall include at least the fol-  
8 lowing:

9 "(i) A separation from employment in  
10 which domestic violence causes the individual  
11 reasonably to believe that such separation is  
12 necessary for the safety of the individual or the  
13 individual's family.

14 "(ii) A separation from employment result-  
15 ing from the illness or disability of a member  
16 of the individual's immediate family.

17 "(iii) A separation from employment re-  
18 sulting from the individual's need to accompany  
19 a spouse—

20 "(I) to a place from which it is im-  
21 practical for such individual to commute;  
22 and

23 "(II) due to a change in location of  
24 the spouse's employment.

1           “(C) Weekly benefits are paid to any individual  
2           who has exhausted regular compensation and who is  
3           enrolled and making satisfactory progress in a  
4           State-certified training program or training funded  
5           by the Federal Workforce Investment Act of 1998.  
6           Such program or training shall prepare individuals  
7           who have been separated from a declining occupa-  
8           tion, or who have been involuntarily and indefinitely  
9           separated from employment as a result of a perma-  
10          nent reduction of operations at the individual’s place  
11          of employment, for entry into a high-demand occu-  
12          pation. The total amount of such benefits shall be  
13          equal to at least 26 times the individual’s weekly  
14          benefit amount (including dependents’ allowances)  
15          for the benefit year. A State shall not be considered  
16          to satisfy this subparagraph if it denies such bene-  
17          fits to a substantial percentage of eligible individ-  
18          uals.

19          “(4)(A) Any State seeking an incentive payment  
20          under this subsection shall submit an application therefor  
21          at such time and in such manner as the Secretary of  
22          Labor shall by regulation prescribe. The Secretary of  
23          Labor shall, within 90 days after receiving any such appli-  
24          cation, notify the State agency of the State as to the Sec-

1 retary's findings with respect to the requirements of para-  
2 graph (2) or (3) (as the case may be).

3       “(B) If the Secretary of Labor finds that the State  
4 law provisions (disregarding any provisions which by law  
5 are set to expire) meet the requirements of paragraph (2)  
6 or (3) (as the case may be), the Secretary shall thereupon  
7 make a certification to that effect to the Secretary of the  
8 Treasury, together with a certification as to the amount  
9 of the incentive payment to be transferred to the State  
10 account pursuant to that finding. The Secretary of the  
11 Treasury shall make the appropriate transfer within 30  
12 days after receiving such certification.

13       “(C)(i) No certification of compliance with the re-  
14 quirements of paragraph (2) or (3) may be made with re-  
15 spect to any State whose State law is not otherwise eligible  
16 for certification under section 303 or approvable under  
17 section 3304 of the Federal Unemployment Tax Act.

18       “(ii) No certification of compliance with the require-  
19 ments of paragraph (3) may be made with respect to any  
20 State whose State law is not in compliance with the re-  
21 quirements of paragraph (2).

22       “(iii) No application under subparagraph (A) may be  
23 considered if submitted before October 1, 2007, or after  
24 the latest date by which it must be submitted (as specified  
25 by the Secretary of Labor in regulations) to ensure that

1 all incentive payments under this subsection are made be-  
2 fore October 1, 2012.

3 “(5) Any amount transferred to the account of a  
4 State under this subsection may be used by such State  
5 only in the payment of cash benefits to individuals with  
6 respect to their unemployment (including for dependents’  
7 allowances or training benefits described in paragraph  
8 (3)), exclusive of expenses of administration.

9 “(6) Out of any money in the Federal unemployment  
10 account not otherwise appropriated, the Secretary of the  
11 Treasury shall reserve \$7,000,000,000 for incentive pay-  
12 ments under this subsection. For purposes of section 902,  
13 the net balance in the Federal unemployment account as  
14 of any time is the amount in such account as of such time  
15 reduced by any amount reserved under the preceding sen-  
16 tence for which the Secretary of the Treasury has not re-  
17 ceived a certification under paragraph (5)(B). In the case  
18 of any amounts reserved for incentive payments as to  
19 which the Secretary of Treasury has not received a certifi-  
20 cation under paragraph (5)(B) by the deadline described  
21 in paragraph (4)(C)(iii), such amounts shall, as of the  
22 close of fiscal year 2012, become unrestricted as to use  
23 as part of the Federal unemployment account.

1 “Special Transfers in Fiscal Years 2008 Through 2012

2 “(g)(1) Notwithstanding any other provision of this  
3 section, the total amount available for transfer to the ac-  
4 counts of the States pursuant to subsection (a) as of the  
5 beginning of each of fiscal years 2008, 2009, 2010, 2011,  
6 and 2012 shall be equal to the total amount which (dis-  
7 regarding this subsection) would otherwise be so available,  
8 increased by \$100,000,000.

9 “(2) Each State’s share of any additional amount  
10 made available by this subsection shall be determined, cer-  
11 tified, and computed in the same manner as described in  
12 subsection (a)(2) and shall be subject to the same limita-  
13 tions on transfers as described in subsection (b). For pur-  
14 poses of applying subsection (b)(2), the balance of any ad-  
15 vances made to a State under section 1201 shall be cred-  
16 ited against, and operate to reduce (but not below zero)—

17 “(A) first, any additional amount which, as a  
18 result of the enactment of this subsection, is to be  
19 transferred to the account of such State in a fiscal  
20 year; and

21 “(B) second, any amount which (disregarding  
22 this subsection) is otherwise to be transferred to the  
23 account of such State pursuant to subsections (a)  
24 and (b) in such fiscal year.