

**SECRETARY OF LABOR  
WASHINGTON**

MAY 10 2011

The Honorable Dave Camp  
Chairman, Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Sander Levin  
Ranking Member, Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Camp and Ranking Member Levin:

I am writing to express the Department of Labor's views on H. R. 1745, the "Jobs, Opportunity, Benefits and Services Act of 2011," which I understand the Committee is scheduled to mark up. The Department of Labor strongly opposes H.R. 1745, as introduced.

The unemployment insurance (UI) system is an integral part of our nation's economy. Benefits from the UI system are paid for with insurance premiums based on workers' wages and paid by their employers. These benefits provide those who lose a job through no fault of their own with temporary help to keep a roof over their heads and food on their families' table while searching for a new job.

UI benefits provide a highly effective automatic stabilizer that cushions our economy in a downturn, and prevents job losses from spiraling out of control. A study conducted by Impaq International, commissioned by the Bush Administration, showed that for every one dollar the government spends on UI benefits, two dollars are added to the nation's economy.<sup>1</sup> Just as important as the macroeconomic effects of UI are its effects on workers and their families. Although the benefits paid out to UI beneficiaries cover less than half of their pre-layoff income on average, they provide a critical lifeline for the unemployed. The US Census Bureau found that in 2009, UI benefits kept 3.3 million people, including one million children, from falling below the poverty line. These workers -- not to mention the spouses and children who rely on them -- did nothing to deserve losing their job, but were victims of an economic downturn unlike any since before World War II.

In every recession since 1957, Congress has added additional benefits to the UI system when economic hardship has increased the difficulty of finding work. In December 2010, Republicans and Democrats came together in a bipartisan effort to extend federal UI benefits through the end of 2011. Without this extension, two million Americans

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<sup>1</sup> <http://www.dol.gov/opa/media/press/eta/eta20101615fs.htm>

would have lost the support of the UI system immediately in December 2010, with their numbers swelling to seven million by the end of 2011.

Currently, more than 4.1 million Americans rely on the federal emergency unemployment compensation and extended benefits programs (EUC and EB) to make ends meet, and another 2.6 million are expected to receive these benefits before the programs are scheduled to expire. Meanwhile, there are almost 4.5 unemployed job-seekers competing for each available job opening. H.R. 1745 could end these crucial benefits by providing incentives for states to eliminate these benefit programs altogether. The 4.1 million workers who now rely on federal unemployment benefits would lose their benefits in any state that chose to exercise this authority.

H.R. 1745 does contain some interesting policies and ideas that merit further exploration, such as providing states with the flexibility to experiment and learn how best to help their unemployed workers. These are worthy goals towards which the Administration would be interested in working with Congress --but not at the cost of our support for the unemployed. The bill also does not address UI solvency or program integrity -- two critical issues on which the Administration has put forth proposals. As you know, the Administration put forward a solvency proposal in the 2012 budget that provides up-front relief to states and businesses and restores long-term solvency to the UI system while giving states flexibility to ensure that no state is forced to increase taxes. H.R. 1745 takes solvency a step backwards by dropping the solvency conditions currently placed on interest-free borrowing. Additionally, H.R. 1745 does not contain important UI integrity measures that were proposed in both the Administration's 2011 and 2012 budgets; the Administration plans to submit legislative language to implement these measures to the Congress soon. These initiatives would help prevent and reduce improper payments in the UI system and bring down costs for states and the Federal government.

Eliminating benefits for unemployed workers just as our economic recovery begins in earnest would not only be unfair to the unemployed, but would set back the economic recovery and cost jobs. The Department of Labor, therefore, strongly opposes H.R. 1745.

Sincerely,



HILDA L. SOLIS  
Secretary of Labor