

January 15, 2007

The Honorable Harry Reid
Senate Majority Leader
S-221 Capitol Building
Washington, D.C. 20510

The Honorable Mitch McConnell
Senate Minority Leader
S-230 Capitol Building
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker of the House of Representatives
H-232 Capitol Building
Washington, D.C. 20515

The Honorable John A. Boehner
House Minority Leader
H-204 Capitol Building
Washington, D.C. 20515

Dear Senator Reid, Senator McConnell, Representative Pelosi and Representative Boehner:

We are writing to express our strong support for prompt congressional action on economic stimulus legislation that will provide extended unemployment insurance (UI) benefits for the families and communities hard hit by the nation's distressing economic downturn and address outdated rules that limit the program's economic stimulative impact. As Mark Zandi, one of the nation's leading economic forecasters, noted after the release of the December jobs and employment report, "the economy is on the edge of a recession, if we are not already engulfed in one."

That action is needed now is obvious. Today's job market is already far weaker than it was in March 2001, when the last recession began. Then, the nation's unemployment rate was 4.3 percent, and the total number of jobless workers had grown 400,000 over the preceding 12 months. In contrast, 900,000 more workers are unemployed today compared to one year ago, and the latest unemployment rate (December 2007) was up significantly to 5 percent.

Unemployment is also exacting a harsher toll today as jobless workers struggle for longer periods of time to find work, and already inadequate UI benefits – on average, only \$285 per week, or one-third the average weekly wage – are stretched even thinner by the rising costs of basic necessities. In December 2007, the average unemployed worker had been jobless for 16.5 weeks, compared to 12.8 weeks in March 2001. Meanwhile, gas costs (\$3.10 a gallon this month) are up 80 cents from a year ago, and the cost of a gallon of residential heating oil has risen 98 cents (to \$3.40) in just one year. USDA also predicts that food prices will experience their largest increases in years, as retailers pass on higher energy costs to consumers.

The economy's steadily worsening condition and the resulting hardship on working families demand that Congress not repeat its mistake from earlier this decade, when it waited until three months after the recession officially ended to enact the Temporary Extension of Unemployment Compensation program (TEUC). According to a major study of past federal

extensions, each dollar of unemployment insurance benefits boosts the nation's Gross Domestic Product by \$2.15, while also saving over 130,000 jobs. Congress's belated response to the last recession compromised the stimulative effect of the TEUC – and another two million workers lost their jobs before the TEUC program was enacted. Indeed, the jobs market rebounded far more slowly, and more weakly, after the last recession than during any other business cycle during the past 60 years. Thus, to help prevent a similarly weak recovery, Congress should act quickly and realistically in response to the current downturn to extend and improve UI benefits.

Congress can further enhance the stimulative value of extended UI benefits by simultaneously addressing systemic UI failures that deny benefits to many jobless workers because of outdated eligibility rules that have not kept pace with the changing labor market. Only 38 percent of unemployed workers now collect UI benefits. According to the Government Accountability Office, low-wage workers are twice as likely to become unemployed, but only one-third as likely as higher wage workers to receive unemployment benefits. Over a decade ago, a bi-partisan Congressionally-chartered commission recommended reforms to accommodate these concerns.

Incorporating many of the commission's recommendations, the U.S. House of Representatives recently passed legislation providing incentive grants for states to modernize their UI programs as part of the Trade and Globalization Assistance Act. A similar measure, the Unemployment Insurance Modernization Act, has strong bi-partisan support in the Senate (S. 1981). Absent Congressional action to include these reforms in a stimulus package, however, substantial numbers of workers will remain ineligible for UI benefits of any sort, hurting them and the economy overall.

Accordingly, we urge Congress to adopt the following unemployment insurance policies to stimulate economic growth and help millions of jobless families regain their footing during the uncertain economic times.

- In light of the rapid rise in unemployment, a program of federally-funded extended benefits should take effect without delay and it should last for at least one year, with states provided appropriate funding to properly administer the program.
- Recognizing the growth in long-term unemployment, jobless workers who remain unemployed after exhausting their state benefits should qualify for a maximum of 20 weeks of federally-funded extended benefits. During the 1991 and 1975 recessions, when long-term unemployment was not nearly as high as it is today, Congress provided up to 26 weeks of basic extended benefits (in contrast, Congress provided only 13 weeks of extended benefits in response to the 2001 recession, and the jobs recovery was especially weak).
- Consistent with the 2002 TEUC program and most other recent federal extensions, Congress should provide an extra 13 weeks of federally-funded UI benefits to states suffering from especially high levels of unemployment.
- With costs for basic necessities (including gas and home heating fuel) reaching record levels, while average weekly UI benefits remain egregiously low (just \$285 a week), Congress should also supplement federal extended UI benefits by \$50 per week.

- To help states respond effectively to the recession and provide benefits to 300,000 low-wage workers who fail to qualify for the UI program in more than half the states, the stimulus legislation should incorporate the incentive funding program of the Unemployment Insurance Modernization Act (S. 1871).

For America's working families, recent instability caused by the volatile housing, credit and oil markets has exacerbated the already severe economic strains associated with globalization and the ongoing loss of good jobs in manufacturing and other sectors. Absent quick and effective action by Congress, workers, employers and the economy overall will endure substantial hardship. Economists broadly agree that extending benefits under the nation's unemployment system is an efficient strategy to stimulate the economy, create and preserve jobs, and provide needed assistance to struggling families.

The proposals outlined above will go a long way to help the families and communities hardest hit by unemployment and prevent an even more serious recession. We urge their prompt adoption.

Respectfully submitted,

AFL-CIO

American Federation of State, County and Municipal Employees

Coalition on Human Needs

Economic Policy Institute

International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers
(Ironworkers)

International Association of Machinists

The International Brotherhood of Teamsters

International Union, United Automobile, Aerospace & Agricultural Workers of America (UAW)

Leadership Conference on Civil Rights

National Employment Law Project

National Women's Law Center

Service Employees International Union

The United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting
Industry (Plumbers)

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