P.S. to the NEWS
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A $13 BILLION "REFORM"?

The National Commission on Unemployment Compensation has just issued some recommendations which, if implemented, will cost the states an additional $13 billion a year. In addition, the recommendations would take away from the states their right to establish standards for eligibility and benefit levels for unemployment compensation.

Would the new recommendations sock it to the employer? No, the consumer will pay through higher prices of goods and services because businesses may compensate for increased payroll costs through raising prices on goods and services.

If passed by Congress, the Commission proposals would require changes in the purpose, scope and cost of every state's unemployment compensation program. The National Commission's proposals could affect state and local discretion about the coverage, duration and eligibility for unemployment compensation.

Nearly all states would be required by law to pay higher benefits to recipients, financed in turn by a higher taxable wage base imposed on businesses. Here are some samples of the increases in various states which would be required by the proposals: Arizona 62%, California 38%, Georgia 55%, Indiana 115%, Michigan 93%, Texas 46%.

The average increase per state would be 30%. The state hit the hardest by the new federal standards would be Alaska, where the proposed benefits would be required to increase 119%.

Unemployment compensation is now primarily a state-run system financed by payroll taxes levied on employers. The state has primary responsibility for setting tax rates, benefit levels, and eligibility standards for claimants.

Ever since the system was created in 1935, the federal government has been restricted to two roles: (1) giving final approval to the state's unemployment compensation budget, and (2) providing loans to states which are unable to pay for all their unemployment benefits. Since the federal-state extended benefits program was inaugurated, the federal government has paid half of its costs.

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The Commission recommendations would impose upon the states the concept of fixed national standards. The premise of the proposals is that state unemployment programs should be governed by arbitrary, mandatory federal controls.

For example, the new proposals would take away from the state legislatures the power to determine who is eligible to draw benefits and would transfer that power to the federal government. The states would be required to make payments to workers who had a job for only 14 to 39 weeks.

The new proposals would also require benefits to be paid to the following groups which are now not usually elibible: undocumented aliens, professional athletes, certain agriculture workers, and household workers who are paid a minimum of $50 in a quarter.

Another Commission proposal is that the weekly benefit be not less than 50% of the individual's average weekly earnings. Another Commission proposal is that states be required to pay unemployment compensation benefits for 15 months.

The Commission urges that Congress repeal the federal law which allows states to reduce unemployment benefits by any pension payments received by the claimant.

It isn't any surprise to discover where the proposals to increase federal power over the program came from. The National Commission was a federally-funded project which cost the taxpayers $8.4 million. The feds are very adept at using our money to devise ways and means of getting more money, power and control.

The Commission report doesn't reveal the potential cost of its recommendations. Chairman Cohen admitted at a news conference that, if all recommendations are adopted immediately, the unemployment compensation cost could reach $35 billion as compared to the current $22 billion cost. That's a $13 billion reform!

A completely different approach to unemployment compensation has been introduced by Senator David Boren (D-Ok). He has presented a series of "Cost-Savers" designed to save state and federal treasuries a billion and a half dollars by implementing the same kind of specific reforms he put through in Oklahoma when he was Governor.

We are indebted to the American Legislative Exchange Council of Washington, D.C., (an association of state legislators) for analyzing the unemployment compensation issue and the various proposed changes now being considered in Congress.

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