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CENTRAL PENNSYLVANIA WORKFORCE
INVESTMENT BOARD (WIB)
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UNEMPLOYMENT COMPENSATION

Background

Beginning in late 2008, Central Pennsylvania, like many areas of the Commonwealth and the United States, experienced a shift in the labor market dynamics as the housing market bubble burst and the country's economy plummeted. Based on national estimates:

- **Approximately six (6) people are looking for every one (1) job available;**
- **Long-term unemployment (in excess of 27 weeks) has increased 115%.**

For the first time in over 20 years, the unemployment rate rose to 9.0% in October 2009 in Central Pennsylvania. There were over 27,000 local residents actively seeking work or waiting to be recalled. Both state and federal emergency and extended unemployment benefits provide up to 99 weeks of compensation for individuals, depending upon the date of the initial unemployment claim.

Important Note:

The reported unemployment rate does not include:

- **"Discouraged workers"**, those who have stopped looking for work because current economic conditions make them believe that no work is available for them;
- **"Marginally attached workers"**; "loosely attached workers"; or those who "would like" and are able to work, but have not looked for work recently; or
- **Part-time workers** who need or want full time work, but are working part time due to the economy.

If these populations are included, the unemployment rate would likely have exceeded 15% in Central Pennsylvania in October 2009.

In 2009, over 57,000 unemployment claims were filed in Central Pennsylvania. As of February 2010, the last payable week of extended unemployment benefits is July 31, 2010. Therefore, as the time to benefit exhaustion declines, CPWDC anticipates that the PA CareerLinks® will experience an increase in claimant traffic. In a jobless recovery, **it is critical that individuals maximize the time and resources spent on job preparation and search activities prior to the immediate demand for an income source beyond unemployment benefits.** In most cases, the average worker will require a longer lead time for re-employment.

Actions to reduce the time on unemployment have significant economic impacts as demonstrated by this very conservative example.

Assuming that 50 percent of the 57,000 claimants qualified for 79 weeks of unemployment and earned an average of \$300 per week in benefits over the claim period, claimants in Central Pennsylvania would receive over \$675 million in benefits. Reducing the benefit period by one (1) week for each of the claimants would result in a savings of over \$8.5 million in Central Pennsylvania alone.

Concern

In most cases, Pennsylvania's benefit claim process is passive and does not incent claimants to actively utilize the PA CareerLink® services during the benefit period. Based on a comparison by the US Department of Labor, in addition to registration for work at a local employment office, **all states, whether by law or practice (EXCEPT PENNSYLVANIA), require that a worker be actively seeking work or making a reasonable effort to obtain work. Pennsylvania only requires that the claimant be able and available for suitable work and not refuse suitable work when offered.**

There are two exceptions that do require some type of active participation job search efforts.

1. Individuals identified as most likely to exhaust benefits that may benefit the most from reemployment services, must participate in a mandatory Profile Re-Employment Program (PREP) session at a PA CareerLink®.
2. When the Commonwealth enters into a period of Extended Benefits, triggered by certain adverse economic conditions, individuals must provide tangible evidence of efforts to find work during each week that they claim the Extended Benefits.

While job orders posted on the PA CareerLink® labor exchange system declined in 2009, resources from the American Recovery and Reinvestment Act (ARRA) and other initiatives have greatly enhanced assessment, job preparation and training services available within the PA CareerLinks®. Accessing these services does not negatively impact claimants' ability to access unemployment benefits.

Despite increased resources, traffic into the PA CareerLinks®, especially from dislocated workers, has not reached anticipated levels based on the unemployed population.

If dislocated workers are not aware of or do not take advantage of PA CareerLink® services,

- *They cannot benefit from an array of services to make themselves more competitive in job search or more skilled to return to work when recalled.*
- *They lose valuable time in the job search and retraining process, especially in times of unprecedented resources.*
- *Their skills are not marketed to employers who are hiring.*

The Central Pennsylvania Workforce Investment Board applauds the efforts of the Pennsylvania Department of Labor and Industry to increase the number of claimants being called to participate in the PREP sessions or added information sessions for claimants not necessarily expected to exhaust their benefits, but more could be done to better prepare claimants to re-enter the workforce.

Regional employers have identified a potential disconnect between companies that are seeking skilled workers with previous work experience to fill existing or emerging vacancies and a labor pool limited by skilled unemployed individuals who are not actively engaged in job search during their benefit period.

Position

The Central Pennsylvania Workforce Investment Board:

- Understands and defends the importance of **unemployment compensation as a time-limited system** to support the financial needs of workers negatively affected by layoffs, plant closures or other reductions in labor force activities.
- Stresses that the unemployment compensation **benefit period should be of appropriate length, given the economic conditions and job availability of the time**, to ensure that individuals can adequately search and prepare (including but not limited to obtaining additional skills training) for re-employment that will provide wages equal to or greater than their previous employment.
- Recognizes that without state or federal mandates for active engagement with the PA CareerLink® system, individuals receiving unemployment compensation may not be fully utilizing job preparation, training and labor exchange services during their benefit period. **Requiring the benefit period to include engagement with the PA CareerLink®** will likely result in workers finding jobs for which they are better suited, more productive and able to earn more comparable re-employment wages.
- Supports all efforts to develop a **consistent, but broad outreach strategy for engaging more claimants before benefit exhaustion** with a focus on those most ready to find re-employment with the ultimate goal of reducing the time necessary for individuals to collect unemployment benefits.
- Encourages the Pennsylvania Department of Labor and Industry to **assess the structure of the current unemployment compensation system** to consider methods to:
 - Transform a passive approach to unemployment compensation into an **active approach that incentivizes job skill development**;
 - Encourage more **active participation in PA CareerLink® services** regardless of the likelihood and estimated time needed to find employment, the benefit rate based on qualifying wages and length of the benefit period;
 - **Improve incentives for rapid reemployment** (e.g., A portion of the benefits continue if employment is secured within a fraction of the benefit period); and
 - Enhance the resources to **support fraud enforcement**.

Sources:

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