



## **Policy Position Statement on Unemployment Compensation Reform**

### **BACKGROUND:**

Pennsylvania is best served by an unemployment compensation system that fairly covers the workforce, creates a predictable and reliable payment structure for businesses and reduces the impact of unemployment on our economy.

Unfortunately, such a system is not currently the case in Pennsylvania and, as such, stands to hinder hopes for a full economic recovery in the Commonwealth. Consider the following:

- Despite having an unemployment rate below the national average, Pennsylvania's system is essentially bankrupt and currently owes more than \$4 billion to the federal government;
- Pennsylvania leads the nation in the percentage of unemployed individuals enrolled in the UC system;
- According to the United States Department of Labor, Pennsylvania's UC fraud rate is 5.18%, versus a national average of 2.93%; and,
- Pennsylvania ranks in the Top Ten nationwide for employers' average UC tax rate as a percent of total wages.

The insolvency of Pennsylvania's UC Trust Fund is largely due to an overly generous program. Prevailing interpretations of existing state law do not prevent benefits being received by people who were justifiably terminated for unintended misconduct, voluntarily take a leave of absence and/or are in prison. These interpretations put Pennsylvania in a class of its own in how our UC system is carried out and applied.

To be clear, we support the concept of unemployment compensation. It is an appropriate program that has served millions of people well due to employment transitions brought about through no fault of their own. But, we do not support the current, overly generous system that places excessive costs and burdens on businesses.

### **POLICY POSITION:**

**The Board of Directors of The Lancaster Chamber of Commerce & Industry supports measures that improve and strengthen our unemployment compensation program.**

Specifically, the Board calls for the following reforms:

- Ensure that benefits are only paid to individuals who are unemployed through no fault of their own;
- Implement an experience rating system that fairly computes employer taxes;
- Establish documentation to ensure recipients are maintaining an active job search;
- Ensure benefits are based only on relevant earnings and covered employment;
- Address the UC Trust Fund issue by permitting bonds to be issued to pay off the federal debt; and,
- Develop a fund balance system that is reactive to economic factors in order to ensure solvency.

The Lancaster Chamber pledges to work with the Pennsylvania Chamber and other chambers across the state in generating grass roots testimony and support for the above. Additionally, Chamber staff and volunteers will make this issue a priority when communicating with our state delegation as we work together toward enacting meaningful reform.

Approved by the Board of Directors on March 23<sup>rd</sup>, 2012.

---

*Mission: To build Lancaster County into a model of prosperity for 21st Century America.*