

Statement for the Record: Congressman James B. Renacci
Ways and Means Subcommittee on Human Resources
Hearing on Moving from Unemployment Checks to Paychecks: Assessing the
President's Proposals to Help the Long-Term Unemployed
October 6, 2011

Good morning Mr. Chairman, Mr. Doggett, and members of the subcommittee. I'd like to thank you for hosting today's hearing on "Moving from Unemployment Checks to Paychecks," and for inviting me to testify. It is my hope that today's hearing will provide the subcommittee with actionable information for getting our nation's unemployed back to work.

The dire unemployment situation currently gripping the United States has been an inescapable reality for several years. Unemployment data for the month of August showed zero jobs added and a sustained unemployment rate of over 9%. The next report on job creation, or unfortunately, the lack thereof, is due on October 7th, but there is little reason for optimism. What we've been doing is not working. The government's empty coffers make creative solutions, not risky stimulus packages, the only way to address the crisis. Luckily, the tools we need to overcome our economic downturn are already at our disposal, the most valuable of which is Unemployment Insurance. Significant employment opportunities can be created by allowing the states to leverage unemployment insurance into job creation.

In the past, unemployment insurance has provided a valuable bridge for individuals between jobs. Unfortunately, two major changes have dramatically altered the unemployment system's function. First, uncertain economic conditions have diminished business' willingness to risk new employment. Second, the length of compensation eligibility has turned from a bridge between jobs into an excuse to put off that job search for just one more week. That week turns into 20 or 30 or 40 or even 90 more. In order for any job creation agenda to be successful, both of these hurdles must be overcome. It is not enough to assist businesses in hedging the risks of expansion; our plan for a return to prosperity must also provide tangible motivation to a discouraged workforce.

There is no silver bullet to returning Americans to work, but creating an incentive for both employers and job seekers through unemployment insurance is an important first step. I have introduced a bill with bipartisan support entitled the EMPLOY Act, H.R. 2137, that would create this dual incentive. The EMPLOY Act would allow states to develop an optional program for providing a percentage of the unemployment benefit to a business willing to hire an individual at a rate higher than the normal benefit amount. The purpose of this program is simple: provide businesses with an incentive to hire through reduced risk, provide individuals with an incentive to work through increased pay, and reduce cost to the government by paying only a percentage of the unemployment benefit to the eligible businesses.

Similarities have been drawn between the EMPLOY Act and the Georgia Works Program endorsed recently by President Obama. While both programs leverage unemployment compensation to encourage job growth, the EMPLOY Act has the potential to create immediate long term employment, rather than simply providing job training. What's more, the Georgia Works program relies on increased spending, whereas the EMPLOY Act can actually reduce federal and state spending. This plan has been endorsed by a diverse group of interests from my district and nation-wide, including the Stark County Workforce Investment Board, The J.M. Smucker Company, Shearer's Foods, Inc., and Hire Just One.

It's important to note that the EMPLOY Act does not alter the currently-existing unemployment insurance system; it simply creates another option for those collecting the benefit to seek new

employment. The benefit still belongs to the individual. In fact, if an individual is terminated without fault from a business participating in the program, the individual can immediately resume collecting their typical unemployment benefit, minus the number of weeks they were employed through the program. Through these safeguards, risk is reduced for both the employer and the employee, encouraging significant private sector job growth.

As I stated, the EMPLOY Act is not a panacea for the joblessness crisis the United States is currently facing, but it is a crucial step in the right direction. I again thank the subcommittee for inviting me to testify here today and I look forward to answering any questions you may have. I also look forward to hearing the ideas presented by my colleagues here today.