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Bipartisan Senate Initiative Provides \$7 Billion in Incentive Payments for the States to Modernize the Unemployment Insurance Program

New York, New York – Senate Democrats and Republicans joined today in support of a bold new initiative to modernize the nation's unemployment insurance program, responding to continued layoffs of manufacturing workers and growing numbers of low-wage, part-time and women workers who fall through the holes of the neglected safety net program.

The bill, called the Unemployment Insurance Modernization Act, provides \$7 billion in federal unemployment program funds to those states that adopt model reforms which will help 500,000 workers to access jobless benefits, good jobs and retraining. In addition, the bill provides another \$500 million to all states to help address major cuts in federal grants that fund the critical program services administered by the states. The leaders of this bipartisan initiative include Senators Kennedy (D-Mass.), Snowe (R-Maine), Rockefeller (D-W.Va.), Warner (R-Va.), and Cantwell (D-Wash.).

The workforce has changed fundamentally since the unemployment program was created in 1936. Far more low-wage and women workers are working harder than ever before but they still find themselves jobless and unable to qualify for unemployment benefits. In addition, more workers of all income and education levels also find themselves long-term unemployed as today's economy produces fewer quality jobs. As a result, only 35 percent of the unemployed collect jobless benefits, far below the levels of protection available during earlier decades. Low-wage workers are twice as likely to be unemployed, but they are half as likely to collect unemployment benefits.

The Unemployment Insurance Modernization Act goes a long way to fill these serious gaps in the program. It features the leading reforms adopted by the states during the past decade, which are based on the recommendations of a bi-partisan federal panel of experts appointed by President Bush, Sr., and President Clinton. According to Maurice Emsellem, Policy Director of the National Employment Law Project, "This legislation represents a milestone in the evolution of the UI program. For the first time, innovative state reforms will drive federal resources and respond to the new realities of the nation's changing workforce."

The Senate bill expands on a companion measure (H.R. 2233) recently introduced in the House by Congressman Jim McDermott, the Chair of the subcommittee with jurisdiction over the program. The new initiative is funded by reauthorizing a federal unemployment program surtax that is scheduled to expire at the end of the year. The surtax has been extended four times in the past 30 years, and the Bush Administration supports its continuation for another five years.

For more detail on the Unemployment Insurance Modernization Act, including estimates documenting the amounts each state is eligible to receive in incentive payments and administrative grants, see NELP's paper entitled "The New Congress Proposes \$7 billion in Incentive Payments for States to Modernize the Unemployment Insurance Program." (The paper's summary is available on-line at <http://www.nelp.org/docuploads/UIModActSummary.pdf> and the full analysis is available at <http://www.nelp.org/docuploads/UIModActRep.pdf>).

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