



Issue brief

Unemployment compensation reform, Act 6 of 2011

Signed into law by Gov. Tom Corbett on June 17, Act 6 of 2011 contains reforms advanced by PA Chamber members that begin to control the cost of the state's unemployment compensation system and strengthen eligibility requirements.

Why was UC reform needed?

Pennsylvania's UC system has expanded well beyond its safety-net intent due to the liberalization of benefits over the years, combined with the recent recession and sluggish recovery. The state has been paying out more money from its UC Fund than has been coming in, resulting in a UC Trust Fund deficit of nearly \$4 billion.

During the Rendell administration, the PA Chamber worked with administration officials and organized labor to address the system's insolvency. To that end, business put a responsible proposal on the table. However, organized labor was unwilling to tighten eligibility and restore the UC system to its original intent—a safety net for individuals who are unemployed through no fault of their own.

An opportunity to begin reforming the system occurred in June 2011, with Pennsylvania required to take action to extend federal UC benefits that were set to expire for 45,000 unemployed Pennsylvanians.

Crafted in collaboration with the PA Chamber, Act 6 strengthens eligibility standards and restructures benefit formulas to slow the growth of the fund.

What does the new law accomplish?

Act 6 requires UC claimants to use PA's CareerLink to actively search for work in order to receive benefits, something they previously were not required to do. The law also secures an employer's automatic relief from UC charges in certain situations; establishes a 40 percent severance pay offset; and establishes a "week of work for week of benefits" provision will save the system \$50 million by updating a former UC eligibility standard that only required 18 weeks of work for a full 26 weeks of benefits.

Does Act 6 address the UC Trust Fund's insolvency?

While Act 6 will save Pennsylvania's UC system a projected \$133 million annually by slowing the fund's growth, Pennsylvania's overwhelming debt obligation to the federal government remains largely unaddressed in the new law. Successfully resolving the UC Trust Fund deficit will require further discussion about the development of a repayment plan that likely would require tax increases and benefit cuts, and would need to be accomplished through additional, yet-to-be introduced legislation.

PA Chamber position: *Support*

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