



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

May 25, 2021

Senate Committee on Labor and Regulatory Reform Testimony on Senate Bill 354

Thank you Chairman Nass and committee members for hearing Senate Bill (SB) 354, which would end Wisconsin's participation in federal enhanced unemployment benefit programs and reinstate the work search requirements for unemployment insurance. I appreciate the support of the chairman, Sen. Wanggaard, and Sen. Stafsholt, who are cosponsors of the bill.

SB 354 has two main provisions. First it would direct the governor and secretary of the Department of Workforce Development (DWD) to end Wisconsin's participation in the following federal programs:

- a. Pandemic Unemployment Assistance (PUA) program
- b. Pandemic Emergency Unemployment Compensation (PEUC) program
- c. Federal Pandemic Unemployment Compensation (FPUC) program
- d. Mixed Earner Unemployment Compensation (MEUC) program

The second part of the bill prohibits DWD from waiving the work search requirement for any reason that is related to COVID-19. President Biden has directed the U.S. Secretary of Labor to work with states to reinstate work search requirements for UI recipients. At the time I circulated this bill for co-sponsors, 36 other states had restored the work search requirement.

Thanks to the chairman and action taken by JCRAR, the work search requirement issue has already been addressed. DWD Emergency Rule 2106 was suspended last week and the work search requirement was restored as of Sunday, May 23, 2021. Our action on this bill would just reiterate legislative intent.

The employers in my senate district are desperate for workers. They have significantly raised wages, are offering sign-on bonuses and are begging people to work for them. But they cannot compete with the generous federal unemployment benefits that nearly double UI checks. We need to return to regular unemployment compensation programs and encourage able-bodied Wisconsinites to get back to work.

Committee members should have written testimony from one of several employers I spoke to during Small Business Week. Rich Uselman is the Vice President – Operations for Nu-Pak, LLC located in Boscobel, Wisconsin.

This bill is supported by the Association of Wisconsin Tourism Attractions, Midwest Food Products Association, Wisconsin Hotel and Lodging Association, Wisconsin Independent Businesses, Wisconsin Manufacturers & Commerce (on behalf of 50 local Chambers of Commerce), Wisconsin Petroleum Marketers & Convenience Store Association, and WPS Health Insurance.

Thank you again to the committee for hearing this proposal, and your timely action on the bill.



May 25, 2021

**TO: Members
Senate Committee on Labor and Regulatory Reform**

**FR: Brian Dake
President
Wisconsin Independent Businesses**

RE: 2021 Senate Bill (SB) 354 relating to: participation in federal unemployment benefit programs and work search requirements for unemployment insurance.

Chair Nass and committee members my name is Brian Dake, President of Wisconsin Independent Businesses. Thank you for the opportunity to testify in support of 2021 Senate Bill (SB) 354.

By way of background, Wisconsin Independent Businesses (WIB) was formed in 1977 to provide small, independent business owners with an effective voice in the legislative and regulatory activities of state government. Today, we proudly represent thousands of small businesses throughout Wisconsin. Most of our members (approximately 85%) own and operate businesses that fit within the legal definition of a small business – fewer than 25 employees and/or annual gross revenues of less than \$5 million.

For Wisconsin small employers, filling open positions is extraordinarily difficult. This multifaceted problem began well before the COVID-19 pandemic and is likely to continue into the foreseeable future.

That said, certain federal and state governmental actions taken in response to the COVID-19 pandemic have made the near-term workforce shortage particularly troublesome for Wisconsin small employers.

Federal

Of particular concern is the Federal Pandemic Unemployment Compensation (FPUC) program through which unemployed workers who are eligible for state or federal unemployment insurance (UI) benefits are currently receiving an additional weekly supplemental payment of \$300 from the federal government. This program was recently extended into September.

In Wisconsin, the maximum weekly state UI benefit payment is \$370. Therefore, eligible UI claimants can receive up to \$670 per week or \$16.75 per hour.

Wisconsin small employers must offer prospective workers a competitive wage. Hourly pay of \$10, \$12, \$15 for entry level positions are common. New employees who are reliable and perform well on the job can expect to earn much more in a relatively short period of time. The supplemental federal payments have distorted these marketplace circumstances.

Many Wisconsin small employers cannot afford to pay prospective employees more than they can collect in weekly UI benefits. Moreover, there are UI claimants who are content to receive the weekly enhanced federal unemployment compensation and their regular state UI benefits rather than seek gainful employment.

From our perspective, SB 354 is the near-term solution to this temporary problem. Small employers would be in a better position to fill vacancies and unemployed workers would have a greater incentive to rejoin the workforce.

State

On March 18, 2020, Governor Evers directed the Wisconsin Department of Workforce Development (DWD) to waive the work search requirements due to the COVID-19 pandemic. On May 9, 2020, DWD issued an Emergency Rule to clarify the waiver of the work search requirements would be in effect until October 15, 2020.

The surge in COVID-19 cases last fall, prompted DWD to request an extension of waiver of the work search requirements through February 2, 2021 from the Wisconsin State Legislature. This request was granted. In early February, DWD issued a new Emergency Rule extending the waiver of the work search requirements to July 10, 2021.

With the support of WIB, the Joint Committee for Review of Administrative Rules recently restored the work search requirements for UI claimants. Beginning on Sunday, May 23, 2021, UI claimants must:

- register on JobCenterofWisconsin.com and post their resume on the site;
- perform four valid weekly work search actions; and
- report their work search actions when filing weekly claims starting May 30, 2021.

UI claimants who do not complete these tasks will be denied UI benefits for that week.

SB 354 ensures these modest work search requirements for UI claimants remain in place during the final stages of the COVID-19 pandemic.

WMC

WISCONSIN MANUFACTURERS & COMMERCE

MEMO

TO: Senate Committee on Labor and Regulatory Reform
FROM: Chris Reader, Senior Director of Workforce and Employment Policy, WMC
RE: Support Senate Bill 354
DATE: May 25, 2021

Senator Nass and members of the Committee on Labor and Regulatory Reform, thank you for holding a public hearing today on Senate Bill (SB) 354. Thank you also to Senator Marklein and Speaker Vos for their leadership in introducing the legislation. Wisconsin Manufacturers & Commerce (WMC) is the statewide chamber of commerce and largest general business association in Wisconsin with over 3,800 employer members from throughout the state. Our mission since our founding in 1911 has been to make Wisconsin the most competitive state in the nation in which to do business.

Unfortunately, today our state is not competitive because employers are unable to hire the necessary workforce to fill orders and grow our economy. If you drive through any downtown or through just about any business park in our state, you will see ubiquitous “help wanted” signs in storefronts, impacting employers of all sizes and from all industries. Businesses not only face competition from other employers, they are now competing with state and federal unemployment benefits.

If the state does not act, an individual will continue to be able to receive \$670 per week on unemployment through early September, \$370 per week in state payments and \$300 in enhanced federal payments. That is the equivalent of \$16.75 per hour. Every single day we hear from employers that this expanded unemployment benefit is creating a strong disincentive to work and makes it difficult to hire and fill open positions. Our economy cannot afford to have able-bodied workers to remain on the sidelines while thousands of jobs are available today.

In response, employers have increased wages, benefits, and other incentives. But they simply are unable to compete with government paying people to not work. The inability to fill job postings has caused employers to turn down work, harming the economic output of our state. And it's not hyperbole on their part – the data shows the story.

While economists expected one million jobs to be created in April, U.S. employers only added 266,000 jobs- in the entire country. In large part, this is because capable workers are being paid by government to sit on the sidelines. At the state level, the Job Center of Wisconsin routinely has over 100,000 job openings posted on a daily basis.

Over 50 local chambers of commerce from throughout the state along with 15 employer trade associations representing a diverse cross-section of the economy have so far joined our coalition in support of ending the \$300 enhanced federal benefits in our state, as at least 22 other states have

already done. On behalf of the business community, we encourage you to support SB 354 and end Wisconsin's participation in the federal pandemic-related unemployment insurance programs and return to pre-pandemic benefits and eligibility as soon as possible. Millions of workers are safely engaging in our economy today, and we simply cannot wait until September for people to reengage with the workforce.

May 25, 2021

**Senate Committee on Labor and Regulatory Reform
Testimony on Senate Bill 354**

Thank you Chairman Nass and committee members for hearing Senate Bill (SB) 354, which would restore Wisconsin's Unemployment Insurance benefits to pre-pandemic levels.

My name is Rich Uselman, VP Operations Nu-Pak, LLC in Boscobel Wisconsin. I would welcome the opportunity to testify in person today, but the demand on our business requires me to be in Boscobel. Due to the shortage of workers, I will be working on the lines today trying to support our customers and employees through this period.

A couple weeks ago, Sen. Marklein was reaching out to businesses for Small Business Week. He called me to see how things were going. I am frustrated. We currently have our customers on allocation because we cannot find enough people to support our business. We have experienced a sharp decline in the number of applicants over the last 3 to 4 months. We turn away orders for \$1MM to \$1.5MM a week. We commissioned an \$8MM project in March that we currently cannot fully utilize due to the labor issues. The worst part is we do not compete with other businesses for employees, we compete with the couch. Look at the labor participation rates and tell me I am wrong.

Nu-Pak started in 1994 and moved to Boscobel in 1999. Nu-Pak's first operation was in a Dairy that was converted into a food plant. We have continued over that time to grow including two additions at our South Facility and then our North Plant expansion in 2013. We have seen expansive growth due to our uncompromising dedication to food safety.

Nu-Pak currently employs 340 people. We have the need for 80 employees just to meet our current demand. To date the only thing limiting our growth potential is our ability to staff. We are currently paying up to \$17/HR for production employees. We have multiple opportunities for our employees' growth as well. Unfortunately, we are looking at areas outside of Wisconsin for expansion because the labor market is unsustainable.

Our current openings provide competitive wages, full benefits that include medical, dental, vision, short- and long-term disability insurance, 401(k) with company match, and paid time off.

SB 354 should end the bonus being paid to people that are not working. At least this would end any labor market disruptions and allow us to understand the market pressures we are facing. Right now, it is impossible to plan for the future not knowing how government is going to disrupt business.

Thank you for the opportunity to share my concerns with the committee. I urge you to support the bill.

Sincerely,

Rich Uselman



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Senate Committee on Labor and Regulatory Reform
May 25, 2021

Thank you, Chairman Nass, Vice-Chairman Wanggaard and members of the Senate Committee on Labor and Regulatory Reform for accepting our testimony in favor of Senate Bill 354 today. I would also like to thank Senator Marklein and Speaker Vos for authoring this important legislation.

WILL's Research Director, Dr. Will Flanders, recently wrote an analysis highlighting the number of jobs statewide that could be negatively impacted by the additional \$300 weekly benefit. Utilizing federal Bureau of Labor Statistics wage data, Dr. Flanders estimates that approximately 11% of the state's workforce, approximately 330,000 people, work in jobs where more money can be made on unemployment with the \$300 weekly bonus than by working. This includes nearly 200,000 workers in the food service industry.

Economic research has also shown that generous unemployment benefits can harm employment levels. A 2014 paper examined employment levels at the end of extended unemployment benefits in the aftermath of the Great Recession, and found that employment increased significantly once the benefit ended. Another paper found that the longer durations of unemployment lead to decreased lifetime earnings and has negative effects on homeownership. Our own research in Wisconsin showed that reforms to the welfare system that reduce benefits for a failure to engage in job searches resulted in lower unemployment during the Walker era.

The bottom line is that we are far removed from the economic cliff that we believed we were headed towards at the beginning of the pandemic. Wisconsin's unemployment rate has dropped significantly from its peak of 14.8% in April of 2020, back to a rate of 3.8%. The bigger problem seems to be that employers around the state are struggling to find people to return to work. A recent survey by the National Federation of Independent Businesses found that 44% of

small businesses have open jobs they cannot fill and DWD's Job Center of Wisconsin website has nearly 108,000 job openings.

Our unemployment system was always designed to be a temporary benefit for individuals who lost a job through no fault of their own, while they searched for work. Unfortunately, federal benefits in wake of the pandemic have disincentivized finding work by lengthening the maximum benefit period and increasing overall benefit amounts. We aren't far removed from the Fall of 2019, when weekly unemployment claims in Wisconsin were hovering around 20,000. Today, weekly claims are over 80,000.

To date, 23 states have announced plans to return to a normalized level of unemployment benefits, by ending the enhanced \$300 weekly federal unemployment benefit early. States should be incentivizing long term employment opportunities, as they have better outcomes for individuals. Wisconsin should join this movement. With the economy improving, Senate Bill 354 represents a prudent step towards returning Wisconsin back to a sense of normalcy and encouraging people to return to work.

Kyle Koenen

Policy Director

Wisconsin Institute for Law & Liberty