

Possible Changes in the U.S. Employment Policy under the Obama Administration

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**Building Strong Partnerships with the Private Sector for Better Jobs and
Inclusion**

OECD/LEED

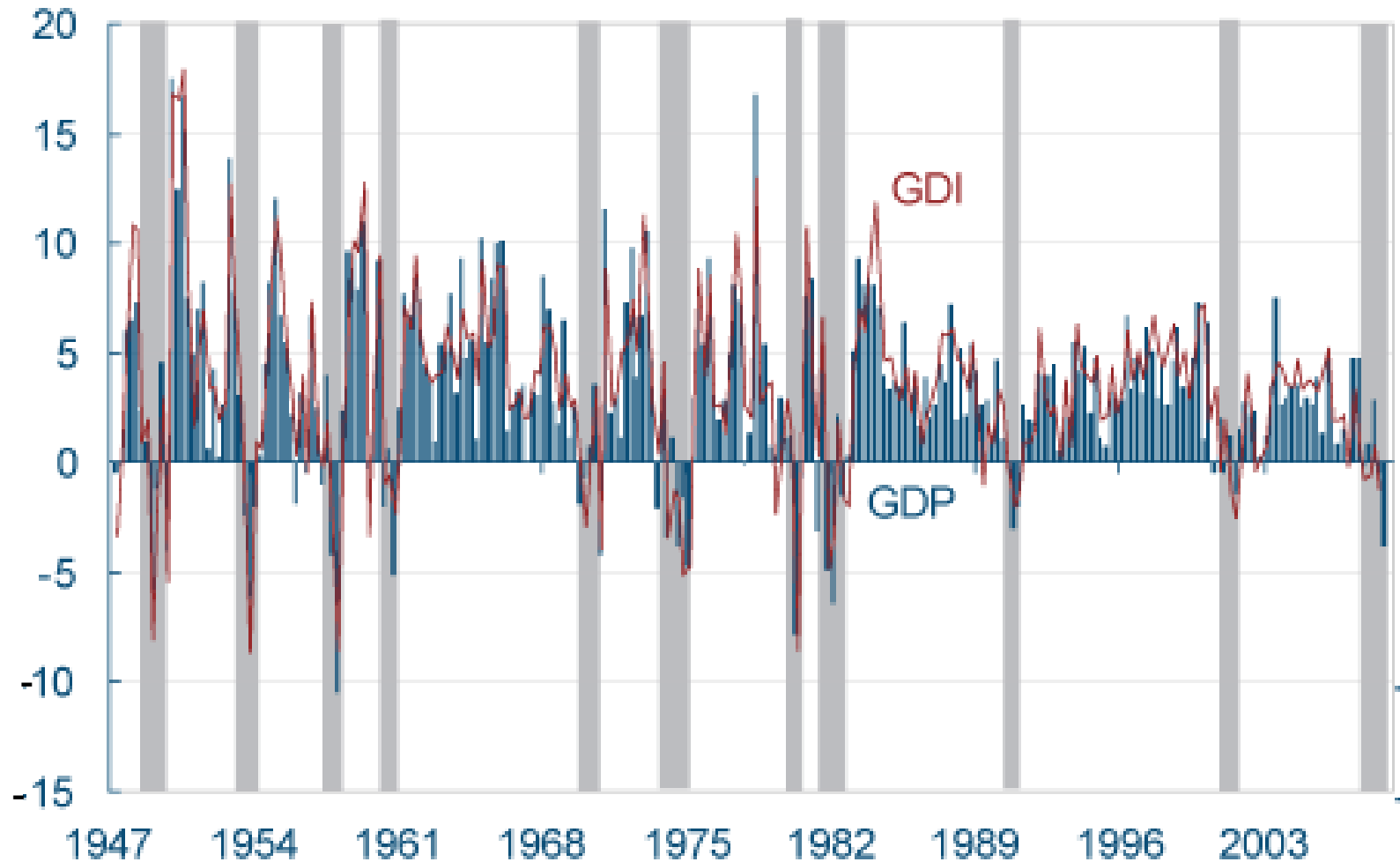
9-10 February 2009, Vienna

Changes in US Employment Policy

- **US employment policy in the near term will be shaped by the critical and urgent need to stimulate the US economy**
 - US economy has been in a recession for over a year
 - Payroll employment has declined by 3.6 million since the start of the recession in December 2007
 - Unemployment rates have climbed from 4.7 to 7.6 percent
 - Leaving 11.6 million people without work
- **Any thoughts President Obama may have had early in his campaign of significantly changing health care or social security or labor reforms have taken a back seat to pushing through a stimulus package**
- **Last week the House passed their version of the American Recovery and Reinvestment Bill of 2009**
 - \$825 billion bill to create and save 3 to 4 million jobs
- **Senate still debating their version (at time of preparation)**

Real GDP and GDI

Percent change, annual rate

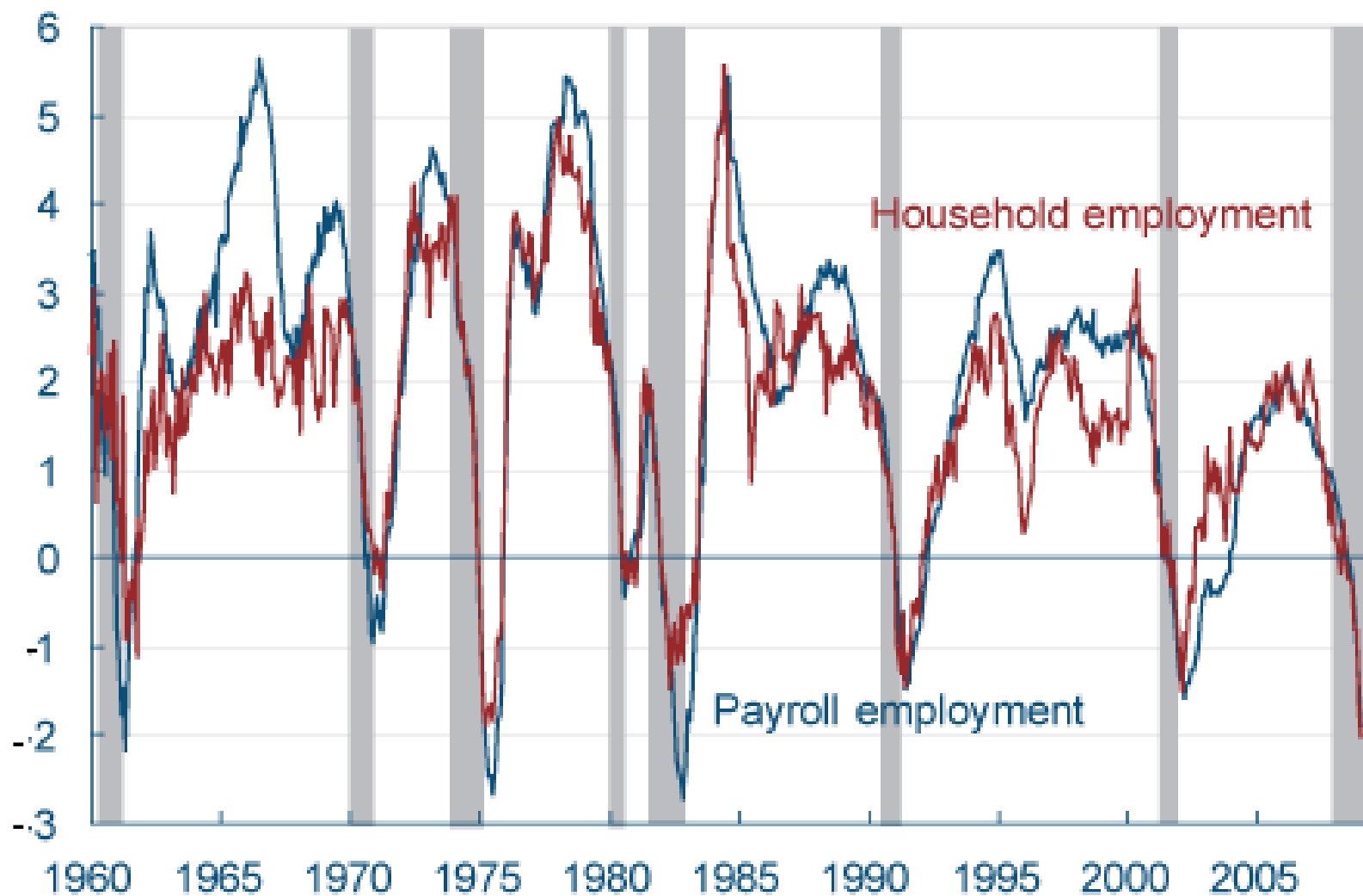


Note: Shaded bars indicate recessions.

Source: Bureau of Economic Analysis. [Federal Reserve Bank of Cleveland](#)

Employment

12-month percent change



Note: Shaded bars indicate recessions.

Source: Bureau of Labor Statistics. [Federal Research Bank of Cleveland](#)

Unemployment Rate

Percent of labor force



Note: Shaded bars indicate recessions.

Source: Bureau of Labor Statistics. [Federal Research Bank of Cleveland](#)

CBO's Baseline Budget Projections

| (billions of US \$) | Actual 2000 | Actual 2008 | Projected 2009 | Projected 2010 |
|-----------------------------|-------------|-------------|----------------|----------------|
| Revenues | 2,025 | 2,524 | 2,357 | 2,533 |
| Outlays | 1,788 | 2,978 | 3,543 | 3,236 |
| Deficit | 236 | -455 | -1186 | -703 |
| GDP | 9,817 | 14,224 | 14,257 | 14,452 |
| Deficit (% GDP) | 2.4 | -3.2 | -8.3 | -4.9 |
| Debt held by public (% GDP) | 34.7 | 40.8 | 50.5 | 54.2 |

-1.8% by 2012



| American Recovery and Reinvestment Act 2009 (House Version passed) | | billions US\$ | % of Total |
|---|------------------------------|---------------|------------|
| Clean Efficient American Energy | | 54 | 6.4% |
| Transform nation's energy production and transmission | 32 | | |
| Repair public housing and make key energy retrofits | 16 | | |
| Weatherize modest-income homes | 6 | | |
| Transform our economy with Science and Technology | | 16 | |
| Science facilities, research and instrumentation | 10 | | |
| Expand broadband internet service | 6 | | |
| Modernize Roads, Bridges, Transit and Waterways | | 93 | 10.9% |
| Highway construction | 30 | | |
| Modernize federal and other public infrastructure to be energy efficient | 31 | | |
| Clean water, flood control, and environment restoration | 19 | | |
| Transit and rail to reduce traffic congestion | 13 | | |
| Education for 21st Century | | 141.6 | 16.7% |
| Local schools (Title I, Education technology, new school repair) | 41 | | |
| State fiscal relief | 79 | | |
| Increase Pell grant by \$500 | 15.6 | | |
| Higher education modernization | 6 | | |
| Lower Healthcare Costs | | 24.1 | 2.8% |
| Health information technology | 20 | | |
| Preventive care and evaluate most effective treatments | 4.1 | | |
| Help Workers Hurt by the Economy | | 104.5 | 12.3% |
| Increase unemployment benefits and job training | 43 | | |
| Maintain health benefits for unemployed | 39 | | |
| TANF | 2.5 | | |
| Increase food stamp benefits by over 13% | 20 | | |
| Save Public Sector Jobs and Protect Vital Services | | 92 | 10.8% |
| Temporary increase in Medicaid matching rate | 87 | | |
| State and local law enforcement funding | 4 | | |
| Census | 1 | | |
| Other | | 50 | 5.9% |
| | Expenditure Sub-total | 575.2 | 67.7% |
| Tax cuts for 95% of taxpayers | | 275 | 32.3% |
| | TOTAL | 850.2 | |

Source: [Committee on Appropriations, US House of Representatives, Jan. 28, 2009](#)

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Workforce Programs

| PROGRAM | House (millions \$) | Senate (millions \$) | 2009 Current Law (millions) |
|---|------------------------|-------------------------|--------------------------------|
| Workforce Investment Act, Adult | \$500 | Same | \$712 |
| WIA, Youth | \$1,200 | Same | \$840 |
| WIA, Dislocated Worker | \$1,000 | Same | \$1,200 |
| Dislocated Workers Assistance National Reserve | \$500 | \$200 | |
| YouthBuild | \$50 | \$100 | \$50 |
| High Growth and Emerging Industry Sectors | \$750 | \$250 | \$125 |
| Wagner-Peyser Employment Service | \$500 | \$400 | \$740 |

Unemployment Insurance

| PROGRAM | House (millions \$) | Senate (millions \$) | Note |
|--|--------------------------|------------------------------------|--|
| Emergency Unemployment Compensation Continuation | \$27,000 | same | 33 weeks extended benefits to 12/31/09 |
| Increased benefits | \$9,000 | same | Increased by \$25 per week |
| Special Transfers for Unemployment modernization | \$7,000 | Same, but expires sooner | Expand UI to low-wage, part-time and other jobless workers |
| Interest free loans to state UI Trust Funds | No provision | Waives interest payments till 2011 | |
| Special transfers in FY 2009 for administration | Transfer \$500 to states | same | |
| Temporary suspension of taxation of UI benefits | No provision | Suspend fed tax on first \$2,400 | |

Other Tax Incentives for Low-Income Individuals

| PROGRAM | House (millions \$) | Senate (millions \$) | Note |
|--|------------------------|-------------------------|--|
| COBRA (Medical insurance) subsidy for unemployed | \$30,300 | Same | Subsidizes COBRA at 65% of individual's premium |
| Expand Earned Income Tax Credit | Same | Same | Increase EITC from 40 to 45% of first \$12,570 |
| Work Opportunity Tax Credit | Same | Same | Creates two new targeted groups: vets, disconnected youths |

CBO's Estimates of Stimulus Package Impact

| | 2009 | 2010 | 2011 |
|---------------------------------------|-------|-------|-------|
| GDP (Percentage from baseline) | | | |
| Low estimate of effect of plan | 1.4 | 1.2 | 0.4 |
| High estimate of effect of plan | 4.1 | 3.6 | 1.2 |
| GDP Gap (Percent) | | | |
| Baseline | -7.4 | -6.3 | -4.1 |
| Low estimate of effect of plan | -6.1 | -5.2 | -3.7 |
| High estimate of effect of plan | -3.7 | -3.0 | -2.9 |
| Unemployment Rate (Percent) | | | |
| Baseline | 9.0 | 8.7 | 7.5 |
| Low estimate of effect of plan | 8.5 | 8.1 | 7.2 |
| High estimate of effect of plan | 7.7 | 6.7 | 6.5 |
| Employment (millions of jobs) | | | |
| Baseline | 141.6 | 143.3 | 146.2 |
| Low estimate of effect of plan | 142.5 | 144.6 | 146.8 |
| High estimate of effect of plan | 144.0 | 147.2 | 148.1 |

Other Non-Stimulus Issues

- **Partnerships**
 - WIRED
- **High growth initiatives**
- **Workplace relations**
 - Employee Freedom Choice Act
 - Mandatory paid sick leave (Healthy Families Act)
- **Integrating UI and ES**
 - Modernization of management information system (part of stimulus package)
- **Targeting services to better meet the specific needs of workers**
 - Frontline Decision Support System (Workforce equivalent of medical records technology proposed in stimulus package)