Favorable response for unemployment tax bill

By Tim Richard
staff writer

The senators held a public hearing, and everyone supported the bill.

"We readily admit there were conflicts among employers," K mart's Robert Stevenson told two members of the State Senate Labor Committee Monday in Southfield.

But now both camps of employers, along with organized labor, are supporting a bill which will reduce unemployment compensation taxes $111 million over the next two years.

Labor was reassured that this proposal will not be utilized to secure any other changes in the unemployment compensation system.

"It is my devout hope most of those dollars will be invested in Michigan," said Labor Committee Chairman Philip O. Mastin, D-Pontiac. He said his Senate Bill 499 "will move expeditiously through the Legislature," predicting Senate action next week.

The bill has bipartisan support. A prime co-sponsor of the House version, for example, is Rep. Jack Kirksey, R-Livonia.

THE "TWO CAMPS" which *Stevenson referred* to are 1) employers with a "negative balance" in the unemployment compensation fund, such as the auto companies with heavy layoffs, and 2) those with a "positive balance" such as K mart, Kellogg, Sears and Amway.

Working through the Economic Alliance of Michigan, a group of 85 corporate executives and labor leaders, they compromised their differences, presenting Mastin's committee with a united front and no opposition during a one-hour hearing.

That satisfied Mastin, who has all the controversy he can handle because he faces a Nov. 22 recall election over his vote in favor of the state personal income tax increase.

As sponsor of SB 499, Mastin will have his name on legislation that will reduce taxes for 45 percent of the Michigan payrolls hardest hit by the three-year recession.

"HISTORICALLY," said David C. Collier, a vice president and group executive of General Motors Corp., "states used to borrow money interest-free to meet unemployment comp claims during a recession.

"But Congress in 1982 made the states' debts subject to interest at 10 percent," Collier said. Michigan found itself with a $2.2 billion debt, about $640 million of it subject to interest.

Last December, following the 1982 election, the Michigan Legislature levied a "solvency tax" to pay off the interest. It fell on "negative balance" employers.

Mastin said, "Michigan bit the bullet and said 'here's how we're going to pay it off.' Congress (in spring of 1983) reacted affirmatively and said we will reward you with a 1 percent reduction in the interest rate and a lengthening of the time period you have to pay it off."

Of the $111 million in savings over two years, Mastin said, $32 million will be in interest charges. The other $79 million will be in deferring payments for 1983-4 to 1985-6.

Others supporting SB 499 were Thomas E. Metevier for Chrysler Corp., David Zurvalec of the Michigan Manufacturers Association and John Farnham of the Detroit chapter of Associated General Contractors.

THE ECONOMIC Alliance resolved differences between "negative balance" employers, who wanted the tax levied as lightly as possible, and "positive balance" employers, who wanted the debt paid off as quickly as possible.

"Labor was reassured that this proposal will not be utilized to secure any other changes in the unemployment compensation system," according to the Alliance's summary.

The solvency tax rate will be 0.5 percent for 1983 and 1 percent for 1984. Thereafter, the rate will be set by the Michigan Employment Security Commission according to a formula. The debt is expected to be paid off by the end of 1986.

"We never really recovered from the 1974-5 oil crisis," said Ken Morris, region 1B director of the United Auto Workers union. "The real cruncher was the 10 percent interest penalty imposed by Congress. Everyone is affected — not just industry."

The UAW leader from Oakland County praised the Economic Alliance as "a very good, sound thing. Within that structure, there is discussing — not just blarney."

NEVERTHELESS, management and labor found a chance to cross swords softly over the side issue of whether Michigan's costs of doing business are too high.

Questioned by Sen. Doug Cruce, R-Troy, GM's Collier complained that the No. 1 auto maker's unemployment comp costs per worker will rise from $560 in 1983 to $981 in 1985.

"Michigan's costs are significantly higher than other states. It has an inhibiting impact on employers who consider investing in Michigan. The burden of unemployment comp and workers' comp is a tremendous hindrance to increasing economic activity," Collier added.

Morris replied that southern states, which have lower costs, have a different problem. "I was on a trip to Mississippi and read newspaper stories in different locations about their education systems," he said. "Their education system is a negative factor in drawing industry."

Robert Queller, vice president and executive director of Citizens Research Council, added that a Purdue University study done for Indiana showed Michigan ranked "relatively favorably to 14 other locations" in business taxes, though Michigan's unemployment and workers comp costs are high.

IN A POST-HEARING interview, Mastin said Michigan has taken steps to hold down business costs in three areas.

One is the single business tax, which lowered business taxes as a percentage of total state revenue from more than 40 percent to somewhere in the 20s. Second is workers comp, where competition in the last year has reduced premiums 27 percent. Third is unemployment comp, where benefit levels have been frozen for three years, he said.

Mastin said he was impressed by "the high quality of testimony" and announced he will call no further hearings.