

Making Unemployment Insurance Work for Business



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Workshop Goals

- Provide basic information on the Unemployment Insurance program
- Discuss employer challenges & opportunities to make the UI system work better for employers
- Provide information on actions UI system taken to improve integrity of program
- Strategies employers can use to minimize charges to their UI accounts
- UI claimants as a “talent pool” for employer vacancies

Unemployment Insurance Program

- Authorized by Social Security Act of 1935
- Provides temporary income support to workers unemployed through no fault of their own
- Broad coverage – applicable to 98% of all wage and salary workers in U.S.



Unemployment Insurance Program

- UI Program is automatic economic stabilizer
 - Promotes economic health of local economies
 - Provides financial stability to workers between jobs
 - For every \$1 spent on UI, at least \$2 put in community
- Federal-state cooperative partnership, based on federal law but administered by states under state law



Federal Unemployment Insurance Law

- The Social Security Act (SSA) and the Federal Unemployment Tax Act (FUTA) establish:
 - Broad coverage provisions
 - Some benefit provisions
 - The federal tax base and rate
 - Administrative requirements



Functions of Federal Government

- Ensure state laws conformity and compliance of state laws, regulations, rules, & operation with federal law,
- Provide administrative funds to states,
- Set broad policies for administration of program, monitor state performance & provide technical assistance
- Hold and Invest state UI tax revenues in Unemployment Trust Fund



Provisions of State Laws

- Earnings and length of employment needed to qualify for benefits
- Benefit amounts
- Duration of benefits
- Eligibility and disqualification provisions
- Tax provisions – tax base and rate

Functions of States

- Determine operational procedures and administer UI program
- Take claims from individuals, determine eligibility and ensure timely benefit payments
- Determine employer liability and assess & collect state taxes from employers

Coverage

- Almost all wage and salary workers are covered by the UI program
- Includes large employers of agricultural labor and domestic service
- Railroad Workers Separate
- Separated military & federal government workers
- States required to cover
 - Nonprofit organizations
 - Indian Tribes
 - State and local government



Federal Financing

- Funded by employer-paid payroll taxes
- FUTA tax is 6.0% of first \$7,000 earned in covered employment
- Employers get a 5.4% FUTA tax credit if state law meets minimum federal requirements and employer timely pays to the State
- Effective FUTA tax rate is 0.6% of the first \$7,000 or a maximum of \$42 per covered employee, per year
- Pays for administration of UI, federal share of EB, loan to states and other programs as directed by Congress
- Also pays for Wagner-Peyser, LMI core products and services, and DOL VETS programs

State Financing

- In general, a tax on employers only
- Pays for regular UI benefits & state share of EB
- Taxable wage base and tax rates vary from state to state
- Tax rate depends on reserves in state UI trust fund & on employer's history of laying off workers or UI benefits charged to employer account



State Experience Rating

- Each state assigns reduced tax rates based on employers' experience with unemployment
- Objective is to:
 - Equitably allocate costs of UI among employers
 - Encourage employers to stabilize their workforces
 - Encourage employers to participate in system & create a build-in control against fraud, waste and abuse
- Adequacy of experience rating system can influence state trust fund solvency
- An inadequate trust fund can lead to loan borrowing
- Individual employers UI actions can negatively/positively impact all employers



US Treasury Unemployment Trust Fund

- State UTF account – deposits only used to pay state and EB benefits
- Federal Administration UTF account – 3 accounts
 - ESAA – administrative funds for state & federal activities
 - EUCA – extended benefit & temporary recession benefit programs
 - FUA – Federal Unemployment Account – provides advances (loans) to States when state TF depleted
 - States repay with interest
 - Outstanding loans 2+ years can impact 5.4% FUTA offset

State Loans & FUTA Credit Reduction

- Currently 23 states (GA, KY, NC & SC) have outstanding loans totaling \$24.4 billion
- Unless state qualifies for exemption, employers lose some of their FUTA tax credit If loans outstanding for more than 2 consecutive years
- For CY 2012, employers in 19 states (FL, GA, KY, NC) will pay an additional 0.3 – 0.6% to IRS for the federal tax in addition to the 0.6% FUTA tax. Proceeds will go toward reduction of state loan.

Employer Causes of UI Overpayments

- Employer failure to timely respond to agency notices for separation and earnings/wage information
- Employer failure to participate in UI hearings
- Employer failure to send State/National directory of new hire notice of hire/rehire

Federal/State Strategies to Improve System Integrity

- Overall emphasis to reduce improper payments
- System Tools
 - National Director of New Hires (NDNH)
 - State Information Data Exchange System (SIDES)
 - Claimant & Employer Messaging
 - Employment Service/Job Bank job registration
 - Treasury Offset Program (TOP)

Other Integrity Strategies

- Emphasis on reemployment of UI claimants
 - Worker Profiling & Reemployment Services requirement
 - Reemployment Assistance grants
 - Self-Employment Assistance (SEA)
 - My Skills/My Future & various State RE efforts
- IRS Misclassification of Wages initiative
- State eligibility requirement that claimants be able to work, available to work, and actively seeking work
- Mandatory Overpayment Recovery via Offset
- Verification of work search for EUC claimants



Additional UI new Integrity Strategies

- Two new Integrity Performance Measures
 - Improper Payments measure
 - UI overpayment recovery measure
- Minimum 15% mandatory penalty assessment on Fraud Claims Overpayment
- **Prohibition on Noncharging due to Employer Fault**
 - Overpayment results from employer failure to timely/adequately respond to request for information **AND**
 - Pattern of failing to respond is determined
- Optional penalty for employer failure to report properly/timely to Directory of New Hire



Challenges & Opportunities Facing Employers



- Since 2008, highest unemployment levels
- Fewer jobs available for the unemployed since recession
- Lower levels of returned to work by unemployed – many jobs just disappeared
- Paperwork burden on employers
- Skills lowered longer individual unemployed
- Greater training opportunities for UI claimants to improve skills
- Greater pool of applicants for employers
- Incumbent Worker Training tool for lay-off aversion
- Short-Time Compensation (STC)
- On-the-Job Training opportunities

Unemployment Insurance as a Business Strategy



- Active employer monitoring of State UI account
- Use of layoff aversion programs
- Timely/adequate employer response to request for information
- Use of UI electronic tools available such as SIDES
- Utilize OJT as an employment tool
- Think of UI claimants as a “talent pool” for vacancies
- Engage your state/local workforce system

Overall Goal of UI Program

- Pay benefits timely only to those individuals separated through no fault of their own
- Ensure healthy State UI Trust Fund
- Early Reemployment of UI claimants



USDOL Website

- <http://www.doleta.gov> (Employment & Training)
- <http://www.ows.doleta.gov/unemploy> (UI)
- www.bls.gov (Bureau of Labor Statistics)