

Examining the Fundamentals of Unemployment Insurance

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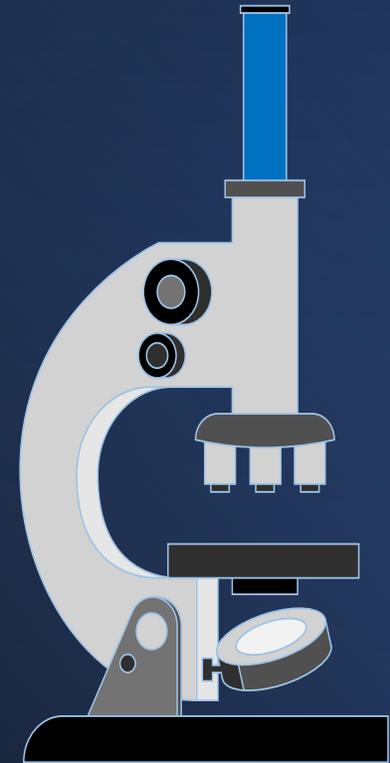
State Information Data Exchange System

National Association of State Workforce Agencies (NASWA)

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ADP



Unemployment Insurance

- Provides temporary financial assistance
- Economic Stabilizer
- Employers may retain their trained workforce

Unemployment Insurance

The Great Depression



The Social Security Act of 1935 spelled out the provisions for UI:

- Title III established standards for administration
- Title IX provided for employer tax and laws to establish unemployment insurance



Federal Unemployment Tax Act (FUTA)

Substantial parts of Title IX Social Security Act (taxing provisions) were repealed and reenacted (1939) as FUTA

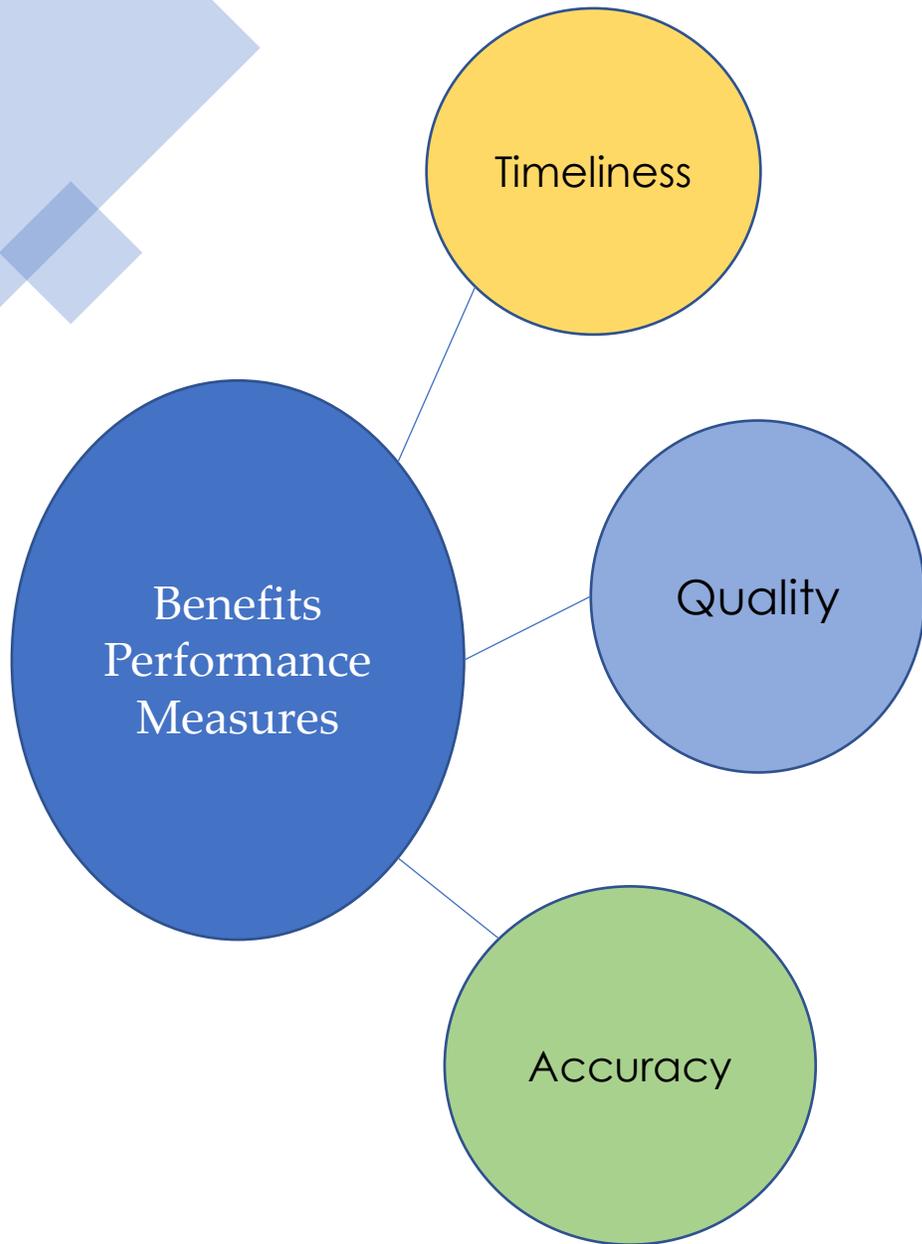
Moved the taxing provision in Title IX Social Security Act to the Internal Revenue Code, Chapter 23

UI In Perspective

- An *Insurance Program* that:
 - Provides workers with monetary payments
 - Provides consumer spending during an economic downturn;
 - A unique federal-state partnership;
 - Combination of federal and state taxes levied on employers to fund state-administered programs;

UI For Workers

- Any individual who qualifies under the terms of the state unemployment compensation law is *entitled* to collect benefits;
- Must have earned a certain amount of wages
- No proof of financial need
- During economic downturns, the federal government provided emergency UI assistance
- State benefits paid from employer contributions deposited in a state account in the Federal Unemployment Trust Fund



- ***First Payment Promptness:*** 87% 1st payments made within 14 to 21 days after the week ending date of first compensable week
- ***Nonmonetary Determination Time Lapse:*** 80% of Nonmonetary Determinations made within 21 days of detection
- ***Nonmonetary Determination Quality-Nonseparations:*** 75% of Nonseparation Determinations Quality Scores equal to or greater than 95, (based on the quarterly review)
- ***Nonmonetary Determination Quality-Separations:*** 75% of Separation Determinations Quality Scores equal to or greater than 95 (based on the quarterly review)

Performance Measures: Program Integrity



Performance Measures: Appeals



**AVERAGE AGE OF PENDING
LOWER AUTHORITY APPEALS**

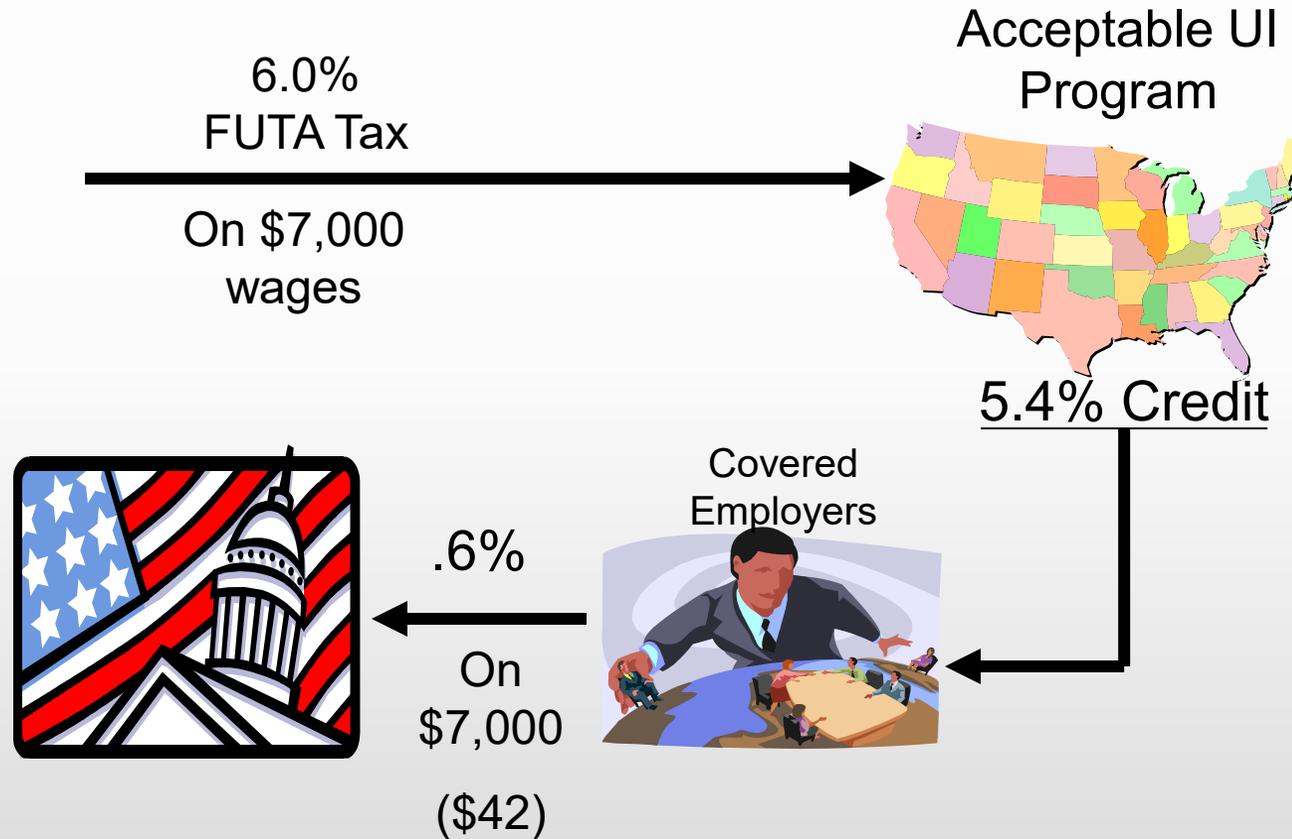


**AVERAGE AGE OF PENDING
HIGHER AUTHORITY APPEALS**



**LOWER AUTHORITY APPEALS
QUALITY**

Federal Unemployment Tax Act (FUTA)



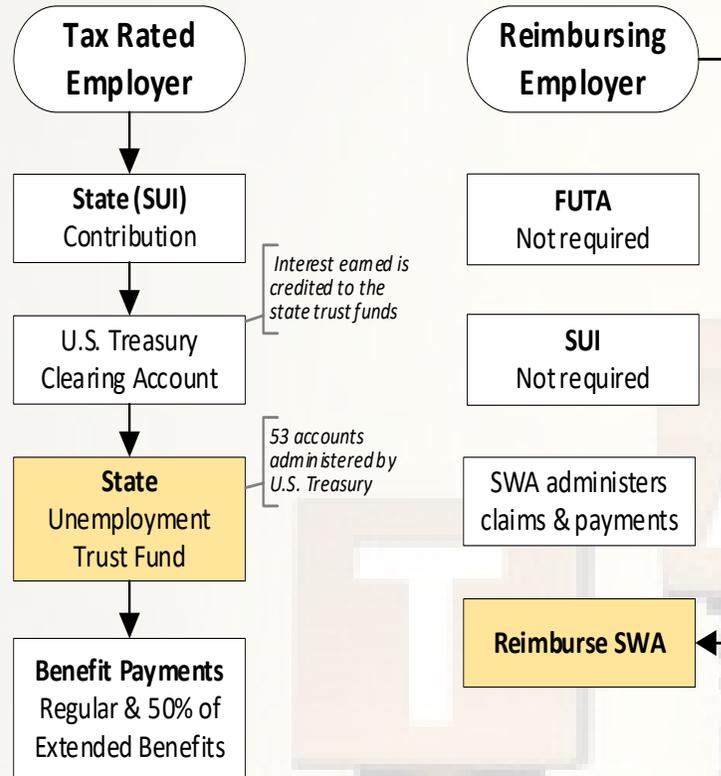
History of FUTA

FUTA Tax History

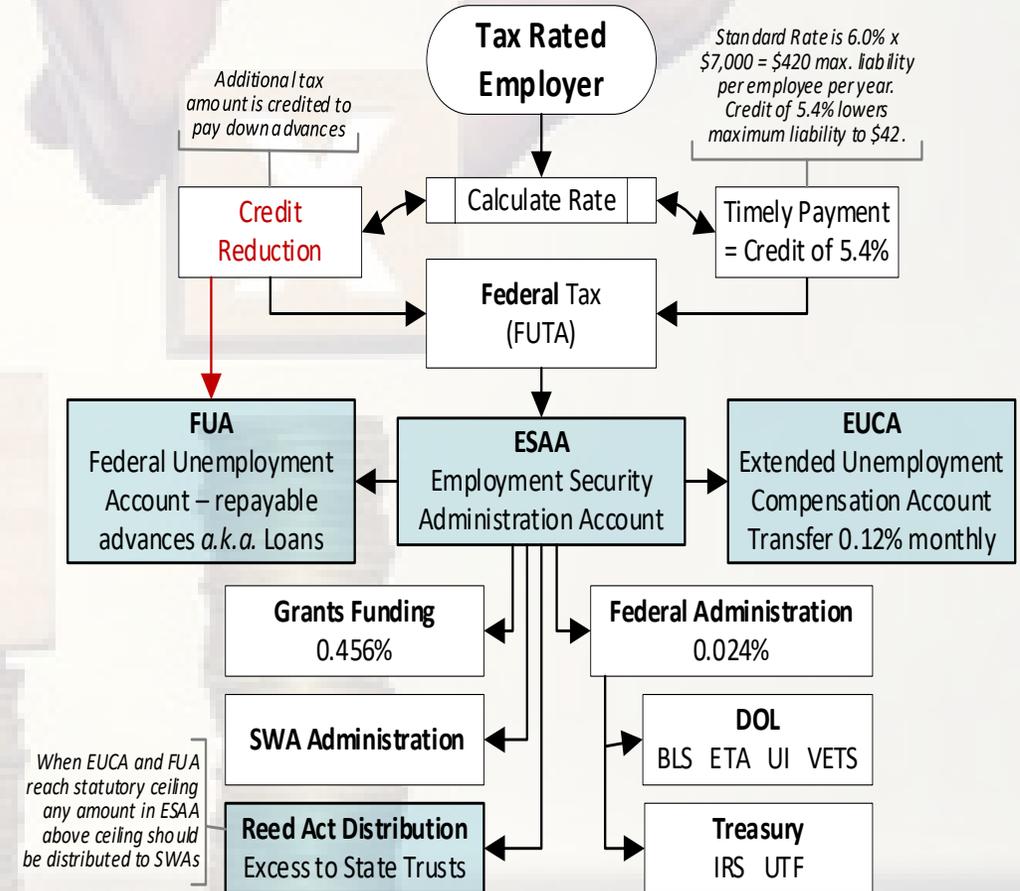
Year	FUTA Wage Base	FUTA Rate	FUTA Credit	Final FUTA Rate	Per Employee
1940	\$3,000	3.0%	2.7%	0.3%	\$9
1961	\$3,000	3.1%	2.7%	0.4%	\$12
1972	\$4,200	3.2%	2.7%	0.5%	\$21
1978	\$6,000	3.4%	2.7%	0.7%	\$42
1983	\$7,000	6.2%	5.4%	0.8%	\$56
2011	\$7,000	6.0%	5.4%	0.6%	\$42

Unemployment Tax

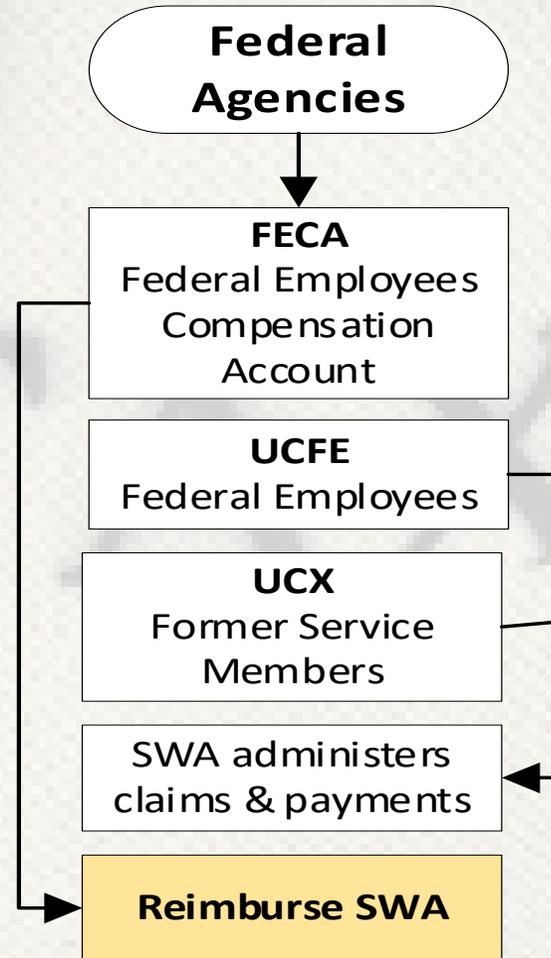
State



Federal



Unemployment Tax



Federal Unemployment (FUTA) Tax

FUTA tax rate	FUTA taxable wage base	FUTA tax
6.0%	\$7,000	\$420 Per Employee

If the employer pays state UI taxes timely and in full, a 5.4% credit is granted

FUTA tax rate	FUTA tax credit	FUTA tax rate (less credit)	FUTA tax
6.0%	5.4%	0.6%	\$42 Per Employee

If the Federal Title XII loan remains outstanding for two years (as of January 1st), employers in the affected state lose 0.3% of the 5.4% credit (or \$21 per employee)

0.3% FUTA credit loss continues for every year the Federal Title XII loan remains unpaid (Example: Year 1 = 0.3%; Year 2 = 0.6%, etc.)

State Benefit Financing

- Federal taxable wage base is \$7,000 (minimum)
- State taxable wage base (TWB) varies from State to State (\$7,000-\$56,500)
- Two most common methods
 - Taxable wage base set by Legislature
 - Taxable wage base indexed- such as % of state average weekly wage
- Employee Contributions
 - AK, NJ, PA



Experience Rating

- Employers state UI tax rates are influenced by their “experience with unemployment.”
- Experience rating works like other types of insurance, that charge customers variable rates based on certain risk factors. (provides an incentive to challenge claims).



How can you protect your UI tax rate?



RESPOND TIMELY TO
ALL NOTICES



INCLUDE ALL
PERTINENT
INFORMATION



APPEAL
DETERMINATIONS IF
APPLICABLE

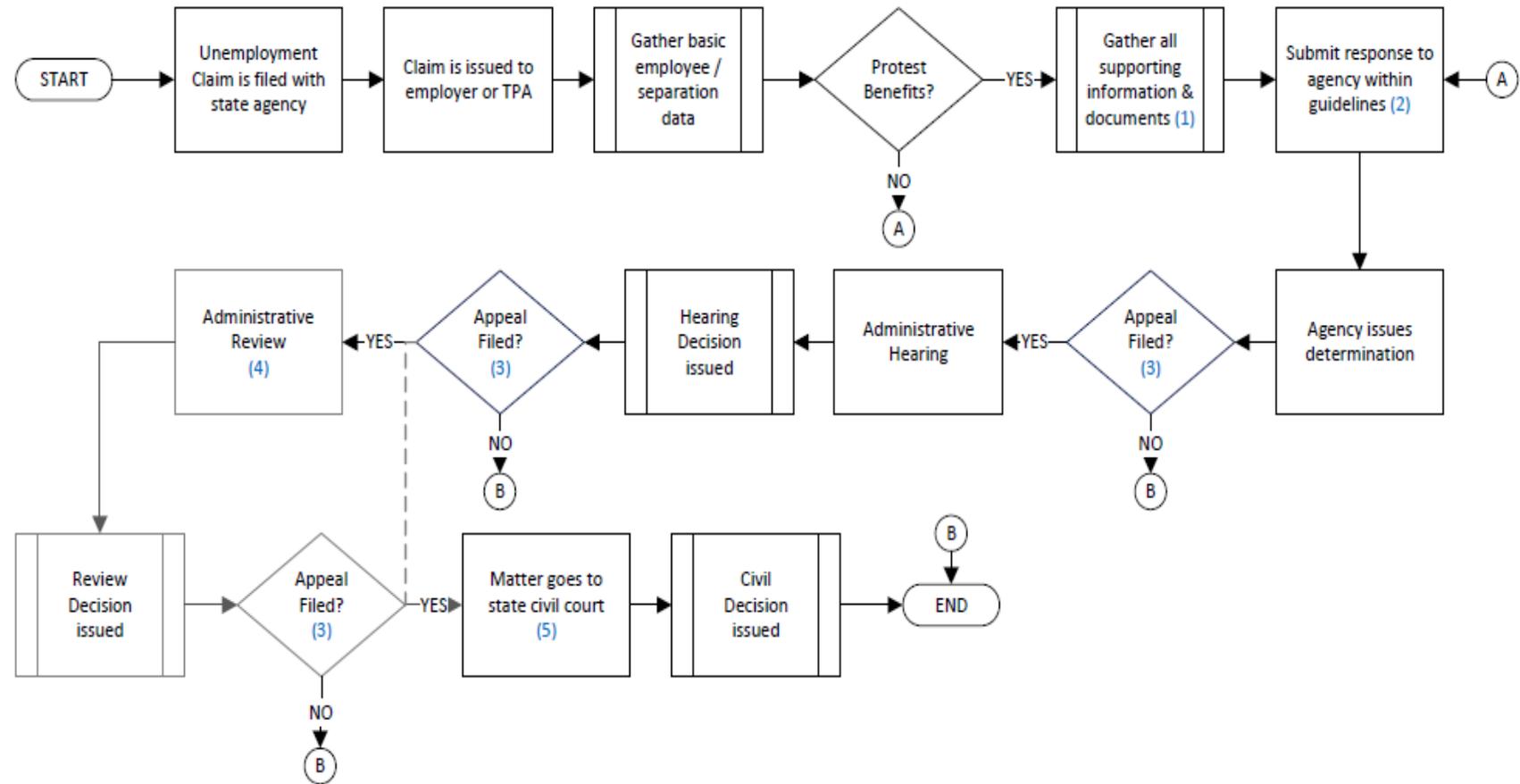


REPORT NEW HIRES



A claim has been filed. Now what?

Life of an Unemployment Claim



- (1) To remain in compliance with federal and state UI Integrity guidelines all available supporting documentation must be provided at the time of claim response. Failing to do so may cause evidence to be excluded from further actions and may subject the employer to administrative or monetary penalties.
- (2) Due to UI Integrity guidelines a response will be made with the dates of employment and true reason for separation from employment, even if the employer is not protesting the award of benefits.
- (3) Failure to file an appeal within statutory requirements prevents the aggrieved party from taking further action.
- (4) Not all states have a review process. In those that do, this is a written appeal. No testimony or additional evidence is allowed unless specifically requested by the review panel.
- (5) This level of appeal much like a civil suit filed against the unemployment appeals agency. ADP does not represent employers in civil actions.

Note: UI Integrity refers to various regulations and laws at the state and federal level that are designed to reduce waste and improper payments.

Monetarily Eligible

Unemployed through no fault

Able and available to seek and accept work

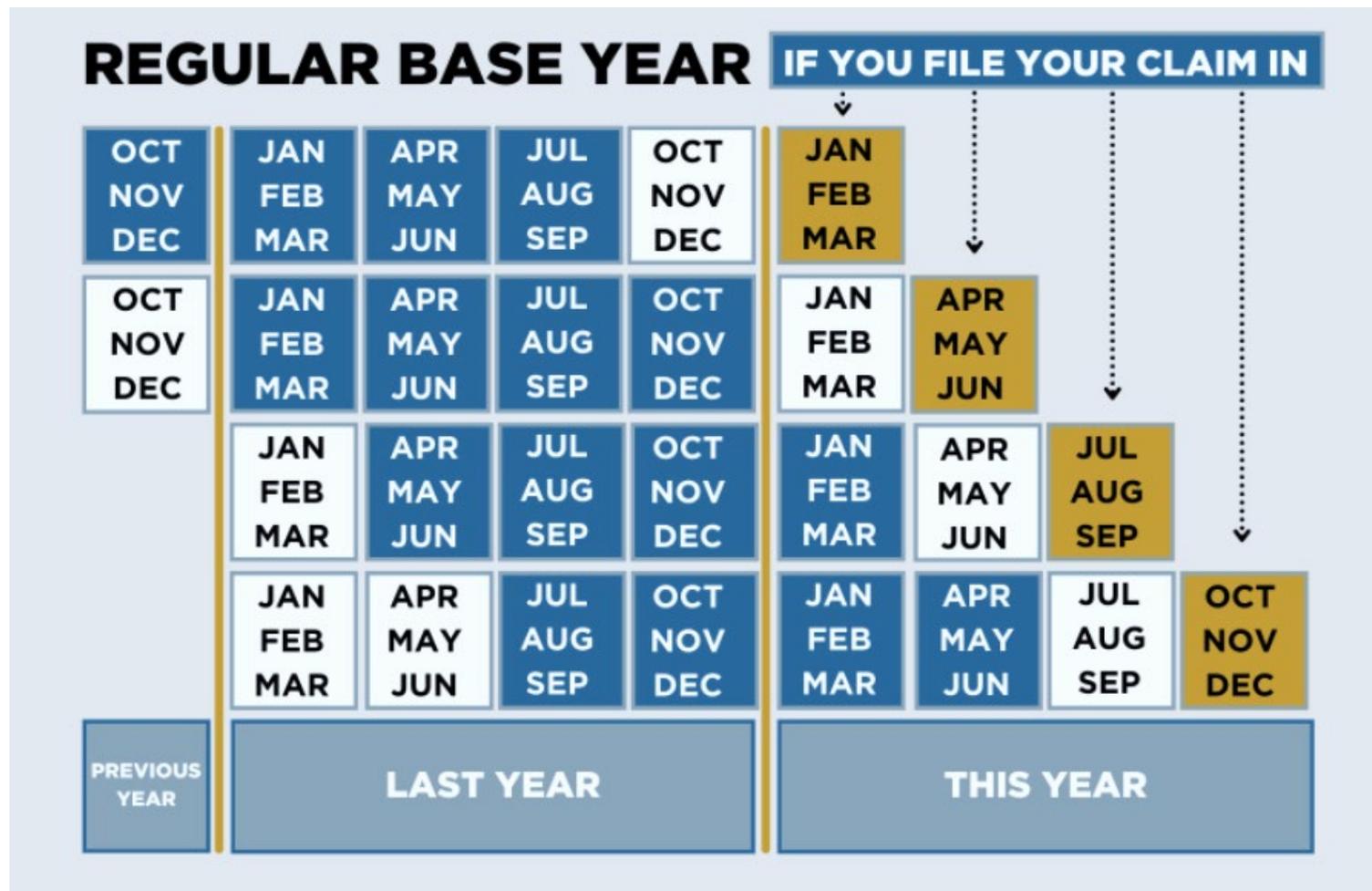
Actively seeking work

Report all earnings

Participate in re-employment services as directed



Monetary Eligibility Base Period



Options for Notice of Claim Filing



Determining Eligibility

Claimant and Employer provide the separation and payment after separation facts

State is responsible for making the determination of eligibility based on the facts

Why do states ask what they ask?

Benefits Accuracy Measurement - ETA-301

- Federal Requirements
 - Claimant Information
 - Employer Information
 - Facts from Others
 - Law and Policy
 - Written Determination



Reasonable Attempt

- Types of attempts



- Deadline for response

Discharge Basic Factors

Why was the employee discharged?

What were the conditions/details of the job?

What did the employer do to maintain/keep the employee?

What did the employee do to protect the job?

Misconduct

As defined by state law:

Misconduct may be defined as willful or controllable breach of an employee's duties, responsibilities, or behavior that the employer has the right to expect. ETA-301



The background of the slide is a light gray surface covered with numerous small, light-colored wooden blocks. Each block has a dark gray question mark printed on its top surface. The blocks are scattered across the entire frame, creating a pattern of question marks.

Discharge Common Questions

- **Final Incident**
- **Violation of Company Policy**
- **Warnings**

Quit Basic Factors

Why did the claimant quit?

- Working conditions/job duties?
- Personal?

Attempt to resolve?

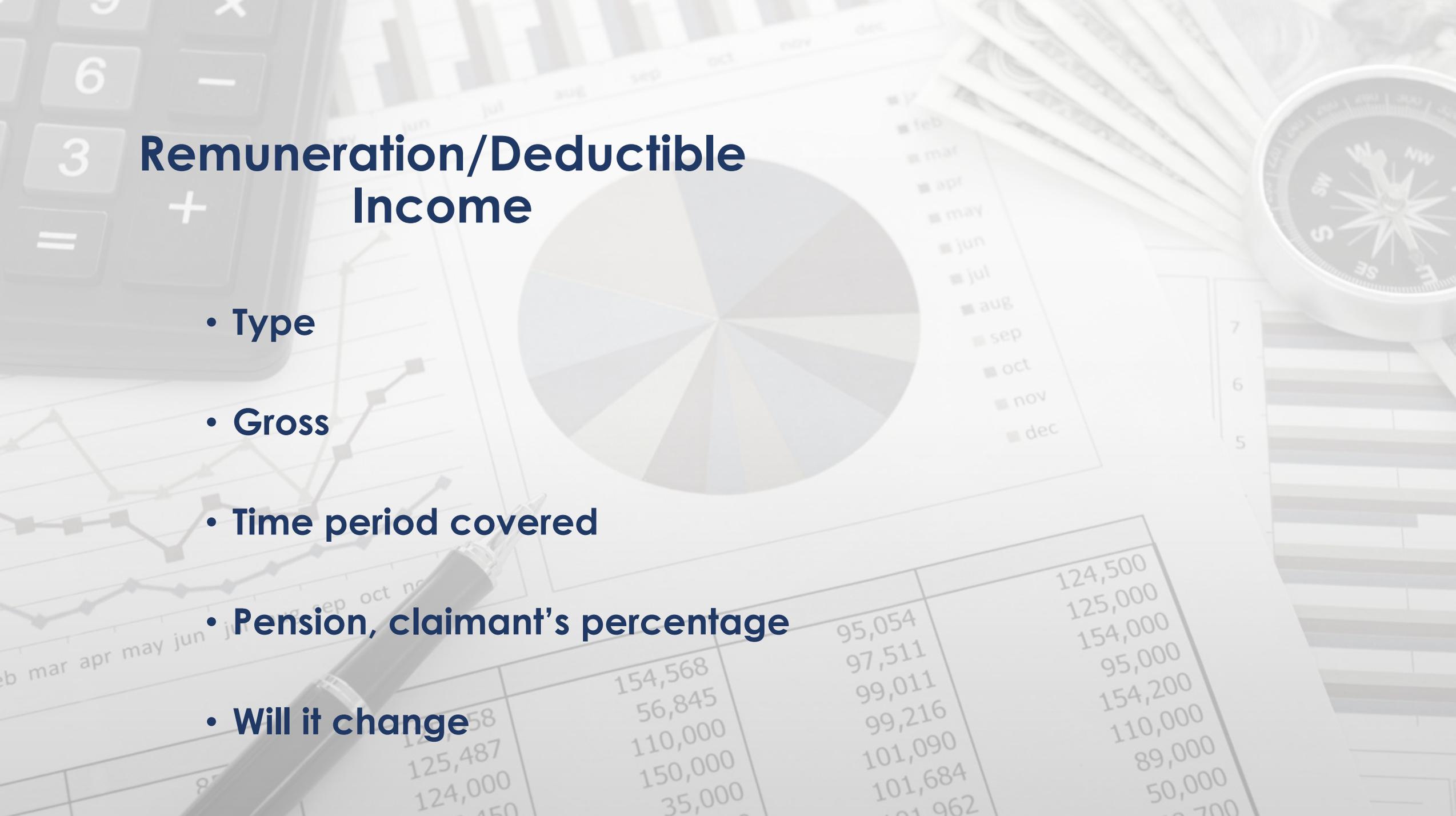
- Claimant
- Employer

Good Cause

In general, good cause means the reason for leaving was job-related and was so compelling that the worker had no other choice.

Remuneration/Deductible Income

- Type
- Gross
- Time period covered
- Pension, claimant's percentage
- Will it change



<https://oui.doleta.gov/unemploy/statelaws.asp>

State UI Laws

The screenshot shows the website's header with the DOL logo and navigation links. The main content area is titled "State Law Information" and features three articles with red "NEW" tags. A sidebar on the left lists various navigation options. A contact box is present on the right side of the page.

UNITED STATES DEPARTMENT OF LABOR
Employment & Training Administration

Navigation: A to Z | Site Map | FAQs | Forms | About DOL | Contact Us | Español

Search: Enter Search Term [Search]

ETA Home | Find Job & Career Info | Business & Industry | Workforce Professionals | Grants & Contracts | TAA Program | Foreign Labor Certification | Performance & Results | Regions & States

State Law Information

NEW [Unemployment Compensation: Federal-State Partnership](#)

The Unemployment Compensation: Federal-State Partnership paper outlines the basics of the unemployment compensation program, including who is covered, how the system is financed, and what are the basic benefit rights of claimants. The UC program is a federal-state partnership based upon Federal law, but administered by state employees under state law. This structure makes the program unique among the country's social insurance programs.

If you have any questions please contact [John Schuettinger](#) at 202-693-2680, or [Tiffany Agnew](#) at 202-693-2998. For Confidentiality questions please contact [Agnes Wells](#) at 202-693-2996

NEW [Most Recent Comparison of State UI Laws](#)

The Comparison of State Unemployment Insurance Laws provides state-by-state information on workers covered, benefit eligibility, methods of financing and other areas of interest in the UI program. It also includes information on the temporary disability programs operated in six states. The Comparison is published annually.

NEW [Most Recent Significant Provisions of State UI Laws publication](#)

This publication provides information on each state's wage requirements for unemployment insurance benefit eligibility, computation and amount of the weekly benefit, number of allowable benefit weeks and benefit week calculation, and the amount of earnings that will be disregarded for those individuals who are working part-time. It also provides information on the size of employer payroll required to pay unemployment taxes, the amount of wages subject to unemployment taxes, and the tax rates specific to each state's program.

[Most Recent Report on State Legislation](#)

Homepage
About UI
UI Legislation
UI Data
UI Program Performance
UI Tax Information
UI Payment Accuracy
UI Budget
OUI Advisories
UI Program Recognition
About OUI
UI Research Projects



**Additional
Fact-Finding**

Additional Fact-Finding



**Request for
Additional
Information**



**State-specific
questions**



**Timely
Information**



**Monetary and
Potential Charges**

Base Period Notice



All base period employers



Wages used



Request for Separation
Information (If Applicable)

A single red puzzle piece is centered on a light gray background. The puzzle piece has a notch on its left side and a bump on its top side. The text "Determinations and Decisions" is printed in white, bold, sans-serif font across the center of the piece.

**Determinations
and Decisions**



Determinations and Decisions

- Written notice to all parties
 - Summary of material facts
 - The reasons for allowing or denying
 - The conclusion or legal result (allowed or denied)
- Right of appeal
 - Appeal, protest, or request for redetermination (based on state law)

Appeals



Appeal Filed



Hearing Set



Appeal Decision

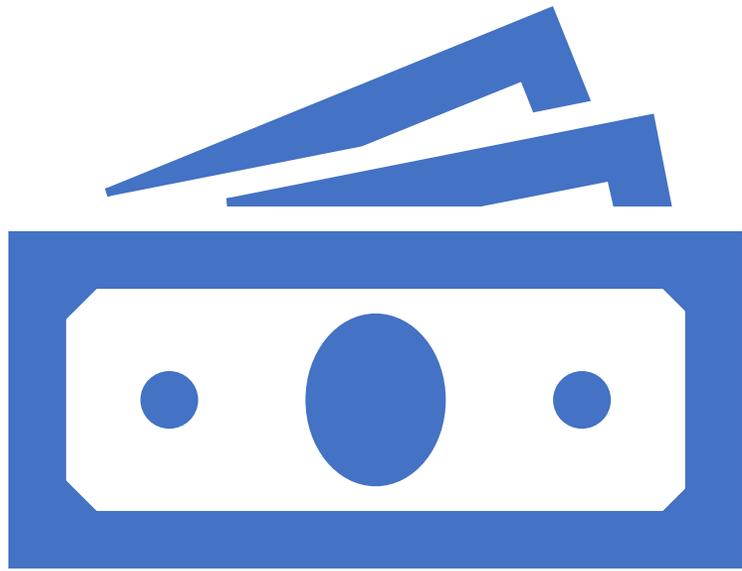


Appeal Decision to Higher Authority





Earnings Verification



SIDES Earnings Verification

Benefit Payment Control/Bam Audits

Crossmatch

New Hire Registry

Employer Wage Reports

Tips and Leads

State Investigators

Field Audit

Benefit Payment
Control

BAM

Adjudicators
Fact-finders



Benefit Charges



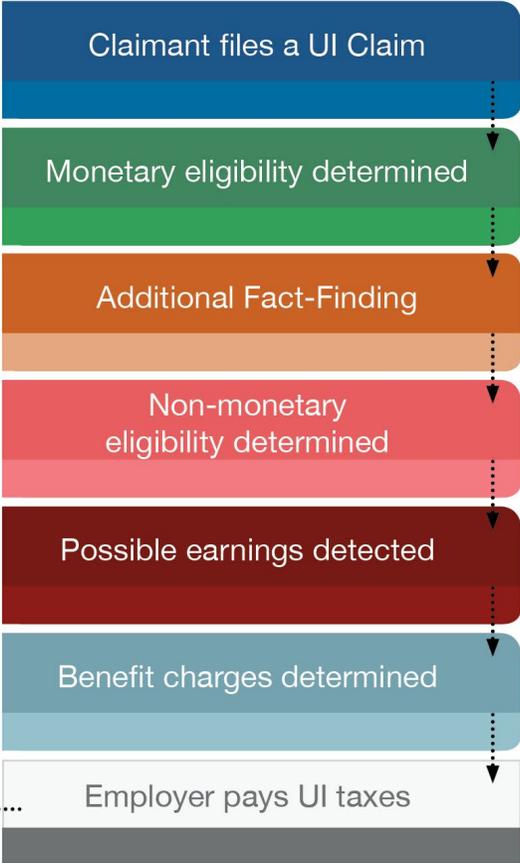
Benefit Charges

- Send monthly, quarterly or annual charging notices
- Send information securely
- Postage/handling savings

Connecting the Exchanges



LIFE CYCLE OF A UI CLAIM





Questions?