

Employment Security Act

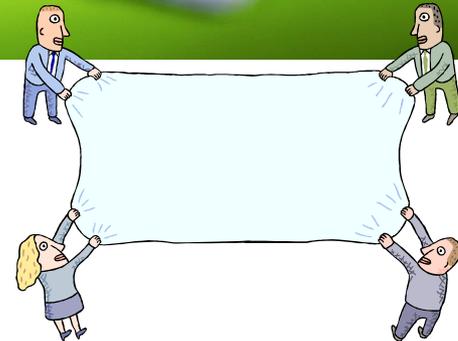
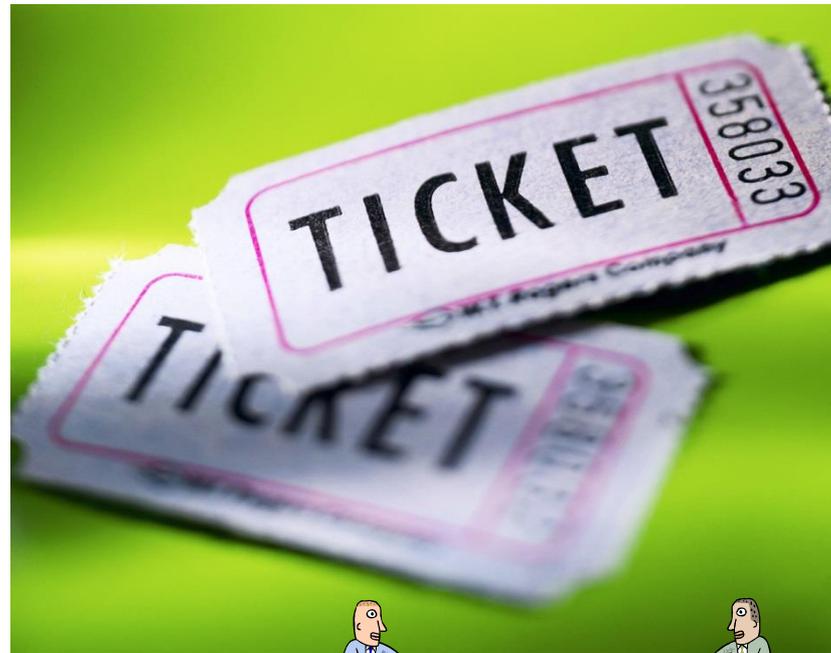
Utah Code Title 35, Chapter 4

(Utah Unemployment Insurance Program)

Economic Development and Workforce Services Interim Committee
June 17, 2013

Why Unemployment Insurance (UI)?

- **A JOB is your ticket to – everything!**
 - Food
 - Housing
 - Clothing
 - Public Utilities
 - Transportation
 - Health care
 - Additional education
 - Home furnishings
 - Tools, gadgets, toys
 - Entertainment
 - Etc.
- **What if you lose your job (ticket)?**



Where did the Unemployment Insurance (UI) come from?

Federal Social Security Act of 1935

Federal enactment in response to the Great Depression of the 1930s, when 1/3 of nation's labor forces was out of work

Public Law 74-271 signed into law August 14, 1935

In 1936, the Utah Legislature made adjustments to its own unemployment program to conform to the new federal law

UI is a federal/state program that provides unemployment benefits to eligible workers

By statute, **Unemployment Insurance is formula driven (indexed with the amount of wages paid to employees)**

Why Unemployment Insurance (UI)?

Provisions from the Utah Code

Provides a temporary safety net to a worker who becomes unemployed (and the worker's family)

Prevents the spread of unemployment by maintaining purchasing power and limiting the serious social consequences of unemployment by:

- providing temporary money to pay basic bills
- providing free employment offices to assist the unemployed find employment



How does the Unemployment Insurance (UI) program work?

Employers pay an unemployment tax based on:

- employee wages (a percentage of wages) and
- the employer's unemployment experience*

The tax is deposited in the Utah Unemployment Trust Fund and invested in U.S. Treasury bonds to pay unemployment benefits

Benefits are paid to unemployed workers based on eligibility for up to 26 weeks

To ensure trust fund solvency, DWS monitors:

- trust fund balances;
- employer tax rates; and
- benefits paid

*The employer's unemployment experience – (i.e., a rating based on how often that employer's former employees collect unemployment benefits)

Source: Utah Code , Title 35A, Chapter 4, Employment Security Act

Eligibility for unemployment benefits

An employee may be eligible for unemployment benefits if the employee:

- earns at least \$3,300* in the previous year (base period**) and
- becomes unemployed “through no fault of their own,” which includes:
 - reduction in force (lay-off);
 - quit for “good cause” (burden of proof on employee); or
 - fired for “not a just cause” (burden of proof on employer).

*\$3,300 the "Monetary base period wage requirement" applies for the 2013 calendar year and is based on 8% of the insured average fiscal year wage for all employees for previous year.

** Base period is the first four of last five completed quarters.

Duration of unemployment benefits

Benefits may be paid for up to 26* weeks if the recipient files:

- **weekly certification of eligibility with DWS and**
- **documents** weekly that the recipient completed at least four job searches during the previous week.**

***Benefits may be extended by up to 14 weeks under federal funding (Federal Emergency Unemployment Compensation 2008)**

** This requirement may be waived (deferred) for certain seasonal employment.

How much is the benefit to an unemployed individual?

The weekly benefit is 1/26th (3.85%) of the individual's total wages during the highest quarter of the previous year (base period*) minus \$5.

Example: A person who was paid \$46,000 the previous year would get:
 $\$46,000/4 = \$11,500 \div \text{by } 26 \text{ (for 26 weeks of benefits)} = \$442 \text{ minus } \$5 = \$437^{**} \text{ per week.}$

Maximum weekly benefit is \$479 for 2013 (62.5% of the average weekly wage of all insured employers for the previous fiscal year).

* Base period is the first four of last five completed quarters.

** The weekly benefit is reduced if the person earns in excess of 30% of the person's weekly benefit amount during that week.

How long do UI benefits last?

Weeks of eligibility formula:

$(\text{Total wages for base period} \times 27\%) / \text{weekly benefit amount}$

Example: A person who was paid \$46,000 the previous year would get $\$46,000 \times .27 = \$12,420 \div \text{by } \$437 = 28$ weeks of benefits (reduced to the 26 weeks maximum).

Maximum weeks of benefits = 26

Minimum weeks of benefits = 10

Average weeks of benefits = 21 (2012)

UI Benefits Paid Facts

Total number of benefit recipients = 82,397 (2012)

Average annual Utah wage \$40,287 (FY 2012)

Total benefits paid (2012) (regular state \$238 million) (+ \$129 million federal*)

Average weekly benefit = \$326 (2012)

Average number of weeks of benefits = 13.5 (2012)

Average employer tax rate .0089 of total wages (2012)

* Federally funded benefits beyond state benefits under the Federal Emergency Unemployment Compensation Act

Source: Department of Workforce Services, June 2013

UI Tax Rates on Employers -- 2013

Minimum rate of 0.004 of the first \$30,300 of each employee's annual wages

($0.004 \times \$30,300 = \121)

(0.004 is also the 2013 "social cost rate")

Maximum rate of 0.074 of the first \$30,300 of each employee's annual wages

($0.074 \times \$30,300 = \$2,242$)

* Wages above \$30,300 for 2013 are not subject to UI taxes (i.e., wages in excess of 75% of the insured average fiscal year wage)

Source: Utah Code Sections 35A-4-208, 303, 307, and Utah Department of Workforce Services, May 30, 2013

How are the UI tax rates on employers calculated?

Overall tax rate formula:

(total benefit costs / total taxable wages) x (reserve factor) + social cost rate

Experience rated system -- Employers pay the UI tax at a rate based on a formula involving an assigned *risk factor:

- **“total benefit costs”** = the amount of UI benefits that was paid to **the employer’s** former employees (for the last four fiscal years).
- **“total taxable wages”** = payroll to employees of **the employer** (for the last four fiscal years).

*After being in business for a full fiscal year, an employer is assigned a rate based on their own experience (risk factor). New employers are assigned rates based on the risk factor average for their industry.

Unemployment Insurance (UI) Tax – (continued)

Overall tax rate formula:

$(\text{total benefit costs} / \text{total taxable wages}) \times (\text{reserve factor}) + \text{social cost rate}$

- “**reserve factor**” = a **statewide** multiplier set between 0.5 and 1.5 determined annually by DWS based on whether the fund balance as of June 30 is within maximum and minimum adequate reserve levels (**Reserve factor = 1.20 for 2013**)
- “**social cost rate**” = **statewide** costs that are not charged to specific employers but shared among all employers; the **social cost rate** = all social costs (of the last four years) ÷ by total taxable wages (of the last four years) (**Social cost rate = 0.004 for 2013**)
- “**adequate reserve**” = a trust fund balance of between 18 and 24 months of benefits at the average of the five highest benefit cost rates in the last 25 years
 - “**minimum adequate reserve**” = 18 months of adequate reserve
 - “**maximum adequate reserve**” = 24 months of adequate reserve

UI Tax Facts

63.1% of all **Utah** employers pay the minimum rate, which is \$121 per employee (2013) ($0.004 \times \$30,300 = \mathbf{\$121}$)

4.2% pay the maximum rate, which is \$2,242 (2013)
($\$0.074 \times \$30,300 = \mathbf{\$2,242}$)

Total insured wages = \$46.7 billion (FY 2012)

Total employer taxes collected = \$363 million
(estimated FY 2013)

Average taxes collected per employee = \$358 (2012)

Exempt/Reimbursable Employers

Exempt employers:

- religious entities
- nonprofit entities, less than four employees
- agricultural, less than \$20,000 in wages or less than 20 weeks of employment
- domestic services, less than \$1,000 per quarter in wages

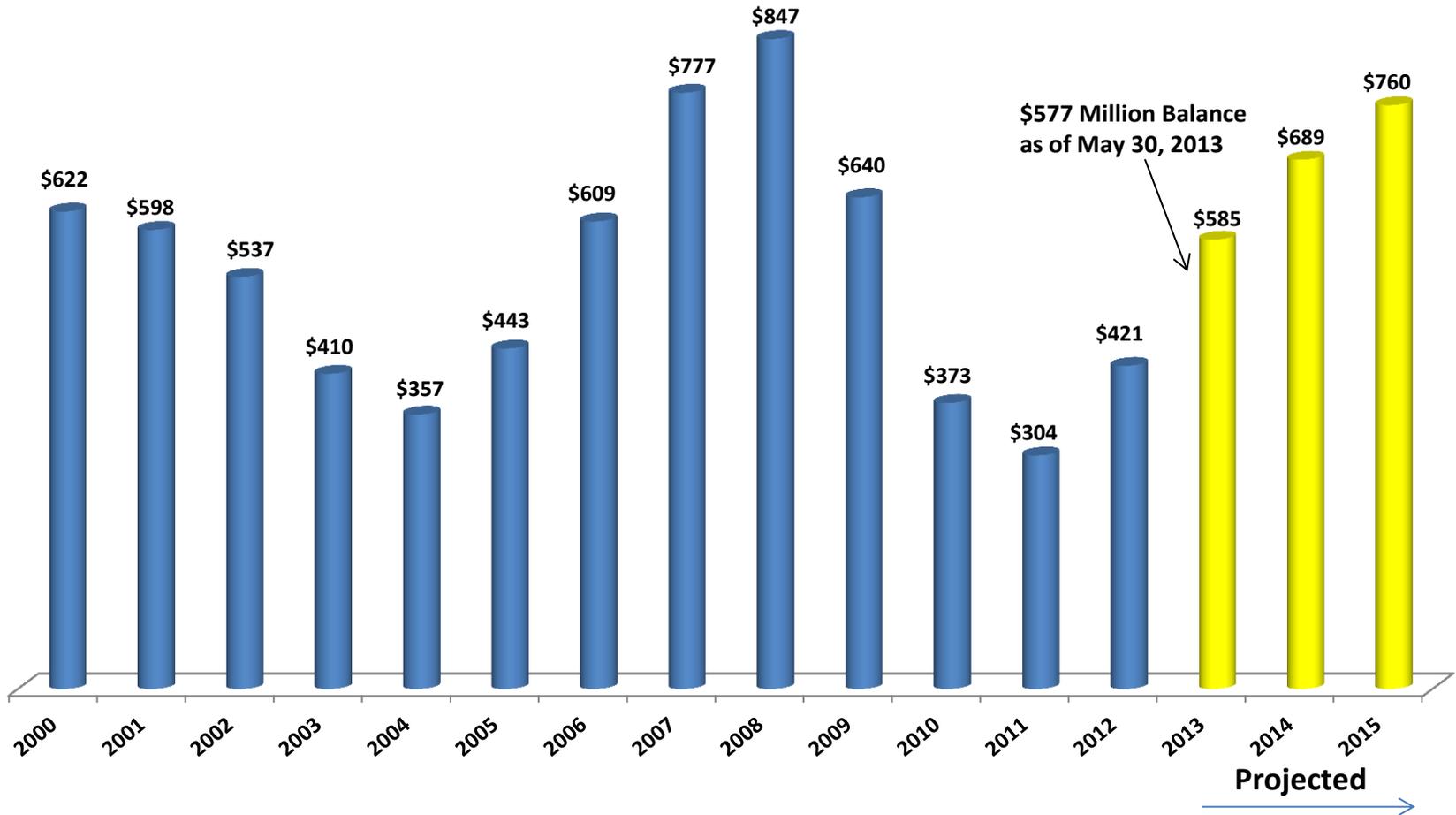
Reimbursable employers:

government entities, Indian tribes, and certain non-profit employers can elect to become “reimbursable employers,” which allows the employer to self-insure by reimbursing the UI trust fund for any benefit cost when it occurs (600 active reimbursable employers).

Unemployment Trust Fund Balance

As of June 30

In Millions



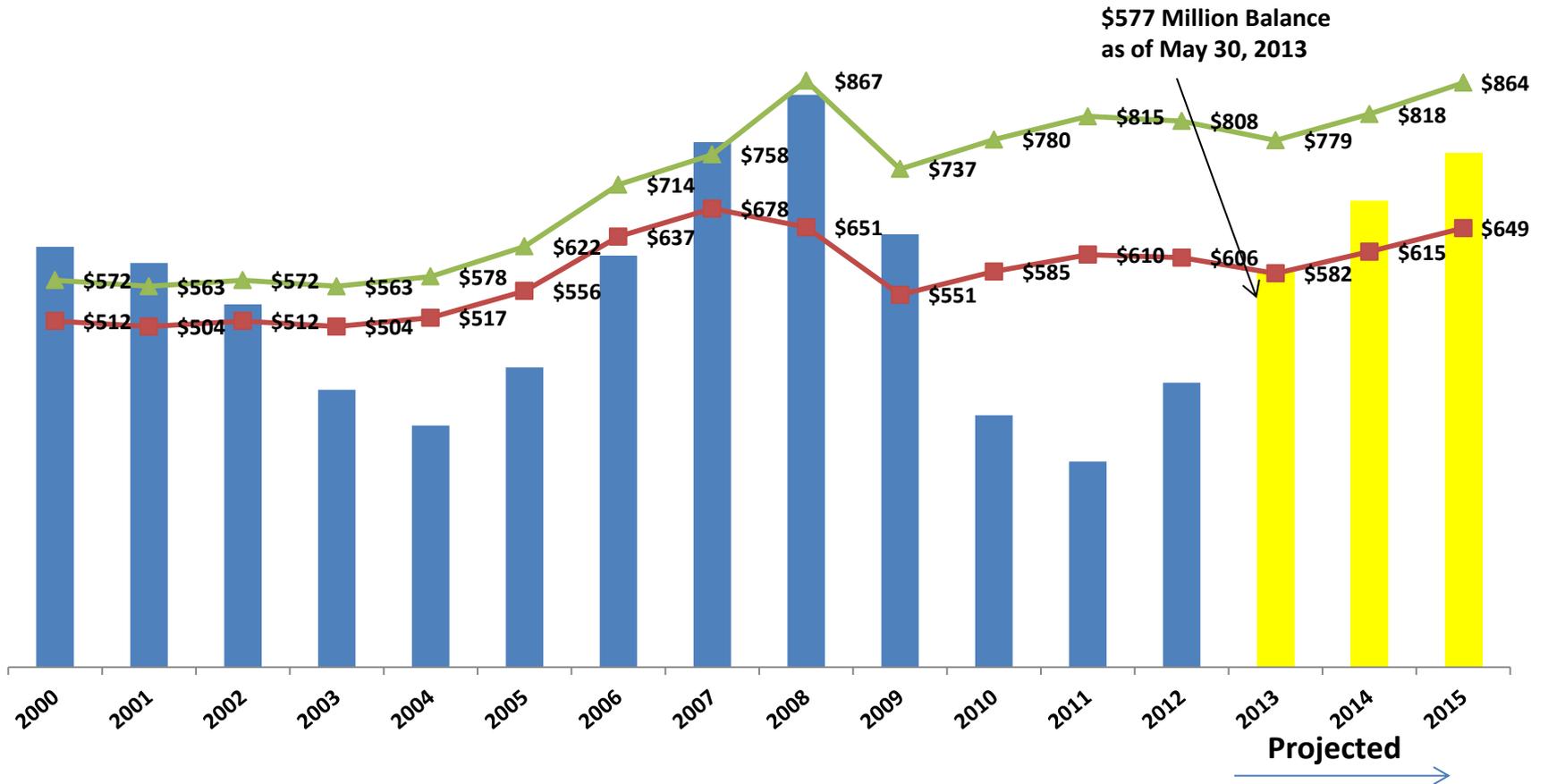
Source: Utah Department of Workforce Services, May 30, 2013

Unemployment Trust Fund Balance

As of June 30

In Millions

Fund Balance Min Adequate Max Adequate



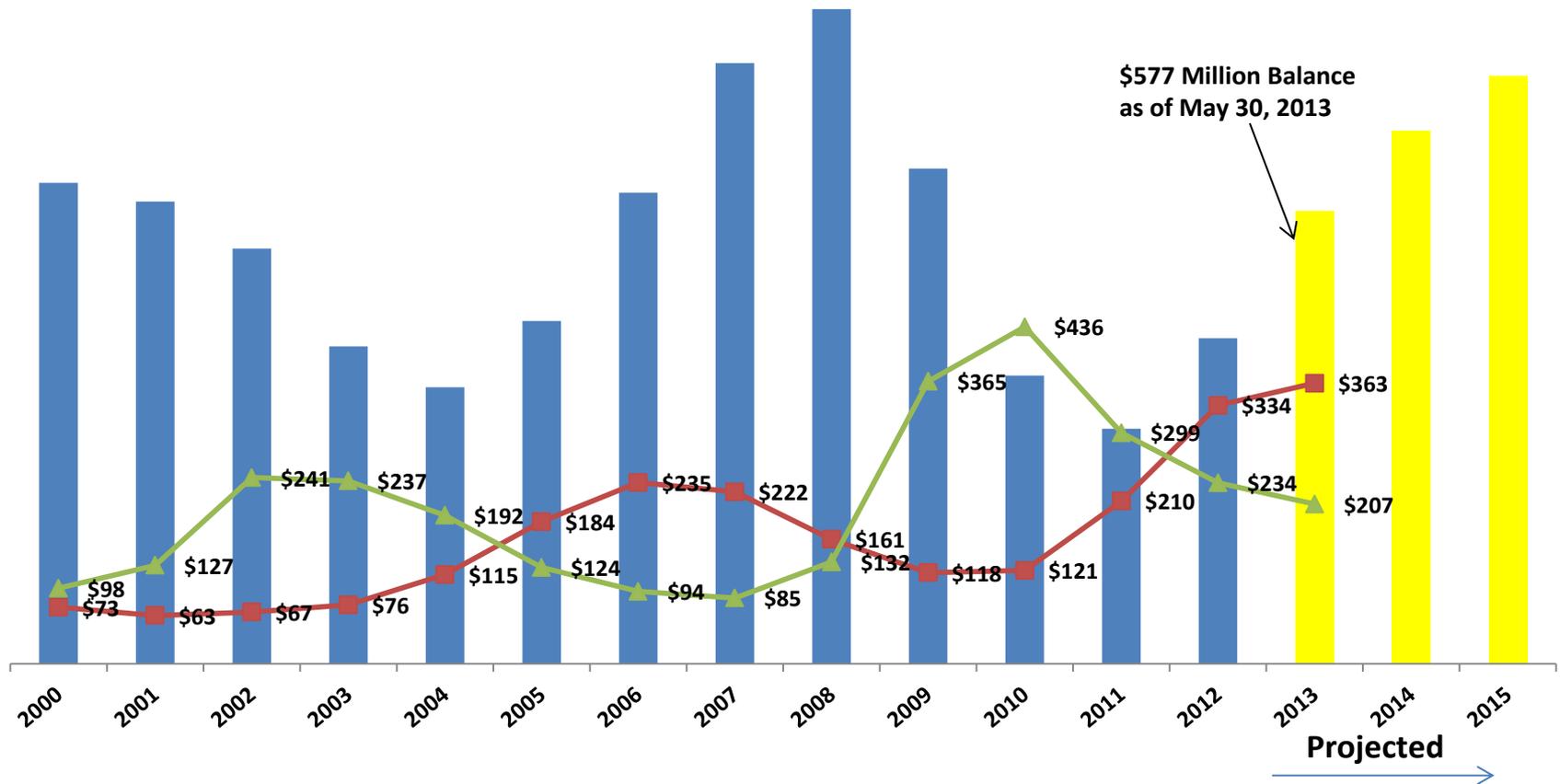
Source: Utah Department of Workforce Services, May 30, 2013

Unemployment Trust Fund Taxes Collected, Benefits Paid, and Balance

As of June 30

In Millions

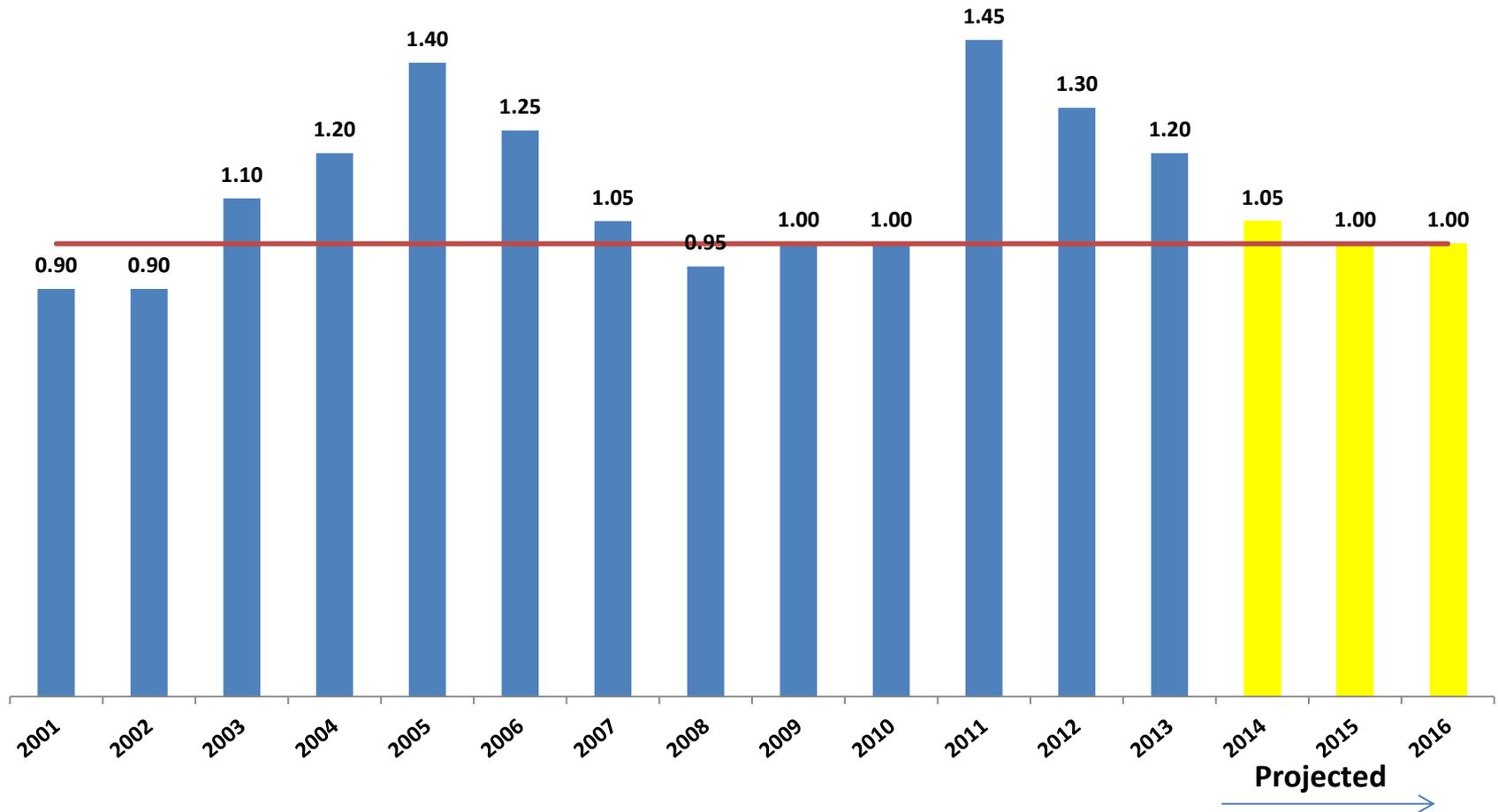
Fund Balance Taxes Collected Benefits Paid



Source: Utah Department of Workforce Services, May 30, 2013

Unemployment Tax Reserve Factor

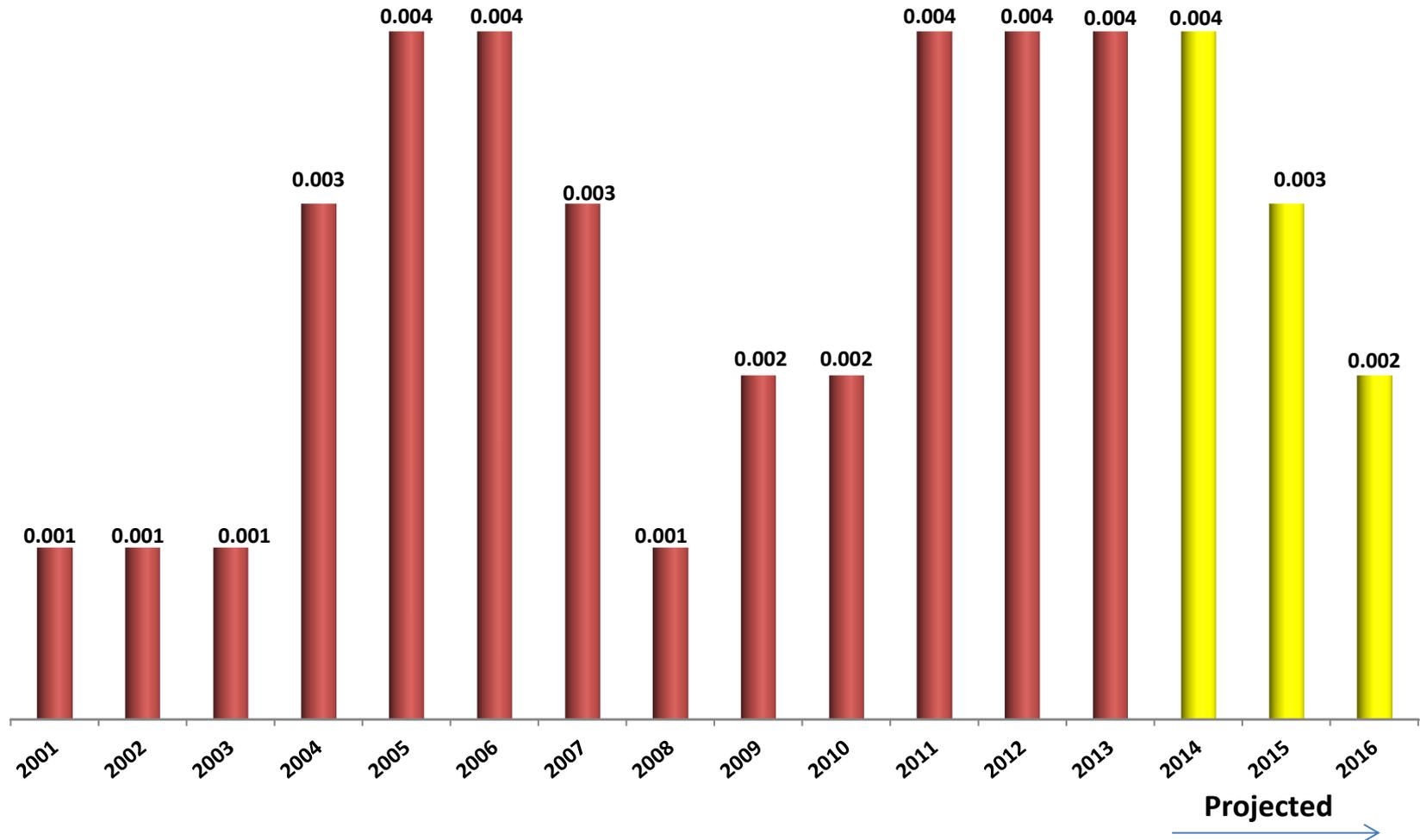
(Reserve Multiplier)



Source: Utah Department of Workforce Services, May 30, 2013

Unemployment Tax Social Cost Rate

(Reserve Multiplier)



Source: Utah Department of Workforce Services, May 30, 2013

UI Benefit Computations

Maximum Weekly Benefit Amount Computations

	FY 2012	FY 2011	FY 2010
Total insured wages	\$ 46,701,368,485	\$ 43,930,008,430	\$ 42,200,735,928
Average insured employment	1,159,196	1,117,907	1,109,397
Average fiscal wage	\$ 40,288	\$ 39,297	\$ 38,039
Average fiscal weekly wage	\$ 775	\$ 756	\$ 732
Maximum weekly benefit amount	\$ 479	\$ 467	\$ 452
Monetary eligibility requirements	\$ 3,300	\$ 3,200	\$ 3,120
Taxable wage base	\$ 30,300	\$ 29,500	\$ 28,600

Source: Department of Workforce Services memos dated Nov 7, 2012, Nov 16, 2011, and Nov 17, 2010