



Employer, Administrator, Advocate Roundtable

by

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Key Observations

- UI program needs to be updated
- Significant changes in the safety net;
 - Since 1935 a significant expansion in other safety net programs (Food stamps (SNAP), TANF, Medicaid, Medicare, Social Security Disability, Trade Adjustment Assistance, Heating assistance, subsidized child care, subsidized housing.
 - Significant expansion in UI coverage and benefits (TRA, EUC, Regular EB, UCFE, UCX, Governments and Non-profits participating.
 - Significant change in workforce and employment. (More multiple wage earner households, more women in the workforce, flexibility in working hours, gig economy, increase in private retirement plans, smaller percentage of unionized workers, fewer manufacturing employees, more part time and temporary employment.



Key Observations

Administrative cost and tax burden increased from the beginning of the program with expanded benefits to be unsustainable in some states.

- Accumulation of front loaded UI contributions and low unemployment post World War II led to large balances that triggered Reed Act distributions in late 1950s.
- Increased benefit amounts since 1960s and program expansion has put cost pressures on employers in some states impacting economic development and long term solvency.
- Number of weeks of benefits, indexed weekly benefit amounts.
- Wage replacement increased for lower paid workers.

The most recent trend appears to be lower unemployment rates but significant numbers of long term unemployed. What is the appropriate role for the employer financed federal/state UI system in the changed economy?

A larger percentage of the working population is not relying on wages as the primary source of income. Partial wage replacement becomes less important as the primary safety net, but remains important as part of overall economic security.



Key Observations

- The basic foundation of the UI program still is broadly supported. Employers will pay the cost of unemployment insurance to provide short term partial wage replacement for individuals who become unemployed through no fault of their own and are able to work, available to work and actively seeking work.
- FUTA revenue originally dedicated to funding federal and state administrative costs has been used to artificially offset the federal deficit for decades. There should be a relationship between taxes paid to support the system, administrative funding, and benefit eligibility.
- Use of the employer paid FUTA tax to pay for large Emergency Unemployment Compensation programs and regular EB has depleted the extended unemployment compensation account.
- Integrity and reemployment services have been underfunded by the federal government for decades, but bipartisan support is now emerging for dedicated long term funding of these functions.



Solutions to Consider

- Learn from History, Anticipate the Recession and Be Prepared Address solvency before the recession.
Provide funding for systems and staff training before the recession.
Avoid knee jerk response to pay benefits without prioritizing integrity.
Recognize that increasing taxes during a recession impacts job creation and increasing the number of weeks of benefits may actually increase the total unemployment rate and result in unemployed workers choosing not to accept work that may be available.
Look to other programs for public assistance.

LongTerm

Take the FUTA tax revenue and appropriations off the federal budget.
Permit states to collect and keep all SUTA and FUTA tax revenue.
Repeal the regular EB program and rely on federal general revenue funding for emergency unemployment compensation programs as needed.

