

Employer/Administrator/ Worker Advocate Roundtable

Maurice Emsellem
National Employment Law Project

UWC National Unemployment Insurance
Issues Conference
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Overview

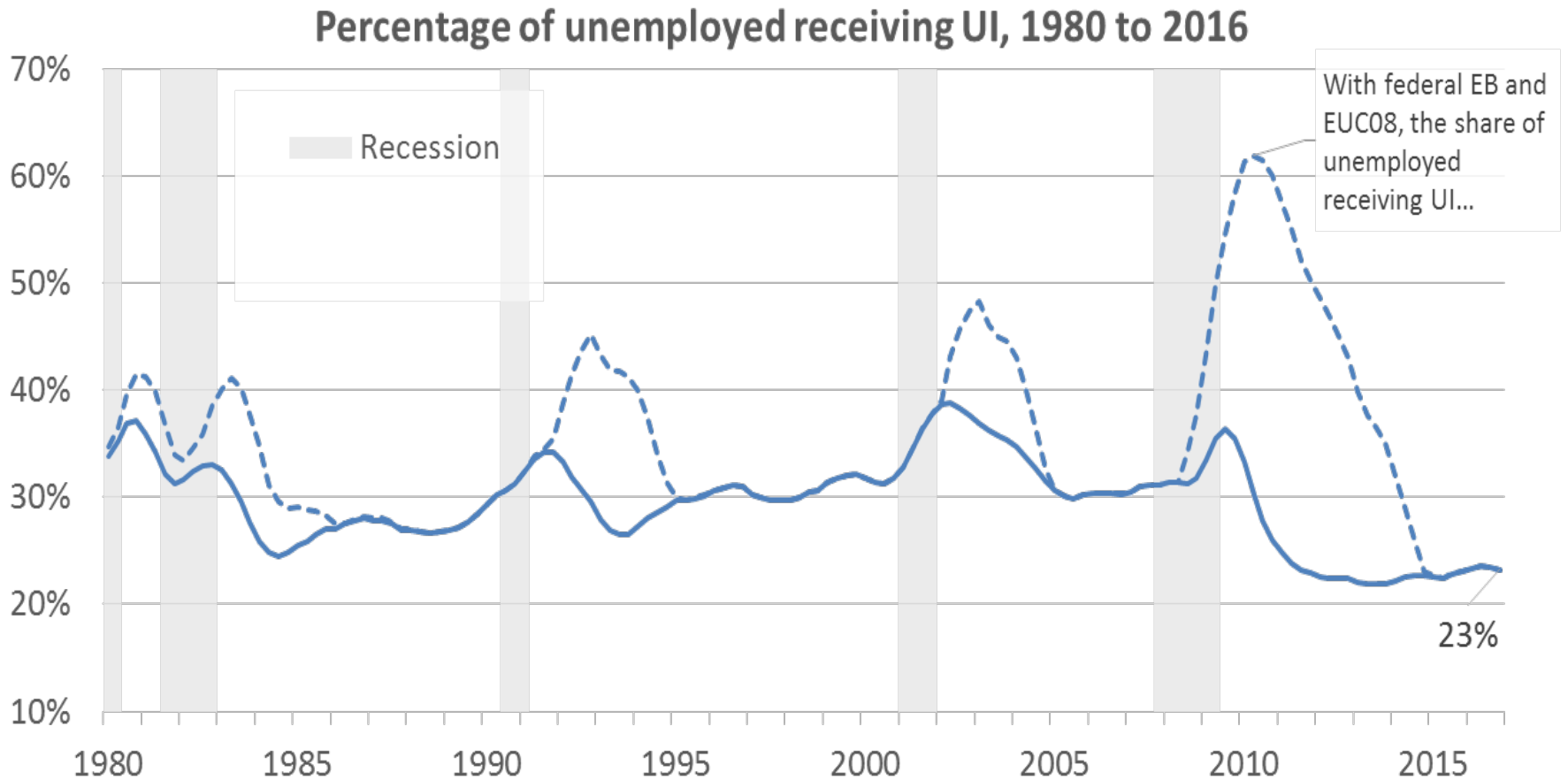
- Key Issues of Concern

- Record Low Rates of Workers Collecting UI
- Solvency of the System Still Compromised

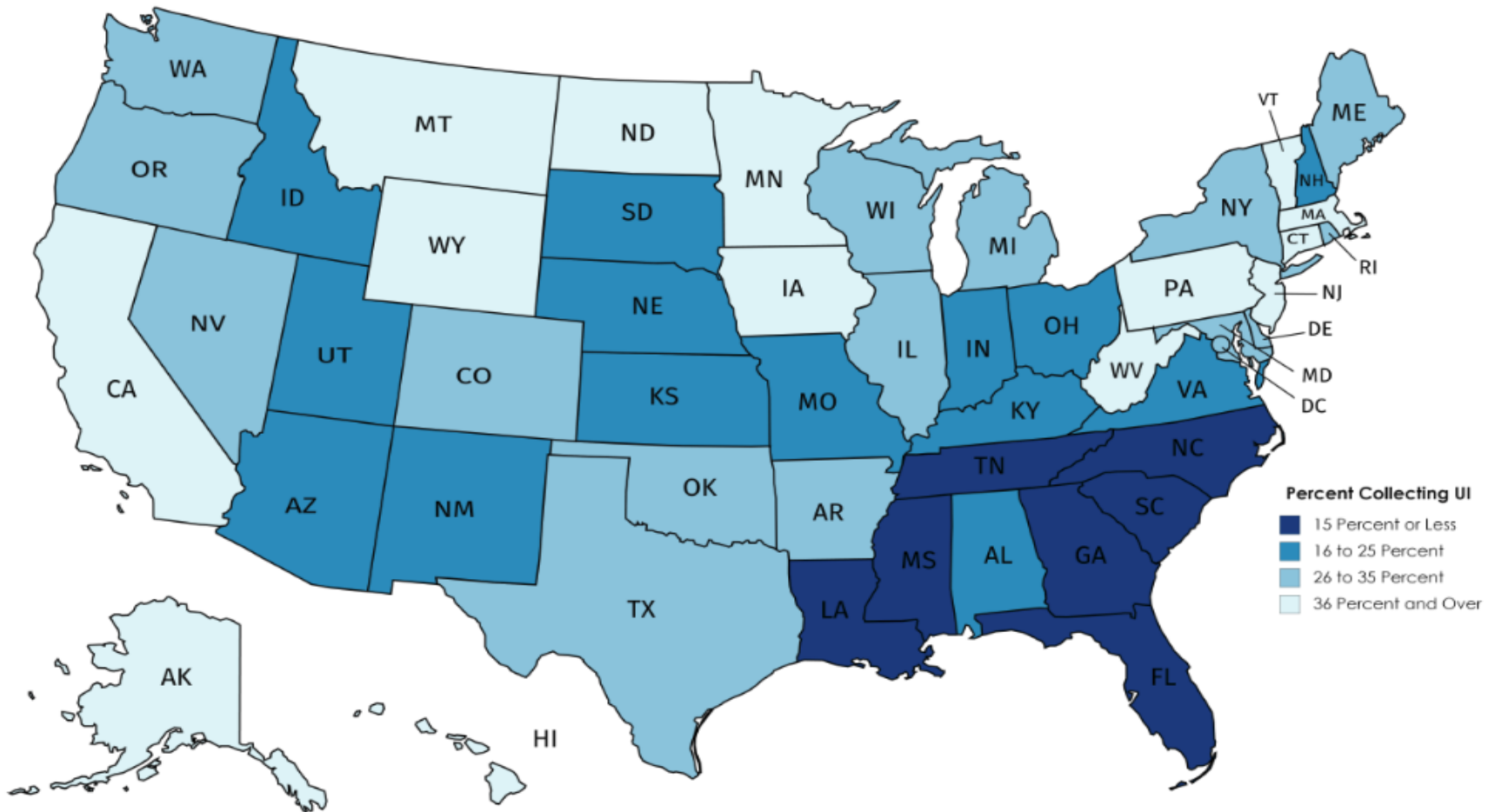
- Recommendations for Reform

- Financing Reform Preparing for Next Recession
- Provide More Adequate Benefits
- More Balanced Approach to Program Integrity
- Greater Investment in Reemployment Services and Short-Time Compensation Programs
- Increase Administrative Funding/Improved Services

Percent of the Unemployed Collecting UI Falls to Record Low Levels (2016)



In 15 States, Fewer Than 1 in 4 Unemployed Collect UI (2016)



Key Factors Driving Record Low Rates

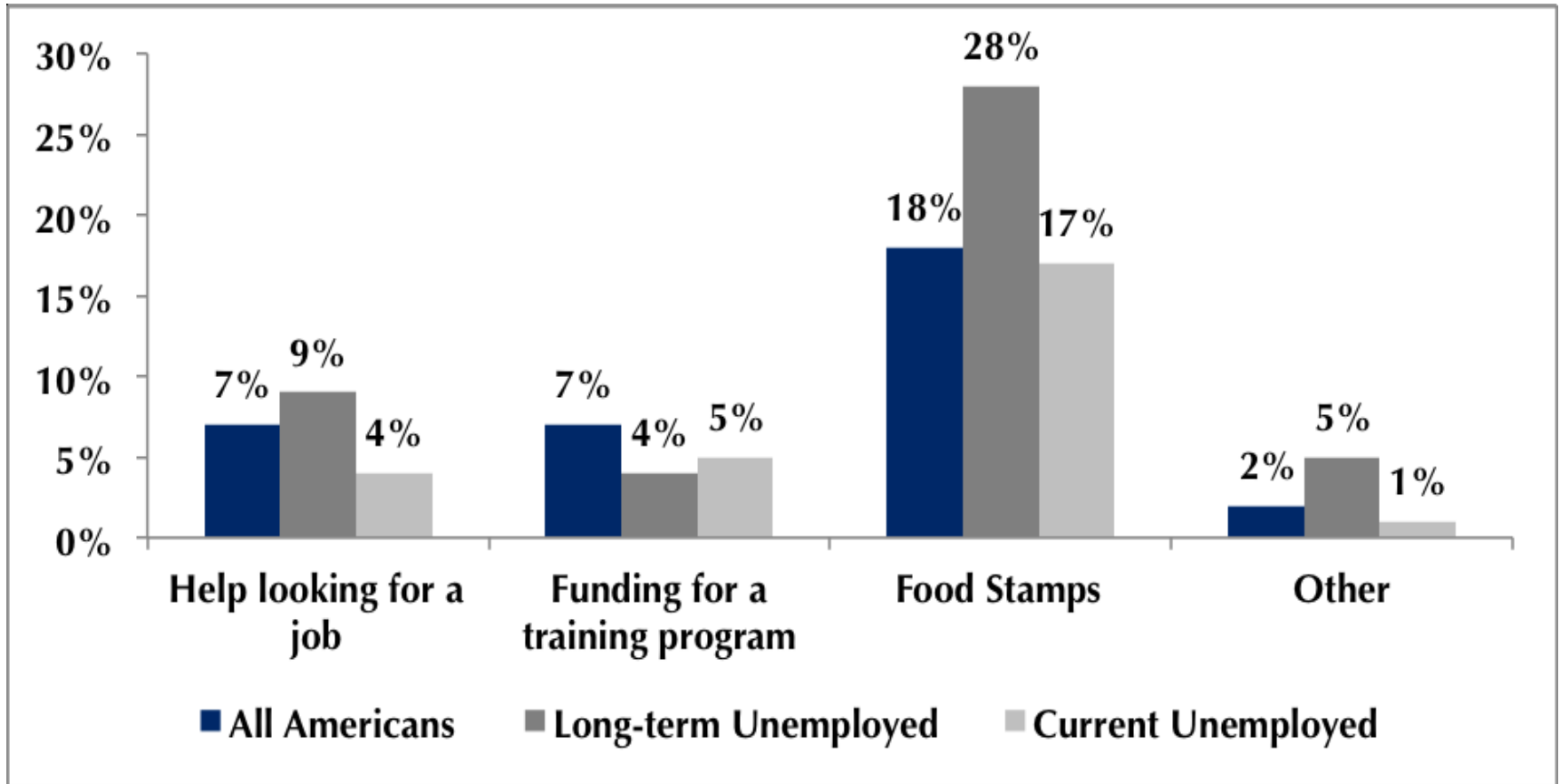
- Two factors alone account for half the reduction in the percent of jobless collecting UI:
 - The cuts to the maximum weeks of benefits adopted in nine states reduced the rate by 2.5 percentage points.
 - Major increase in denials due to work-search mandates and other “nonseparation” determinations reduced the rate by 1.8 percentage points.
- Higher rates of long-term unemployment may also contribute but the question requires more research.

Source: Vroman, “Unemployment Insurance Performance After the Great Recession” (June 2017).

The UI Program Prevents Economic Hardship and Stabilizes the Economy

- In 2009 alone, UI kept more than 5 million Americans out of poverty, and saved more than 2 million jobs by boosting demand in a sagging economy.
- UI benefits were responsible for a 25 percent reduction in poverty among children who have had an unemployed parent.
- From 2008 and 2012, UI prevented an estimated 1.4 million foreclosures.
- From 2008 to 2010, UI benefits closed more than 18 percent of the shortfall in the Gross Domestic Product due to the multiplier effect.

Few Unemployed Receive Other Forms of Government Assistance



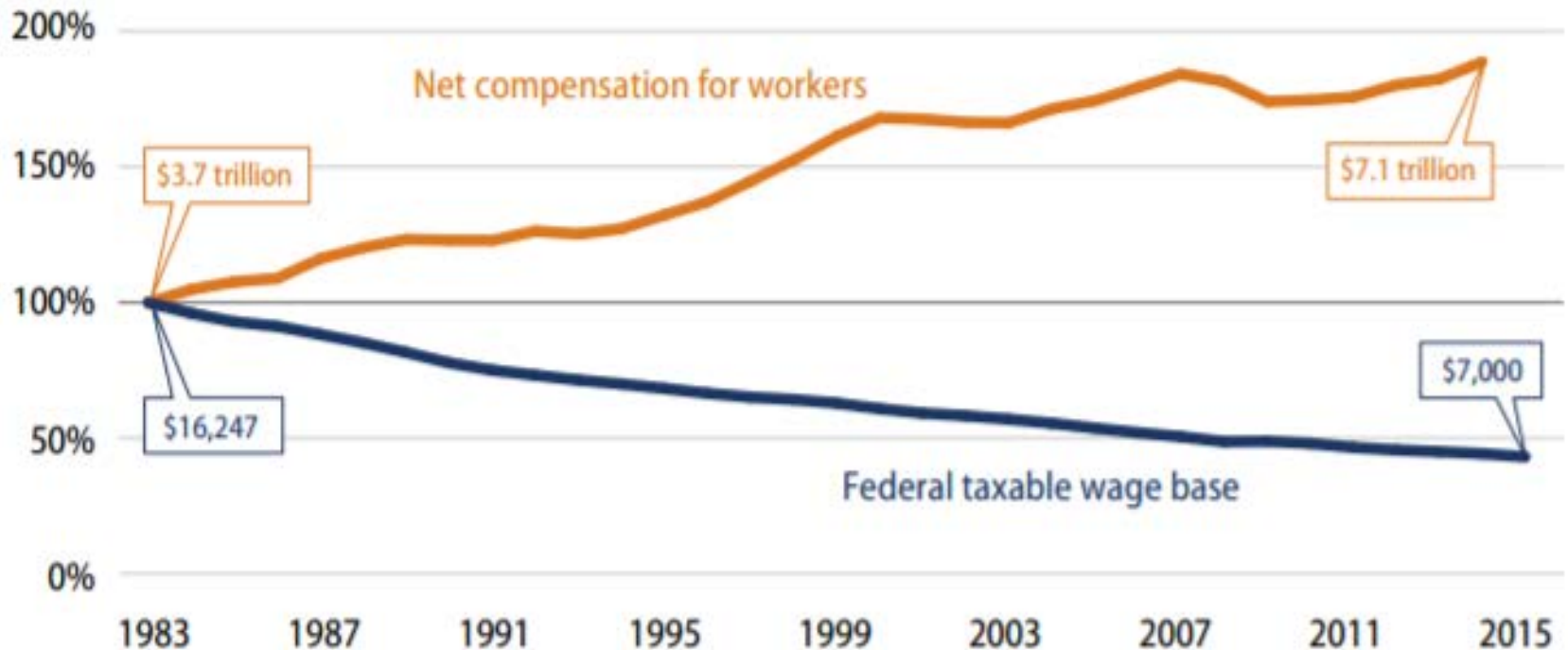
State UI Trust Funds Remain Severely Ill-Prepared for the Next Recession

- Thirty-six states depleted their trust funds and borrowed over \$160 billion from the federal government to pay benefits in response to the Great Recession.
- Today, eight years after the recession officially ended, only 20 states have enough trust fund reserves to pay UI benefits for one year (as recommended by DOL).
- Only twice since 1860 has the U.S. gone more than eight years without experiencing an economic downturn.

The real value of the federal taxable wage base has shrunk by more than half since it was last raised in 1983

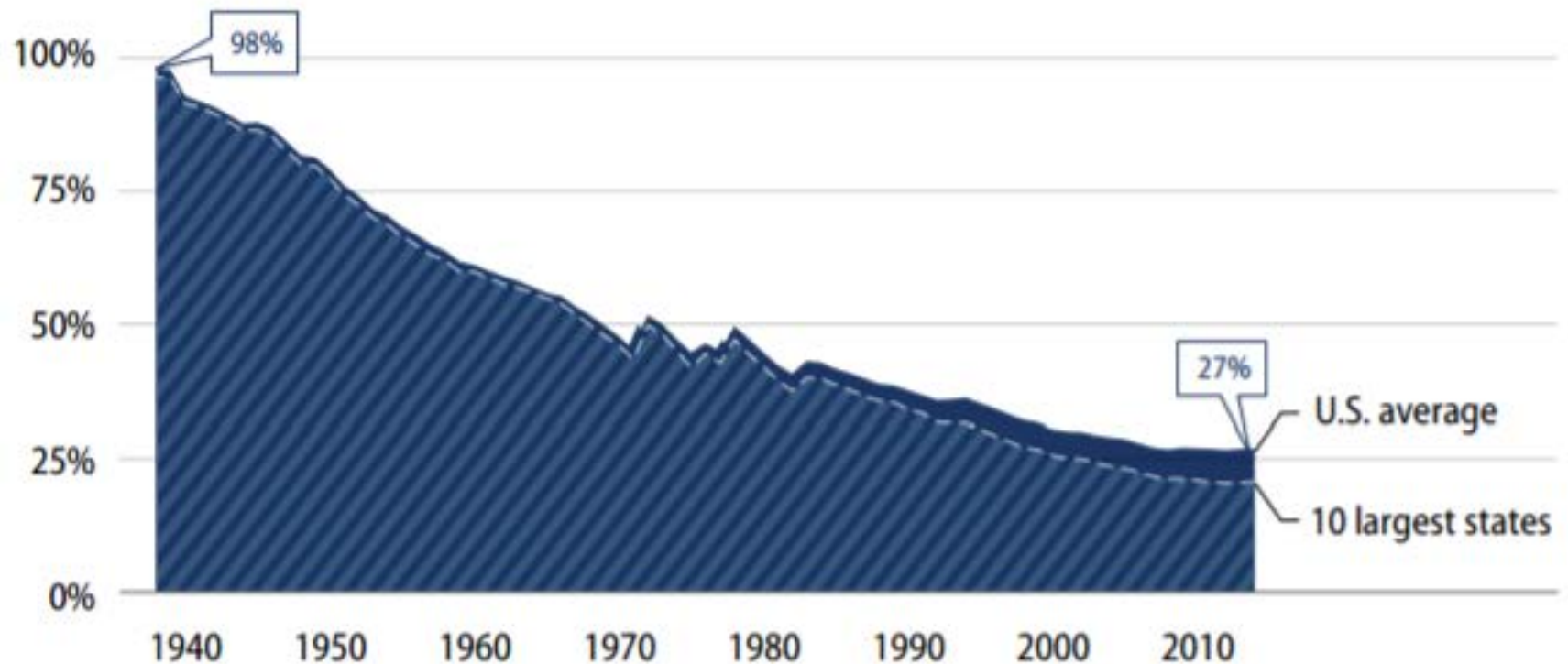
Over the same period, net compensation received by American workers nearly doubled

Percent of inflation-adjusted value in 1983



The share of wages subject to state UI taxes has significantly eroded—especially in the largest states

Ratio of wages subject to state unemployment taxes to total wages paid in covered employment, 1938 to 2014



2016 UI Tax Facts and Figures

- In 2016, employers paid \$337 per employee in UI taxes, which comes to \$0.72 per every \$100 in wages paid.
- This is a 10 percent decrease from 2015 and a 26 percent decrease from 2013.
- Thirty-nine percent of employers paid the lowest tax rate in the state schedules (6 states had a 0-percent tax rate assigned to those employers)
- The state average tax rate was 28 percent below DOL's "minimum adequate financing rate target."

Source: DOL, "Significant Measures of State UI Tax Systems Report" (2016)

Recommendations for Reform



Strengthening Unemployment Protections in America

Modernizing Unemployment Insurance and Establishing a Jobseeker's Allowance

By Rachel West, Indivar Dutta-Gupta, Kali Grant, Melissa Boteach, Claire McKenna, and Judy Conti
June 2016

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