
SERVICE BULLETIN

President Obama's Jobs Package

October 27, 2011

Last month President Obama submitted to Congress the legislative text of his American Jobs Act. The text is available at <http://www.whitehouse.gov/economy/jobsact/read-the-bill>.

Following are comments regarding the provisions that are related to unemployment compensation:

1. The bill would extend the emergency unemployment compensation (EUC) program for another year. Individuals could enter the program if they exhaust their regular UI benefits before January 4, 2013. Currently the EUC program is set to expire on January 4, 2012, with a phase-out period lasting into June for individuals who have already qualified for EUC by the January expiration date. EUC is 100% federally funded and does not directly affect your UI tax rates. This program provides 34 to 53 weeks of EUC benefits for individuals who are still unemployed after receiving all allowable regular UI benefits.
2. The bill would extend 100% federal funding of most extended benefits (EB) by one year. The federal funding would include EB paid to individuals who started receiving EB before January 4, 2013. Without this provision, EB will revert back to being 50% federally funded and 50% state funded in 2012. To the extent that EB is state-funded, such benefit payments can affect your UI tax rates.
3. The bill would extend by one year the temporary modifications to EB triggers, which make it easier for EB to be payable, to December 31, 2012. Without this provision we would expect EB to trigger off in most if not all states by the end of this year. EB benefits are available for up to 13 weeks in some states and 20 weeks in other states, when they are triggered on by high unemployment.
4. The bill would require states to provide certain reemployment services to EUC recipients, such as an assessment of the individual's skills, job search counseling, and development of a reemployment plan. Federal funds would be provided for this purpose.
5. The bill would permit the payment of EUC as self-employment allowances (SEA) for up to 26 weeks. Participation would be capped at 1% of the number of individuals receiving EUC.
6. The Bridge to Work Program would be established. Eligible individuals would have the option to engage in short-term work experience with an employer, and continue to receive EUC while working. The individual could also receive compensation from the employer or the state, in addition to EUC. Bridge to Work placements could last up to 8 weeks. This program would provide the participating employer with a low-risk trial period to evaluate whether a long-term unemployed person should be offered a full-time job.

THOMAS & THORNGREN
client-centered. detail-driven.

7. The bill promotes short-time compensation programs (STC), otherwise known as worksharing or shared work programs. STC programs are a strategy to avoid layoffs. Under such programs, employers reduce the workweek of a group of employees in lieu of temporary layoffs and the affected employees receive a pro-rated share of their weekly UI benefit amount for the period of reduced hours. Without an STC program, an individual's UI benefits would be greatly reduced and often completely unavailable during a period of reduced work hours.

Twenty-two states currently have STC programs and several additional states are considering them. The problem has always been that such programs increase the amount of UI benefit payments (the intended purpose), and such payments are charged to the tax accounts of participating employers, thereby affecting their tax rates. The trade-off is that the employer retains experienced, skilled workers who might otherwise have found employment elsewhere if they were laid off. Grants would be made available to states to incentivize them to enact an STC program and to make greater use of such programs if they already have one. States could receive temporary federal funding of 100% of STC benefits for up to 26 weeks for eligible individuals. The federal fund would be made available for 3 years. Of course, after the federal funding expires, any STC benefits will once again be charged to employer tax accounts.

In summary, none of the provisions in the American Jobs Act would have a direct impact on state UI tax rates. However, the question remains as to whether benefit extensions (EUC and EB) create a disincentive for a claimant to search for work, and therefore increase the average duration of regular UI benefits, which in turn would increase UI tax rates.

As always, please do not hesitate to contact us if there are any questions.