

Unemployment Insurance

Background:

Employers throughout the country are struggling in a sluggish economy that is crippling businesses and driving significantly high levels of unemployment. In one year, the rate of unemployment in Washington grew from 5.4% to 9.1%, with peak unemployment levels reaching 9.4% in June 2009 (**subject to change**). While several state UI trusts funds have gone bankrupt requiring loans from the federal government to pay unemployed workers, Washington is fortunate to still have a healthy trust fund balance which if managed properly, should sustain us through these tough economic times.

The Employment Security Department estimates that the unusually high level of unemployment in the state will cause unemployment taxes to increase for all employers in 2010 and in 2011. Those employers who experienced layoffs beginning in 2009 will experience the most significant increases.

Both the state and federal governments have temporarily increased UI benefits to unemployed individuals during this economic downturn. Even without the temporary increases, Washington pays the fifth highest UI benefits to unemployed workers in the country.

Problem:

The rate of unemployment is likely to remain at very high levels throughout this next year. In early 2009, the Legislature authorized temporary increases in UI benefits that will expire in January 2010. When the legislation passed, this increase in temporary benefits was estimated to cost \$193 million dollars. By June 2009, the cost estimate had increased to \$230 million (**subject to change**), for just 10 months worth of increased benefits, and as the unemployment rate increases, the costs increase. Both temporary benefit increases passed last year will expire in 2010. It is highly likely the Legislature will not only attempt to make the temporary increases permanent, but will also seek other changes to increase benefits such as increasing the multiplier for determining the benefit amount, adding a dependent allowance, and expanding UI benefits to all part-time employees only interested in part-time work.

Each benefit increase will increase UI taxes, which in our current economy could have devastating effects on employers. Main street small employers will be hit disproportionately hard if any of the above expansions occur.

Solution:

1. Oppose efforts to increase unemployment insurance benefits that will either raise employer taxes or add additional costs to employers
2. Oppose changes to the voluntary quit provisions adopted during the 2009 legislative session that will expand eligibility to individuals for reasons beyond those specifically listed in the law
3. Oppose direct or indirect fund transfers of unemployment insurance monies, and income derived therefrom, to fund state programs unrelated to unemployment insurance benefit payments and administration.
4. Work collaboratively with the Employment Security Department to secure additional REED Act dollars without adversely impacting employer taxes
5. Oppose the expanding benefits to part-time workers who only work part-time; and benefit enhancements for dependents