

TRANSMITTAL #10

MEMORANDUM

March 24, 2011

TO: Workforce Development Council

FROM: Roger B. Madsen, Director

Roger B. Madsen

SUBJECT: Unemployment Insurance in Idaho

ACTIONS REQUESTED: Information only.

BACKGROUND:

Unemployment Insurance is a federally funded program administered by the states that has worked for over 60 years to help ease the economic burden of workers who have been laid off through no fault of their own and help them transition to new employment opportunities. In addition, Unemployment Insurance lessens the impact of downturns in the economy where weekly checks help families pay the rent and utilities and support local businesses as well as maintain skilled workers in a local communities that are available to employers when the economy improves.

As the administrating body of the Idaho Unemployment Insurance Program, one of the primary responsibilities mandated by the United States Department of Labor is to ensure the integrity of the Unemployment Insurance trust fund. This enforcement process is a dual approach that addresses claimant (recipient) fraud and employer fraud. The attached document outlines the administration of benefits and integrity of the Unemployment Insurance program. It also explains the procedures the Idaho Department of Labor has in place to assure claimants are qualified to receive benefits and businesses are in compliance. The department aggressively works to maintain the integrity of the program and appreciates the opportunity to present to the Council regarding this important program. We are constantly working to refine our policies and administration and welcome suggestions for improvement.

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Idaho's Unemployment Insurance Benefit Program

The unemployment insurance system is essentially a federal program run by the states. The U.S. Department of Labor gives Idaho guidance on what state law must include for continued funding. In fact, much of Idaho state law is a near carbon copy of what is in federal code. Idaho has some flexibility, but the state usually runs any changes to its law by the U.S. Department of Labor to make sure it conforms with federal requirements. Failure to do so could affect our federal funding.

Idaho takes all of its claims online. Claimants may file their claim on a computer in one of our 25 local offices or from anywhere there is Internet access. A new claim is good for one year. Claimant can draw a few weeks, return to work, then in the future when they become unemployed again, they can reopen the claim and begin receiving benefits again.

To be eligible, a claimant must meet two different types of eligibility standards. To be monetarily eligible, a claimant must have wages in at least two completed quarters - at least \$1,872 in one quarter, and a quarter of that amount in the remaining three quarters. This base period is usually the first four of the last five completed calendar quarters before layoff.

Claimants are eligible for weekly benefit amounts from \$72 to \$336 with the average weekly benefit amount of \$244.11 for 2010. Additionally, claimants are eligible for regular benefits anywhere from 10 to 26 weeks. In terms of what claimants are currently drawing, claimants' average duration is 15.8 weeks for the 3rd quarter 2010; the national average was 19.4 weeks.

Due to the state of the economy right now, claimants are eligible for an extension of 28-73 weeks of benefits. These extension benefits are 100 percent federally funded. Nearly 53 percent of claimants exhausted their regular unemployment benefits without finding work in the third quarter 2010. The national average was 54.4 percent.

After satisfying the monetary eligibility criteria, claimants must satisfy personal eligibility requirements. Claimants must be unemployed through no fault of their own and be able, available and meeting the work search criteria.

The work search criteria depend on the claimant's specific situation:

- Claimants returning to work within a reasonably short period of time are required to maintain regular contact with their employer and are not required to seek work.
- Most claimants who are not returning to an employer are required to look for work and go through the work registration process while filing their online unemployment claims, identifying specific types of work they are willing to do along with their work search background. Claimants must seek work they are capable of performing and be realistic about what is available in the labor market. It is up to claimants on the type of work they seek. Failing to look for work will result in a denial of benefits.

- The remaining claimants are in approved schooling through the Workforce Investment Act, the Trade Act or Director-Approved Schooling. These claimants need to demonstrate every two weeks they are making satisfactory progress in school. Currently, we have approximately 918 claimants attending school under this work search waiver. Last year, we granted approximately 2,369 work search waivers.

In addition to claimants and non-claimants having access to the many services through the department's local offices, the department also makes special efforts to assist claimants in returning to work. The Reemployment Eligibility Assessment program is funded through a supplemental budget request from the U.S. Department of Labor each year. In this program, claimants are randomly selected to provide evidence of their work search during a given week. Those failing to follow through are denied unemployment benefits. Once a claimant supplies their required work search, three possibilities exist. The claimant may be done with the process, the work search contacts are verified or the claimant is asked to come to the local office and discuss re-employment efforts. This gives department staff the opportunity to redirect the claimant to specific services, identify barriers the claimant may be facing in the work search and work with the claimant to overcome them, refer the claimant to Workforce Investment Act services for updated school or training and work with the claimant on developing a plan for progress in obtaining new work in a timely fashion. For claimants who have an in-person interview, the average period to re-employment is about 13.1 weeks.

Integrity of the Idaho Unemployment Insurance Trust Fund

As the administrator of Idaho's unemployment insurance program, the Idaho Department of Labor is mandated by the U.S. Department of Labor to ensure the integrity of the Unemployment Insurance Trust Fund. This responsibility addresses claimant fraud and employer fraud.

With the unemployment rate beginning to spike in 2009, the Idaho Department of Labor has vigorously pursued individuals who received benefits that they were not eligible to receive. Idaho unemployment law dictates that people receiving benefits must certify that they meet the eligibility requirements. State law also states "(1) The making of a false statement when the maker knows the statement to be false, or the wilful [willful] failure to disclose a material fact in order to obtain or increase any benefit or other payment under this chapter or under an unemployment insurance law of any state or of the federal government, either for the benefit of the maker or for any other person, is hereby declared to be a felony."

- From 2009 through February 2011, Benefit Payment Control fraud investigators have established \$11.7 million in benefit overpayment and \$14.4 million in fraud – a total of \$26.1 million. In addition to collecting fraud-related civil penalties, the Idaho Department of Labor has criminally prosecuted people that have committed fraud as well.

- Given this economy and the fact that the department is collecting this debt from people who were very recently receiving unemployment benefits, this recovery rate is very successful. The recovery rate on these delinquencies will continue to rise as the economy improves.
- The department uses many different tools and methods to detect fraud and overpayments – internal data mining tools, national new hire lists, state new hire lists, separation issues from employers and tips and leads from citizens and employers. The state has an 800 number where fraud tips can be telephoned in anonymously.
- In addition to recipients who have obtained benefit payments that they were not entitled to, the compliance bureau actively pursues business owners who are either receiving illegal benefits or are helping employees get benefits to which they are not eligible. Using normal audit processes in 2010, 518 employers were audited, and 1,049 misclassified or unreported workers were discovered.
- In addition since 2009, the department has conducted 63 audits of corporate officers that identified \$603,000 in fraudulent benefits that have been received fraudulently by corporate officers who continued to work for their corporations while receiving unemployment benefits.
- Another area of concern is employers who coach employees in how to beat the unemployment system. One way is during slow times, the employer pays the employee “under the table” to supplement the unemployment benefits that the employee is receiving. The department is currently focusing audit efforts on the discovery of misclassified and unreported workers.
- Employers can stop a lot of overpayments by filling out and completing the new hire reports when they hire new employees. Even though the department routinely reminds and requests employers to report, the most current query showed only 52 percent currently are reporting their new hires. This can cause the department a delay of up to 12 or more before benefits can be denied.