May 2004
Volume 2, Issue 1

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Background Brief on…

Unemployment Insurance

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Background

Congress enacted the unemployment insurance **(UI)** program as part of the Social Security Act **(SSA)** in 1935, responding to the Great Depression. The program is a federal-state partnership: the SSA provides grants to states with UI laws that adhere to federal requirements. Unemployment insurance benefits replace part of the income lost when a worker becomes unemployed through no fault of their own. Because UI provides a means for unemployed workers to maintain some level of consumer demand in hard times, unemployment insurance has been credited as one reason the nation has avoided deep depressions since the 1930s.

Current Benefits

Total benefits for a worker are set by state law. As of July 2003, the minimum benefit is $96 per week and the maximum weekly benefit is $410. Under the Regular Program, claimants are usually eligible for 26 weeks of benefits. If qualifying wages are less than $7,680, benefits are limited to one-third of those wages. Unemployment insurance claims and benefits are based on the worker's work record for a 12-month period known as the base year.

Oregon law (ORS 657.321-657.329) provides up to 13 additional weeks of benefits during periods of high unemployment. Also in periods of high unemployment, the federal government has historically enacted legislation providing benefit extensions in addition to the state extension.

Source of Benefit Payments

Unemployment benefits are paid out of the Unemployment Compensation Trust Fund. The UI Trust Fund is financed by employer payroll taxes that are set according to a self-adjusting rate schedule (see discussion about employer rates, below). The UI Trust Fund maintains a balance based on statutory requirements tied to the solvency of the fund. No contributions for unemployment insurance come from employee wages.

The UI Trust Fund is the resulting balance between benefits flowing out and unemployment taxes flowing in. In general, benefit increases are financed by increased unemployment taxes paid by businesses. During the calendar year 2002, $464,524,000 in employer taxes were collected, $1,226,237,000 in UI benefits were paid, and the UI Trust Fund balance ended the year at $1,489,728,000.

Employment Department

The Employment Department, through 48 statewide offices, helps workers find suitable employment; helps provide employers qualified job applicants; supplies statewide and local labor market information; and provides unemployment insurance benefits to unemployed workers. Job listings, up-dated every two hours, are available on the agency website.

Unemployment Claims

To obtain unemployment benefits, an unemployed worker must file a claim with the Employment Department. Claimants must show that they are unemployed through no fault of their own and are able to work, available for work, and are actively seeking work. Claimants must also provide information on past employment for all employers within the previous two years. Benefits start after one week, called the "waiting week" and are thereafter claimed one calendar week at a time. Unemployed workers who are attending school, working part-time, self-employed, or wish to start a new business may also be eligible to receive unemployment benefits. UI benefits are fully taxable income.

Claimants may not receive unemployment benefits if they: voluntarily left work without good cause; were discharged or suspended from work for misconduct connected with work; fail to accept suitable work when offered; or fail to apply for suitable work when referred to a job by the Employment Department. Claimants may also be denied benefits on a week-to-week basis if they fail to be able to work; fail to be available for work; are not actively seeking work; or do not claim benefits as directed by the department.

Any time the Employment Department reduces or denies benefits, the claimant is notified in writing. These written notices are called Administrative Decisions. If the claimant does not agree with the department's decision, the claimant has the right to have the decision reviewed through a hearing. Employers have the same right if a written decision allows benefits.

Employer Responsibilities

Employers must register with the Employment Department by completing and sending to the Oregon Department of Revenue a Combined Employer's Registration (Form 150-211-055). Employers must also post a notice about unemployment insurance where employees can read it; keep adequate payroll records; pay taxes or reimbursements when due; file the required quarterly or annual tax forms on time with complete information; and inform the Employment Department and the Oregon Department of Revenue of any changes to the organization or its status.

Employers pay unemployment taxes which are set by statute (ORS 657.462). Employer payroll taxes are set according to a self-adjusting rate schedule that is tied to the solvency of the UI Trust Fund. New employers are assigned a "base rate" until they qualify for an "experience" tax rate (usually after about three years). In 2004, the base tax rate is 3.3 percent of taxable payroll, calculated on each employee's first $27,000 of wages. "Experience" rates vary from 0.9 percent to 5.4 percent. In addition to state unemployment taxes, employers also pay a federal tax according to the Federal Unemployment Tax Act (FUTA) of 0.8 percent on the first $7,000 for each employee. These funds pay for some of the Employment Department administrative costs.

JOBS Plus

The JOBS Plus Program was created by Ballot Measure 7 in 1990. The program is designed to provide jobs in place of Temporary Assistance for Needy Families (TANF), food stamps, and unemployment insurance. The Employment Department JOBS Plus Program provides a 13-week work experience, offering advantages to both participants and employers through wage subsidies. The JOBS Plus program is available to all Oregon employers, and each employer is eligible for at least one JOBS Plus participant.

Recent Legislation

Senate Bill 2

SB 2 extends emergency unemployment benefits for up to 13 weeks. The measure applies to unemployed Oregonians who: have exhausted regular benefits; are not currently eligible for any other unemployment benefits (e.g. any federal extension); continue to meet normal eligibility requirements; and whose benefits expired after January 5, 2002. The measure prevents the Employment Department from charging an employer's account for benefits paid under this bill. SB 2 allows the Director of the Employment Department to stop payments of emergency benefits when the total payments would exceed $29 million. *Effective date: April 1, 2003*

Senate Bill 903

SB 903 increases the number of weeks emergency unemployment benefits may be paid from 13 weeks to 20 weeks. The measure limits the eligibility period for emergency unemployment benefits through September 27, 2003. Under a temporary provision, unemployed workers who have exhausted benefits are allowed to receive another 6.5 weeks of benefits for workers meeting specified eligibility criteria. The supplemental unemployment benefit period for dislocated workers in approved technical training programs was extended an additional two years, through June 30, 2005.

According to the Employment Department, the $29 million ceiling set by SB 2 was reached at the end of June 2003. SB 903 removed the Director's authority to stop payments at $29 million and extended emergency benefits through September 27, 2003. The Temporary Additional Benefits (TAB) provision of SB 903 is part of a federal-state extended benefits program. *Effective Date: July 3, 2003*

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