

Unemployment Trends and the State–Federal Partnership

THE ARIZONA AND NATIONAL PERSPECTIVES

Trends in Claims

- The percentage of unemployed workers
- Initial claims
- Continued claims
- The current reemployment situation
- The extensions



The Basics

- Unemployment Insurance (UI) is a temporary "safety net"
- For workers who are unemployed through no fault of their own or who voluntarily quit jobs with good cause
- A combined federal-state program
- Provide workers with some wage replacement when they are involuntarily unemployed
- Provide economic stability for communities to counter the effects of unemployment and recession



National Percentage

UI currently at 9.8%

Percentage



—Percentage

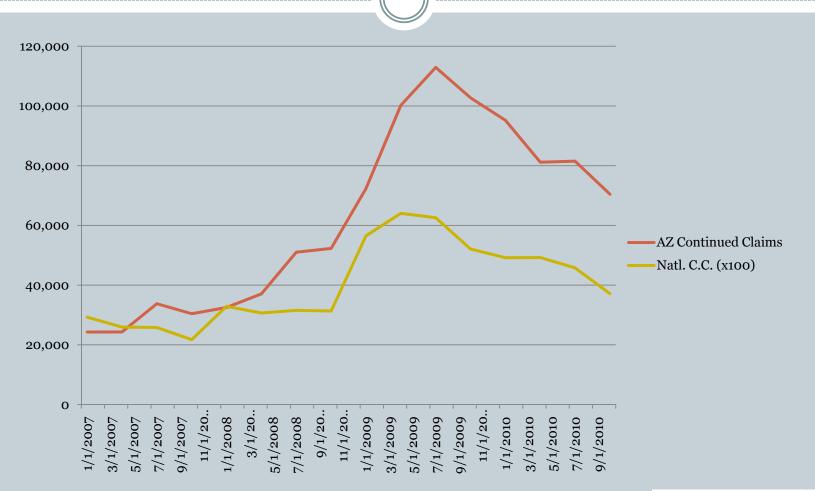


Initial Claims





Continued Claims





Positive Impacts

- \$1 equal to \$1.61 to 2.00
- The Congressional Budget Office says the program is the most effective government policy for generating growth among 11 options the CBO has analyzed



Positive Impacts

- Benefits Paid YTD 2010 Estimates
- *\$1,552,020,588* X 1.90 = \$2,948,839,117
- *\$1,552,020,588* X 1.61 = \$2,498,753,147
- *\$1,552,020,588* X 2.00 = \$3,104,041,176



A Tough Time to Find Work

- Average of five applicants for every job
- 6.3 million workers out of work for 27 weeks or longer
- Over 33 weeks on average to find a job
- Employers not hiring the unemployed



The Expired Extensions

- Up to 73 week of extensions for a maximum of 99 weeks
- Federal Additional Compensation (FAC)
- Four tiers of Emergency Unemployment Compensation (EUC)
- Extended Benefits (EB)
- All are closed to new applications, phase-out through 4-30-11



State-Federal Partnership

- USDOL
- NASWA
- The SWAs
- Trust Funds
- Interest-free loans
- Repayment and Potential Interest



U.S. Department of Labor

- U.S. Department of Labor, Employment and Training Administration (DOLETA)
- To contribute to the more efficient functioning of the U.S. labor market



National Association of State Workforce Agencies

NASWA is an organization of state administrators of unemployment insurance

- Advance the state role in the workforce system;
- Invest in training and professional development; and
- Lead in coordinating local, state, and federal roles.



State Workforce Agencies

The third part of the partnership is the 53 state workforce agencies (SWA). This includes all 50 states plus Washington DC, Puerto Rico and the U.S. Virgin Islands



Federal Unemployment Tax Act (FUTA)

• FUTA provides the funds to operate the program nationally

State Unemployment Tax Act (SUTA)

• SUTA tax rates and caps are usually different in each state



• Tax amounts are calculated for each employee based on the actual wages paid to the employee and the unemployment experience rate of the company. Each state has differing minimum and maximum rates.



Counter-cyclical

- The trust fund balances are a forward-funded, counter-cyclical tax structure.
- The Great Recession
- Raising the tax rates

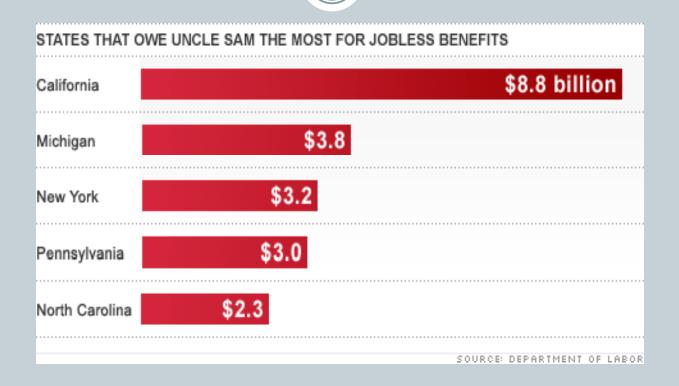


Insolvency

- 32 states have of more than \$40 billion
- As many as 40 states may borrow
- Estimated to reach a peak of \$65.2 billion by 2013



Another hit to states: Interest Payments



NEW YORK (CNNMoney.com) -- The Great Recession has forced states to borrow \$41 billion from a federal fund to cover unemployment checks for their jobless residents. Now the bill is coming due.

Interest Due

- The 2009 Recovery Act expires on Dec. 31
- Estimated \$1.4 billion in interest payments
- The burden to cover this cost will fall mainly on businesses, who will see their unemployment taxes rise
- Some states might also have to cover at least part of the payment from their general revenues



How some states will pay the bill

- Texas -- issue up to \$2 billion in bonds
- Michigan -- some companies will pay a solvency tax of \$67.50 per employee starting Jan. 1
- California -- payment of \$362 million on a loan of \$8.8 billion



May you live in interesting times

Very challenging times for all of us

Questions?



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